

Cooperation Networks of Small and Medium Enterprises in Poland

**Helena Kościelniak, Agnieszka Puto, Katarzyna Łukasik,
Katarzyna Brendzel-Skowera**

Czestochowa University of Technology, Poland
helenak@zim.pcz.pl

Abstract: The social and economic changes of the twenty first century and scientific and technological progress determine the methods, ways and forms of running a business activity. Moreover, they enable the establishment of network organizations, which constitute a new organizational form of enterprises, operating in accordance with new rules and requiring a different approach to management; they also create the foundation for the development of the global network economy. The aim of the paper is the assessment of the scale and nature of networking of small and medium enterprises in Poland. The results of the empirical studies are the pilot research and they refer to the enterprises running their business activity in the Silesia Province for more than five years.

Keywords: cooperation networks, small and medium enterprises, types of enterprise networks, network substitutes, network effects.

1 Around the enterprise cooperation network - preliminary questions

1.1 The essence of enterprise network

Enterprise network constitutes a form of organization of economic activities, which aims at providing benefits in the field of competition, and which is characterized by complex and reflexive relationships, which are more cooperational than compensatory, between legally independent companies. Network relationships are a kind of cooperation serving as a source of long-term benefits in the area of competition. It should be underlined that the occurring relationships take place between almost independent business entities, which are dependent on each other from the economic point of view [20]. The value of the relationship can be created by: sharing resources, integrating activities or aligning the position of market operators [11]. As K. Poznańska underlines, network

relationships may constitute strategic resources which can be used by enterprises to achieve success. The presented definition of *network* allows to distinguish the organizational form of *network* from othe the forms of cooperation between enterprises, such as: strategic alliances, partnership agreements, consortia or joint ventures [8,13].

The theory of network received the support of the resource-based view school and recently it has become one of the leading theories in management sciences. W. Czakon underlines that the network approach may have become a leading paradigm in management sciences [4]. J. Strużyna emphasizes the originality of the network approach, where an organization is perceived as an open being, deprived of hierarchy, dynamic and of fuzzy structure [19]. Moreover, the main feature of network is supposed to be the nature of the relationship between the participants: durability and non-hierarchical nature [4]; the forms of cooperation of enterprises not covered by contracts, which can be called network substitutes, are excluded from business networks. Network substitutes are, above all, all capital ties which, in a capital group, regulate cooperational relationships between the companies of the group; they are supported by personal ties and the tools of corporate governance. Network substitutes are also the ties of the political, mafia and family nature, influencing the cooperation of enterprises [14].

According to S. Łobejko, network company is the one which effectively uses information technologies to establish both internal and interorganizational relationships [9,5]. In network company, as oposed to a traditional one, there is used process-based thinking and operating. The strategies, technologies and processes of manufacturing, information and communication and organization and development of human resources become important in here; problems are solved on the initiative of employees in the self-regulating iterative process [10].

The synthetic approach to the economic and organizational effects of network organizations has been presented by A.Skowronek –Mielczarek (Table 1).

Economic effects	Organizational effects
Costs optimization	Time compression
Efects of scale	Flexibility of actions
Higher rate of turnover	Diversity and complexity of the offer
Optimization of size and structure of resources	Innovativeness level
Limiting risk	New business models

Figure 1
 Effects of network organizations
 Source: [16].

Network of ties amounts not only to specific, real information flows between the participants of network organization but also a common policy in the field of selection of the optimal strategy and organization of the business activity faster and more effectively [12].

1.2 Areas of management of network organization, types of enterprise networks

The processes of management of network organization constitute very complicated sets of business decisions; they refer to its individual participants and the whole organization. The main areas of management of network organization include: [15,17]

- the implemented goals and strategies,
- joint operational activities and business processes,
- joint innovation and R+D,
- sources of competitive advantage,
- areas of coordination and control.

Management of network organization at the strategic level requires from its participants to jointly decide on and specify goals, time for their achievement and essential resources. It is necessary to establish the procedures connected with planning goals, the degree of their recurrence and hierarchy. Specifying the goals and strategy provides an opportunity for identifying the main sources of achieving competitive advantage and creating the specific configuration of resources and capabilities. The process of transforming the strategy into programs and implementation tasks is widely presented by A. Kaleta [6]. The arrangements in the field of conducting market research and analyses, or joint research and development service, are also significant [17].

The activities in the framework of network organization at the operational level may, above all, include [18]:

- running joint purchase of raw materials, products and goods,
- joint distribution channels,
- joint logistics service,
- joint promotion and advertising activities,
- joint accounting and administration service,
- running IT and analytical activities jointly,
- taking joint actions in the field of employee training,
- running the selected investment and maintenance activities jointly.

The effective implementation of the activities listed above is possible by the partnership approach of all the entities involved in the functioning of network organization of a specific type.

Types of enterprise networks are identified from the point of view of two perspectives: the local (micro-) and supra-local ones (Table 1).

Perspective/ties	Dominance of business ties	Significant share of social ties
Local/Micro-perspective	A. Building the enterprise relational capital	D. Local enterprise networks
Perspective of network as value added on a supra-local scale	B. Networks creating value added for participants	C. Networks for building social capital

Table 1
 Types of enterprise networks
 Source: [3].

The dominance of business ties results in building relational capital and networks creating value added for network participants. Building local enterprise networks and networks for building social capital occurs with a significant share of social ties [1].

The main factors encouraging enterprises to cooperate in the framework of network organizations include: [15].

- partners have resources and skills which the enterprise lacks,
- similarity in terms of conducted business,
- having experience in establishing cooperation,
- faster, more effective and flexible acquiring of resources,
- proximity of partners' location, common markets of suppliers and clients,
- possibility to eliminate competition,
- possibility to reduce/spread risk among greater number of partners.

Against the background of the theoretical considerations concerning the essence of network organization, it was interesting to recognize what bonds of these activities are implemented in the Polish practice of small and medium enterprises, which are subjected to the strategical renewal on the way of networking.

2 Assessment of networking capability of SME entrepreneurs

The objective of the empirical research was an attempt to assess the scope of business relationships of SME. The research sample was 134 enterprises from the SME sector with the headquarters in the area of the Silesia Province. From among them, there were selected 83 enterprises operating in the analyzed area for more than 5 years. The time horizon of the study included the years of 2011-2014. The research was conducted using the qualitative method of the standardized surveys. The research tool was the questionnaire. The return rate of the questionnaires distributed electronically amounted to 87%. It is the sufficient result providing the representativeness of the sample. On a scale 1-4, where 1 amounts to - no establishing contacts, 2- a small number of contacts, 3- average number of contacts, 4- establishing contacts with a large number of partners, there was measured the extent of creating network in the strategy of small and medium enterprises. The respondents were: the owners, board members and authorized people.

The conducted research indicates that, the contacts with new clients constituted the highest percentage. It was declared by about 66% of the respondents; 57% of the entrepreneurs established the contact with with a big and average number of suppliers. At that time, 43% of the respondents did not establish the contacts at all or established very few contacts (Table 2).

Intensity of contacts on a scale 1-4*	1	2	3	4
With new clients	17	17	22	44
With new suppliers the services of whom I use	33	10	39	18
With other enterprises, apart from clients and suppliers we have already been doing something	37	29	24	10
With other enterprises with whom we will be doing something in the future	45	21	27	7

Table 2
Business contacts established by the surveyed entrepreneurs
Source: Author's own study based on [3].

*1- not establishing contacts, 2- a small number of contacts, 3- average number of contacts, 4- establishing contacts with a large number of partners

The obtained results indicate low willingness of the analyzed enterprises to expand their network of contacts to others, like clients and suppliers, business partners with whom the cooperation could be established in the future. In both cases, more than 60 % of the respondents declared the lack or a small number of contacts of this type in the future.

The main source of business contacts of the entrepreneurs under consideration were, most of all, clients; they came in over 80%, by recommendation of the previous clients (Table 3).

Intensity of contacts*	1	2	3	4
My clients' contacts, they recommend me	10	9	48	33
The nearest relations, main family members and acquaintances	15	31	32	22
Suppliers' contacts	40	27	18	15
Contacts of other entrepreneurs	54	17	22	7
Organizations of entrepreneurs whose members they are	70	15	8	7

Table 3

Source of business contacts of the surveyed entrepreneurs

Source: Author's own study based on [3].

*1- not establishing contacts, 2- a small number of contacts, 3- average number of contacts, 4- establishing contacts with a large number of partners

The surveyed entrepreneurs indicated high, amounting to more than 80%, individual activity; contacts from the outside of the circle of the nearest relations, or organizations of entrepreneurs were not significant. More than half of the respondents declared that they would personally arrange meetings with potential business partners; however, the respondents showed openness to the initiatives of establishing business contacts undertaken by other entrepreneurs.

A very important aspect of the research was an attempt to assess the benefits from business relationships. The main advantage was an increase in the number of clients, improvement in the quality of products and services and reduction in own costs. The perception of benefits from network contacts is focused on vertical relationships (clients, suppliers), and much less significantly on the cooperation with other business partners [Table 4].

Types of benefits	Percentage of indications (%)
An increase in the number of clients	43
Improvement in the quality of products and services	31
Reduction in own costs	17
Solving technical problems	12
Improvement in the abilities of employees	12
Receiving financial support	5
Lack of significant benefits	41

Table 4
The benefits from building network
Source: Author's own study based on [3].

While specifying their future expectations for the participation in networking, the surveyed entrepreneurs acknowledged an increase in the number of clients as the key one (70% of indications). They were also interested in reducing their costs (40%) and further improvement in the quality of their products and services (37%).

The indication of the barriers to establishing network contacts was also subjected to assessment [2]. The first position on the list of barriers is occupied by lack of time (52% of indications); another barrier is long wait for benefits from contacts (44%) and, subsequently, lack of trust in business partners (41%) (Table 5).

Type of a barrier	Percentage of indications (%)
Lack of time	52
Long wait for benefits from contacts	44
Lack of trust in business partners	41
Few opportunities to establish business relationships	39
Lack of benefits from the exchange of experiences	33
Too emotional attitude towards own company	9

Table 5
Barriers to establishing business contact by entrepreneurs
Source: Author's own study based on [5].

Summing up the empirical research in this field, it should be concluded that the key partner in the process of development of enterprises and establishing business contacts is the clients. The role of suppliers is also noticeable but it is significantly lower. Lower usefulness of suppliers has been particularly noticeable in the area of establishing new contacts. In building business relationships, the surveyed entrepreneurs mainly counted on the effects of their own activity; however, they declared openness to the activities undertaken by others. In the entrepreneurs' opinion, the main benefits resulting from possessing the network of business contacts, include an increase in the number of clients and improvement in the quality of products and services; which corresponds to the previous declaration that the key source of contacts is the clients. The respondents claim that the basic barrier to establishing business relationships is lack of time and too few opportunities for establishing business relationships.

3 Conclusions

The presented research allows for a few conclusions:

- ✓ establishing the cooperation with other enterprises, creating network organizations with them, may help them stay on the market and reduce threats resulting from dynamic changes in the environment,
- ✓ it is possible to strengthen the market position by increasing the number of clients, reducing the costs of the activity,
- ✓ joint actions run by the surveyed enterprises are promotion and advertising activities, purchase of raw materials and goods and logistics service,
- ✓ networking affects the organizational efficiency, current effectiveness of operation, mainly by reduction in specific costs of the activity.

Generally, it should be concluded that in the Polish conditions, the level of social capital, including the relational one, is low. However, there is strong awareness of the need to maintain long-lasting relationships with clients, suppliers or other business partners. In the context of the conducted research, further education is essential to use the opportunity of cooperation in networks and build competitiveness of enterprises.

References

- [1] Anderson M.H: Social networks and the cognitive motivation to realize network opportunities: A study of managers information gathering behaviors, *Journal of Organizational Behavior*, 2008, 29(1), p. 51.
- [2] Brzozowska A, Starostka-Patyk M, Determinants of Outsourcing Process, *Freiberger Forschungshefte. D 238 Wirtschaftswissenschaften*, 2010, pp.3-17.
- [3] Cieślik J, Dąbrowski J, Kołodkiewicz I: Lokalne sieci przedsiębiorstw, Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce w latach 2012-2013, PARP Warszawa 2014, p. 114.
- [4] Czakon W, Sieci w zarządzaniu strategicznym, Oficyna a Wolters Kluwer bussines, Warszawa 2012, pp. 42-62.
- [5] Dyduch W, Twórcza strategia organizacji, Wydawnictwo UE w Katowicach, Katowice 2013, pp. 7-11.
- [6] Kaleta A: Realizacja strategii, Polskie Wydawnictwo Ekonomiczne, Warszawa 2013, s.195-197.
- [7] Karpacz J: Determinanty odnowy strategicznej potencjału małych i średnich przedsiębiorstw. Aspekty teoretyczne i wyniki badań empirycznych, Oficyna Wydawnicza Szkoły Głównej Handlowej w Warszawie, Warszawa 2011, s.42-101.
- [8] Lachiewicz S, Zakrzewska-Bielawska A, Sieć przedsiębiorstw jako skuteczna forma organizacyjna w warunkach kryzysu gospodarczego, *Management and Business Administration, Central Europe* 4/2012(17), pp.37-39.
- [9] Łobejko S: Przedsiębiorstwo sieciowe. Zmiany uwarunkowań i strategii w XXI wieku, SGH, Warszawa, 2010, pp.14-21
- [10] Malara Z: Przedsiębiorstwo w globalnej gospodarce. Wyzwania współczesności, Wydawnictwo Naukowe PWN, Warszawa 2004, pp.117-119.
- [11] Niemczyk J, Stańczyk-Hugiet E, Jasiński B: Sieci międzyorganizacyjne. Współczesne wyzwania dla teorii i praktyki zarządzania, C.H. Beck, Warszawa 2012, pp..27-29.
- [12] Pachura P: Regional Cohesion. Effectiveness of Network Structures, Physica-Verlag, Berlin Heidelberg, 2010.
- [13] Poznańska K: Sieci współpracy a innowacyjność przedsiębiorstw, w: Sopińska A, Gregorczyk S: Granice strukturalnej złożoności organizacji, Oficyna Wydawnicza Szkoła Główna Handlowa w Warszawie, Warszawa, 2014, pp.151-152.

- [14] Romanowska M, Mierzejewska W: Wewnętrzny rynek grupy kapitałowej jako substytut sieci biznesowych, [in:] Zarządzanie strategiczne. Strategie sieci i przedsiębiorstw sieci, praca zbiorowa pod redakcją R. Krupskiego, Wydawnictwo Wałbrzyskiej Wyższej Szkoły Zarządzania i Przedsiębiorczości w Wałbrzychu, Wałbrzych 2015, pp.336-337.
- [15] Skowronek-Mielczarek A: Opportunities and barriers of the functioning of the network organisations in the knowledge economy, [in] Innovativeness determinants of network organisations in the knowledge economy, warsaw School of Economics PRESS, Warszawa 2014, pp.49-51.
- [16] Skowronek-Mielczarek A: The efficiency in network organisations and measures of their innovativeness, [in] Innovativeness determinants of network organisations in the knowledge economy, warsaw School of Economics PRESS, Warszawa 2014, pp.140-141.
- [17] Skowronek-Mielczarek A: Zasobowe uwarunkowania rozwoju przedsiębiorstw w Polsce, CeDEWu, Warszawa 2013, pp.50-57.
- [18] Skowronek-Mielczarek A: Obszary współpracy przedsiębiorstw w organizacjach sieciowych jako źródło ich konkurencyjności, [in:] Granice strukturalnej złożoności organizacji, redakcja naukowa A. Sopińska, S. Gregorczyk, Oficyna Wydawnicza SGH w Warszawie, Warszawa 2014, pp.107-110.
- [19] Strużyna J: "Myślenie sieciowe" – próba oceny oryginalności naukowej, [in:] Paradygmat sieciowy. Wyzwania dla teorii i praktyki zarządzania, A. Karbownik (ed.), Wydawnictwo Politechniki Śląskiej, Gliwice, 2013, pp. 58-63.
- [20] Sydow J, Wirth C: Arbeit, Personal und Mitbestimmung in Unternehmensnetzwerken, Verlag Hampp, Munchen-Mering 1999, p. 79.
- [21] Tomski P: Imperatyw zrównoważonego rozwoju a współdziałanie przedsiębiorstw w sieciach wartości, Handel Wewnętrzny, lipiec/sierpień 2012, tom I, pp. 279-288.