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Expert Group Meeting on the Role and Promotion
of Subcontracting in Industrial Development

Paris, France, 6-11 October 1969

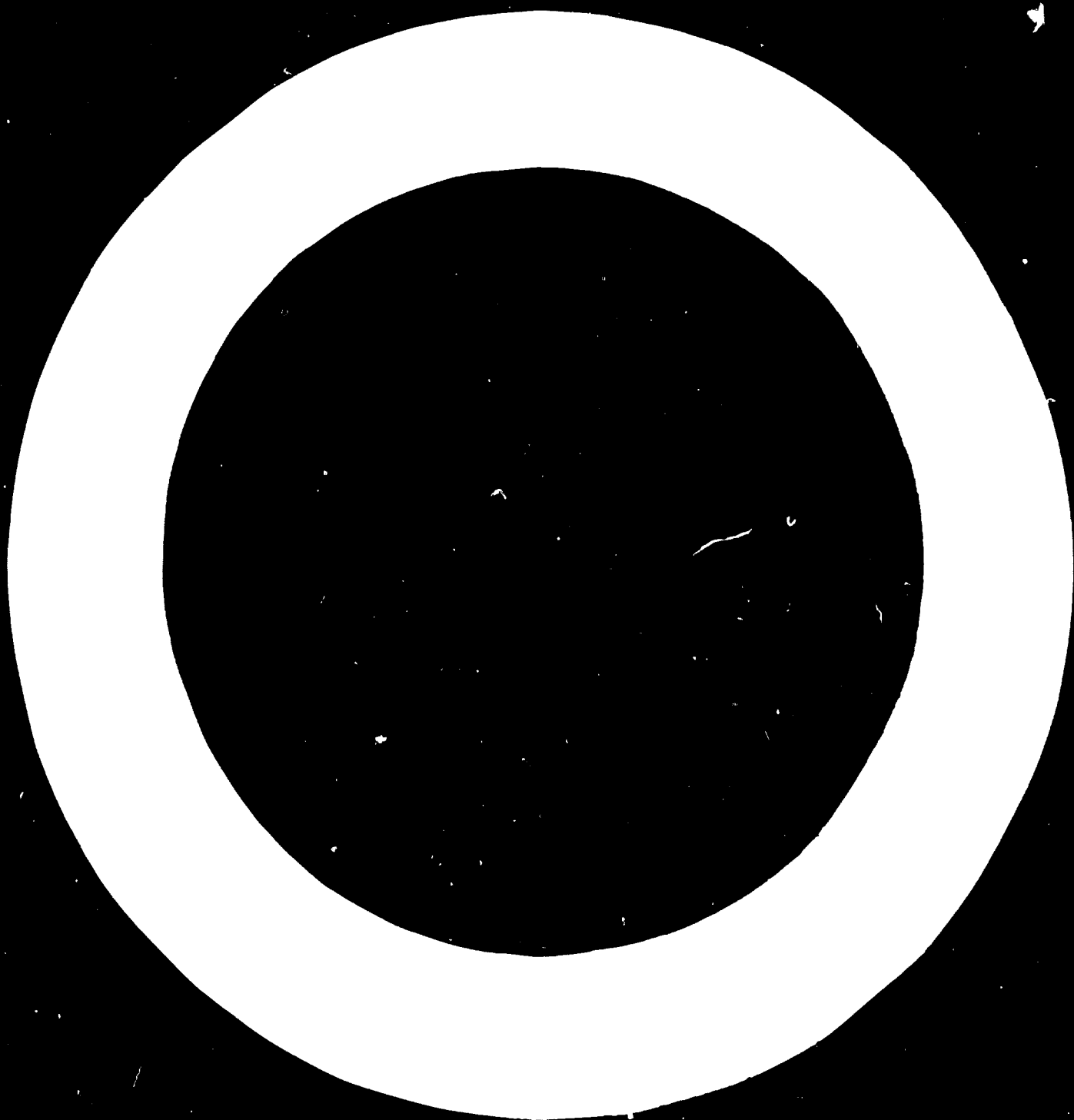
TYPES OF SUB-CONTRACTING IN SCANDINAVIA ^{1/}

by

N. Getz, Oslo

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the enterprises and no doubt also from the large enterprises towards the small enterprises. This is not even a difficulty in our economic life, and the manner in which this activity takes place, often by quite informal agreements between the participants who know each other very well, makes a statistical inventory difficult.

Broadly speaking, we can reach the conclusion that in Scandinavia there is a considerable amount of subcontracting although it is less developed than in the large industrial countries and in particular in the United States.

At the same time we consider that the subcontracting system is a necessary part of a modern industrial enterprise, that it should play a more important part, that it provides special possibilities for the small enterprises and that consequently the trade associations of the small enterprises should contribute to it, naturally in the form that is in the best interests of the small and medium-sized enterprises.

The SHIO (Swedish Organisation of Trades and Industries) has for many years been running, through its various federations, an intermediary service among its member manufacturers and their clients. By means of a catalogue, the member firms can present their production programme to a large number of manufacturers who need subcontractors. The many requests received from the latter are forwarded through the office of the federation in question. It was found however that when the requests were received for the first time, no accurate estimate was on hand as to available production capacity and appropriate equipment of the member firms. In 1966 the SHIO created a subcontracting clearing house which operates in the following manner. The enterprises wishing to be enrolled send in a report on their field of interest, giving details of the type of production, equipment, number of employees, etc. This information is completed each month by details supplied by the enterprise as to the production capacity which is available at the time or which is likely to become available. In short these details constitute the main register of the clearing house. In addition, a special catalogue is published giving such information that will enable customers to choose the subcontractor who best meets his needs. This catalogue is sent out twice a year, free of charge, to all the affiliated manufacturers and also to a few of the largest industrial firms (approximately 3000 in Sweden) which make use on a large scale of subcontracting firms. The register is divided geographically as well as by branches and there is also an alphabetical list by products. The subscription fee for membership of this clearing house is a little more than 100 DM.

The existing relations between the mechanical workshops in the Nordic countries as a whole enabled a Nordic subcontracting clearing house to be created.

In 1966 it was... enterprises that... the enterprises that... the information... clearing house of... clearing houses... almost simultaneous... been worked out... which in fact... Nations Commissioner...

The Commission... field of industrial... norms be used... movement of business... the terms of contract... supposed that... take separately... to its own needs... are probably... principles laid... field. These... balance between... means of standard... as to be...

In addition... associations of... unique institutions... and which... its activities... ation as to... the manufacture...

In Norway... exist smaller... contracting...

Most of the... information contained... be made between... of the countries... results obtained... can nevertheless... On each occasion they state... and that the activity... conclude that... possible to do... success is not...

The small enterprises... wide and modern... widely differing products... enterprises, by strictly... from the technical... Thus the keyword is... possible to extend further the use of subcontracting.

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At the same time the use of subcontracting can be advantageous for the customer - he can concentrate on the final assembling and sales.

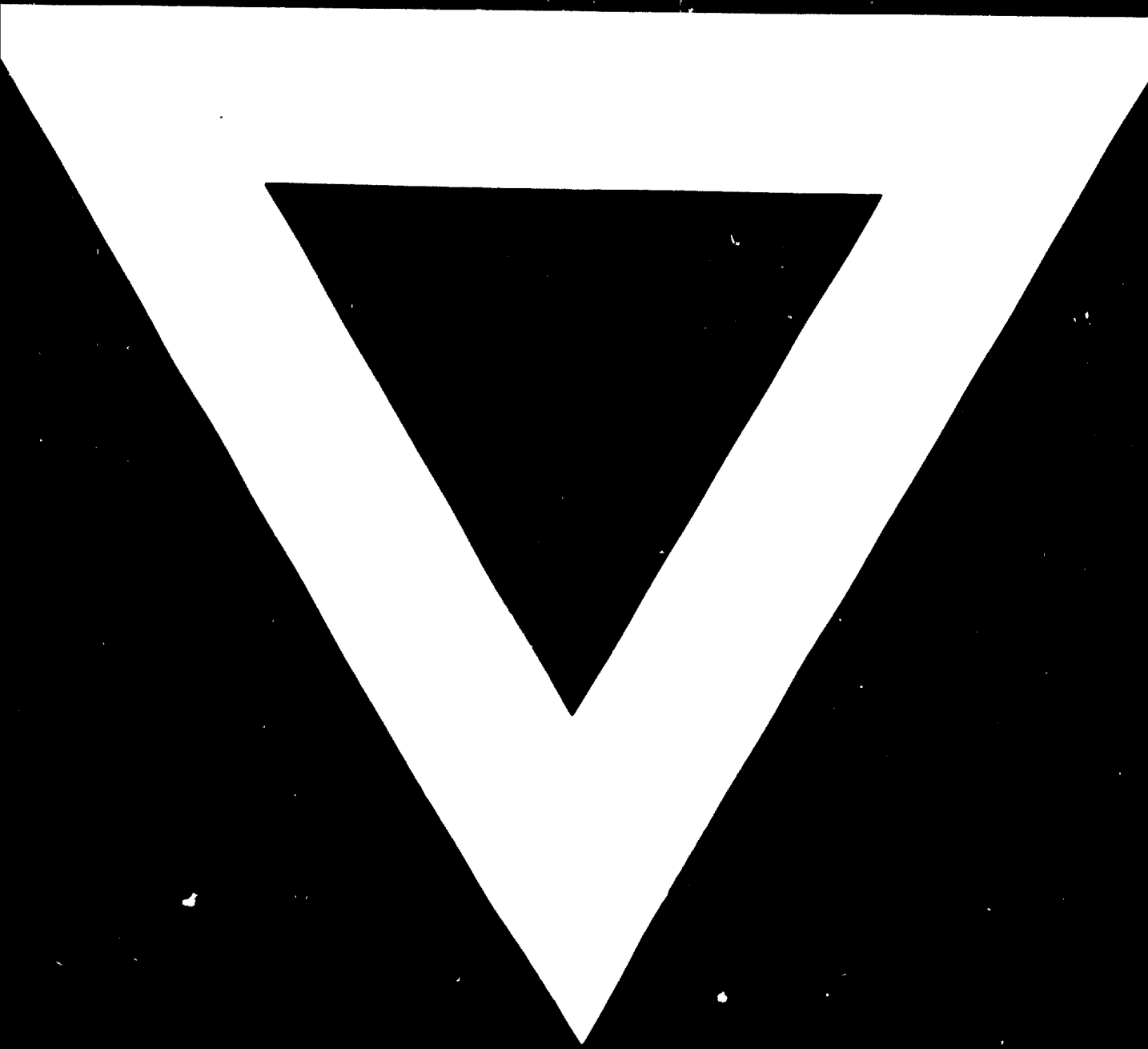
However, every rose has its thorn and this system is no exception to the rule. The close co-operation between the customer and the subcontractor has a great danger - one of the parties is dangerously dependent on the other. Usually the party that has the most to lose is the subcontractor. This can be avoided by greater specialisation and the application of machines etc. with a view to more specialised subcontracting. In our opinion, there should always be preliminary discussions: co-operation envisaged for a long period or a definite agreement according to which business relations should be pursued provided no new factors intervene. It would appear that as a business associate the customer should not let down his subcontractor for an immediate or short term gain. We do not recommend that our members draw up contracts with a firm which has a bad reputation as far as its dealing with subcontractors is concerned. Confidence should exist in an agreement made by two responsible parties in the business.

This is particularly true, as it has already been stated, in cases where it can be foreseen that one will be dependent on one single customer. The ideal situation is for the subcontractor to develop a special proficiency in a limited field of activity so that he can offer to supply knowledge that does not exist elsewhere. In particular, this is a good position when he is able to develop, produce or by checking, some of the components corresponding to the most vital specifications of the buyer. The subcontractor must be active and not rest on his laurels nor put all his eggs in one basket.

We must recognise that within the broadest European context the possibilities for the Nordic countries in this field will become greater and greater and that subcontracting activities will develop in both directions.

In the Scandinavian countries we also have enterprises which seek subcontractors in other countries. The different organisations will have an important role to play from now on: general information, information on development, on the proposed possibilities and also on possible risks.





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