

## 13 Role and significance of external assistance

Many firms establish cooperative links without the aid of others. But sometimes external agencies – governments, industry associations and business advisers – provide assistance to form links. We assess the impact of this assistance in this chapter.

The purposes of the chapter are essentially twofold. The first is to report on the current types of assistance available and the effect they have on business cooperation. The second is to gauge the scope for policy changes: either amendments to existing policies or the development of new ones.

The structure of the chapter is as follows. We examine the different forms of assistance available to external agencies in Section 13.1. This is followed in Section 13.2 by an overview of the types of assistance actually provided in government programs and through industry associations. Section 13.3 reports from the firms' perspective on how good a job governments and industry associations are doing in providing assistance. This is followed in Section 13.4 by an assessment of the impact of external assistance on the outcomes (or benefits) of cooperative arrangements. We then examine the forms of external assistance preferred by both cooperating and non-cooperating firms (Section 13.5). The chapter is summarised in Section 13.6.

### 13.1 What ways are there of assisting firms to cooperate?

It is useful to classify the possible forms of external assistance into two main groups – information assistance and direct forms of assistance. The former, as the name suggests, relates to the provision of information to firms about various aspects of business cooperation. Firms are given the facts but are essentially left to make the running in forming and operating their cooperative arrangements. The latter involves governments (or others, such as industry associations) taking a closer and more active role in bringing firms together in cooperative arrangements. Firms are provided with more 'concrete' assistance to get cooperative arrangements up and running.

In the mail survey used for this study, firms were asked a number of questions relating to external assistance for business cooperation. Eight types of assistance were listed on the survey form, four of which can be categorised as information assistance and the other four as direct forms of assistance.

The information assistance categories are:

- information on how to form linkages;
- information on possible partners;
- information on the benefits of linkages; and
- identifying market/business opportunities for firms.

The direct forms of assistance are:

- the provision of a broker/facilitator;

- actively introducing firms;
- training in the formation of links; and
- financial assistance.

These forms of assistance are generally either provided through participation in specific government programs (such as AusIndustry's Business Networking Program) or by approaching governments and other bodies and requesting *ad hoc* assistance for specific purposes (for example, Austrade may provide *ad hoc* export assistance).

The remaining sections in this chapter analyse and assess external assistance for cooperation in the context of these two broad categories, and specifically in relation to the eight forms of assistance noted above.

## 13.2 What assistance do governments and industry associations provide?

Governments and industry associations are the two major sources of external assistance for firms interested in business cooperation. Accordingly, the data presented in this chapter, collected from the survey and firm interviews, is focused on these two bodies.

However, it became apparent during the study that several other bodies play a significant role in helping firms with their business linkages. Chambers of Manufactures and Chambers of Commerce in the various states are sometimes quite active in promoting business cooperation and in assisting firms to form links. Business advisers, consultants and accountants also play a role in assisting firms.

While the descriptions and analysis below refers only to governments and industry associations, the role of these other agencies should be borne in mind when considering the possible outcomes of external assistance and the requirements for future assistance.

### 13.2.1 Government programs

The federal government encourages inter-firm cooperation in several important ways. The most notable is AusIndustry's Business Networks Program. This is outlined below, followed by a brief description of other significant programs.

#### *Business Networks Program*

The Business Networks Program (BNP) was one of a number of industry policy initiatives announced in the federal government's *Working Nation* statement in 1994. It is a four-year program and is designed to assist groups of at least three businesses to undertake joint activities in order to increase their competitiveness or capabilities.

The program is funded by the federal government, and is being implemented in conjunction with a range of industry associations, federal and state government agencies, local government, regional development authorities and private consultants.

The government has allocated \$38 million to support the creation of networks, and the bulk of this has been allocated to the BNP. The Program is still in its early stages, but the broad aim is to create over a thousand networks in the four years it is to be run.

The basis of the BNP is a three-stage network formation process, in which network brokers facilitate cooperation among the participants. In Stage 1, the broker assists in establishing the feasibility of the network's business idea. This is followed by Stage 2 in which a business plan is prepared and an agreement between firms is finalised. The broker may also have a role in Stage 3, the implementation of the business plan.

Broadly, the government meets most costs associated with Stage 1 and half the costs associated with Stages 2 and 3, within approved limits. Further details of the Business Networks Program can be found in Appendix E.

Part of the origin of the BNP is a pilot networking program which was established in 1990 and run through the National Industry Extension Scheme (NIES). The pilot attempted to increase awareness of the benefits of networking by providing seed funding to assist with networking activities. These include a search conference, strategic and business planning, market identification and network facilitation.

### **Box 13.1 An overview of government-assisted networks**

*Number of networks identified: 144*

*Number of firms involved: At least 1500*

*Over half the networks identified were in a formative stage and not yet operational.*

*The strongest networking states are NSW (30 per cent of all networks), South Australia (27 per cent) and Queensland (25 per cent).*

*Around half of the networks are in the manufacturing sector, around one-quarter are in the services sector, while 11 per cent have a mixture of manufacturing and service firms.*

*One-quarter of the networks identified are vertical (members from different stages in the value chain), while three-quarters are horizontal (at the same stage in the value chain).*

*The majority of networks have 10 or less members. Around 30 percent have 3 to 5 members and 34 percent have 6 to 10 members. Around 20 percent have more than 20 members.*

*Partly reflecting the recent change in emphasis on networking as a policy tool, 44 per cent were established in 1994 following on from 25 per cent in 1993.*

*Source: BIE survey of government-assisted networks*

During the time in which the pilot program was run it received approximately \$2.5 million dollars in funding. As part of this study, the Bureau has examined the characteristics of government-assisted networks (the bulk of which were established under the pilot program). A brief summary of this analysis is presented in Box 13.1 and the full results are contained in Appendix F.

## **Other networking programs**

In addition to the BNP, the Commonwealth has two other major networking programs. The Food Industries Networking for Asia Export Program (FINA) is currently in its third year and is run by the Department of Industry, Science and Technology. It aims to increase exports of Australian high value added processed food and beverage products into Asian markets.

FINA is targeted at agri-food enterprises wanting to establish export markets in Asia, but are hampered by their comparatively small size and limited resources. By forming networks with complementary producers, processors and associated enterprises, smaller companies can pool resources and access specialist skills and services needed to win export contracts. Both horizontal and vertical networks are eligible for assistance. Further details of the program are outlined in Appendix D.

To date the program has assisted eight networks involving over 90 firms throughout Australia. Australia's Best Foods is one such network and is examined in Box 13.2.

### **Box 13.2 Australia's Best Foods – a FINA network**

*Australia's Best Foods is a network of 5 medium sized food firms based in South Australia exporting specialty food (honey, jams, pickles, small goods, chocolate and confectionary) to Japan.*

*The group received FINA funding in 1992 to support formation and facilitation costs, and in 1993, further funding was granted to implement the networks product and marketing strategies for the Japanese market.*

*The companies share the costs of establishing the Japanese export market including market research, interpreters, promotion, and travel and accommodation expenses.*

*Individual members of the network would not have been able to undertake the same degree of planning and market research nor develop the institutional and market contacts as was possible through acting together.*

*Through the ground-work laid by their joint efforts, individual members are also securing major contracts in their own right.*

*One of the member companies, Haighs Chocolates, has experienced a 60 per cent growth in export sales over the past year, all due to its involvement in the network. Annually around a quarter of a million dollars worth of chocolates leaves Haighs factory bound for overseas markets.*

*Australia's Best Foods are now self-funding, independent of government assistance. A levy on sales and periodic subscription fees are now the funding sources for the network to cover its ongoing operational costs. Business prospects are very promising with new export markets in Asia being explored for future development.*

Source: BIE interview

The other networking scheme is the Rural Enterprise Networking Program and is administered by the Department of Primary Industries and Energy. It aims to enhance the international competitiveness of Australia's agricultural and related industries by assisting the creation and development of linkages between agribusiness operators to achieve common objectives. More details are included in Appendix D.

### **Other government assistance**

Outside networking, there are many government programs at both the federal and state level that facilitate or encourage the formation of linkages between firms. These are detailed in Appendix D. Some of these, such as the Partnerships for Development Program have a specific industry development focus. Others are focused on areas of business activity such as research and development and exporting. With respect to the latter, Austrade has several initiatives to assist firms to win export orders by utilising inter-firm links. These include the Joint Action Groups and various consortia of Australian firms (such as Austenergy and Austmine).

### **13.2.2 Industry association assistance**

Although government is a key source of assistance, industry associations also play an important role. Traditionally, industry associations are the representative body of the industry. They have the role of attempting to influence the development of a favourable regulatory environment and addressing other key

issues facing the industry. Supplementary to this, they provide opportunities for interaction between members, as well as providing advice, information and training to meet member needs.

Industry associations are in a prime position to promote intra-industry cooperation and guide its development, being able to both inform and educate their members. They can also act as a peak negotiating body with customers and suppliers and help in the formation of these arrangements. Industry associations are themselves a form of cooperation and the propensity to join them may well be highly correlated with the propensity to form cooperative arrangements with other firms.

There is general support for the growing involvement of the industry associations. More than half the firms surveyed by Buttery (1993) felt that employer's associations or professional associations should become actively involved in encouraging cooperation.

Most industry associations are not in a position to finance linkage programs. The promotion of inter-firm cooperation is only a small area of their functions. Until recently, most of the industry association assistance tended to be *ad hoc* and often an unintended outcome of other actions. However industry associations are now more aware of business cooperation issues, as evidenced by their interest in AusIndustry's Business Networks Program. A considerable number applied for placement of network brokers under the program. Several were successful and now have brokers working with them. In this, and other similar ways, they provide a useful link between firms and government for the dissemination of programs (see Box 13.3).

### **Box 13.3 MTIA working with government**

*The Metal Trades Industry Association (MTIA) has a membership of around 7000 affiliates and has several specialist national groups catering for members with common business interests. The MTIA has worked closely with the Government in several areas relating to business cooperation, including:*

- *the Export Access Program over the past 12 months 17 companies completed this program and all were successful in either obtaining export sales, appointing overseas agents, or setting up joint ventures (or are in the process of doing so);*
- *the appointment of an MTIA/NIES Field Officer in 1994; and*
- *most recently, MTIA applied successfully for the placement of a network broker under AusIndustry's Business Networks Program.*

Source: MTIA Annual Report 1994 and BIE interview

As with government departments, industry associations disseminate information to members on various aspects of business cooperation. In addition, two main 'direct' industry association roles can be identified in promoting cooperative arrangements.

The first entails industry associations forming focus groups (for example, exporters) and trade missions amongst their members. These sometimes involve relatively large numbers of firms. In some cases, all the firms may have in common is a desire to penetrate particular markets. In others they might approach the issue from the perspective of winning export orders as a group and then sharing the business around. Many industry associations work closely with Austrade to try and find export markets for their members.

The other key direct role played by some industry associations is to help firms find partners or cooperation opportunities. The association brings members together by facilitating one-to-one cooperative arrangements. For example, it might help large companies looking for a smaller partner firm to sift through the 'minnows'. Alternatively, they may help small firms to make contact with prospective large partners. In addition, in cases where firms have already formed loose alliances, industry associations can help them to identify areas

where they ‘can do more than just talk’. They can also help firms in the early stages of forming business networks.

The facilitator type role for industry associations appears to be more common in the ‘newer’ industries such as IT&T (where inter-firm linkages are a more vital part of business), than in some of the more established industries. Although cooperation is more of a ‘natural’ phenomenon in the newer industries, firms still require assistance in finding the right partners.

Industry associations can also be effective when they combine their resources. They have a detailed understanding of their industry, and the challenges it faces, and they also have close contact with many participants. However, cooperation is often about combining resources from different areas – not necessarily only the formation of linkages between firms in their own industry. One way of addressing this, from a purely industry association perspective, is through greater liaison between industry associations or the formation of peak bodies. The Asian Oceanian Computing Industry Organisation (ASOCIO) is an example<sup>1</sup>.

### 13.3 Effectiveness of external assistance

This section examines how effective government and industry associations are in providing assistance on business cooperation issues. The analysis is based on answers to questions in the survey.

#### 13.3.1 *Effectiveness of government assistance*

##### *Rating government performance*

Around 10 per cent of the cooperating firms in the BIE survey have received government assistance with their cooperative business arrangements. Only five per cent of cooperating firms have been assisted by government with their key arrangement. Those respondent firms indicating the source of their assistance, nominated DIST (and in particular NIES) and Austrade as the leading providers<sup>2</sup>.

Firms which have received government assistance ranked government performance in the services provided (Figure 13.1). Between 40 and 70 per cent of firms felt government performance was good in all eight areas listed on the mail survey form. This result builds on that of AGB McNair (1994), which found 40 per cent of firms (in a survey of 2500 manufacturers) were positive about government initiatives.

The government’s efforts in providing finance is the most applauded role by assisted firms. But other direct methods of assistance were less favourably viewed. Overall, firms tended to be more satisfied with the government’s performance with information assistance.

The areas where government assistance was most commonly ranked as poor were:

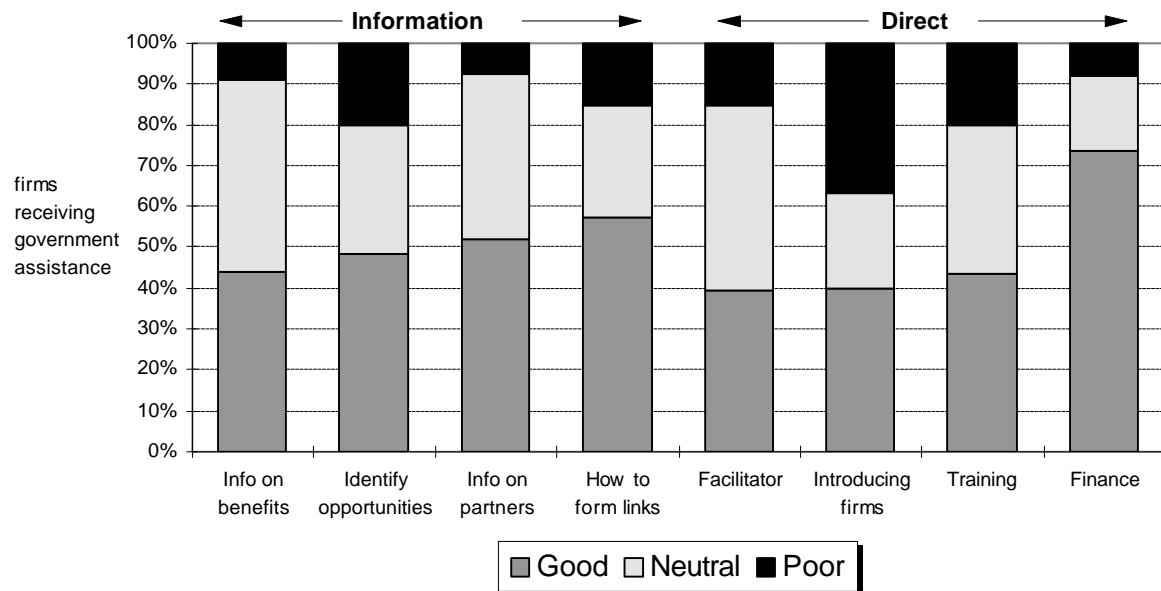
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<sup>1</sup> ASOCIO was established in 1984 to promote trade between various members and to develop the computing industry in the Asian and Oceanian region. It is composed of thirteen industry organisations from eleven countries and has been instrumental in providing linkages to the IT companies of its member countries.

<sup>2</sup> There were numerous other programs and government bodies from which firms said they had received assistance in forming cooperative arrangements. These included the Department of Industrial Relations (DIR)/AMC Best Practice Program, Office of Labour Market Assistance programs, Department of Employment, Education and Training (DEET), and Department of Primary Industry and Energy (DPIE).

- introducing firms (37 per cent of assisted firms who provided an opinion on the topic);
- identifying market and business opportunities (20 per cent); and
- providing training in forming links (20 per cent).

**Figure 13.1 Rating government performance**



Source: BIE survey

Small and large firms showed some variations in rating government performance. This contradicts the findings of AGB McNair (1994) which found no difference between firms classed into three size groups<sup>3</sup>.

In the BIE survey, small firms tended to express the opinion that the size and number of government departments made it difficult to find the correct people first time. Larger firms often had more experience of government and most very large firms employed someone in a government liaison position. It appears that large firms have a more positive view of government performance than small firms. However, there were not enough government-assisted firms among the respondents to allow this hypothesis to be tested on each form of government assistance.

### *Access to government assistance*

One concern for the government is the number of firms in the survey showing no knowledge of government programs in the area of business cooperation:

‘If these services are provided, then I was unaware of them. Perhaps the services need to be publicised.

‘Size and complexity of government makes it difficult.

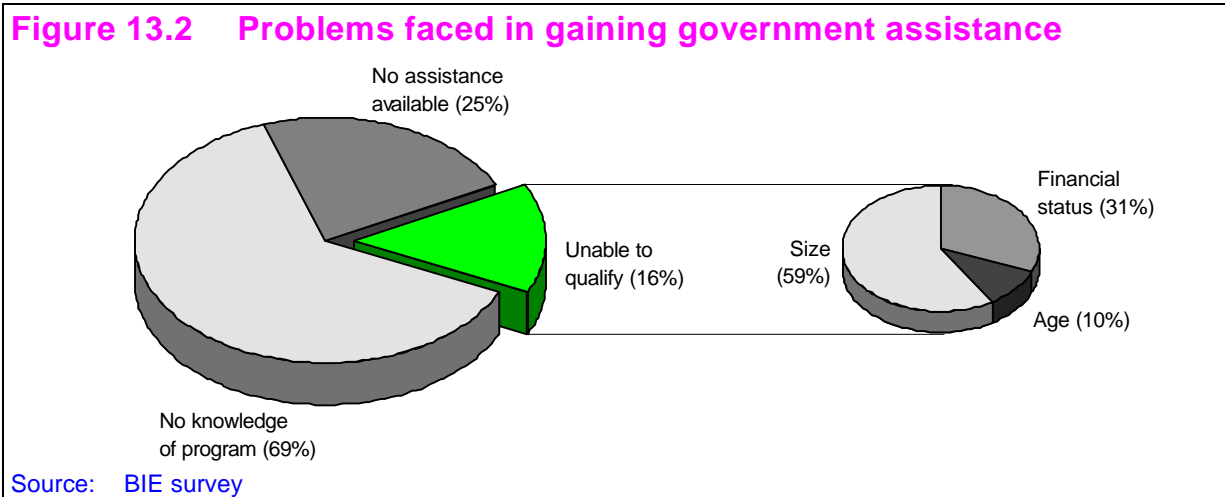
This suggests a more substantial effort is needed by government to provide clearer and more widely disseminated information on available government programs. In support of this, AGB McNair (1994) found

<sup>3</sup> The three firm size categories used were: less than 10 employees, 11 to 20 employees and 21 to 100 employees.



only 16 per cent of firms were aware of any government initiative to encourage business networks in Australia.

Around 12 per cent of firms surveyed by the BIE reported experiencing difficulties in obtaining government assistance to form cooperative arrangements (Figure 13.2). Nearly 70 per cent of these firms claimed they had no prior knowledge of appropriate government programs or departments which might help them form cooperative arrangements.



The reasons for the failure to qualify for assistance are also shown in Figure 13.2. Smaller (and often younger) businesses are the most prominent types – specifically, the very small ‘micro’ firms. A young age, low turnover and generally low or even negative growth are factors working against their acceptance.

### 13.3.2 Effectiveness of industry association assistance

It was hypothesised earlier that the tendency for firms to join industry associations may be correlated with their tendency to cooperate with others. The evidence from the survey is that a large proportion of cooperating firms are, in fact, apparently industry association members. Nearly 40 per cent of cooperating firms indicated they had received assistance on business cooperation from industry associations, as compared to around 10 per cent receiving government assistance. Interestingly, only 4 per cent of cooperating firms claimed to have received industry association assistance for their key cooperative arrangement.

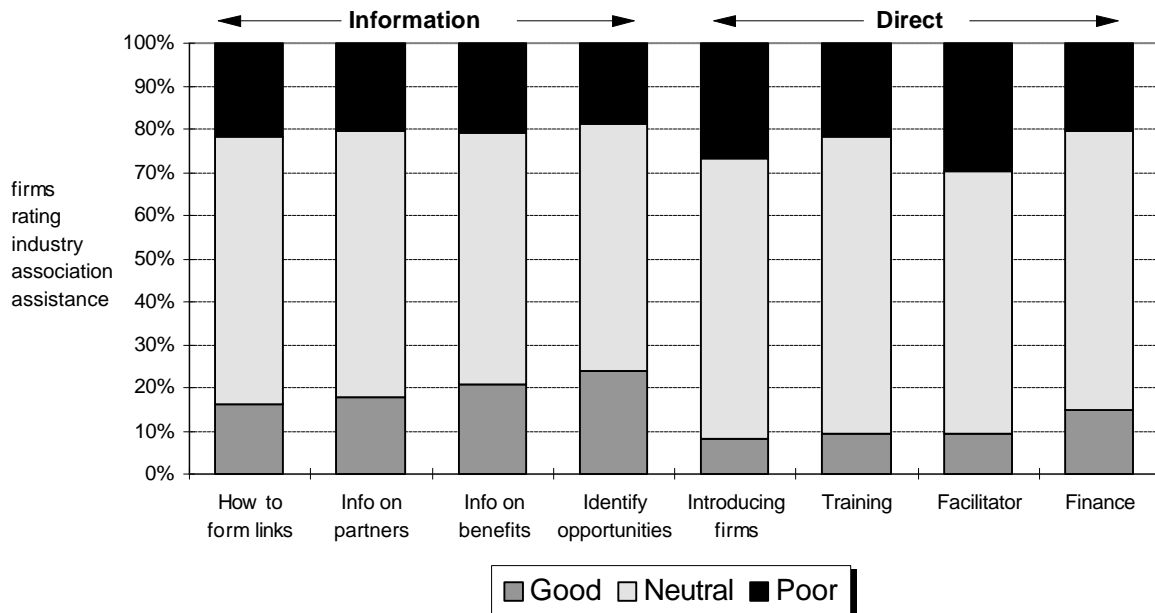
It seems then that firms have a much greater tendency to go to industry associations for assistance than to government. However, the large difference could be somewhat misleading. Firms receiving government assistance were, for the most part, able to identify specific programs. It is likely that more firms received *ad hoc* information from government departments but did not note this in the survey. On the other hand, *ad hoc* information probably accounts for a very substantial part of the assistance firms say they received from industry associations. These factors should be borne in mind in the discussion of the effectiveness of industry associations.

Despite the apparently wider reach of industry association assistance, its performance was rated as markedly lower than the government in the same areas (Figure 13.3). It seems that most recipients have a neutral view on the effectiveness of their assistance. Broadly equal numbers of firms believe industry associations are



performing well and poorly in helping them with business cooperation matters. The information roles are the most praised, with up to 25 per cent of firms happy with industry association performance. The direct forms of assistance come off worst on both counts – more firms rated them as poor, and less firms rated them as good.

**Figure 13.3 Rating industry association performance**



Source: BIE survey

#### Box 13.4 Medical Industry Association of Australia (MIAA)

The MIAA is an industry association boasting over 100 member companies. It covers 85 per cent of the value of goods in the medical devices and diagnostics industry and around 25 000 product lines. Its goals include providing opportunities for interaction between members, and between members and other parties, and also to provide advice, information, education and training to meet members' needs.

Six special interest groups have formed among MIAA members, one of which is the Contact Lens Special Interest Group. In effect this is an example of networking between members. These special interest groups operate like mini industry associations but have also involved some joint purchasing and joint tenders for work. The MIAA has filled a facilitating role through assistance in developing business plans, budgeting, allocating tasks and in arranging trade displays for the Contact Lens Group.

There are many further opportunities for the MIAA to assist in the promotion of inter-firm cooperation in the future, in particular in the areas of benchmarking and joint training.

Source: MIAA Annual Report 1993/1994 and BIE interview

At a general level, industry associations have probably been slow to react to the changing business environment and the subsequent growth in importance of cooperation. However, many are now becoming involved in linkage formation. As this involvement grows, their performance in assisting firms is certain to improve. Box 13.4 provides another example of industry association involvement in this area.

## 13.4 Outcomes of external assistance

### 13.4.1 Outcomes of government assistance

Assisted firms feel that, overall, the government is doing a good job in the provision of assistance to encourage firms to cooperate. But does this assistance make any difference? Does it affect firm performance?

In the survey, firms were asked if government involvement had made inter-firm cooperation more or less successful (or had a neutral impact). Around 70 per cent of firms receiving government assistance indicated that government involvement had *increased* the success of their business cooperation (37 per cent said ‘much more successful’ and 33 per cent said ‘marginally more successful’). The remaining 30 per cent of firms believed that government involvement had no discernible effect on the success of arrangements. None of the firms thought government involvement had actually made things worse!

Aside from asking firms whether they believe government assistance had made their cooperative arrangements more successful, another way of testing the effectiveness of government help is to compare the relative success of business cooperation for government-assisted and non-assisted firms. This is done by examining the benefit outcomes of cooperating firms. While this can only be a proxy measure, it provides some insights into how government assistance influences specific outcomes<sup>4</sup>.

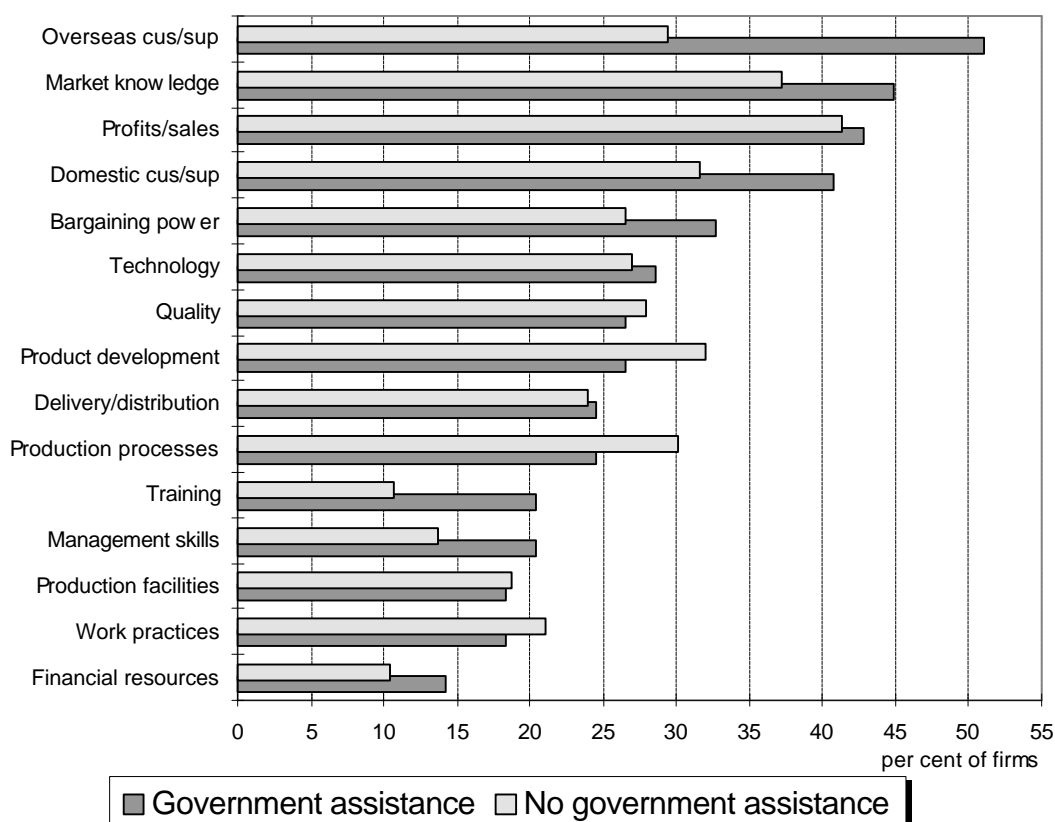
Figure 13.4 outlines the major benefits for these two groups of firms. A comparison shows that government-assisted firms (Benefit Index<sup>5</sup> of 38) are more likely overall to gain greater benefits than non-assisted firms (Benefit Index of 32).

The most significant difference between the two groups is clearly with regard to new overseas customers and/or suppliers. Around 50 per cent of government-assisted firms obtained major benefits in this category, compared with under 30 per cent of non-assisted firms. Domestically too, government-assisted firms are also more likely to be successful in finding new customers/suppliers through their cooperative arrangements. These differences are a reflection of successful DIST/NIES/Austrade programs, nominated by the government-assisted firms. An example of the government helping firms to win new export markets is shown in Box 13.5.

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<sup>4</sup> There is obviously some problem with cause and effect in this method. Is it because firms obtain assistance they do better in some areas, or is it a case that the types of firms which seek assistance are more likely to be ‘high flyers’ and would do well anyway? The fact though that 70 per cent of firms indicated (in a separate survey question) that government assistance had actually made their business cooperation more successful, suggests that the greater benefits may well be induced by government assistance.

<sup>5</sup> See Chapter 6 for an explanation of the Benefit Index.

**Figure 13.4 Business cooperation benefits and government assistance(a)**

Note: a) There are 49 firms which have received government assistance for at least one of their cooperative arrangements.

Source: BIE survey

The other interesting differences are for training and management skills, which can be related to the sort of programs provided by NIES. Market knowledge is more often than not a spin-off of cooperative arrangements, but the higher proportion of government-assisted firms benefiting in this way may also be due, in part, to market information provided up front by agencies such as Austrade.

Interestingly, the non-assisted firms are a little more likely to benefit in some of the operational or efficiency areas as a result of business cooperation – namely, increased work practices/productivity and improved production processes. This may reflect the emphasis of government programs on the market-side benefits of cooperation. Firms using cooperation for efficiency-related purposes are less likely to call on the government for assistance. Accordingly, more of these firms benefit on the efficiency side than government-assisted firms because the focus of the assistance has been elsewhere.

Product development also seems to fall into this category. Innovation has been recognised by the government as vital to firm growth and performance. However, current government assistance for business cooperation is not apparently having any ‘spillover’ impacts in the product development area.

#### Box 13.5 Southern Gold – a government-sponsored network

*Southern Gold is a network of eight small confectionery manufacturers in Victoria and New South Wales who export sugar confectionary and chocolates under a single brand name Kazz. Kazz was launched at the Singapore Food Trade Fair in April 1994 with the objective of obtaining sales in Asia.*

*Small firms in the Australian confectionary manufacturing industry face a range of impediments to export success because, individually, they lack the resources necessary to gain the export knowledge, access export markets and maintain the production capacity to service export markets..*

*It took time for initial barriers to fall. A Code of Ethics was established to resolve potential difficulties. The Southern Gold network enabled the firms to overcome these impediments. The network's target is sales of \$8 million in at least three Asian markets by 1998.*

*The network's success can be attributed to two factors. Firstly, the companies involved have identified a significant market opportunity and have shown a willingness to cooperate with previous competitors to achieve that goal. Recipes are even changing hands. Secondly, the network has operated with the assistance of an independent facilitator (a network 'broker'). The broker has assisted in developing a network culture and fostering a sense of responsibility and trust between participants.*

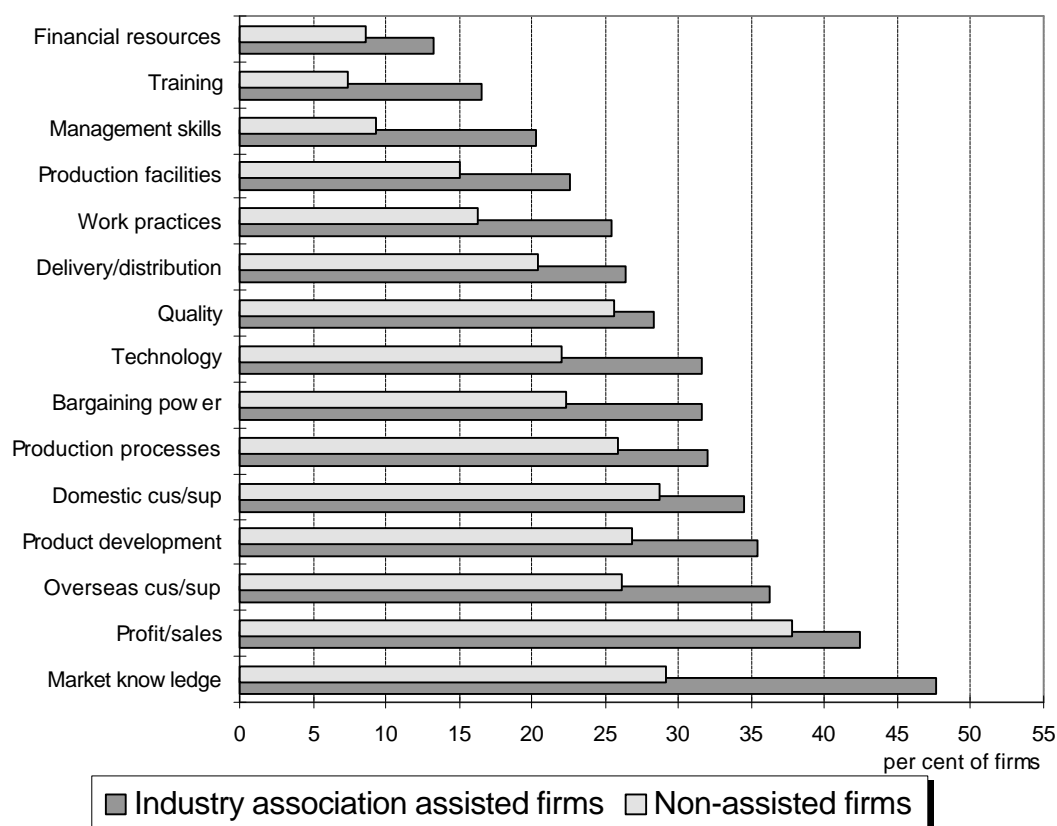
Source: DIST (1994c)

### 13.4.2 Outcomes of industry association assistance

Industry association-assisted firms appear to gain significantly higher benefits from their cooperative arrangements (Benefit Index of 37) compared to non-assisted firms (Benefit Index of 28). Moreover, firms which have received industry association assistance obtain significantly higher benefits in *all* areas compared with the non-assisted firms<sup>6</sup> (Figure 13.5).

Improved knowledge of markets is the most likely outcome for firms seeking the help of their industry association. This is significantly more likely than for non-assisted firms (although broadly the same as for government-assisted firms). This result fits in well with industry associations' role of providing opportunities for interaction and providing advice and information to meet members' needs. In fact, firms using industry association assistance do particularly well in all areas except increased profits/sales and improved quality.

<sup>6</sup> As with the impact on government assistance on benefits, there is some question over how much of the higher benefits can be attributed to industry association help. Industry associations are forms of cooperation and their members may have a greater tendency to cooperate with other firms. We know from Part B of the report that the firms more likely to cooperate are also more likely to benefit from cooperation. However, as is the case with government assistance, it is reasonable to assume from the data that some form of positive relationship exists between industry association assistance and higher benefits.

**Figure 13.5 Business cooperation benefits and industry association assistance(a)**

Note: (a) There are 212 cooperating firms which have received industry association assistance for at least one of their cooperative arrangements.

Source: BIE survey

It is interesting to compare the outcomes for government and industry association-assisted firms. At the 'overall' level there is no difference in expected benefits. Both groups have a similar Benefit Index score (which, significantly, is much higher than for non-assisted firms in both groups and also higher than the 'average' cooperating firm).

However, we found some interesting differences. For the most part these can be categorised under the market and efficiency headings. Thus government-assisted firms are much more likely to benefit from new customers/suppliers, overseas and domestically, than firms assisted by industry associations. On the other side of the coin, firms which get help from industry associations are more likely than government-assisted firms to benefit from improved production processes, improved work practices/productivity and access to production facilities. Product development is also a more likely benefit for firms using industry associations for assistance.

These apparent 'comparative advantages' of governments and industry associations in assisting cooperating firms are perhaps not surprising, but illuminating nonetheless. They will need to be borne in mind when considering appropriate forms of future assistance in the final chapter.

## 13.5 The forms of assistance preferred by firms

We have explored the kinds of ‘cooperation assistance’ provided to firms, its effectiveness and impact on performance outcomes. But what do we know about these issues from the firms’ perspective? Do firms generally want assistance with their cooperative arrangements, and if so, what forms of assistance do they prefer? This section draws on the survey data to examine these issues with respect to government assistance<sup>7</sup>.

### 13.5.1 *Do firms want any assistance?*

Providing assistance to promote the formation of cooperative business arrangements may become more important in the future. The prospective demand for assistance is gauged by the fact that about 22 per cent of firms surveyed indicated an intention to enter a cooperative arrangement in the next 12 months.

Of those firms intending a future cooperative arrangement, 27 per cent intended to request government assistance in their formation. Using government assistance was much more common amongst firms with an existing cooperative arrangement<sup>8</sup>. This is possibly because it is a path they have been down before, so time and other costs tend to be reduced.

Of surveyed firms, only 1.5 per cent disagreed with the provision of any government assistance for business cooperation. A number of firms feel there are other concerns of more pressing importance to which the government should instead be concentrating its attention:

‘Cooperative business arrangements are of no interest to us

‘Do not feel this [the formation of cooperative arrangements] is a major problem, rather finance, imports, taxes etc are more important.’

A range of other arguments were put forward against government involvement. The major one is that the commercial nature of arrangements should preclude government involvement. Some firms argue that cooperating with other firms is a natural part of business and if any firm felt they didn’t need to do this, or did not know how, the market system would sort them out. They argued that the government should remain detached from the situation.

AGB McNair (1994) found that 10 per cent of surveyed firms believe government involvement should be limited to financial assistance and tax relief, while 8 per cent felt it should be excluded altogether. Buttery (1993) found 12 per cent of surveyed firms in Queensland felt governments should not be involved in this area.

A small number of firms noted, both in comments on the survey and in interviews, that the costs of dealing with government programs usually outweigh the benefits. One firm suggested a clearer up-front acknowledgment by government of these costs would make it easier for firms to make a decision whether to cooperate or not.

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<sup>7</sup> The survey did not include questions relating to preferred types of industry association assistance.

<sup>8</sup> 80 per cent of the firms intending to form an arrangement in the next 12 months already have a cooperative arrangement.

### **13.5.2 Favoured forms of government assistance**

The vast majority of firms feel that there *is* a role for government to play in helping the formation of cooperative business arrangements. At the most basic level they argued this should involve providing a suitable environment for business operations – of which business cooperation is one part.

Almost 80 per cent of firms regard the provision of information, particularly on how to form linkages, as an important area for government assistance (Figure 13.6). Information provision was the most commonly demanded form of assistance:

‘The government should circulate a monthly magazine on firms cooperating, with stories of success and failure to simply introduce and stimulate business ideas and cooperation.

‘Education of industry on the mutual advantages to these companies and flow-on benefits to employees and the community is one area the government could get involved in.

On the other hand, direct forms of assistance are favoured by 65 per cent of cooperating firms on average<sup>9</sup>:

‘Practical assistance is required rather than just cocktail parties and card swapping.

‘Practical and free training for management in the areas of access to information and new technology so that inexperience doesn’t result in lost opportunities.

‘Facilitate the process [formation of cooperative arrangements] and provide the financial resources necessary to undertake expanded opportunities associated with new or better relations.

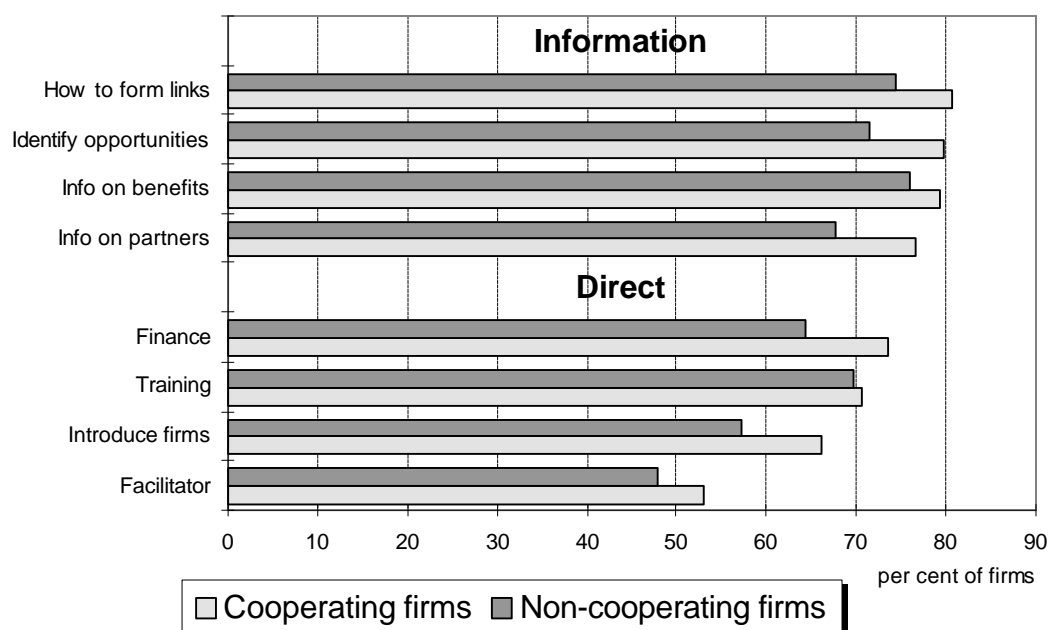
‘The government cannot be expected to be a matchmaker, and nor should it try, but it can play a big role as facilitator by providing the venue and opportunity for firms to meet and establish a dialogue; from that point it should disengage.’

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<sup>9</sup> It is not altogether surprising to find that firms are receptive to assistance. After all, they are being offered something extra for free or at a discount price.



**Figure 13.6 Firms agreeing with government assistance, cooperating and non-cooperating firms**



Source: BIE survey

Government provision of brokers or facilitators – one area where the government already plays a strong role through its Business Networking Program – is not very well supported, being seen as the least desirable role by both cooperating and non-cooperating firms.

Non-cooperating firms are strongly in favour of government assistance and placed the most emphasis on information provision. The firms not currently involved in cooperation indicated a greater need for the government to identify the benefits from, and opportunities for, entering these arrangements. Direct measures are favoured by 60 per cent while 72 per cent advocated an information provision role.

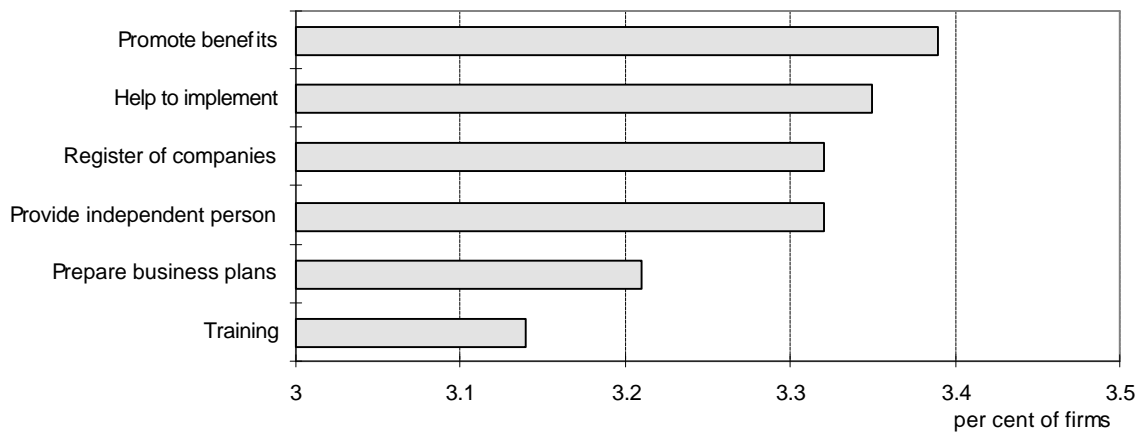
Many firms feel a combination of both information and direct assistance is required:

‘Government could publish details of firms seeking cooperative arrangements, and through teaching agencies provide training opportunities for staff of firms wishing to develop cooperative arrangements

‘Government needs to develop a culture of cooperation in industry – possibly by running training courses and giving publicity to concepts of cooperation. If it is advertised as “good” then companies will start seeking out cooperative arrangements

AGB McNair (1994) asked firms to rank the ways in which government assistance could be provided, on a scale from ‘not at all helpful (1)’ to ‘extremely helpful (5)’. Figure 13.7 shows the average rating for each of a variety of assistance measures. The AGB McNair (1994) findings place the greatest emphasis on information assistance to promote benefits.

**Figure 13.7 How can the government promote the use of formal networks?**



Note: The mean score is based on five possible firm responses on the role of government, with (5) being extremely helpful and (1) being not at all helpful.

Source: AGB McNair (1994), pp. 44-49

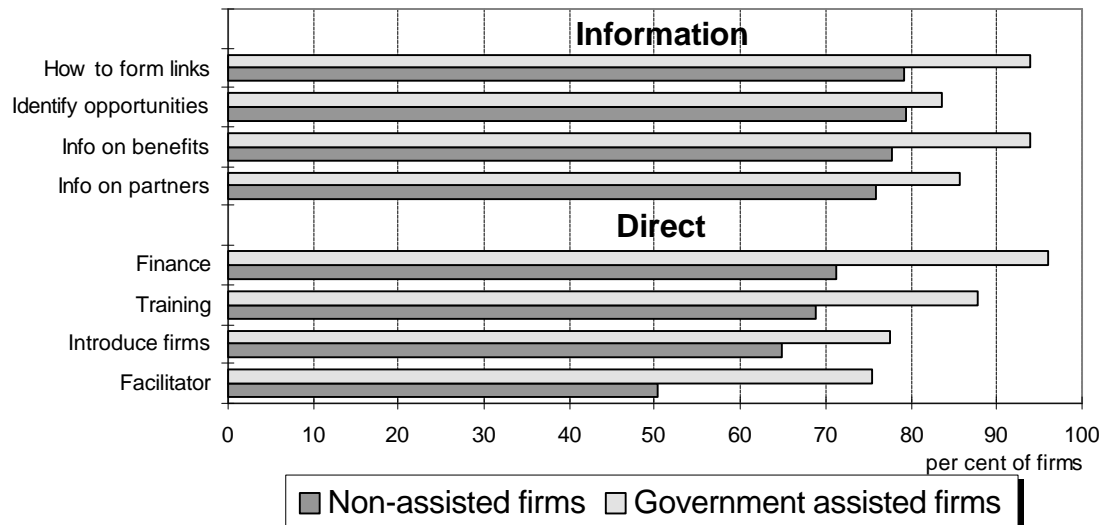
### 13.5.3 Preferred assistance varies with type of firm and arrangement

How does the type of firm and type of arrangement affect the above findings? This section considers this question for a number of firms types and forms of arrangement.

The BIE survey found firms which have received government assistance are significantly more supportive of its provision in all areas of cooperative arrangement formation<sup>10</sup> (Figure 13.8). This is particularly so in the provision of finance and information on linkage formation and benefits. Assisted firms are more strongly in favour of direct assistance (84 per cent) than are non-assisted firms (64 per cent), and also more in favour of information assistance (89 per cent as opposed to 78 per cent). This suggests that once a firm has used one government program, and seen the benefits it can provide, it is more willing to continue or expand its use of government assistance. There is also a reduced cost of use due to the greater understanding of how the programs work and the requirements to achieve assistance.

<sup>10</sup> The non-assisted firms include both cooperating and non-cooperating firms.

**Figure 13.8 Preferred forms of government assistance, government-assisted and non-assisted firms**

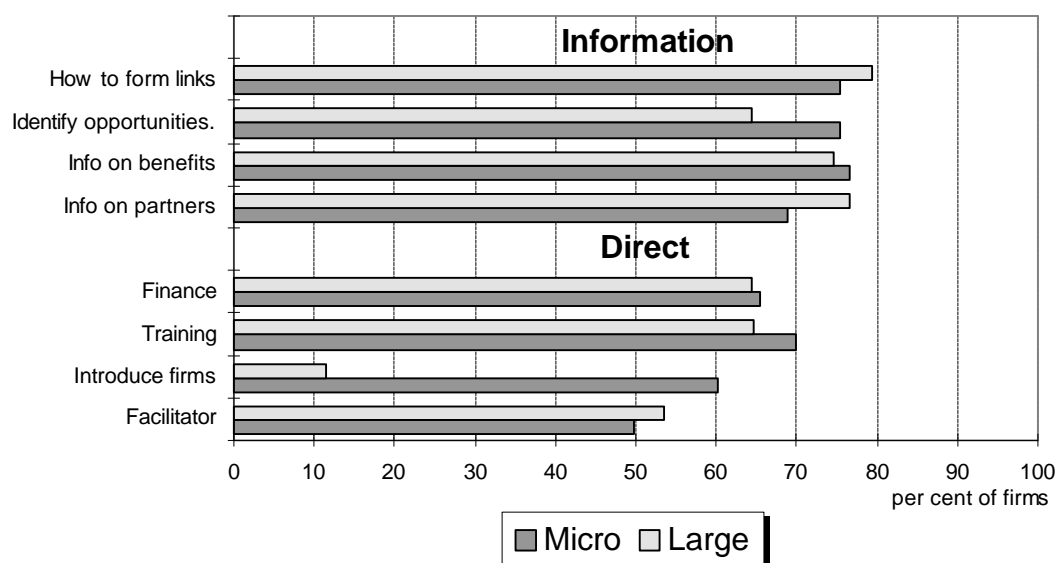


Source: BIE survey

The size of a firm (measured by the number of employees) was found in Chapter 3 to be positively related to a firm's cooperative stance. Figure 13.9 compares the desired role of government for firms at the two extremes – large and micro firms<sup>11</sup>. These differ most markedly over government involvement in introducing firms. Only around 10 per cent of large firms agree with this role, and over 60 per cent actively *disagree* with the government getting involved in matchmaking activities. In contrast, around 60 per cent of micro firms would like to see governments taking responsibility for introducing firms (although this is still one of the least preferred government roles desired by micro firms).

Clearly, large firms tend to have higher profiles, or more to offer prospective partner firms, and so find it easier to initiate and follow through contact with prospective 'partners' than do micro firms. Overall large firms favour information (74 per cent) much more than direct assistance (49 per cent). Micro firms also favour information provision (again 74 per cent) but over 60 per cent still support direct forms of assistance.

<sup>11</sup> The large and micro firms include both cooperating and non-cooperating firms.

**Figure 13.9 Preferred forms of government assistance, large and micro firms**

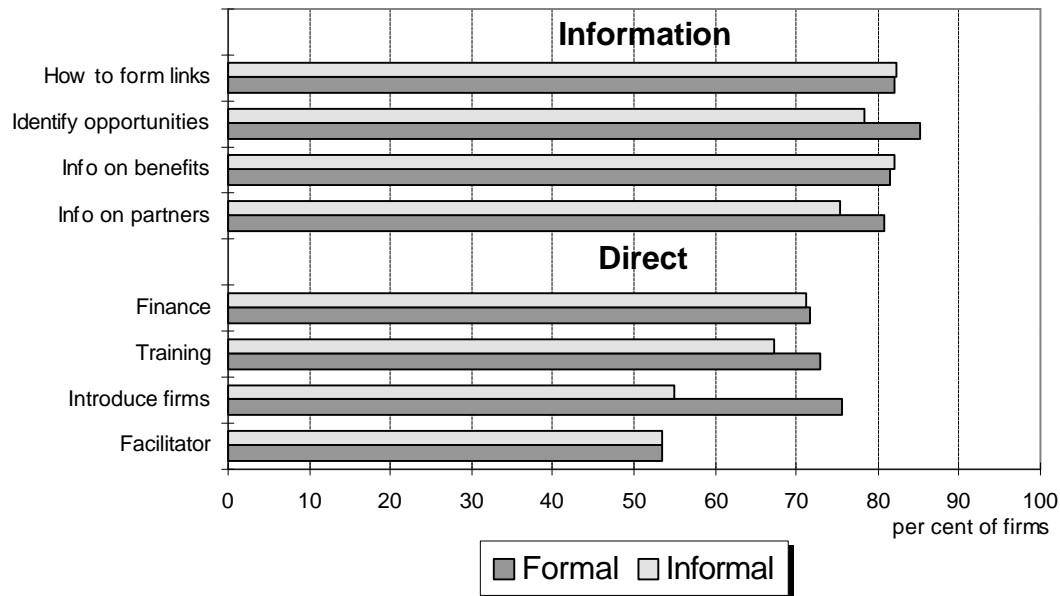
Source: BIE survey

Do firms with particular forms of cooperative arrangement prefer specific forms of government assistance? Firms with only formal or informal arrangements are very similar, except in the area of introductions (Figure 13.10). Firms with only formal arrangements feel a much greater need to have the government assist in introducing firms. This appears to conflict somewhat with data above relating to firm size, as large firms tend to operate on a formal basis more than small firms.

Overall, firms who cooperate on a contractual basis tend to be only slightly more supportive of government assistance (both direct and information provision) than informally cooperating firms. Interviews with firms indicated that informal arrangements were often the first step a business would take in cooperating with others. For this reason firms with only informal arrangements may be newer to the process of cooperation and therefore more uncertain of their assistance needs.

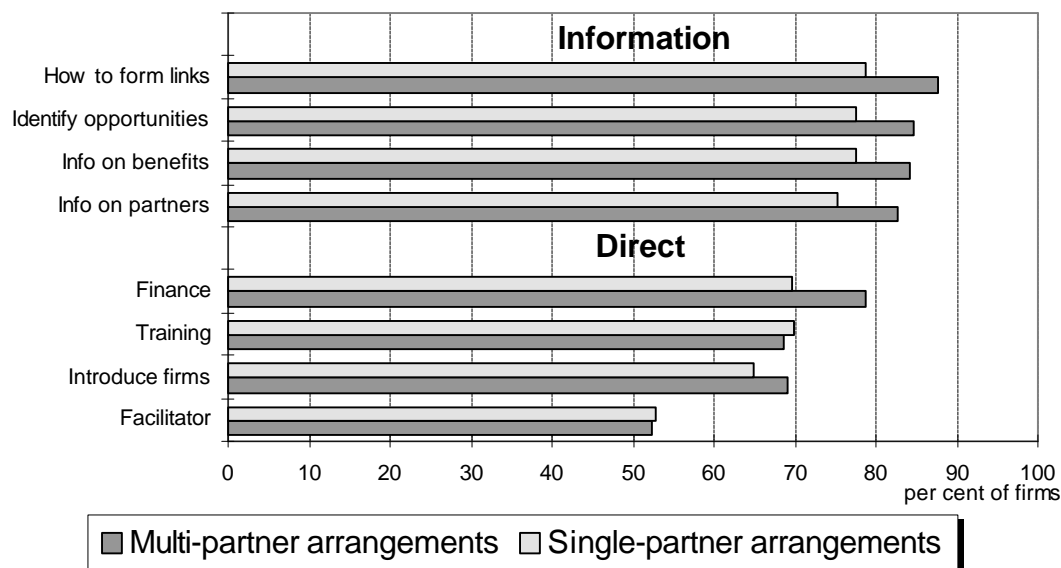
Figure 13.11 shows the preferred forms of assistance for firms in multi-partner, or network-type, arrangements and firms with one-to-one arrangements. Both are more strongly in favour of information provision (85 per cent for the former and 77 per cent for the latter). There was approximately the same emphasis on direct assistance by firms in each type of arrangement – 67 per cent of network-type firms and 64 per cent of one-to-one type firms.

**Figure 13.10 Preferred forms of government assistance, firms with formal and informal arrangements**



Source: BIE survey

**Figure 13.11 Preferred forms of government assistance, number of firms in arrangements**

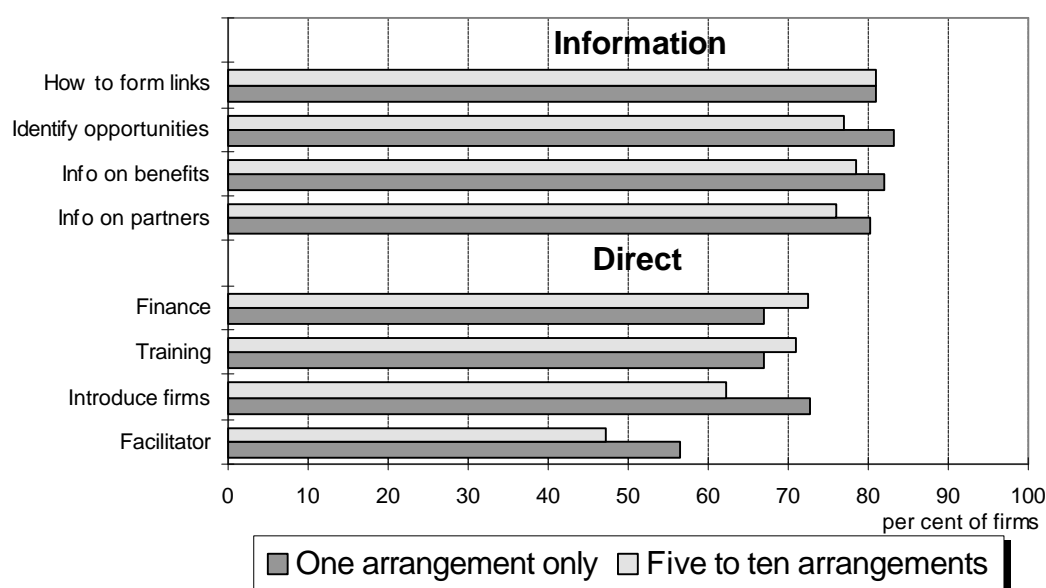


Source: BIE survey

Grouping firms on the basis of their number of cooperative arrangements reveals that both firms with only one arrangement, and those with five to ten, are in greater favour of government provision of information

rather than direct assistance (Figure 13.12). Firms with only one arrangement have 81 per cent of their members in favour of information provision and 66 per cent wanting direct assistance. A slightly smaller proportion of firms with five to ten arrangements are in favour of these forms of assistance. The most marked differences between these groups is that firms with many links are less intent on government providing introductions to other firms and also on the provision of facilitators. This is to be expected as these firms will have developed greater skills in finding firms with which to cooperate, and in establishing their arrangements.

**Figure 13.12 Preferred forms of government assistance, firms with one or multiple cooperative arrangements**



Source: BIE survey

Of course, not all differences in firm and arrangement characteristics result in differences in views on the role of government. There is no significant difference in responses either between industries, or across states, to the question of the possible areas for government assistance. In all cases, firms are predominantly in favour of the government undertaking an information provision role.

Additionally, whether a firm is involved in an arrangement with a customer, supplier, or a firm in the same or a different industry, does not influence its view as to the role for government. For these firms, information provision is the favoured role for government - 78 per cent of firms with customer or supplier links support this as do 85 per cent of firms with other links. Similarly, direct assistance is supported by 60 per cent of firms with customer or supplier arrangements and by 72 per cent of firms with other links.

Comparing firms with domestic and overseas arrangements, 79 per cent of both groups are in favour of the government providing information and 66 per cent want the government to give direct assistance. The only major difference between the groups is the greater emphasis on the part of firms with overseas arrangements on the provision of finance to assist with cooperation.

There is no real difference in what exporting and non-exporting firms see as the role for government. Information provision is most supported by both groups - 76 per cent of exporters and 75 per cent of non-

exporters. Equivalent levels of both groups feel direct assistance is appropriate for governments (63 per cent of exporters and 61 per cent of non-exporters).

Firms of divergent ages may be expected to see government as most usefully playing very different roles. However, overall these two groups do not differ markedly in the role they want government to play in linkage formation. About 75 per cent of both groups support information provision and 63 per cent of young firms and 60 per cent of mature firms support direct assistance.

Finally, firms experiencing low and high levels of performance might be expected to require different form of assistance from government. However, around 74 per cent of firms in both groups want the government to provide information to help in the formation of arrangements and approximately 62 per cent from both groups want direct assistance.

## 13.6 Summary

External assistance is not the panacea for all cooperative business arrangement problems and impediments. At the end of the day firms have to make the fundamental decisions themselves. External bodies can, however, play a significant role in informing and educating firms, as well as in overcoming impediments to cooperation – both informational and practical.

Governments and industry associations currently provide assistance to firms wishing to form cooperative arrangements. More firms acknowledge help from industry associations. For both these bodies there appears to be some way to go in improving their effectiveness in delivering assistance and in increasing the reach of the assistance provided. Different firms request varying types of assistance and it is important that they know where to go to have these needs met.

The impact of external assistance on the performance of cooperative arrangements appears to be positive. Firms receiving either government or industry association help with their linkages and networks are more likely to benefit overall from these arrangements than non-assisted firms. There are some interesting differences in the individual benefits associated with assistance from the two groups. Government-assisted firms are more likely to benefit in the market-related aspects of cooperation – from new customers/suppliers in overseas and domestic markets. Firms which get help from industry associations are more likely to benefit from improved production processes, improved work practices/productivity and access to production facilities. These ‘comparative advantages’ of the two agencies have implications for future program design.

The findings in this chapter have shown that a significant proportion of firms believe that the government can play a productive role in aiding the formation of inter-firm cooperative arrangements. This is particularly through the dissemination of information, but also through direct assistance. Government assistance can be improved by targeting the areas firms regard as their major needs, and also by providing firms with a clear idea of both the benefits and ‘costs’ of business cooperation. The wider promotion of relevant programs could also be of benefit.

There are good arguments for the involvement of both government and industry associations, and persuasive arguments for their working together in this area. In this way the government’s resources can be combined with the industry association’s ‘local knowledge’ and close contact with industry participants to develop specific, targeted packages for industries.