

COOPERATIVE STRATEGIES AND THEIR BENEFITS – THEORY VS. RESEARCH RESULTS

WŁODZIMIERZ SROKA

Abstract: Companies look for the different sources of competitive advantage. Some of them concentrate on internal growth only, i.e. based on green-field investments or enlarging the existing facilities. Other firms prefer external growth strategies, including inter alia inter-firm cooperation (alliance networks, clusters, alliances) or mergers and acquisitions. The second strategy, which is especially a specific feature of global corporations, is regarded as the fastest form of company's growth, irrespective of its sector of activity. Therefore the paper presents the concept of cooperative strategies and their benefits, and analyzes theory vs. research results based on surveys carried out in Polish economy in the years 2008 and 2011.

Key Words: cooperative strategies, inter-firm cooperation, alliance networks

JEL Classification: D74, D85, L14

1. INTRODUCTION

Successful companies usually grow through a combination of organic growth (i.e. internal growth) and strategic mergers and acquisitions and cooperative strategies (i.e. external growth). Both options are combined with benefits and threats and selection of one of them depends on many factors. On one hand there are very few companies that have enough assets to compete effectively as single entities in the global market place. Therefore many companies look for options that allow them to be more competitive. In such a situation the external strategy is a natural choice. In turn, the choice between mergers and acquisitions and cooperative strategies also depends on different conditions. For example, alliances dominate in young and dynamic sectors such as multimedia, biotechnology, computers, while mergers, and acquisitions are usually observed in mature, and decadent branches, e.g. steel, textile, food (Sroka 2010). In other words, the attributes of environment, transaction and relations have the biggest impact on the choice of external growth strategy. Alliances have their advantages in high uncertain and turbulent environment and knowledge dispersion as cooperation provides more flexibility and faster learning. In turn mergers and acquisitions are more efficient in less uncertain business environment. They are also useful to use the scale economy.

The strategies of external growth are a specific feature of global corporations, and are regarded as the fastest form of company's growth, irrespective of its sector of activity. Therefore based on the surveys results, the paper analyzes the research results of two surveys carried out in Polish economy in the years 2008 and 2011 and compare them with the theoretical assumptions.

2. COOPERATIVE STRATEGIES - REVIEW OF THE LITERATURE

A lot has been written about the concept of cooperative strategies of the companies. This relates both to the Polish and foreign literature. They were the topic of both theoretical and methodological deliberations. These papers presented the topic of cooperative strategies in different perspectives and industries, focusing also on the various prob-

lems arising from their application. For example, the monographs of Polish authors such as Sroka (2012), Łącka (2011), Piekarczyk and Zimniewicz (2010), Łobejko (2010), Cygler (2009) and Sankowska (2009) were entirely devoted to the issue of inter-organizational cooperation. They described this topic in a very comprehensive way, concentrating on a variety of cooperation aspects. For example, Sroka (2012) analyzes the concept of alliances networks as the way of looking for competitive advantage. The work describes the concept in a wide and comprehensive way, concentrating both on theory and practice. In turn Sankowska (2009) concentrates her deliberations on virtual organization. Other Polish authors follow them.

A wider review of the literature devoted to the external growth strategies is presented in the English-language (Austin, 2000; Ebers 2002; Bamford et al. 2003; Child et al. 2005; Gulati 2007; and many others¹). As in case of Polish literature, they also present the topic of cooperative strategies in different perspectives. Especially the work of Child et al. (2005) is worth recommendation as it describes the different forms of cooperative strategies, including alliances, networks, joint ventures, virtual organizations in a very comprehensive way. The practical cases are presented in the said monograph, too².

3. BENEFITS OF COOPERATIVE STRATEGIES

Literature presents a variety of benefits of cooperative strategies. The new partner (or partners) contributes to the network both threats and new market opportunities. Direct connections between partners provide access to the knowledge of all parties, and the flow of information takes place not only through links within the network but also by the structure of the network (Gulati, 1998). Thus the com-

¹ Only monographs, and not journals have been taken into consideration.

² In the opinion of Wziątek-Staśko (2012) cooperative strategies are closely linked to the diversity management. as it provides a richer variety of approaches to work and problem solving, it strengthens an organization's resilience in changing environmental conditions, and a diverse organization can react more quickly and adaptively to organizational challenges. Therefore it should be considered by the creators of alliances and cooperative strategies.

petitive position of the company is enhanced. In turn Goerzen (2007) points out to three main benefits of participating in alliance networks:

- access to the information which company has not itself,
- acceleration in information obtaining,
- positive publicity, i.e. the interest of a hub company are presented in the positive light to the other members of the group.

Generally, alliance networks tend to diminish the transaction costs through the use of complementary resources and competences, which improves the efficiency of the network members. Other benefits associated with the participation in alliance networks include:

- **improving access to capital.** Most of the important breakthroughs in technology requires resources beyond the reach of a single company. This includes not only financial resources but the necessary knowledge, skills, access to the tools, etc. Through membership in the network, even small companies have the potential for market expansion. In turn, this helps the network to reach more companies. This is a critical element for many small start-up firms. Obtaining financing through a network can be more efficient if companies create a consortium through which they can attract capital for a specific purpose.
- **better access to innovation and new technology.** Creating a critical mass in R & D can be much faster by acquiring the companies with rare resources. Transfer of knowledge from partners can be a valuable source of new innovations creation. The more companies in the network, the more knowledge in the possession of the network, often very specific (Prokopenko 2000). The positive impact of alliance networks to stimulate innovation activities is also reflected in the results of research conducted by Gilsing and Lemmens (2007), as they claim that "... in the high-tech. sectors network of technological alliances have become a dominant strategy, contributing positively to the results and activities of companies in terms of growth, speed, innovation, organizational learning and reputation". It is worth adding that in the research of companies operating in the biotechnology, a link between a company's position within the network and its innovation, has been noticed. The greater number of both direct and indirect relationships between firms in the network, the greater its innovativeness. This is due to the benefits of knowledge sharing between partners, e.g. in projects with R & D, complementary skills and competencies of the parties and economies of scale. The presence of structural holes, i.e. the absence of connections between the partners in the network has a negative impact on its innovation (Ahuja 2000).
- **providing access to new markets.** Through membership in the inter-organizational network, the company becomes a part of a specialized group. This advantage is especially important in the construction industry where there can be many specialists ranging from architects, plumbers, carpenters, salespeople, and environmental specialists that cooperate in order to offer solutions to complex problems. In addition, local partners may have a lot of information about the specifics of a given market, customer preferences and competitors.

- **risk sharing and accountability.** This aspect is particularly valuable in projects that involve R&D activities (Wildeman 1998). Additionally network members can share costs of communication, and marketing to their buyers. The promotion activities can be very expensive. Joint marketing is one way to perform these activities more efficiently. For example, shared websites make communication and promotion with buyers more efficient and effective.

Other benefits of alliance networks include fewer levels of management (we have often to deal with two levels only). This allows for much faster performance and respond to market changes. Moreover, a company can obtain legitimacy from involvement in inter-organizational relationships. Firms gain access to a shared logo, brand names and other partnering based legitimacies from the inter-organizational network (Haahti, Yavas, 2004). Logos, brand names and partners are often expressed as a small symbol or sign on a website or some other public document. These symbols indicate however, that the firm is a part of the larger group of firms involved in inter-organizational networks. This is an important aspect for both large and medium size firms.

Clarke (2006), who has studied the network connections in the British health care system, indicates another aspect of the benefits of the networks. The author analyzed the benefits of participation in the network in the context of the ability to meet the multifaceted needs of society, which are often too complex and complicated for a single organization. Achieving effective network performance can often be challenging for the participants, sometimes causing the failure and collapse of the cooperative relationship. The main issue is how to improve cooperation between organizations in the network to achieve better results. The best means to maximize the efficiency of the network should be the network involvement of the individual participants, although various forms of engagement may have a different impact on network performance.

4. BENEFITS IN PRACTICE: THE CASE OF POLISH ECONOMY

The practical benefits of cooperative strategies will be presented on the basis of two research carried out in traditional sectors of Polish economy. In one case the research were entirely devoted to the steel industry, whilst in the second case they were related to the five branches, such as steel, machine, coke, mining, and energy. Due to this fact it is necessary to present briefly Polish steel industry.

4.1 Steel industry in Poland

In the planned economy, the steel industry in Poland was one of the most important sectors of the economy. Systemic changes in Poland in the late 80's have changed a lot in the sector, which, has fought for survival. Privatisation of the Polish steel sector and the entrance of foreign investors to the steel mills have radically changed the shape of the industry. Four steelworks: Katowice, Sendzimira, Cedler and Florian were combined into a syndicate called Polish Steelworks, which, in turn on 5th March, 2004 was purchased by ISPAT. Since 2006 the company has been functioning as ArcelorMittal Poland SA. Besides L.N.Mittal, there were also other steel concerns which took part in privatisation of Polish steel industry. The Spanish Celsa (27th posi-

tion in the international ranking of steel production with 7,8 million tonnes in 2009) became the owner of Ostrowiec Steelworks, the American CMC (47th position in the international ranking of steel producers with 3,0 million tonnes in 2009) bought Zawiercie Steelworks (producer of ribbed rods) and Ukrainian Donbas bought Czestochowa Steelworks, the biggest producer of naval metal sheets. The mentioned concerns form 85-90 % of Polish steel market, including the biggest steelworks (Gajdzik 2009, p.47).

At present the situation of the steel industry is beneficial. As a result of the investments made by the steel companies (estimated at about 4-4, 5 billion zł) steel plants in Poland have become more modern and are able to meet the challenges of foreign competition. Additionally, the restructuring result of the steel industry carried out with the participation of foreign investors is the growth of labor productivity (output) measured the production of steel per employee. In 2003-2006, it increased approx. by 50 %. Moreover, the prospects for steel products are optimistic by 2015 (Gajdzik 2012, p.110).

4.2 Methodology

4.2.1 Research in 2008

The research took place from April to May 2008, i.e. just prior to the crisis. Questionnaires were sent to 50 managers representing 33 companies. Respondents were asked to comment on the proposed statement, answering “yes” or “no”; or to indicate the correct answer on a scale of 1 to 5 (1 - minor importance, 5 - very high importance); or finally to submit their own proposals.

A total of 32 responses were finally received, representing 64 percent of the research sample. A few addressees did not answer due to the fact that the scope of the survey and/or type of character of questions was too comprehensive.

The surveys confirmed the networks existence in steel industry in Poland. They have the form of dominated networks: steel companies (a part of global concerns at the moment) are surrounded by a chain of steel business relat-

ed companies, operating in different sectors. They are all connected by means of capital bonds, although some respondents had indicated also the commercial bonds, with no capital engagement of the parties.

Theoretical assumptions regarding the benefits of alliance networks were partially confirmed by the research results (table 1). For example, access to the resources (i.e. assets, competences, specific technology etc.) have been indicated theoretically and confirmed in practice. Such a response has not been a standard. There have been also benefits with a very small importance, e.g. “distribution of R+D costs...” (only 1,76 pts.). However it should be stressed that the research had the quantitative nature, whilst the theoretical assumptions were related to the qualitative issues.

4.2.2 Research in 2011

The idea of research carried out in 2011 was a little different. Firstly, the surveys aimed to identify the scale and scope of use of modern management concepts in five selected sectors of Polish economy, including steel industry and steel-related sectors such as machinery, coke, mining and energy. Secondly, they were conducted in areas such as: use of modern management concepts, factors inducing firms to apply the concept of management, benefits from the application of modern management concepts, and competences obtained through the use of modern management concepts. Thirdly, the research subject included a group of 125 companies operating in two provinces: Lesser Poland Voivodeship and Silesia. Questionnaires were sent to the companies which, under the Pareto rule, represent a minimum 80 percent (and in some sectors even 100 percent) of the production potential of the given sector. It was assumed that the questionnaires - if possible – should be completed by managers representing at least middle or, where possible, the highest management levels. This generally means that the idea of research were quite different and “benefits...” were one of the analyzed fields, constituting only 30 percent of the concepts (i.e. 3 out of 10 analyzed concepts).

Table 1 Benefits of use of alliance networks

	Benefits	Importance*
1.	Reducing risk and uncertainty	3,60
2.	Access to the resources and assets	3,52
3.	Improvement of the strategic position of the firm	3,36
4.	Higher flexibility and effectiveness	3,12
5.	Maximization of the synergy in the value chain	3,00
6.	Economy of scale	2,96
7.	Improvement of the relations with customers and suppliers	2,84
8.	Access to the knowledge and information	2,72
9.	Better meeting the customers' needs	2,60
10.	Better coordination in the value chain	2,52
11.	Access to the specific technology	2,52
12.	Reducing the transaction costs	2,44
13.	Access to the key competences	2,40
14.	Access to the manpower	2,08
15.	Inventories reduction	1,84
16.	Distribution of R+D costs and reducing time of designing and development	1,76

* 1 - minor importance, 5 - very high importance

Table 2 Benefits of use of modern management concepts

No.	Benefits	Ranking (1-5 points)*
1.	Access to the resources	3,60
2.	Extension of capabilities to better meet customer needs	3,87
3.	Maximizing the value chain synergies and economy of scale	3,27
4.	Improvement of the company's strategic position	3,77
5.	Strengthening relationships with customers and suppliers	4,00
6.	Reduction of risk and uncertainty	3,70
7.	Better coordination and acceleration of activities in the value chain	2,93
8.	Increase flexibility and efficiency	4,07
9.	Distribution of R&D costs	2,53
10.	Reduction of inventories	2,77
11.	Access to the workforce	2,60

* 1- minor importance, 5 - very high importance

Resource: [17]

The research was conducted between February and October 2011. Proposed answers were provided in each of the analyzed areas, i.e. respondents were asked to comment on the proposed statement, answering "yes" or "no"; or to indicate the correct answer on a scale of 1 to 5 (1 - minor importance, 5 - very high importance); or finally to submit their own proposals. A total of 90 responses were finally received, representing 72 percent of the research sample, and including 31 completed questionnaires.

Inter-organizational cooperation strategies were among the least popular management concept used by the firms surveyed (only 9 indications). Respondents mainly indicated the formation of bilateral alliances, among which strongly dominated the "loose agreement ..." (9 responses). Other forms of bilateral alliances gained from two to three indications. It is worth noting that two respondents identified the creation of virtual and network organizations. It means that the respondents mainly use the simplest form of Inter-organizational cooperation. On the other hand it should be noted that virtual organizations, because of their nature, are rather domain of other sectors of economy.

Analysis of the benefits of modern management concepts leads to two main conclusions. Firstly, the companies indicated the diverse benefits of the use of modern management concepts, although none of them played a dominant role. Secondly, the diversity of these benefits most probably gave rise to a relatively even range of responses in terms of the importance of the concepts (from 2,53 to 4,07 points). This is illustrated in Table 2.

The companies' responses were very differentiated. For some of them one of the factors was very important, while for others its significance was marginal. The greatest benefits to respondents were: "increase the flexibility and effectiveness" - 4.07 pts., "strengthening relationships with customers and suppliers" (4.00 pts.), and the "extension of capabilities to better meet customer needs" (3.87 pts). In

turn the least important to respondents were: "distribution of R&D costs" (2.53 pts., the result which is similar to the previous research), and "access to the workforce" (2.60 pts).

5. CONCLUSION

If modern companies want to achieve a success, they must implement strategies which are the most suitable to the market situation. Success in business depends on a combination of a variety of factors, both inside and outside the and company. Therefore many companies do not base on their own assets only, but implement strategies of external growth such as mergers, acquisitions, alliances, clusters or networks. Application of the strategies is linked with a variety of benefits. Two research have been done to confirm these theoretical assumptions, however the surveys are not comparable. The main problem is that both of them were devoted to different sectors (however in both cases steel industry was one of them) and partially different management concepts. Moreover, both surveys were conducted in different times, unless there was a relatively short break between them. More problem, however, relates to the idea of both research. First research wholly concentrated on steel industry and cooperative strategies in the form of alliance networks. The research results partially confirmed the theoretical assumptions regarding the benefits achieved. In turn, the second research was related to the application of modern management concepts by Polish companies, so it was much more general. They also confirmed the benefits achieved through the application of the concepts, including cooperative strategies (unless the strategies were not so popular compared to other concepts, such as controlling or outsourcing). However we must state that a big expansion of inter-firm cooperation in the world business indicate that the strategies must be beneficial, otherwise no company would implement them.

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Włodzimierz SROKA, Ph.D

Academy of Business in Dąbrowa Górnicza, Faculty of Management, Social Science and Informatics
 Department of Management
 Ciepłaka 1c, 41-300 Dąbrowa Górnicza, Poland
 e-mail: wsroka@wsb.edu.pl