



MODULE 3b

Setting up the legal and operational basis for cooperation

Overview

This module will show you the steps involved in creating a successful co-operation partnership including necessary formal aspects as well as entrepreneurial approach for setting up the legal and operational basis for cooperation and implementing it successfully.

This module is building up on content of module 3A.

Learning objectives (knowledge/skills/attitudes acquired)

Knowledge

- Clear idea about the necessary steps to take for setting up a cooperation.
- Clear picture of Planning and Management of successful cooperation.

Skills

- Reflecting about entrepreneurial action in specific circumstances and your own individualised situation for cooperation.

Attitudes

- Awareness for improving/ maintaining successful farming business by cooperation.
- By following the offered links to the SUMMARY REPORT and the CASE STUDIES you should further use the opportunity to compare your situation, attitude and entrepreneurial action with other farmers and other countries.

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Recap

The formation of the cooperation should be planned and executed on schedule. A **cooperation plan** makes sure you have the right expectations about the joint project to follow. The plan should also avoid

that too high or unrealistic expectations are placed on the results of the cooperation.

In any case, the chances of success in planned cooperation are essential better than cooperations due to spontaneous decisions.

The cooperation plan should describe a possible way of forming cooperation, important steps as well as a meaningful order of implementation.

The plan should only be a guide and aid for orientation. The details will be individually developed, decided and implemented.

A cooperation plan envisages the following stages of cooperation and its implementation:

Stage 1: Preparation of the cooperation (see module 3a)

Stage 2: Forming the cooperation (see module 3a and module 3b)

Stage 3: Implementing the cooperation (see module 3b)

1. Business Planning for the cooperation

1.1 Need for a business plan

If you are lucky to have found a feasible cooperation partner with whom you found an agreement on proceeding together for detailed planning and implementation of a cooperation then it is time to start business planning.

Especially when several companies/ entrepreneurs work together, there is a multitude of uncertainties and aspects that need to be thought through in advance to minimize the risk a bad start or of early unplanned termination of cooperation.

With the presentation of a business plan, the entrepreneurs prove that they are familiar with the many aspects of business and cooperation.

The business plan is thus a written business concept in which companies, which want to cooperate, take into account all the factors that are crucial for the success of the project. Careful planning allows the review of the business idea on feasibility and goal-reaching.

The business plan is at the same time:

- **Planning tool:** for the strategic development of the business idea.
- **Support for decision:** clarifying the way forward.
- **Business card:** important medium to convince third parties of the cooperation project.
- **Control instrument:** for the ongoing review of goals and outcomes.

1.2 Use of a business plan

It is advisable to take enough time to formulate the business plan as a written concept for the cooperation project. A well-designed business plan be used for:

- **Convincing third parties** of the cooperation project. The business plan shows that the companies can handle the complexity of a cooperation formation. The transcript forces you to think clearly and deeply.
- **Strengthening the position** towards negotiating partners such as banks, investors, suppliers etc.
- **Representing a guideline** to which the objectives and activities can be reviewed. The business plan is the starting point for any controls, because without a plan there is no control.
- **Fostering a systematic approach** to the implementation of the cooperation project. When creating the plan, knowledge gaps and problems become visible.
- **Giving an overview** of the project: putting the single pieces together to a whole picture.
- **Increasing the chances of success** of the cooperation project. The implementation of it will be done a lot easier with the help of a business plan.
- **Assessing risks and weaknesses.**
- **Showing dependencies.** Even if the individual parts of a business plan are separated, it is important that all chapters match in the overall content.

[Check out the COFARM Case Studies to get to know the implementation of business planning in entrepreneurial practice!](#)

1.3 Structure of a business plan

A cooperation business plan has of course specific content different to that of a business plan for an innovation project. Despite its various applications, business plans have some similarities.

A business plan should always be a **comprehensive assessment of opportunities and risks** of a project and be clear. It is important to always take a holistic view and not to loose yourself in detail.

The reader of a business plan should **get clear answers** when reading it. All interesting topics should be concise but fully addressed. Despite the enthusiasm to be able to present your own business idea, the business plan should always be written in a factual language.

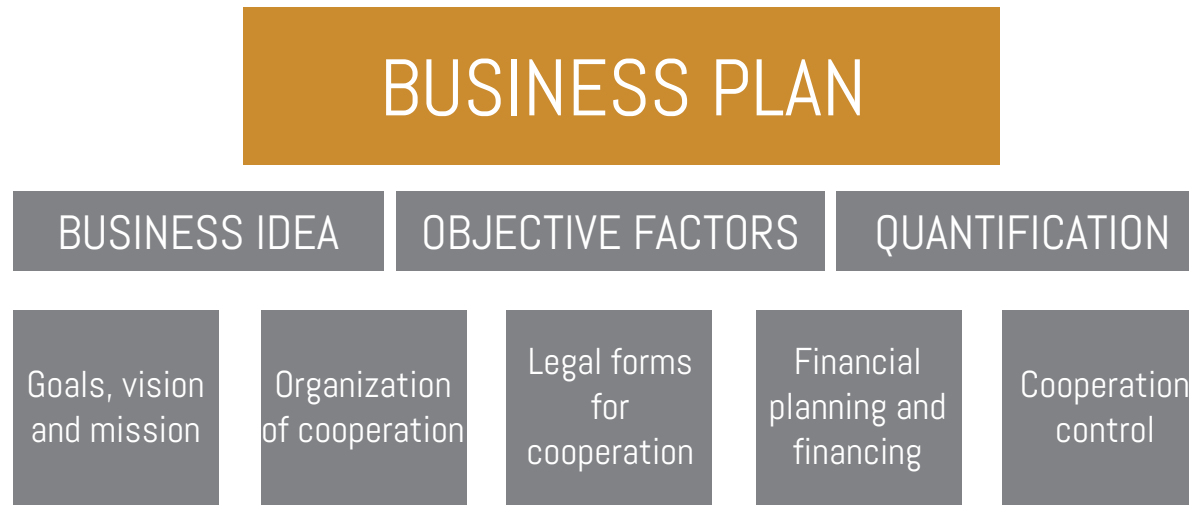
It is important to **identify weaknesses, develop approaches to anticipate and eliminate them.**

In addition to the content, the look of a business plan should be appealing. It should look visually uniform and be presented clean.

14 Main elements of a business plan/1

A business plan basically consists of three parts:

- **Part 1:** is a brief description of the **business idea** and the measures to achieve the goal.
- **Part 2:** includes **objective factors** such as customers, competitors and location, which are not directly influenced or dependent of the promoters of the cooperation.
- **Part 3:** **quantifies the cooperation project**. It indicates how much money is needed, what are the income and expenditures levels the cooperation project can achieve.



14 Main elements of a business plan/2

Please take the following elements as a suggestion and adapt to your own needs and circumstances:

- **Goals, vision and mission statement of a cooperation:** This point contains the formulation of a guiding idea and a mission statement for a cooperation project and the definition of common cooperation goals. It also includes the planning of cooperation activities.
- **Organization of cooperation:** The following questions are answered: How can the cooperation be designed? How should roles, tasks and responsibilities be distributed? How can the rights and obligations of cooperation partners be managed? In addition to the organizational structure the processes in the organization are regulated. The interfaces and the rules of the game and communication between the partners are set.
- **Legal forms for cooperation:** There are different legal forms which are feasible for cooperation projects. The bandwidth ranges from temporary cooperation, which is only regulated by a written or verbal cooperation agreement to the founding of a new company.
- **Financial planning and financing:** In addition to the legal framework, it is also important for cooperations to carry out an economic analysis of the business concept and to check the profitability of the project. It should create a profit and loss statement, an investment-, a liquidity- as well as a financing-planning with minimum 3 year forecast.
- **Cooperation control:** In addition to a precise planning, the control of the achievement of goals is very important. Because without planning no control or course correction is possible and planning without control is meaningless.

2. Goals, vision and mission for the cooperation

2.1 Goals and common interest

The starting point and basis of any cooperation must be a common interest. Every cooperation needs a long-term goal orientation as well as a strategic orientation of the cooperation.

After each partner has considered for his own company, whether and how he could benefit through cooperation, there must be consensus in the group about the common cooperation goal. Every partner has to clearly recognize the benefits of cooperation for his purpose. Only then will succeed a high identification and a high motivation for successful implementation of the joint project.

"Who does not know where he wants to go, will not get there". Ideally, for each entrepreneurial activity the strategic long-term goals as well as the operational short-term goals and the associated actions are formulated.

Important in the goal definition is that goals are measurably defined. A goal must necessarily contain a time and a quantity.

"WHAT does the cooperation want to reach WHEN and TO WHAT EXTENT?"

To formulate a better use of capacity or a higher turnover through cooperation is a declaration of intent, but not yet a useful goal, since it is not measurable and thus not verifiable in the achievement of goals.

The joint cooperation goals must be formulated in writing as they dictate the direction of cooperation. The cooperation goals thus form an indispensable part of a cooperation agreement.



2.2 Vision

To create the highest possible degree of cooperation awareness and high identification amongst the individual partners it is important to have an understandable guiding vision of the cooperation. A clear and meaningful vision provides energy and motivation to the cooperation.

The vision describes the long-term direction of the cooperation and gives orientation to the formulation of the cooperation goals.

A vision expresses the reason for existence and the inner purpose of the cooperation and should in any case:

- Be **simple and obvious**.
- Be **communicable and presentable**.
- Give a strong **orientation**.
- Raise mutual **enthusiasm**.

2.3 Mission

The written mission statement becomes the guiding idea or vision of cooperation. It should express the main objective of the cooperation and contain the principles of action to align the partners to a uniform line. Above all, the mission statement conveys in a nutshell, what the cooperation stands for.

The mission statement includes:

- The cooperation **philosophy**.
- The **area of activity**.
- The **positioning** of the cooperation on the market.
- The internal and external **principles of conduct**.

The mission statement should answer the following questions:

- What will our specific market look like in five years' time?
- Will this market remain our specific market?
- Do we need to adapt to this market?

It must be possible to convincingly convey the idea why and that the cooperation is doing better than their competitors.

3. Concrete Measures and schedule

3.1 Concrete Measures

After the cooperation partners have agreed on the common goals, vision and mission of the cooperation they now have to roughly determine with which measures and under the use of which resources they want to achieve these goals.

To use the potentials of the individual cooperation partners the potential needs to be known or defined. The most suitable potentials for cooperation will become the “core potentials” of cooperation. Those could be: staff, customers, equipment, technology/ machinery or innovation.

It does make sense to combine the core potentials.

Therefore the following tasks have to be clarified:

- **Structuring and distribution of work packages:** Which partner company takes over which role and which tasks?
- **Create time and budget plans:** What needs to be done by when? What expenses are incurred and how are they financed?
- **Staff and responsibilities regulations:** What exactly should each participant do in the cooperation? Who is responsible for which work?
- **Cooperation Coordinator / Steering Team:** Who coordinates, controls and monitors the cooperation process?

[Check out the COFARM Summary Report and the Modules 1 and 2 where potential of cooperation in farming is shown!](#)

3.1 Schedule

Setting up a realistic timetable for a cooperation project is not an easy task. But it would be fatal to ignore time planning, because there are too many uncertainties, dependencies and interfaces.

When planning the realization of the cooperation, the goals should be operationalized as follows:

“WHO DOES WHAT WITH WHAT means until WHEN? HOW will the result be controlled?”

It is important that the partners of the cooperation, but also third parties, know how the cooperation is planning its development. Planning should not be too long-term (up to 3 years) and as practical as possible. A schedule helps companies to think through different activities, dependencies and interfaces.

The schedule is the basis of every planning tool. A concrete planning would be incomplete without a timeframe.

You should focus on the key milestones as well as on the main connections and the following elements:

- **Overview of the time course** of the cooperation.
- Important **milestones and dates**, to which the cooperation results are to achieve.
- **Relationships and dependencies** between the individual phases.

4. Operational organisation

4.1 Basics

Cooperations can be loose experience-sharing groups or a community of interest up to a joint venture.

The following principle applies: **the more intensive the cooperation, the higher the regulation needs!**

It is recommended to start a collaboration with a kind of "trial phase". It should be smaller work and projects carried out together to find out if:

- The "chemistry" between the partners is right.
- The corporate philosophies match.
- The communication works.
- The employees of the partners understand each other.
- The project pays off financially.
- There is a desire for closer cooperation in the long term.

Check out the COFARM Case Studies where cooperation was implemented step by step; exemplary: Dapont; The pantry of San Nicolás; IR.04; Cooperation of two autonomous family farms: parents and their daughter; Association "Group of producers of organic fruit".

4.2 Roles, tasks and responsibilities

In each cooperation, different partners work together to achieve the common cooperation goals.

A precise definition and distribution of roles, a description of the corresponding competences and responsibilities are essential for a functioning cooperation.

The following can be exemplary roles and tasks in a cooperation:

- **"Cooperation Coordinator"**: He is the cooperation leader in the internal relationship and the official contact of the cooperation to the outside.
- **"Cooperation Secretary"**: He supports the cooperation coordinator in all administrative procedures.
- **"Project Manager"**: He is mainly responsible for the coordination and monitoring project execution.

For smaller cooperation projects, it is quite possible and usual that these tasks are taken over all only by one person.

[Check out the COFARM Case Studies and the role of the leading entrepreneurs in there!](#)

4.3 Rights and obligations of the partners

By entering into a cooperation, basically every partner commits to contribute both material and financial resources to the cooperation and to actively participate in the development and implementation of the cooperation. In return, each partner expects to participate in the joint cooperation success.

You should keep an eye on open and clear communication about fundamental rights and obligations arising from the partnership and try to fix it.

Rights can be agreed with regard to:

- Comprehensive information about interesting orders.
- The inspection of the partners companies.
- The use of customer contacts from the cooperation.
- The use of the jointly developed results.
- The use of the jointly acquired intellectual property.

Obligations can be agreed with regard to:

- Promote the interests of cooperation.
- Avoid behaviour that harms the image of cooperation.
- Strictly adhere to the agreed rules of the game.
- Give the partners an insight into their own business and announce their own company information.
- Contribute to the leadership costs of the cooperation.

44 Communication

Important for the cooperation success is the assurance of a immediate and regular flow of information between the partners. Regular coordination sessions of all partners support the care of the interpersonal relationships and serve the mutual information and motivation and give to all members the feeling of being involved.

In addition, however, especially in the operating phase cooperation a rapid and efficient communication between the partners must be ensured.

We recommend you to:

- Use up to date **information technology**.
- Use adequate **(project)management software**.
- Build up a central storage for **data**.

[Check out the COFARM Case Studies and the handling of communication in there!](#)

5. Legal framework

5.1 Legal questions to be answered

Any business decision for or against cooperation must also consider the legal aspects. Every entrepreneur has the need for security, in particular for legal certainty, if he thinks about forming a business cooperation.

You would like to have clarified the following questions above all:

- What **rights** arise for me from the cooperation?
- What **obligations** do I have due to the cooperation?
- What **risks** do I take as an entrepreneur through the cooperation?

We recommend you from the very beginning to:

- **Document** oral discussions between potential cooperation partners. Yes, this takes a little effort, but it facilitates the enlightenment in a later dispute.
- **Write down** minutes of an important personal or telephone conversation and show it all partners.
- **Involve an expert** (lawyer, economic consultant) even to the preliminary discussions.

5.2 Closing a cooperation agreement

Any cooperation agreement should be concluded in writing as oral cooperation agreements do not offer legal certainty. Of course in practice there is good and bad experience with both – written and oral agreements.

What conditions do entrepreneurs have to bring to a cooperation to be able to enter?

- Requirements for the “ability to cooperate” of the partners (know-how, infrastructures, etc.) are determined by the type of cooperation and its goals.
- A precise determination of the funds needed for the establishment and leadership of the cooperation (funds, offices, know-how, etc.) may be required as soon as you decide for one of the available legal forms to cooperate.

What happens after ending of cooperation with common inventions or developments (new products, design, etc.) that occurred during the cooperation?

This crucial issue should be clarified and contracted before the cooperation begins. If there is no contractual arrangement between the partners, the later dispute is often “pre-programmed”. The legal systems leave the partners a lot of scope for the contractual design for the use of intellectual property within a cooperation.

It should be regulated above all:

- What rights for intellectual property do partners have when cooperating terminates or one of the partners leaves the cooperation or a new partner enters?
- Is there, e.g. a financial compensation amongst the partners in case of exit or entry?

[Check out the COFARM Case Studies with focus on the agreements taken there, if these are oral or written and what experience was made with this!](#)

There are basically three options for cooperation between several companies:

- Cooperation agreement for **temporary project cooperation**.
- Choice of legal forms for **business cooperation**.
- Creation of a **new company** by the partners of the cooperation.

Checking the existing legal forms in your country will show you that there are highly differing forms. Some are more complex, some are less complex and founding or termination are more or less easy.

Please check your information about:

- National fundamental legal considerations in cooperations.
- The possible national legal forms of cooperation and its features, advantages and disadvantages.

You can distinguish existing legal forms by the following criteria:

- **External representation** and **internal leading**.
- **Necessary means for founding**: financial needs, knowhow, etc.
- Will there originate **joint capital**?
- What happens in the **case of termination** with the capital and the intellectual property?

In any case, it is advised in these very individual concerns to seek appropriate technical support!

6. Control and Reflection according to original planning

Your Business Planning has to ask the right questions at the right time, and the control and reflection has to deliver answers about the current situation and outcome of the cooperation:

- How successful is your cooperation?
- How successful has it been last year, this year, next year?
- Do you reach your economic goals and necessities with your cooperation?

To be able to use your Business Plan as a living document and steady compass, it is recommended to keep it simple, and define not too many but concrete and clear values which are measurable, and that you check on a regular basis.

For example the Bank account, the Earnings, the Results, the Cash Flow, the number of customers, the number of business partners of the cooperation.

Be aware, that besides numbers there are further values of an enterprise that can not be counted, but of course can be respected in this control and review.

The main goal of any cooperation is to achieve better results through joint action than by acting alone. The strengths of the partners should be complementary in the cooperation. Ideally, "every partner does what he does best".

We wish you good luck in cooperating with other entrepreneurs, keeping in mind that there are lot of chances but of course at the same time risks.

The following 2 quotes may guide you through your process and inspire your reflection.

Coming together is a beginning. Keeping together is progress. Working together is success. - HENRY FORD

The most powerful force ever known on this planet is human cooperation – a force for construction and destruction. - JONATHAN HAID