



Collaborative Business Models

Introduction

Tasmanian farms are typically family businesses with high equity that use banks for acquisitions and working capital. There are some corporates, some sharefarmers, some lease arrangements and recently a few equity partnerships.

Commonly used farm business structures in Australia are sole traders, partnerships, companies and trusts.

A collaborative farms model is one where farms cooperate with other farm businesses or jointly employ expert staff. For example, to achieve economies of scale or better market access for the crop, a group of farms may work together to sell the crop.

Collaborative businesses require a different business structure due to the competing requirements of the partners or collaborators. Some examples of useful collaborative business structures are companies and co-operatives.

Collaborative Business Models:

- are increasingly useful in response to competitive pressures in a global economy
- add capacity, expertise and most importantly value chain competitive edges
- require responsible corporate governance structures.

Benefits of Collaborative Business Models

- The building of critical mass required to increase market share.
- Increased competitive advantage through increasing price of goods sold and improving cost of production.
- Opportunities to concentrate on long-term competitiveness rather than short-term costs or gains.
- Combined expertise, knowledge and capabilities of members.
- Sharing resources such as machinery and equipment, capital, and market contracts.
- Co-operative intelligence can increase competitive advantage, for example, information on marketing, costing or product design.

- Combining resources and expertise in market research, product development or product delivery.
- Establishment of quality assurance and food safety systems.
- An increased ability to produce consumer products that are differentiated in product quality, farming practices, community values and environmental benefits to satisfy the increasing market for products with a range of characteristics to suit different consumer segments.
- Opportunities for members of the value chain business model to reach goals which they would be unable to reach on their own.

Issues for Collaborative Business Models

- How will the collaborative business create, market and deliver value to customers and consumers?
- How will it use the business assets, and access and structure financial and human capital to create profit?
- How will it use relationships to generate profitable and sustainable revenue streams?
- How will the business focus on profitability, competitiveness and sustainability?
- Can the business partners work together in the short, medium and long term to benefit each other?

Key Messages

A collaborative business model is one where farms cooperate with other businesses or jointly employ expertise; for example, to achieve economies of scale or better market access for the crop.

This information sheet provides an overview of collaborative business models including their benefits, issues and governance requirements. It also provides an overview of two common collaborative business models; companies and co-operatives.

- What is the most appropriate business structure for the collaborative business to use?

Note: Collaboration in some situations may be subject to approval from the Australian Competition and Consumer Commission.

Corporate Governance for a Collaborative Business

Any new collaborative business requires a corporate governance policy; that is a document that explains how the new business will function. Corporate governance policy provides guidance and direction on how the company is governed, particularly at the strategic level. The main areas covered in a corporate governance policy should be:

- the role of the directors
- the role of management
- the relationship between the directors and management.

The development and documentation of a clear strategic direction for the business is critical. The key components when developing a clear strategic direction will include developing a vision, mission, and addressing strategy such as objectives, performance measures and targets.

Companies

The Corporations Act 2001 describes the laws for companies in Australia. It focuses mainly on companies, although it covers some laws relating to other entities such as partnerships and managed investment schemes. The Corporations Act is the principal legislation regulating companies in Australia. It deals with the formation and operation of companies, duties of officers, takeovers and fundraising. A company exists as a separate legal entity from the owners (shareholders).

This means that in most circumstances, personal assets of the owners cannot be used to pay for any debts of the company. The Corporations Act governs the activities of companies and is administered by Australian Securities and Investments Commission (ASIC).

Co-operatives

Typically co-operatives are established so that a number of businesses can buy or sell goods collectively. In Australia there are legislative provisions established under State and Territory laws for the operation of co-operative companies. "In 2007, state and territory governments agreed to implement nationally uniform legislation for co-operatives, to address inconsistent State and Territory legislation and competitive disadvantages that exist in comparison to entities operating under the Corporations Act 2001. The objectives of the Cooperatives National Law (CNL) is to ensure that there are no competitive advantages or disadvantages for co-operatives when compared to corporations by providing:

- freedom to operate on a national basis
- better access to external capital funding
- simplified reporting for small co-operatives
- an accessible modern legislative environment.

In February 2012, the States and Territories signed the Australian Uniform Co-operatives Law Agreement. This is a commitment by the States and Territories to develop and implement a nationally consistent regulatory regime for co-operatives. The Co-operatives National Law (CNL), has been developed by the Legislative and Governance Forum on Consumer Affairs. All States and Territories are working towards passing the relevant legislation by May 2014.

Further information can be obtained from the Department of Justice at http://www.consumer.tas.gov.au/business_affairs/cooperatives.

Tools and further resources

Further resources available that may be useful to consider collaborative business models include:

- Increasing Productivity - Achieving economies of scale in vegetable production
- Scale of Vegetable Production - Profit calculator
- Collective Marketing - Selling vegetables profitably!
- Land Leasing
- A New Business Structure - The options and benefits
- Legal Business Structures

Disclaimer

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