Appendix C

Summary of types of cooperative arrangements

As explained in Chapter 2, cooperative arrangements can be examined in their own right, as distinct from a firm-by-firm basis. Table C.1 gives the proportion of total cooperative arrangements in a number of categories for each industry studied.

Table C.1 Types of cooperative arrangements by industry[a]

	Clothing & footwear	*Engineering*	*IT&T*	*Scientific & medical*	*Food*	*Total [b]*
Formal	48.9	49.5	44.0	73.4	37.7	50.1
Informal	51.1	50.5	56.0	26.6	62.3	49.9
Customer	37.6	36.8	42.3	43.8	36.9	39.7
Supplier	41.1	35.1	23.8	31.0	38.3	33.3
Other	21.3	28.1	33.9	25.2	24.8	27.0
One firm	91.7	76.8	82.6	85.5	82.6	83.8
Two or more	8.3	23.2	17.4	14.5	17.4	16.2
Overseas	5.9	13.7	13.2	16.2	5.7	11.0
Domestic	94.1	86.3	86.8	83.8	94.3	89.0

Note: (a) The figures in this and all following tables show the percentage of arrangements that are of a particular type.
(b) These figures have been weighted by industry.

Source: BIE survey

The split between formal and informal arrangements is fairly even overall, except in the Scientific and medical industry which strongly favours formal arrangements and the Food industry which leans towards informal arrangements. The high level of technology in the Scientific and medical industry and the need to protect ideas and developments makes the formalisation of arrangements necessary. These problems are not faced in the Food industry.

Customer links are slightly more common than supplier arrangements, while arrangements with firms other than these are least common. There are two exceptions. The first is in the Clothing and footwear industry, where supplier links are the most important – perhaps reflecting the cost-driven nature of this industry. The second is in the IT&T industry, which favours arrangements with customers followed by arrangements with other firms.

The majority of cooperative arrangements are one-to-one with another firm, particularly in the Clothing and footwear industry, but less so in Engineering.

In the case of most industries the majority of arrangements are with other domestic companies. In the Clothing and footwear and Food industries there are very few arrangements with overseas firms at all. The Scientific and medical industry has the strongest links with overseas companies, reflecting the international marketplace that these products are often developed in and sold to. However, the proportion of arrangements involving overseas firms is likely to have been underestimated in Table C.1, as respondents were not questioned as to how many of these types of arrangements they had (only to indicate whether they had any or none).

C.1 Formal/informal

When the proportion of various types of arrangements that are formal and informal are examined it is apparent that there is a very strong tendency to formalise arrangements involving overseas firms (Table C.2). This is understandable given the geographic distances between the cooperating firms, as well as the cultural differences which may exist. Formalisation of the arrangement gives the firms involved a greater degree of control and security.

Table C.2 Formal and informal arrangements

	Formal	*Informal*
Customer	46.6	53.4
Supplier	47.5	52.5
Other firms	54.5	45.5
One firms	48.8	51.2
Two or more firms	51.6	48.4
Overseas firms	61.6	38.4
Domestic firms	47.7	52.3
Overall [a]	50.1	49.9

Note: (a) These figures have been weighted by industry.
Source: BIE survey

The other point worth noting is that arrangements involving customer and suppliers are most often informal, while those involving other firms tend to be formalised. Interestingly, the number of firms in the arrangement does not seem to point to whether the arrangement will be formal or informal.

C.2 Customers, suppliers and other firms

Although customers are the most common cooperative arrangement partner overall, they do not predominate in all types of arrangements. They make up a smaller proportion of multiple firm arrangements and are also less likely to be the partner of choice in an arrangement involving an overseas firm (Table C.3).

Table C.3 Arrangements with customers, suppliers, and other firms

	Customers	*Suppliers*	*Other firms*
Formal	37.2	33.1	29.7
Informal	41.0	35.1	23.9
One firms	40.6	33.9	25.5
Two or more firms	30.0	35.7	34.3
Overseas firms	31.9	34.6	33.5
Domestic firms	39.9	33.7	26.4
Overall (a)	39.7	33.3	27.0

Note: (a) These figures have been weighted by industry.
Source: BIE survey

On the other hand, arrangements involving non-customer/supplier firms are the opposite. These are predominantly involved in arrangements with two or more other firms and are often the overseas firms with which Australian firms choose to cooperate. Joint ventures, strategic alliances, technology transfers and distributorships are all possible examples.

C.3 Single and multi-firm arrangements

The majority of cooperative business arrangements used by Australian firms are one-to-one relationships. Multiple firms arrangements tend to involve firms which are not customers or suppliers of each other, and often involve firm(s) based overseas (Table C.4). Business networks working to internationally market their products are a prime example of this type of arrangement.

Table C.4 Single and multiple firm arrangements

	One firm	*Two or more firms*
Formal	81.3	18.7
Informal	83.0	17.0
Customer	87.8	12.2
Supplier	83.5	16.5
Other firms	79.8	20.2
Overseas firms	77.4	22.6
Domestic firms	82.8	17.2
Overall (a)	83.8	16.2

Note: (a) These figures have been weighted by industry.
Source: BIE survey

C.4 Overseas and domestic arrangements

When the location of partner firms in the cooperative business arrangement are considered, the majority of these firms are also located in Australia, particularly when the arrangement is informal in nature (Table C.5).

As noted previously, arrangements with overseas-based firms are more common when the arrangement involves two or more firms or when it includes firms that are not customers or suppliers of each other.

Table C.5 Arrangements with overseas firms

	Domestic firms	*Overseas firms*
Formal	85.6	14.4
Informal	91.3	8.7
Customer	88.8	11.2
Supplier	86.0	14.0
Other firms	83.2	16.8
One firms	89.6	10.4
Two or more firms	86.0	14.0
Overall [(a)]	93.1	6.9

Note: (a) These figures have been weighted by industry.
Source: BIE survey