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A. Leyn

LEVEL OF INTEGRATION PROCESSES DEVELOPMENT IN TERMS OF THE GLOBALIZATION

The article is devoted to the determination of levels of integration processes that are qualitatively new features in increasing globalization of world economy.

Keywords: integration processes, regionalization, globalization, world economy.

УДК

J. Polowczyk

COOPERATION IN INTERNATIONAL BUSINESS

The purpose of the article is to present current cooperation processes in international business.

Globalization and new technologies create new opportunities and challenges for firms. In an increasingly competitive environment firms are entering domains they once would have ignored. One of these domains is business cooperation. The article consists of five main sections. In the first, definitions of business cooperation and cooperative advantage are presented. The second section discusses the main analytical perspectives of business cooperation. In the third part organizational forms of cooperation in international business are presented. The fourth section is devoted to presentation of the coopetition concept as a merger of cooperation and competition. In the fifth section new technology influences on cooperation are discussed. Summary comments close the paper.

Introduction. Business cooperation (or business collaboration) is a part of strategic management theory and practice. Strategic management had not appreciated cooperation in business practice for a long time because it had been dominated by M.Porter's concept of competitive advantage. Only at the end of 1980s did the idea of cooperation in the form of strategic alliances appear and was explored during next two decades[2]. Cooperation co-existed concurrently with competition from the earliest period. The constant tension between competition and cooperation is the engine of real progress in economy. Strategic management is the theory, practice and art of business navigation between competition and cooperation in a world moving towards a more integrated, global economy.

There is an enormous range of terms used to describe cooperation between different companies, for example: collaboration, alliance or strategic alliance, joint venture, partnership, network, coalition, consortium, association, constellation, coopetition, etc. Moreover, different organizations and authors define these terms differently. One organization's (or author's) "alliance" may be another's "constellation" or "network". Some of these arrangements will be established as formal legal entities, others will be much more informal processes of discussion, meeting, and taking action together. Some will engage only two firms, others may involve dozens of organizations. Some are established to deliver one specific product, others have a long-term focus and tackle many different projects. Some are coordinated by one or more of the partner organizations, and others are supported by a formal mechanism, with its own staff and budget.

This diversity of cooperation concepts has two basic reasons. First of all it is a relatively new field of enquiry. Secondly, business practice is enormously complicated and there are a profusion of organizational forms that may arise from cooperation. It is very difficult to create a comprehensive and universal taxonomy of cooperation phenomenon.

The globalization phenomenon increases the market for international products. Information and transportation technologies are continually reducing the cost of managing geographically dispersed operations. Barriers to cross-border trade and investment are in general falling. Firms conducting international activities can exploit opportunities to increase market demand, reduce costs, and learn from global partners. In an increasingly competitive environment, firms are entering domains they once would have ignored. One of these domains is business cooperation.

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1. Definition of business cooperation and cooperative advantage

Strategic management owes considerable intellectual debt to economic theory. A significant number of the strategy schools grew out of neoclassical economic theory. The most influential contribution was undoubtedly M.Porter's *Competitive Strategy* [1980] based on industrial economics. Porter [1985] argued that competitive advantage can be sustained.

[2] The Strategic Management Society established in 1980 has been working in so called interest groups. A competitive strategy interest group existed from the beginning of the Society. The group dedicated to cooperative strategy was only established in 2012. Such a late decision can be a good example of strategic management theory inertia.

The doctrine of sustainable competitive advantage is actually embedded in mainstream economic theory [Mintzberg, Ahlstrand and Lampel 1998, p.83]. Porter's theory was based on concepts of competitive advantage and competitive strategies. Competitive advantage is revealed when a firm is more profitable than its rivals or exceeds them on other valued performance measures.

Figure 1 depicts the choices available to corporate strategists who are designing an economic relationship. On one extreme, they might find a desired product or service in a pure market situation – what economist call a spot market – where people come together to transact an exchange and then go on their way, without committing themselves to future exchanges. This is the kind of relationship individual consumers have with a local grocer or gasoline retailer; corporations act in a similar way when they purchase most commodities.

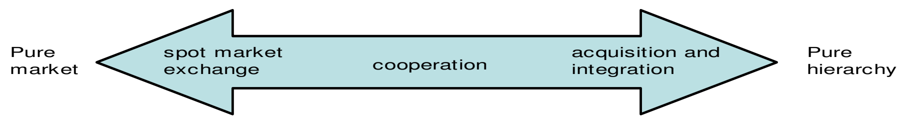

Figure 1 Business transactions structure: from market to hierarchy

At the other extreme of choices shown in Figure 1, corporates acquire a company that performs a desired activity and integrates it with existing businesses. Acquistion (takeover) is a strategy in which one firm buys a controlling or 100% interest in another firm. This choice is labeled pure hierarchy, which means they will use the corporation's hierarchical control mechanisms to organize the economic relationship.

The two ends of the continuum represent two fundamentally different choices for structuring an economic exchange, whether the transaction involves tangible products, intangible services, or even information. In addition to these two extremes, there are many other possible arrangements. These in-between alternatives combine features of both markets and hierarchies. These alternatives present possible forms of **business cooperation** between two or more organizations (legal entities).

Collaboration strategies involve working with stakeholders to achieve mutually valued objectives. A stakeholder is a person, group, organization, or system who affects or can be affected by a company actions and thus may attempt to influence its strategy. We can distinguish the following types of corporate stakeholders: owners (shareholders, investors), employees, customers, suppliers, competitors, banks (creditors), local communities, government, industry lobbying groups, professional associations. Dominant relations between a company and its stakeholders should be cooperative [Adler, Heckscher and Prusak 2011]. But there is one exception: competitors. The natural relations with industry rivals have a competitive character, although there is a growing evidence that cooperation between competitors is possible.

The first typology of cooperative strategies has been presented by R.P.Nielsen [1988]. All previous strategy taxonomies presented in 1970-1980, dealt with competitive strategy. None developed a typology of generic mutual gain strategies. In fact, there have been only two articles that considered cooperative strategy at all [Wright 1984; Thorelli 1986]. The PIMS (Profit Impact of Market Strategies), the main American research data base did not even record data concerning cooperative strategies.

In this article, we use the term "business cooperation (collaboration)" to indicate any kind of agreement reached between two or more legal entities, with the aim of carrying out a business project in common. According to Figure 1, business cooperation regards neither spot market exchanges (one time transactions) nor acquisitions (takeovers, mergers). Following the idea of competitive advantage we will introduce the term "cooperative (collaborative) advantage" as the benefits achieved when an organization accomplishes more than it would have independently, through developing effective working relationships with other stakeholders [Lank 2006, p.6].

2. Analytical perspectives of business cooperation

Business processes (or real economy – in general) are very complex and can not be explained by a single theory. Therefore, we will use three different perspectives to describe and understand real business cooperation processes:

- evolutionary perspective
- resource-based theory perspective
- transactional costs economics perspective

2.1. Evolutionary perspective

Econosphere is the global system consisting of people and organizations involved in the achievements of our civilization [Kauffman 2000]. Current companies are the result of a long evolutionary process of wealth creation in the econosphere. The evolutionary formula consists of three-steps: differentiation, selection and replication. The same process that has driven the growing order and complexity of the biosphere has driven the growing order and complexity of the econosphere. We are accustomed to thinking of evolution in a biological context, but modern evolutionary theory views evolution as something much more general. Evolution is a general-purpose algorithm for finding innovative solutions to complex problems. It is a learning algorithm that adapts to changing environments and accumulates knowledge over time.

Evolution is a general algorithm. It is an all-purpose formula for innovation through trial-and-error process. Evolution is a bottom-up process without a leader. Evolution is recursive: its output from one cycle is the input for the next round. The basic evolutionary framework integrates behavioral disciplines: economics, psychology, sociology, political science, biology, anthropology, etc. The above disciplines model human behavior in distinct and incompatible ways. The evolutionary perspective recognizes evolutionary theory, covering both genetic and cultural evolution, as the integrating principle of behavioral science.

The evolutionary perspective uses game theory. Game theory is a method for analyzing circumstances, where a person's success is based on the choices of others. Game theory is the study of models (non-mathematical and mathematical) of conflict and cooperation between intelligent decision-makers. Its foundation was created by J.von Neumann and O.Morgenstern [1944]. Game theory has been widely recognized as an important tool in many fields. Eight game theorists have won the Nobel Prize in Economic Sciences: Selten, Nash and Harsanyi in 1994, Aumann and Schelling in 2005, and Hurwicz, Maskin and Myerson in 2007.

Game theory first addressed zero-sum games, such that one person's gains exactly equal the losses of the other participant(s). Today, game theory applies to a wide range of non-zero-sum games which represent business cooperation. There are four basic sources of non-zero-sum games [Beinhocker 2007, p.266-267]. First is the division of labor. This benefit was pointed out by Adam Smith over two centuries ago. If two people have even a slightly different skill sets, mutual gain can be created by each person focusing on what he or she does best and then trading. Second is the heterogeneity of people. Their different needs and tastes create opportunities to trade for mutual benefit. Third are the benefits of increasing returns to scale. Fourth, and finally, cooperation helps smooth out uncertainties over time.

These four sources of non-zero-sum games can be mixed and matched in various contexts to create a near-infinite number of ways that people can cooperate for their mutual benefit. People must have an incentive to cooperate and therefore must receive some share of the spoils. If the rewards are distributed in the wrong way, then cooperation collapses.

Game theory provides a rigorous approach to modeling what rational actors behaving with self interest are likely to do in well-defined situations. Perhaps the best known example of this is the so-called "prisoner's dilemma" (PD)[3]. The prisoners are kept apart. They must make a decision based on how the partner is likely to behave. As rational actors, they should both assume that the other will act in his own best interest and testify. As a result, they both testify, even though they would have been better off if they had kept silent. The game slides into the Nash [1950] equilibrium solution: both prisoners are testifying and both going to jail for a short period. It is not the optimal outcome, because if they could somehow coordinate their actions, they could both go free.

The best strategy for the prisoner's dilemma was found by psychologist A.Rapaport, and was called Tit for Tat (TFT) [Axelrod 1984; 1997]. TFT starts with a cooperative choice and thereafter responds positively to a cooperative move by the other player and negatively to a competitive move by the other player. According to Axelrod [1984, p.54]: "What accounts for TFT's robust success is its combination of being nice, retaliatory, forgiving, and clear. Its niceness prevents it from getting into unnecessary trouble. Its retaliation discourages the other side from persisting whenever defection is tried. Its foregiveness helps restore mutual cooperation. And its clarity makes it intelligible to the other player, thereby eliciting long term cooperation".

TFT is a confirmation of the psychological reciprocity concept: if you cheat on me, I will punish you, even to my own short term cost; but I might forgive you and try cooperation again. People are conditional cooperators and altruistic punishers. Evolution has programmed our mental software in the direction of reciprocity. We are naturally inclined to be cooperative to capture the riches of non-zero-sum gains. We are also equipped with a sensitivity to cheating.

2.2. Resource-based theory perspective

An influential body of research within the field of strategic management was named by Birger Wernerfelt in his article „A Resource-Based View of the Firm" [1984]. But the origins of the resource-based theory can be traced back to earlier research. Retrospectively, elements can be found in works by Coase [1937] and Williamson [1975], where emphasis is placed on the importance of resources and its implications for firm performance. This paradigm shift from the narrow neoclassical focus to a broader rationale, and the coming closer of different academic fields (industrial organization economics and organizational economics being most prominent) was a particularly important contribution.

The resource-based theory (RBT) of a firm explains its ability to deliver sustainable competitive advantage when resources are managed, such that their outcomes can not be imitated by competitors, which ultimately creates a competitive barrier. RBT explains that a

[3] The prisoner's dilemma (PD) is a canonical example of a game that captures several critical aspects of how evolution works in the complex adaptive systems of the real-world economy. The PD is called „the E.coli of the social sciences". Biologists often start with bacteria, fruit flies, and other simple organisms before moving on to the complexity of humans. The PD is also the simplest social model.

firm’s sustainable competitive advantage is reached by unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm-specific.

A firm may reach a sustainable competitive advantage through unique resources which it holds, and these resources cannot be easily bought, transferred, or copied, and simultaneously, they add value to a firm while being rare. It also highlights the fact that not all resources of a firm may contribute to a firm’s sustainable competitive advantage.

The RBT is a business management tool used to determine the strategic resources available to a company. The fundamental principle of the RBT is that the basis for the competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal. The major concern in RBT is focused on the ability of the firm to maintain a combination of resources that cannot be possessed or built up in a similar manner by competitors.

To achieve a competitive advantage, a firm must create more value than its competitors. A firm’s ability to create superior value depends on its stock of resources, and its distinctive capabilities. Stock of resources, i.e. firm-specific assets and factors of production, are: patents, brand-names reputation, human assets and technical base. Distinctive capabilities are activities that the firm does better than competitors. Capabilities arise from using the above mentioned resources.

Resources are usually tradable and non-specific to the firm. Capabilities are firm-specific and are used to engage the resources within the firm, such as implicit processes to transfer knowledge within the firm. Resources are stocks of available factors that are owned or controlled by the organization. Capabilities are an organization’s capacity to deploy resources.

To transform a short-term competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile. Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort. If these conditions hold, the firm’s bundle of resources can assist the firm sustaining above average profits. An important tool of RBT is the VRIN model. There are four VRIN resource criteria: Valuable, Rare, Inimitable, Non-substitutable.

The VRIN characteristics mentioned are individually necessary, but not sufficient conditions for a sustained competitive advantage. Within the framework of the RBT, the chain is as strong as its weakest link and therefore requires the resources to display each of the four characteristics to be a possible source of a sustainable competitive advantage.

The key points of the RBT are the following:

1. identify the firm’s potential key resources
2. evaluate whether these resources fulfill the VRIN criteria
3. care for and protect resources that possess these evaluations, because doing so can improve organizational performance.

2.3. Transaction costs economics perspective

In economics and related disciplines, a transaction cost is a cost incurred in making an economic exchange (the cost of participating in a market). The term "transaction costs" can be traced back to the monetary economics literature of the 1950s. Ronald Coase [1937] used it to develop a theoretical framework for predicting when certain economic tasks would be performed by firms, and when they would be performed on the market[4]. Transaction cost reasoning became most widely known through Oliver E. Williamson's *transaction cost economics* (TCE)[5]. According to Williamson [1985], the determinants of transaction costs are: frequency, specificity, uncertainty, limited rationality and opportunistic behavior.

[4] R.Coase was awarded the 1991 Nobel Prize in Economics.
[5] O.E.Williamson was awarded the 2009 Nobel Prize in Economics.

TCE focuses on the efficiency of creating and monitoring economic relationships. The analysis focuses more on the indirect costs of governing (or managing) the transaction than on the direct costs of producing a product or service [Williamson 1985]. TCE emphasizes that indirect costs rise as the level of uncertainty (or risk) increases in a situation, including the risk that one of the parties will take advantage of the other. According to TCE, this risk is ever-present. TCE assumes that people will do what is in their economic self-interest and that this will often lead to opportunism – one party taking advantage of the other party by neglecting or shirking their obligations (either explicit or implicit) in the arrangement. Opportunism may be unintentional, or it may be deliberate and malicious.

Recalling the two extremes of the continuum outlined in Figure 1, TCE allows us to compare the costs of a transaction carried out in a market context versus a transaction that occurs within a hierarchical firm. In markets, direct costs are captured in the price charged by the seller, while indirect costs are due to the costs of creating and monitoring the contract. In hierarchies, it is easy to assume that the direct costs will always be lower than in a market, because the seller's profit has been eliminated from the costs of production. However, if the market seller is more efficient at producing the product or service, its direct costs may actually be lower than production within the diversified firm.

In addition, indirect costs are likely to be higher in a hierarchical arrangement than in a more market oriented one. In a simple market transaction, any needed controls are part of the negotiation. Firms tend to use more control systems, formal procedures, and managerial time to manage internal transactions; all are aspects of bureaucracy.

People begin to organize their production in firms when the transaction cost of coordinating production through the market exchange, given imperfect information, is greater than within the firm. The main reason in establishing a firm is to avoid some of the transaction costs of using the price mechanism. These include discovering relevant prices (which can be reduced but not eliminated by purchasing this information through specialists), as well as the costs of negotiating and writing enforceable contracts for each transaction (which can be large if there is uncertainty). Moreover, contracts in an uncertain world will necessarily be incomplete and have to be frequently re-negotiated.

The TCE shows hierarchies (institutions) and markets as a possible form of organization to coordinate economic transactions. When the external transaction costs are higher than the internal transaction costs, the company will grow. If the internal transaction costs are higher than the external transaction costs, the company will be downsized by outsourcing.

Transaction costs arise from the defects of the market. Economic agents are subject to limited rationality (restrictions on their capability to make forecasts, to determine contingencies and to evaluate them correctly so as to confidently determine the price and the other conditions of exchange). This explains why the hypotheses about their behavior attributes selfish (aimed at maximizing their individual benefit) and opportunistic (derived from the unverifiable nature of certain information and from the incompleteness of certain contracts) behavior to them. Consequently, the use of the market implies certain costs – transaction costs – which are those resources that are consumed during the process of regulating the conditions in which the transfer of goods and services takes place.

If the transaction has a high frequency, the assets which are exchanged are very specific and the level of uncertainty is high, internalization appears to be the best alternative to the market (since the costs deriving from the contracts and their regulation will be very high). Internalization also entails significant disadvantages with regard to costs, not only those which derive from the acquisition of assets, but also those which result from the complexity of organizing and administrating a larger company.

The concept of business cooperation, from this perspective, is considered as either a hybrid between the market and the company, or as an intermediate form of organization between:

1. the externalization (or pure market);
2. and the internalization of production activities (or pure company).

The underlying criterion in choosing from among the different possibilities is the search for economic efficiency through the minimization of transaction costs.

Business cooperation attempts to transform the traditional markets into arranged or quasi-integrated markets. Such markets consist of a set of relations and contracts between legally independent companies based on fairly complex and specific cooperation agreements. It is not the competition which sustains the functioning of these markets, but rather the privileged or agreed relations established either between the company and its competitors or between the company and other companies in its sphere. The final objective is to minimize the transaction costs through the cooperation agreements.

Faced with the increase in uncertainty, the company may choose to search for an agreement or to internalize the tasks. For example, entering a new geographic market is a decision which involves a high level of uncertainty due to the possible difference in the preferences of the consumers and the difficulty in identifying them, as well as lack of knowledge about the competitors and the response of the market to the product and its adaptation. In this situation, establishing certain agreements with the local agents (e.g. the creation of a joint venture) allows the company to have more information, which therefore reduces the level of uncertainty.

In these markets, in which the logic of volume is a critical variable, greater presence or concentration is a fundamental competitive quality. The larger size can be obtained through internal growth (internalization of activities) or external growth (merger or takeover of companies). Internal growth implies an increase in administration and management costs. In external growth - the administrative and management costs may be increased by both the increase in uncertainty due to the acquisition of an external company and, logically, the cost of the investment itself.

Cooperation among companies represents a third option for the acquisition of volume, although this also entails certain costs which derive from organizing and administrating the cooperation contract. In short: making one decision or another involves an assessment of the different costs.

3. Organizational forms of business cooperation

Cooperation agreements cover a wide field and a great variety of organizational forms. The nature of the cooperation agreement will depend on both the strategy chosen and the organizational form determined for carrying it out. Although it is difficult to give an exhaustive list of the latter, some attempt should be made at outlining the most commonly used ones, commenting on the main features and conditions according to which the most suitable model is established.

Long-term contracts

Transactions between businesses may not be onetime events (as in spot markets). Rather, they may occur repeatedly over a period of time, and in such situations, managers often execute formal, long-term contracts that detail the terms of exchange, including such things as quantities, prices, product specifications, and delivery dates. A pharmaceutical manufacturer's purchasing arrangements with the firm that produces its packaging materials, for instance, might be covered by a long-term, formal agreement.

Joint venture

The joint venture (JV) arises from cooperation between companies that create another independent company to carry out a particular activity. The most important feature is that the JV company is set up with legal status and engages in business on its own behalf, although coordinated with strategic objectives by the parent companies. A JV can be called balanced if its shareholders have the same capital holding, or asymmetrical if any of them have significantly larger holding.

A more formal arrangement is an equity joint venture (EJV), in which two or more firms create a new business for the purpose of carrying out some kind of mutually beneficial activity. An EJV is likely to include negotiated agreements about share of ownership and management control. But, operational details are often left open – to be decided informally by managers within the joint venture itself. EJV can be suited to situations in which there is too much uncertainty to write down every expectation in advance. Joint ownership increases the likelihood that the partners will cooperate when unanticipated circumstances arise. EJVs are often used in high-technology industries to manage the uncertainty and share the risks in large, costly research and development projects. The best example of a balanced EJV is SB LiMotive, established by The Korean Samsung Electronics and The German Bosch in 2008. SB LiMotive develops and manufactures lithium-ion batteries for use in hybrid, plug-in hybrid vehicles and electric vehicles.

Strategic alliances

Strategic alliance is a strategy in which two or more firms form a relationship in order to pursue mutual interests that have implications for the long-term strategy of at least one of the partner firms. The best example of strategic alliances are those created by airline carriers. The airline industry is dominated by three global strategic alliances: Star Alliance, Oneworld and SkyTeam (Table 1).

Table 1

Members of airline strategic alliances

Star Alliance	**SkyTeam**	**Oneworld**
Adria Airways, Aegan Airlines, Air Canada, Air China, Air New Zealand, ANA, Asiana Airlines, Austrian, Blue1, bmi, Brusseles Airlines, Croatia Airlines, Egyptair, Ethiopian Airlines, LOT Polish Airlines, Lufthansa, SAS, Singapore Airlines, South African Airlines, Spainair, Swiss, TAM Airlines, TAP Portugal, Thai, Turkish Airlines, United, US Airways	Aeroflot, Aeromexico, Air Europa, Air France, Alitalia, China Airlines, China Eastern, China Southern, Czech Airlines, Delta Air Lines KLM, Korean Airways, TAROM, Vietnam Airlines	Airberlin, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, Japan Airlines, Lan, Malev Hungarian Airlines, Mexicana, Qantas, Royal Jordanian, S7 Airlines

Strategic alliances can be also based on informal (non-contractual) relationships between two or more parties based on trust and reputation. They are formed to pursue mutual interests. Though some parts of the relationship may be in written form, the trustworthiness of the parties involved is a substitute for a formal contract. Though trust may not be binding, concerns about corporate reputation usually prevent firms from blatant violations of the alliance agreement.

Strategic alliances can have some disadvantages. It is particularly important, that firms participating in alliances consider their partners' strategic intent in cooperating on the venture. These intentions are likely to evolve. Alliances require careful planning and monitoring. For example, a partner can become knowledgeable about a production process or industry and decide to terminate its cooperative agreement and enter the market on his own.

Outsourcing

In this form of cooperation, the main company (the contractor) entrusts another (the subcontractor) with fabrication of product components, part of the production or sometimes even the whole production. The main reason for subcontracting are costs, short-term capacity or the scarcity (or lack) of necessary resources. For these reasons Apple has entrusted Taiwanese Foxconn with production of iPhones and iPads.

Licences

The licence is a contract by which the company – the licensor – grants another company – the licensee – the authority to use industrial property rights in exchange for payment. These rights include patents, trademarks, design, author's rights, know-how and technical information. The licence contract is usually more common at an international level, since this enables the company that owns the property rights to avoid risking commercial and industrial operations, and the licensee – who knows the market better – has the chance to use these rights and to obtain greater technological competence.

Spin-offs

This type of cooperation consists of a company – normally a large one – encouraging and supporting the creation of another by a team of skilled workers from their own workforce. The idea is that the new company becomes a partner in carrying out the activity that was previously performed by a department or division of the big company. The cooperation thereby established is called the spin-off agreement.

Franchises

The franchise is a specialized form of licensing. It is an agreement by which a company – the franchiser – grants another company – the franchisee – the right to market or make an established product in exchange for certain economic compensation. The franchise contract usually corresponds to the following characteristics:

- The franchisee owns the business and makes the necessary investment to set it up;
- The franchiser supplies a name and a common display and design in franchised establishments. Franchiser also provide know-how and corresponding technical and commercial assistance;
- There is franchisee exclusivity in the franchise agreement for a particular geographical area.

There are many types of franchise, depending mainly on the activity to be carried out, and the level of integration desired between participants. Franchise agreements, like those between McDonald's and its independent franchisees, are another type of long-term contract. In effect, franchise agreements sell an independent entrepreneur the knowledge required to compete in a particular industry in exchange for a royalty. The McDonald's franchise agreement thus details such things as standards for operating the restaurant (cleanliness, product quality and service), joint advertising arrangements, and hours of operation. The company provides training in these and other areas and charges royalty fees for using its expertise. As long as the franchisee lives up to the contract, s/he may continue to use the McDonald's brand name, benefiting not only from the corporation's advertising but also from the years of experience and accumulated knowledge of McDonald's corporate management.

Consortiums

Consortiums are temporary company associations (or associations of economic interest), agreements that aim to carry out activities jointly. The activities' characteristics generally make it impossible for one company alone to have the total technical or financial capacity to carry it out. A consortium enables partners both investment costs and risk to be shared, as well as sharing any profits obtained. For example, Airbus began as a consortium of four aerospace manufacturers from: France, Germany, United Kingdom and Spain.

Networks

Networks are a type of cooperation characterized by the existence of many agreements made by a high number of participants and which may link public or private institutions, financial bodies and so on. Cooperation agreements are the links joining participants in the network. The key elements in a network are therefore the multiplicity of complexity of relations, and, generally, the large number of international companies and organizations involved. For example, McDonald's relies on a carefully chosen network of partners to produce, install, and service hundreds of pieces of equipment (such as fryers, griddles, ice makers, and signs) used in more than 10,000 restaurants worldwide.

Masstiges

The term "masstige" is a fusion of the words "mass" and "prestige", and has been described as *prestige for the masses*. Masstige products are defined as "premium but attainable". For example, H&M uses support of famous „luxury designers" like: Karl Lagerfeld, Stella McCartney or Madonna. In November 2011, H&M launched a Versace collection in its outlets. There are three basic principles of masstige: prices should be below that of the original but higher than the usual prices of the selling chain, the luxury collection should be limited (1-2 examples per shop), and should be packed in a bag with the logo of the famous designers.

Clusters

Clusters, according to M.Porter [1990], are natural associations between companies in a certain sector with other companies or supporting sectors related to their activity. Porter distinguishes between sectorial clusters on a country-wide scale that represent cooperation mechanism between large and medium-sized companies, and local clusters that represent productive interaction phenomena on a local scale between small and medium-sized companies. The main feature of the cluster is that it constitutes a heterogeneous complex of mutually inter-dependent companies where relations between participants combine cooperative and competitive features. The most known technological cluster is Silicon Valley (USA). There are many different clusters in Europe, e.g.: BioValley (France-Germany-Switzerland), Medicon Valley (Denmark-Sweden), Cosmetic Valley (France).

It should be underlined that many real-world economic relationships between firms blend elements of different cooperation forms. For example, it is sometimes difficult to distinguish long-term contracts from strategic alliances or EJVs. Some long-term contracts leave much of the relationship underspecified. Strategic alliances can include research consortiums, joint ventures, long-term supplier relationships, and licensing arrangements. These cooperative arrangements allow firms to extend their spheres of influence beyond the assets they own and to leverage the assets of others to create greater value while minimizing their own capital outlays. For example, in recent years, American and Japanese firms established joint ventures with Chinese firms to help them understand how to deal with Chinese government regulations, set up local production operations, and learn how to adapt their products to various Chinese tastes.

4. Coopetition

It has been mentioned at the beginning of article that dominant relations between company and its stakeholders are cooperative. But there is one exception: competitors. The natural relations between industry rivals have competitive character although there is a growing number of evidence that cooperation between competitors is possible. This special type of business cooperation is called "coopetition" (a merger of two words: cooperation and competition).

G.Hamel, Y.L.Doz i C.K.Prahalad [1989] published article *Collaborate with your competitors – and win* in The Harvard Business Review. They noticed that collaboration between competitors became fashionable. They called it „competitive collaboration". A.M.Brandenburger and B.J.Nalebuff [1995] introduced the term "coopetition" in order to encourage thinking about both cooperative and competitive relations between two firms. Coopetition is regarded as one of the most advanced form of relations in business. There is not one general accepted coopetition theory. Some authors consider coopetition as equivalent to strategic alliance [Pena and Arroyabe 2001]. The body of knowledge of cooperation developed so far is characterized by fragmentation, lack of coherence and non-comparable research output. There is no consensus on paradigmatic beliefs, which hampers theoretical progress [Bell, den Ouden and Ziggers 2006].

Coopetition is an example of a business paradox. It combines two opposed terms: competition and cooperation. It is assumed that competition can come true in market-based economies, whereas cooperation only come true in hierarchical structures. The natural tension (paradox) between self-interest and cooperation plays a central role in business.

Hamel, Doz and Prahalad [1989] spent more than 5 years studying 15 coopetition cases (strategic alliances) around the world: US – Japan (7), Europe – Japan (2), US – Europe (4) and intra European (2). They noticed that Asian companies have used cooperative ventures to enhance theirs technology and product competences. Western companies, on the other hand, enter alliances to avoid investments. They are interested in reducing the costs and risks of entering new businesses or markets than in acquiring new skills. For collaboration to succeed, each partner must contribute something distinctive, e.g.: basic research, product development skills, manufacturing capacity, access to distribution, etc. According to Hamel, Doz and Prahalad [1989], harmony is not the most important measure of coopetitive success – occasional conflict may be the best evidence of mutually beneficial collaboration. Each coopetition is a constantly evolving business game (bargain). Learning from partners is paramount. Successful companies view each coopetition as a window on their partners' capabilities. They use the coopetition to build new skills and diffuse new knowledge throughout their organizations.

The challenge is to share enough skills to create advantage vis-a-vis companies outside the coopetition, while preventing a wholesale transfer of core skills to the partner. This is a very thin „line to walk". Companies must carefully select what skills and technologies they pass to their partners. They must develop safeguards against unintended, informal transfer of information. According to an ancient Latin proverb *'si vis pacem, para bellum'* (if you wish for peace, prepare for war), we can give advice for corporate executives: cooperate, but be prepared for competition (cooperate but do not be naive).

5. Influence of new technologies on cooperation in business

The Internet has initiated revolutionary changes in business cooperation. D.Tapscott and A.Williams [2006] have introduced the idea of wikinomics – the new (Internet) business approach. Wikinomics is the new art and science of peer production. Thanks to the Internet we are all participating in the rise of a global platform for collaboration, that is reshaping nearly every aspect of human affairs. The new mass collaboration is changing how companies and societies harness knowledge and capability to innovate and create value. This affects just about every sector of society and every aspect of management.

Conventional business wisdom says companies should: have superior human capital, protect their intellectual property, focus on customers, think globally but act locally, have good management and control. In the era of the Internet each of these principles is insufficient or even inappropriate. The new art and science of wikinomics is based on four new ideas: openness, peering, sharing and acting globally. These new principles are replacing some of the old ones.

Openness is associated with transparency, freedom, flexibility, expansiveness, engagement, access, etc. Rapid scientific and technological advances are among the key reasons why openness is emerging as a new imperative for managers. Companies must open their doors to the global talent pool that emerges outside their walls. Openness is a growing force in the networked economy and transparency is a critical to speeding up business partnerships and lowering transaction costs between firms.

Peering (peer-to-peer, P2P) is a new form of organization based on collaboration. Employees of open enterprises have higher trust among each other and with the firm resulting in lower costs, better innovation, and loyalty. Hierarchies will not disappear in the foreseeable future, but a new form of horizontal organization is emerging. A good example is Wikipedia – a free online encyclopedia. Peering combines hierarchies with self-organization.

Sharing technology and knowledge accelerates growth in innovation. The evolutionary environment becomes bigger which accelerates selection processes. According to conventional wisdom firms should control and protect proprietary resources and innovations and especially intellectual property (IP): patents, copyright and trademarks. Of course, companies need to protect critical IP, but they can not collaborate effectively if all of their IP is hidden. Contributing is not altruism – it is often the best way to build business success. The power of sharing is not limited to intellectual property. It extends to such resources like: computing power, bandwidth, digital content, and scientific knowledge. For example, Skype technology is based on the collective computing power of peers, allowing them to speak with each other free of charge via the Internet. The result is a self-sustaining phone system that requires no central capital investment.

Acting globally means that contemporary companies (Apple, IBM, Google etc.) have built planetary ecosystems for designing, sourcing, assembling, and distributing products on a global basis. Every day, millions of people make all kinds of voluntary contributions to many companies: from informed opinions to computing resources. This creates tremendous value for these firms' customers and, consequently, for their shareholders. User contributions are fueling some of the world's fastest-growing and most competitively advantaged firms. In some cases user contributions revolutionized industries by radically shrinking their cost structures. For example eBay has opened as an online store with no inventory, leaving it up to customers to fill its "shelves" with goods to sell [Cook 2008].

Cooperative users can be customers, employees, or even people with no previous connection to the company. Their contributions can be active (work, expertise, or information) or passive, and even unknowing (behavioral data is gathered automatically during a transaction or an activity). The system, usually Internet-based, by which contributions are aggregated and automatically converted into something useful to others. Amazon is a good example of an internet-based company supported by many active or passive contributors [Hagiu and Yoffie 2009].

Another case is InnoCentive, which is an "open innovation" company active in the Internet that takes research and development problems in a broad range of domains (such as engineering, computer science, chemistry, business, etc.) and frames them as "challenge problems" for anyone to solve them. Cash awards are given for the best solutions to solvers who meet the challenge criteria. InnoCentive has provided solutions to companies such as Boeing, Procter & Gamble, Eli Lilly, and Novartis.

Conlusions

Globalization and new technologies create new opportunities and challenges for firms. In an increasingly competitive environment, companies are entering domains they once would have ignored. One of these domains is business cooperation. People have an innate capacity for generosity without gain, and they naturally work with others – capabilities that corporate strategists have largely ignored as potential advantages in the last few decades, focused almost exclusively on profit and competition.

Cooperation between legally independent companies involves long-term relations to exploit a specific market opportunity. It therefore involves a reciprocal, limited and progressive commitment between two or more partners to improve their respective performances and to acquire a competitive advantage in the market.

Cooperation in international business can be helpful in achieving important business gains:

1. to obtain a greater volume and presence in the market by establishing agreements with competitors, suppliers or customers;
2. to gain access to specific resources and capabilities which the company does not have but which are complementary to its activity;
3. to reduce the transaction costs, which increase as uncertainty in the economic markets increases.

Cooperation also has the following disadvantages:

1. reduction in the associated company's strategic autonomy that must accept a redistribution of order and control in exchange for the advantages sought, at least in relation to the activity that is the object of cooperation;
2. the need to harmonize and coordinate the decisions and actions of two or more independent organizations, which can lead to conflicts between associated companies;
3. dissipation the strategic advantages of a company by means of the learning of its technology by a third party, creating a new competitor or fortifying an existing one.

Business cooperation is an evolutionary process based on trials and errors. Harmony is not the most important measure of collaboration success. Moreover, occasional conflict may be the best evidence of mutually beneficial collaboration. Each cooperation is a constantly evolving business game. Learning from partners should be paramount.

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Я. Половчік

СПІВПРАЦЯ В ГАЛУЗІ МІЖНАРОДНОГО БІЗНЕСУ

Метою даної статті є дослідження поточних процесів співпраці в міжнародному бізнесі.

Глобалізація та нові технології створюють нові можливості та виклики для фірм. Стаття складається з п'яти основних розділів. У першому, визначається сутність ділового співробітництва та переваг співпраці. У другому розділі розглядаються основні аналітичні перспективи ділового співробітництва. У третій частині представлені організаційні форми співробітництва в галузі міжнародного бізнесу. Четвертий розділ присвячений презентації поняття співпраці, як поєднання співпраці та конкуренції. У п'ятому розділі досліджено вплив нових технологій на співпрацю.