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International Cooperation as a Method of Improving the Firm's Competitiveness

***Abstract.** The purpose of the article is to analyse a theoretical approach to international co-operation of enterprises. By referring to such stages as sales, manufacturing and research the author identifies characteristics of the main forms of international cooperation. In order to implement theoretical concepts concerning international cooperation in the managerial practice, the author proposes taking into account such factors as global macroeconomic environment, increased competition, increasing complexity of customer requirements and others. Emphasis is also placed on conditions necessary for international cooperation.*

***Keywords:** international cooperation, conditions, competitiveness*

Introduction

Complications of the competition forms, the unstable dynamics of the global economy growth, rising of cost of new technological developments lead to the development of various cooperation forms among a certain part of market participants, which are trying in such an interaction to preserve existing and to create new competitive advantages.

Enterprises of various types and scale of activity have a real need in the organization of effective international cooperation with other companies on a temporary or permanent basis, in one form or another. The organization of

such cooperation enriches economy practice by effective communication; helps accelerate technological and economic development with the interests of society.

A large number of companies, including in developed countries, which have reached certain peaks, are trying exactly in cooperation to draw new ideas and to create new opportunities for further development. For enterprises from developing countries, such cooperation becomes of strategic importance. Therefore, the investigation of international cooperation forms of modern corporations is essential for their systematization in the context of formation the theoretical and methodological basis of modern methods of competitiveness management.

The intensification of international cooperation between enterprises becomes the basis not only of their growth, but also influences to the development of the respective sectors, territories, social and economic development of the country in general. Interaction between enterprises is not only economic indicators of production, exports, investments, it's also transformation into drivers of innovation processes and to systemic changes in the economy. In addition, efforts to become a participant in international partnerships forces the company to improve all internal subsystems and processes.

The purpose of this paper is the determining of the most effective forms of international cooperation between companies in modern terms, the systematization of existing and taking into account the key factors of their development.

To understand the essence and patterns of studied processes is appropriate: to outline the key factors of international cooperation of companies, to highlight the main stages of development, to systematize the forms and to formulate the conditions for effective cooperation.

1. Theoretical base of research of international cooperation at the enterprise level

The processes of international cooperation are the object of theoretical and methodological research of many scholars.

The basic theories that form the modern vision of the international cooperation development are the theory of competition, the theory of organizations, the theory of internationalization, the theory of innovation, others.

Originally, the companies' activities on foreign markets were considered as the basis for increasing competitiveness [Anderson et al. 1986: 1-26].

Over time, the questions about the development of cooperation between enterprises began be considered from the standpoint of international business, i.e., the theory of internationalization. Among the pioneering works of this direction

should be pointed the article by authors [Buckley et al. 1988: 19-38], who attempt to make a critical comparison of the main forms of international cooperation.

The internationalization theory is the base for understanding of the patterns of development of international cooperation processes, but a number of issues remain controversial, in particular, about: governance, networked multinationals, innovation, entrepreneurship and the role of risk and uncertainty [Buckley 2016: 74-82].

For today, the powerful theoretical basis for development and improvement of international cooperation forms have been formed [Buckley et al. 1988: 19-38], that is considered as the basis for the substantiation of the cooperation concept.

An important subject of the research by scholars is also the question about the main factors of the international cooperation intensification. So, in the work [Combs et al. 1999: 867-888] notes, that the question of interfirm cooperation is examined in the context of two widely cited theoretical approaches to organizations: the first approach – the resource-based approach suggests that firms seek to capitalize on and increase their capabilities and endowments; the second approach – organizational economics approach asserts that firms focus on minimizing the costs of organizing. Among the main arguments of cooperation between enterprises in the work [Peña et al. 2002: 124-135] was determined: the search for sources of growth and synergy or ensuring the complementarity between participants.

The research methodology bases on system and complex approaches to the research of not only to forms of international cooperation, but also to their role in the development of enterprises. For achievement of the set goal used: general scientific methods, which allow to take into account existing cause-effect relationships between cooperation forms and the enterprise performance. The system approach have allowed determine the key factors of the development of international cooperation forms. With using synthesis and generalization was made a conclusion about the necessity of finding optimal forms of cooperation in accordance to the enterprise development stage and to its strategy.

To exploration the peculiarities of cooperation was used the historical approach, was taken into account the current situation, was applied the complex approach, what was provided a deep understanding of the essence of the investigated processes.

2. The forms of enterprises cooperation and their development stages

The main purpose of international cooperation for all participants is the increasing of efficiency and sustainability of the business, as well as, these

characteristics are quite complex, so and cooperation takes various forms, using of which directed to achievement of the objectives in specific areas of the company.

In the paper [Peña et al. 2002: 40-54, 108-110] is made the attempt to classify existing forms of cooperation between the companies on the following criteria: a) in accordance with the economic purpose of the agreement (purchase, sale, export, manufacture, research, etc.); b) in depending on the agents involved in cooperation (competitors, suppliers, customers); c) according to the industry sector (intra-cooperation, inter-sectoral cooperation); d) respecting the territorial coverage (cooperation between domestic and international companies); e) depending on the size of associated companies (between large companies, or between small and medium). The classification of types of strategic alliances are presented in article [Išoraitė 2009: 39-46].

The listed forms are based on the using of organization mechanisms of interaction between enterprises and are provide the search of effective structures for cooperation between national and foreign companies without losing economic independence.

Forms of international cooperation, which are based on the use of economic methods, eventually, can be transformed to integrated structures. A generalized description of the main forms of international cooperation enterprise is presented in Table 1.

Table 1. Characteristics of the main forms of international cooperation of enterprise

The stage of the production process	The forms	The tasks, which are solving	The advantages
Sales and Distribution	agreement on distribution affiliate marketing, franchising	<ul style="list-style-type: none"> – the organization of effective sales in foreign markets, – marketing in foreign markets, – ensuring the efficiency of sales in all markets. 	<ul style="list-style-type: none"> – ease of market access and reducing the process, – overcome obstacles in the form of internal competition, – the use of marketing information partner.
Manufacturing	joint ventures, outsourcing, licensing production	<ul style="list-style-type: none"> – the benefits of resource support production in foreign markets, – the minimizing the costs of production and sales. 	<ul style="list-style-type: none"> – the development of production technology, – the improving of competitiveness of products, – the capacity utilization.
Research	strategic partnership	<ul style="list-style-type: none"> – access to modern technological knowledge, – cheapening the process of scientific inquiry, – development of our opportunities. 	<ul style="list-style-type: none"> – remains the economic independence of the participants, – the technological development of production.

Source: author's.

During the recent decades occurred the changing of forms of cooperation, and the key tasks, which had been solving within the various forms of cooperation. The basis for the development of forms of cooperation was complications goals that faced by enterprises. In this context, it is advisable to emphasize, that the process of cooperation has stages, the allocation of which is conditional, because happens relations complications and increasing the number of questions, which need agreement. In fact, through international cooperation enterprise can be pulled in further integration processes, which should be seen as the next phase of organizational cooperation.

Consider the stages of possible cooperation process, when based on organizational interactions is formed the basis for further economic integration.

On the first phase – are dominated the goals of expansion to foreign markets through exports and forming a network of dealers, creation of assembly plants. Cooperation at this stage concerns only underway and involves minimal investment required. The yield on the markets of different countries with their products significantly enriches the experience of the company in the context of developed forms of stimulating exports. Creating a networking of distributors provides company also marketing information.

Cooperative strategies are becoming more important to companies and at present time. Capital intensive and technology-based firms are more eager to form alliance for their target success. The entry restriction and slow-cycle market position motivates firms to develop strategic alliances to enter in new markets or establish franchises in new markets [Belal et al. 2011: 43-54].

On the second phase the company tries to ensure deeper penetration on foreign markets and to make it conquest “from the inside”, which provides for the establishment of joint ventures.

The third stage provides for complications cooperation not only at the stage of implementation and production, but also at the stage of scientific and technical search.

The study [Edwards-Schachter et al. 2011: 126-147] looked at the cooperation in R&D in order to evaluate the quality of the interactions between companies.

Increasing cooperation with companies from other countries allows diversifying markets, intensifying export activities, to improve products, to ensure the presence in foreign markets, and so on.

The main motivations of companies for taking part in international cooperation investigates in article [Buckley et al. 1996: 5-25]. However, interfirm cooperation has advantages and disadvantages of this specific business decision, on which are concentrated authors in article [Petruzzellis et al. 2016]. The main negative consequence of cooperation is that “Western companies are generally

more vulnerable to this transfer since they contribute with easy-to-imitate technology” [Petruzzellis et al. 2016].

The main importance of international cooperation for companies from developing countries consists in possibilities to receive new technologies, to increase workforce skills, and these results transform an international cooperation into strategically significant.

Overall, strategical alliances provide a superior vehicle for gaining access to new complementary products or technologies without all the risks of internal development [Bucklin et al. 1993: 32-46].

3. The factors of development of various forms international cooperation at the enterprise level

Identification of factors which action causes the development of international cooperation, allows determining the domain of research and understanding of cause-effect relationships within the subject.

1. Below it is imperative to stay on the characterization of key, on our mind, factors. Unstable dynamics of macroeconomic processes. Market demand on the most goods is largely dependent on the macroeconomic situation and its trends. According unstable macroeconomic environment, which manifests itself in falling demand for products at a time leads to the withdrawal from the market less competitive enterprises. In addition, this, in turn, determines the need of using all opportunities to improve competitiveness, including by finding effective cooperation.

The economic crisis of 2007-2009 wore a global character and negatively influenced on the development of countries and companies. Falling markets of most goods has led to the temporary withdrawal a large number of competitive enterprises from trade relations among members of and this fact emphasizes previously proved fact of illusiveness notion competitiveness because with serious financial problems was faced even market leaders.

For example, General Motors Company entered into a crisis with debts of over 88 billion dollars. US, which were accumulated over 2005-2009. To save the company made previously untold events – the company received 50 billion. Dollars. US aid from the US government (the equivalent of 61% of shares); 9.5 billion. US dollars assistance from the Government of Canada (12.5% shares) of US dollars 14 billion – Joint union workers (17.5% stake). Refunds has already begun, but the process will drag on for years. Other more symbolic example of the impact of economic crisis on the market leaders is example of

Ford, who in 2009 sold unit Volvo, and the buyer was the Chinese group Geely Automobile.

Thus, macroeconomic dynamics has a significant impact on business, and in some cases, on survival of enterprises, including former market leaders. Understanding this determines the need for forecasting and accounting development trends of the global economy while determining the strategic goals of the enterprise, including on regarding international cooperation that can provide a strong foundation for sustainable operation.

2. Growing competition. Quantity of enterprises, which can operate effectively on the global market, is growing. The market leaders increasingly difficult keep, the dynamic renewal of assortment and their monopoly position in technology solutions because competitive advantages lose their uniqueness. Companies from developing countries, by copying products of leaders and savings on own technological studies, are able to generate demand for their less quality products by providing the optimum ratio “price-quality”. That is, in fact, on markets of most products happens an increasing the number of competitors, due to primarily by enterprises from the developing countries.

In several times in recent years Chinese enterprises increased its presence on international markets, showing incredible growth dynamics. Despite the fact that technology leaders are companies with developed countries, companies from developing countries, quickly and efficiently develop and begin to create competition and the level of technological characteristics of the product. This reflects not only increased competition, but also its displacement in high-technology competition.

3. Branch accessory. The complexity of technological processes, changing of stage of life cycle in the direction of slowdown of most sectors causes the finding of new partners. Within certain sectors, there is an increase in the cost of new design solutions, financing of which are appropriate to organize through co-financing. Accordingly, as the activities of the company are much technologically complex, as it need more cooperation. For example, within the engineering takes place is the greatest diversity of cooperation from implementing some innovative projects up to fully integrate previously separated companies.

4. Complications of product requirements from consumers. Consumer in modern conditions has a wide range of choices on the market and turns into an active participant in trade relations, which makes decisions not only based on economic or technological characteristics, but also the environmental performance of products. Improving education and culture level of the population in many countries is leading to modernizing consumer demands. This forces the company, including in developing countries, to form their own technological capabilities and put more challenges. The need in a new and unique competitive advantages and

their formation due to not market but mainly technological factors, determines actively searching of strategic partners.

5. The accumulation of considerable financial resources. Companies, which are market leaders, have significant financial capacity and combining their efforts with the same companies, are able to perform large-scale innovative projects. However, this factor ceased to be property only companies from developed countries. Expanding financial capacity of companies from South Korea, China, Singapore making them active participants in project finance, acquisitions, as well. The fact that in a crisis, Ford did not have sufficient financial resources and had ineffective agreement with Geely Automobile, which was able to acquire Volvo for 1.8 billion. (These assets were acquired by Ford for 6.8 billion. dol. USA), shows significant changes in the institutional framework already in basic industries.

6. Strengthening the requirements of environmental legislation necessitates the intensification of scientific research in this area. The cooperation between the companies to develop certain technological solutions that will help to increase the level of environmental products, increased use of alternative fuels are becoming more urgent.

These and other factors collectively contribute to the search for new forms of cooperation and ensure thus the overall development of the business environment, its unification in different countries.

4. Conditions for enhance international cooperation

In actual practice, are used a variety of forms of cooperation, which are differ purpose, set of tools, results. One fact, that they using, is the evidence of their effectiveness, but it should emphasize the importance of compliance with certain conditions necessary for international cooperation:

Firstly, there should be a stable or temporary interest among stakeholders, but it depends on the composition of the participants. If interact the enterprise from developed countries, through scientific and technical cooperation, they ensure the development of competitive advantages based on technological innovation.

Secondly, confidence between the parties because the cooperation requires consolidation of efforts and resources, and provides for the distribution of results. These tasks will be performed in the current system of mutual controls.

Thirdly, the current level of development of the economic and technological potential of the company. Modern competitive advantages based on innovation, science, and so companies should now have the ability to ensure effective cooperation with foreign partners.

Very important international cooperation, especially in science, is for enterprises in developing countries or economies in transition, because a result of this cooperation are evolving capabilities of independent innovation of enterprises in developing countries. Such example was shown in the past, by the South Korean companies, and currently perform enterprises in China. Most effective for businesses is international cooperation when they turn from passive participation to active participants and are able to continue the process of technological development after the termination of cooperation.

Especially important is the cooperation between enterprises of neighboring countries, with territorial proximity, social links, the similarity of languages and traditions – all this makes the development of cooperation in the field of business. Enterprise cooperation, in Estonia and Finland, as indicated in the [Opportunities for Cooperation... 2008] is of great importance not only for these countries but also for cooperation of the Baltic countries and the EU.

Conclusions

The attempt to maintain sustainable competitive position for one or to overcome the backlog of the market leaders for others, determines actively seeking various forms of cooperation, especially among companies from developing countries.

The use of forms of international cooperation by many enterprises in modern conditions considered as an opportunity through one or another form to ensure the development of competitive advantages compared to other market participants.

This article presents goals and benefits of various forms of cooperation, were identified stages of their evolution and conditions for use.

The contribution of this paper is providing identification of key factors which action causes the development of international cooperation, what has a significant for companies especially in developing countries. Among the key factors that determine the need for development of various forms of international cooperation, indicated: the instability of the global macroeconomic environment, increased competition, the increasing complexity of customer requirements and more. To all these and other requests easier to respond dividing the costs and risks and benefits of using the subject of efficient cooperation.

The paper finds that the effectiveness of international cooperation depends on some conditions, such as, an interest among stakeholders, confidence between the parties, a current level of development of the economic and technological potential of the company.

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Międzynarodowa kooperacja jako metoda na podniesienie konkurencyjności przedsiębiorstw

Streszczenie. W artykule przedstawiono analizę podejścia teoretycznego do znaczenia międzynarodowej współpracy przedsiębiorstw. Etapy, takie jak: sprzedaż, produkcja i badania naukowe, zostały wykorzystane do określenia charakterystycznych cech głównych form współpracy międzynarodowej przedsiębiorstwa. Aby wdrożyć teoretyczne pozycje międzynarodowej współpracy przedsiębiorstwa w zakresie praktyk zarządzania, zaproponowano uwzględnienie takich czynników, jak: globalne otoczenie makroekonomiczne, zwiększona konkurencja, rosnąca złożoność wymagań klientów. Podkreślono także warunki konieczne do współpracy międzynarodowej.

Słowa kluczowe: współpraca międzynarodowa, czynniki i warunki konkurencyjności