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## TRADE CREDIT AS A RESULT OF INTERORGANIZATIONAL RELATIONSHIP

*Summary.* This article underlines the connection between interorganizational relationships and trade credit. It shows how short term financing of the company relies on relation with other companies as well as the situation on the market. It shows in empirical studies that enterprises are more inclined to go into long term cooperation then take big risks with short term one.

In most scientific articles concerning trade credit the financial aspects of it is underlined and all possibilities as well as consequences are widely discussed. The possibility to consider trade credit as a short term source of financing, that is simpler to acquire for small and medium enterprises than other sources, creates many aspects that worth looking into. Apart from the financial aspects, trade credit can be considered in relational approach. The approach is less discussed in literature and therefore leaves more possibilities to researching. Literature notices the fact that trade credit uses soft information and trust that are basic elements of relational approaches [Berger Udell, 2005].

Trade credit is connected very strongly with interorganizational relationships (IOR). The possibility of acquiring it is based on trust that is a fundamental element of IOR. Three main determinants of IOR are deeply connected to the core of trade credit when looking at it from financial point of view [Górczyński, 2015]:

- 1) asymmetry,
- 2) efficiency,
- 3) stability.

In table below are examples for each determinant and each company from role criteria.

Table 1

### Determinants most relevant with trade credit

<b>Asymmetry</b>	Noticing the potential in cooperation in long term manner.	Showing the possibilities for further growth
<b>Efficiency</b>	Possibilities for outsourcing the process that are more costly	Possibilities to growth with farther investments
<b>Stability</b>	Working with the same companies in long term cooperation so lower problems with changing clients with unknown requirements	Long term relationship insures that in case of small payment issues the product will not stop being delivered

Source: own work

Furthermore, sales and supply agreement are very often said to be

examples of IORs in the simplest forms [Macias, 2012]. If the long term factor becomes relevant the relationship is changing in a more permanent way. The creditworthiness is a slow process building through time when both companies get to know each other position on the market as well as opinions of other companies about them. They take into consideration market situation and prior transactions before starting the process of granting and receiving trade credit.

The popularity and prevalence of trade credit led the author to seek answers to the question about the factors that affect entrepreneurs offering their contractors deferred payment. This aspect has been studied in the context of broader observations on the conditions, the risk and the importance of trade credit in the operations of the company. The nature of the research problem decided to adopt as a basis for quantitative research, using comparative analysis, structural indicators, the average arithmetic and a hierarchy of importance. Selection of the research was based on non-random sampling method purposeful typical units, characterized by a common, well-established and stable business structure.

The study, conducted in the years 2013/2014, attended by 193 entities included in the group of industrial companies operating in the market b2b. Classification of the units was also carried out using the criterion of employment, which allowed the company to distinguish large, medium and small. In this paper, special attention is given to companies small (124 subjects) and medium (51 entities).

The following question that was asked in the studies to the entrepreneurs:

For each factor listed below set the number from 1 to 5 of how much is it influencing your decision to grant some other company trade credit. 1- low impact 5- high impact

1. The reputation and image of the borrower
2. The period of previous cooperation
3. The competitive position of the recipient on the market
4. The experience from previous cooperation
5. The value of the purchase executed by the borrower
6. The financial condition of the recipient
7. Return on sales
8. The scope and form of the relationship (or partnership)
9. High bargaining power of borrowers
10. Financial policy of company
11. The borrower's financial policy
12. References other co-operating with the borrower
13. References banks and specialized financial institutions
14. Audits and inspections carried out at the headquarters of the borrower
15. Subjective assessment of the company's employees
16. Impressions and feelings of direct contact
17. Opinion and reputation of the borrower on the market

18. The risk level of cooperation
19. Type the sector in which the borrower operates
20. Informal relations with employees of the borrower
21. The credibility of the recipient
22. Extortion and pressure from borrowers
23. The pressure of external entities
24. Confidence long-term cooperation
25. Trust in a partner
26. The joint implementation projects
27. Growth prospects of future cooperation

The table below shows the results of the eight highest ranked factors that companies that took part in the study decided as the most influencing for them.

Table 2

### Results of study

Rank	Factor	Average result
1	The experience from previous cooperation	4,42
2	The period of previous cooperation	4,40
3	The financial condition of the recipient	4,24
4	The credibility of the recipient	4,05
5	The risk level of cooperation	3,96
6	Trust in a partner	3,95
7	Growth prospects of future cooperation	3,90
8	Confidence long-term cooperation	3,83

The results shows that companies strongly rely on any previous cooperation even if it was short term, but with the increasing period of cooperation the possibility of good credit conditions are growing. The longer the cooperation is successful the crediting period can be longer or the amount that will be credited can be bigger. For both of this factors trust is the most basic element, because when companies cooperated for longer time they learn what is the internal situation of the company. Cooperation is one of the most common form of interorganizational relationships as well as one that builds many other relationships. Trust is fundamental each relation but it takes time to gain it. That is why the longer the previous cooperation the better conditions of trade credit.

The third important factor is the financial situation of the company that wants to take trade credit. It is not easy to get to know the internal financial situation. In many cases companies have to rely on soft information that come up in conversations often informal, because SME do not need to present their financial statements to anyone.

All the other factors are connected with relationships. The aspects that are most important to companies are the possible length of relationship as well as trust in the other company.

In current situation on the market companies prefer to cooperated with other companies that they can trust and know their situation on the market.

The risks that are connected with granting trade credit make companies consider the long term situation in their own finance as well as situation on the market which is changing all the time. If they cooperate with someone long term and know that their partner always pays at the end of credit period they are more inclined to grant them credit next time. In case of new partners the shorter credit period or lower amounts are taken into consideration because risks are higher and trust is lower then in the situation before.

*To sum up*, trade credit cannot be considered only as a short term financing source without taking closer look to relationship approach. The fundamental factors of trade credit base on relationship between enterprises as well as with market. Considering only financial benefits without underlining relation ones can be the cause of misunderstanding the situation of the company in further cooperation

### **References**

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### **SOURCES OF COMPETENCES OF INDUSTRIAL ENTERPRISES**

*Summary.* Implementation of the strategy based on the concept of core competencies can bring the company a number of benefits, including primarily the possessing of appropriate, highly competitive position. Unfortunately, creation, identification or recognition of the most important assets, strengths or qualities is not an easy task. It requires the involvement of all employees, both senior managers, as well as the basic ones and identification of those characteristics, activities, functions or resources that make an organization standing out, unique and unrepeatable. The results of the conducted survey let