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## COLLABORATION AND INTERDEPENDENCY IN THE PROCESS OF CREATION OF SMALL COMPANY COMPETITIVE POSITION

*This article presents an overview of the cooperation and interdependencies impact on some areas of small business. Cooperation and collaboration are regarded by many companies as a kind of strategy that can increase the bargaining power, gain access to new markets, improve quality and stakeholder relations and consequently increase their competitive position.*

**Key words:** competitive position, cooperation, small company.

### INTRODUCTION

Modern companies wishing to pursue their complicated and complex goals must enter with other actors in various kinds of dynamic and multi-dimensional relationship, based on one hand on the competitiveness and on the other hand on cooperation. This cooperation improves the efficiency, helps to reduce costs and also is regarded as a key instrument in building competitive advantage of the company and entering new markets. It takes more and more powerful nature, characterized by the creation of much stronger relations which contributes to the growth of interdependences. This interdependence on the one hand reduces the inventiveness of a company, on the other hand gives it a unique opportunity for development and growth.

Collaboration allows in fact the mutual supplementing and improvement of activities at various levels of the enterprise functioning, both in terms of production, development and introduction of new products and as well as entering new markets of supply and sales.

Proceeding from these assumptions the aim of this paper is to present the cooperation and interdependence influence on some areas of small businesses.

### ESSENCE OF ENTERPRISE COOPERATION

An important element related to the creation and maintenance of relational systems, is the level of interdependencies between two or more participants and the consistency of the scope and field of activities that affect the level of cooperation. Entities may cooperate in case when they are interdependent or share the assets. Such dependence can occur if one of the members of the channel, controls or has access to resources on which another creates demand. This demonstrates that the interdependence requires a minimum level of cooperation in order to achieve the assumed plans. Without a minimum level of cooperation the created system becomes ineffective, inconsistent and unproductive. Therefore, it is impor-

tant to undertake the attempt to define the notion of dependency, which in psychology and social psychology is described as a condition in which one party expects or is actively seeking the support and assistance from other entities. This may relate to the following aspects: financial, emotional, security, safety, health, etc.<sup>1</sup>.

Whereas in relationship marketing the dependence refers to a situation in which one party provides the other with the significant or critical resources, obtaining of which from alternative sources, is impossible or very difficult. This means that the supplied resources are limited, there are constraints to their access, and there is a high level of competition in the fight for their use<sup>2</sup>.

In this context, *Turner and others* point out two depending determinants which are determined as: obligatory and substitutability<sup>3</sup>. Analyzing the obligatory they indicate that the measure of the level of dependency of one company from another, is the possibility of the operation of the first entity without the resources provided by the second one. In the second case, the measure of the level of dependence on another company, is the answer to the question whether there are alternative sources of supply.

Analyzing the behavior of cooperating enterprises it may be indicated that the interaction between the actors is conditioned by the type of relationship. In a vertical arrangement on the hierarchical structure, the level of dependencies between partners, is more transparent and direct. Horizontal systems concerning cooperation of entities realizing the common objectives or competitors, have relatively less formal relationships<sup>4</sup>.

The dependence of the purchaser from the supplier or producer of certain goods and services, in the long-term periods, refers to a situation in which the customer is interested in maintaining relationships because of the desire to achieve their targets. This indicates that the dependence of the recipient from the supplier increases when<sup>5</sup>:

- the results obtained by the purchaser from the supplier are essential for its functioning and have a high weight in the exchange,
- the results obtained by the purchaser from the supplier exceed the results that could be achieved using the best alternative sources,
- the buyer has limited access to alternative sources of supply or lack of such sources.

It should be noted that in the moment when the dependencies between enterprises increase when companies pass on the higher level of relationship, when the integration and matching of resources occurs there's increase in risk of doing business in other companies present on the same market<sup>6</sup>.

Summing up the theoretical considerations, it should be emphasized that in the case of striving to maintain autonomous negotiating position, the interdependence can also lead to

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<sup>1</sup> S. S. Andaleeb, 1995, Dependence Relations and the Moderating Role of Trust: Implications for Behavioral Intentions in Marketing Channels, *International Journal of Research in Marketing*, vol. 12, iss. 2, s. 159.

<sup>2</sup> L. Buchanan, 1992, Vertical trade relationship. The role of dependence and symmetry in attaining organizational goals, *Journal of Marketing Research*, vol. 29 no. 1, s. 65.

<sup>3</sup> G. B. Turner, S. A. LeMay, M. Hartley, C. M. Wood, C. M., 2000, Interdependence and Cooperation in Industrial Buyer – Supplier Relationship, *Journal of Marketing*, vol. 8, no. 1, s. 18.

<sup>4</sup> Smith, K.G., Carroll, S.J., Ashford, S.J., 1995, Intra and Interorganizational Cooperation: Toward a Research Agenda, *Academy of Management Journal*, vol. 38. no. 1, s. 10.

<sup>5</sup> Ganesan, S., 1994, Determinants of Long – Term Orientation in Buyer – Seller Relationships, *The Journal of Marketing*, vol. 58, no. 2, s. 4.

<sup>6</sup> Hallikas, J., Karvonen, I., Pulkkinen, U., Virolainen, V.M., Tuominen, M., 2004, Risk management processes in supplier networks, *International Journal of Production Economics*, vol. 90, iss. 1.

conflict. It must therefore strive to reap the benefits of interdependence and avoid negative outcomes of dysfunctional dissonance<sup>7</sup>.

## **IMPROVING THE COMPETITIVE POSITION IN THE PROCESS OF COOPERATION**

Companies making decisions about establishing the relationship of interdependencies, expect that it will bring them the specific benefits. They may take the nature of the access to new markets, reduction in their costs, increase in profits and revenues, optimal use of production resources, improve the image, risk-sharing and access to new technologies.

Resulting from the presented assumptions thus it becomes significant to study impact analysis of interdependencies, on selected areas of the company. These issues are particularly important for small enterprises that have little potential, low bargaining power and the necessity to adapt to the demands of partners.

Empirical studies concerning the cooperation impact on selected areas of activity of small enterprises, are conducted since 2010 as part of a wider research on the creation and maintenance of cooperative relationships. The nature of the research problem determined the adoption as the basis the qualitative research using a survey questionnaire.

The results presented in this paper relate to 94 small enterprises whose primary domain of activities was production of parts, elements, components and assemblies and providing services for both directly related to the production, as well as having an indirect relationship with the formation of products.

Table 1.

### **Assessment of cooperation impact on selected areas of activities of small enterprises**

<b>Influence of cooperation on:</b>	<b>OW</b>	<b>ZN</b>	<b>OS</b>
Increase in the size of incomes	93,62	3,97	1,11
Increase in the size of the profit of the enterprise	92,55	3,91	1,13
Improvement in the profitability of the sale	92,55	3,76	1,02
Improvement in the quality of offered products	90,43	3,74	0,97
Improvement in the competitive position	91,49	3,69	1,04
Improvement in the image of the enterprise	92,55	3,60	1,18
Quality of the service of contractors	92,55	3,52	1,20
Increase in the bargaining strength towards suppliers	91,49	3,38	1,14
Height of exploiting production capacities	87,23	3,30	1,35
Increase in the bargaining strength towards recipients	90,43	3,26	1,16
Improvement in production processes	87,23	3,22	1,27
Height of the assortment of produced products	88,30	3,14	1,18
Education and abilities of workers	92,55	3,14	1,20
Investments in machines, devices and the infrastructure	87,23	3,06	1,18
Optimization of using means of production	88,30	3,04	1,24
Improvement in management quality	87,23	2,99	1,07
Strategic managing in the scope of planning the production	88,30	2,98	1,31
Improvement in work organization	92,55	2,97	1,09
Improvement in conditions of the work (equipping offices, plumbing, canteens and the like)	90,43	2,91	1,30
Optimization of using industrial product	87,23	2,72	1,16
environmental protection	90,43	2,41	1,14

OW – percentage of readings, ZN – meaning of the factor, OS – standard deviation

Source: own study on the basis of empirical research findings.

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<sup>7</sup> G. B. Turner, op. cit., s. 20.

Conducting research the respondents were asked to assess the impact of interdependencies and dependence on selected areas of their own business. Basis for the classification was a set of factors developed according to available literature and conducted surveys. Respondents have identified the value of the impact using a five-point Likert scale, assuming that 1 is no impact, 2 - low impact, 3 - medium impact, 4 - significant influence and 5 - a very significant impact. To calculate direction of the cooperation impact force on different variables the weighted arithmetic mean, defined as the coefficient of impact, was calculated.

Analysis of the results presented in the table has shown that the interdependence of companies contributes significantly to the improvement of functioning of small entities. Generally, the impact coefficient (arithmetic average) ranged from 2.41 to 3.97 and has a rather large divergence. Standard deviations are formed in the contrast of 1.02 to 1.30, which means that in the adopted scale responses were moderately differentiated. High percentage of the indications contained in the range of 87.23% to 93.62% also provides big reliability of the replies received.

According to the small business the joint execution of tasks at a very significant way contributes to the increase in revenues of companies that enter in relational systems. This variable had the greatest importance in the adopted scale and the cumulative impact assessment coefficient was 3.97. It should also be noted that this variable was appreciated (although to a different extent) by 88 subjects participating in the study. This factor is particularly important in companies providing production services and by-production services including assembly, completion, transport and logistics to the food industry.

Also highly rated there is the impact of interdependence on the increase in the level of profits. It is observed primarily in small companies providing production services and to a lesser extent, whereas in a typical manufacturing companies. Factor of significance was set at 3.91 and the variable was selected by 87 respondents.

With the presented above variable there is connected the improvement of sales profitability, reflecting the efficiency of the company. Factor of significance was set at 3.76. The examined entities indicate that interacting they achieve a higher rate of return on their capital in comparison to the periods in which the company did not carry on activities on the basis of formal relational contract. Such agreements guarantee the sale of products manufactured or services at a certain level which contributes to a reduction in costs. The greatest improvement in profitability is noted mainly in companies providing production services.

In the presented ranking the interaction of cooperation to improve the quality manufactured products or offered services ranks very high. In relational systems which are usually based on trust and commitment to the common interests of the parties, the issue of quality takes on new meaning. Every participant of the agreement places a great emphasis on the quality problems because the quality is the guarantee of long-term and stable cooperation. Non-compliance with procedures, any derogation from the accepted norms or not respecting the terms of the agreement may lead to disintegration of the system, and to present the company in a less comfortable situation.

At another place in the present statement there is the improvement of the competitive position of the cooperating companies and improvement of the image. It should be emphasized that both in literature and in business practice there is underlined the important role of cooperation in improving the company's competitive position. The particularly significant it is to work with companies with the established reputation, a good image and a stable economy. Such cooperation reduces the risk and stabilizes the business as well as provides security in the long term perspective.

High score is also noted in the next ranking position – the cooperation impact on the quality of service contractors. Great importance is placed by the small companies dealing with providing the production and by-production services, to the impact of the improvement of service quality. It should be noted that these companies, as the recipients of coop-

eration, compete with each other via the appropriate level of service which is often a guarantee of job stability. The level of maintenance and services also contributes to establishing close relationships between the employees of individual companies, so same strengthening the cooperation.

A significant problem for most companies operating in Poland, is the correct and optimal use of means of production. Unsuccessful investments, erroneous estimation of demand or mistakes of technical - supply divisions, contribute to the increase in the number of unnecessary and defaulting materials. However, research shows that cooperation contributes to a significant reduction in unnecessary materials which results in savings of costs, time and place.

Among other factors shaped under the influence of cooperation it is worth mentioning the skills and improvement of education of employees. Especially a big impact cooperation has in this aspect in the group of small enterprises using the Polish capital, involved in the provision of differentiated production services. The present result indicates that small entrepreneurs appreciate the significance of knowledge in the process of cooperation and actively benefit from any form of trainings or workouts.

Analysing other factors it should be noted that the distribution, depending on the adopted criterion, is formed quite evenly.

### **SUMMARY**

Limitations resulting from interdependencies, are associated with the management of cross-organizational cooperative relationship according to the specific requirements of a co-operator\_ which obliges the partner to undertake a series of processes to synchronize the activities of companies. In return for giving up certain assets or works, it gives you the opportunity to use their potential\_ which, in combination with the potential on the other hand, it gives you the new competences and abilities. This problem is especially evident in co-operation of small enterprises with big ones with a significant bargaining power\_ which in the process of cooperation in the system, bring new technologies, know - how\_ knowledge, experience, products, access to markets, supplies, etc.

Therefore, the basis for the creation of cooperative relationships, is the interdependence of organization which causes that companies must resign from some attributes of autonomy and limit their own autonomy in order to increase the efficiency and effectiveness of the resulting system. Use of the potential and resources of the partner in fact contributes to the overall improvement in the competitive position, increase in innovation and obtaining the key competences, etc.

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