



Inter-Organizational Relations As A Source of Competitive Advantage of Contemporary Enterprises.

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ABSTRACT: *The purpose of this article is to indicate that inter-organizational relations are the source of competitive advantage of contemporary enterprises. Therefore, the theory concerning the essence of inter-organizational relations has been described, as well as the problem of organizational networks resulting from them. Moreover, benefits outcoming from the existence of inter-organizational relations which contribute to the creation of competitive advantage of modern enterprises were presented. Finally, the concept of relational capital as a strategic capital related to interpersonal relations was discussed. Research used in this article were pilot study in public administration institutions in the Netherlands and Ukraine.*

Keywords: *human capital, Inter-organizational relations, networks.*

I. THE ESSENCE OF INTER-ORGANIZATIONAL RELATIONS

Many fields of the management science take particular interest in the concept of inter-organizational relations. The increase in the meaning of cooperation between independent entities tend to be considered as one of the most important developmental trends in contemporary value creation mechanisms.

In education about management and also in organizational theory there are many concepts connected with the increase in meaning of inter-organizational cooperation (network and project management) and works devoted to new organizational forms (e.g clusters, networks, partnerships, alliances).

Networking (and consequently the concept of a network) became a key category in the management science. Empirical examples of inter-organizational relations are already a ubiquitous phenomenon in the management practice. They may concern e.g relations between companies and institutions from e.g public sector, relations between corporations and companies, relations between public entities and non-governmental bodies, or relations between governmental organizations and private entities and so on [1].

In literature of this field, there are three key attitudes which determine inter-organizational relations. They include: confrontation approach (which means a competitive attitude), neutral approach (which means that business entities are indifferent to each other) and cooperation approach (which is based on forming alliances, understanding and coordination between companies) [2]

Creating inter-organizational relations requires, above all, willingness to cooperate, engagement in mutual activities, and an eagerness to preserve these relations. But not only these factors are important – inter-organizational relations are always based on strong leadership. Only a well-managed organization is able to implement joint actions successfully, strive for cooperation and realize determined goals. Cooperation between companies is always voluntary. It is based on concluded agreements which indicate the form of ties between business entities. These bonds are examined depending on adopted criteria. They include [3]:

- form of ownership and size of an organization;
- type of an organization and of the needs which are met (private, public and social);
- form of integration and cooperation (vertical and horizontal);
- type of business and a country, region a company operates in as well as the scale on which it operates.

An analysis of criteria may clearly show how particular inter-organizational relations are created and reasons why they are created. However, the reasons why inter-organizational ties exist vary depending on the type and form of a business entity and may be different for each participating company. Sometimes a decision to start a cooperation may be based on internal causes, such a need to expand the sales, implement innovation based on mutually desired outcome, obtain new distribution channels, manufacturing capability, share expenses, obtain knowledge, experience, or intellectual property and many more. Some companies simply are invited into

cooperation by local and regional institutions, other companies of similar size and industry type by entering a cluster or by encouragement to accomplish some organizational task (e.g participate in events, conclude a long-term agreement, establish a group of manufacturers with mutual interests) [4].

II. USING HUMAN CAPITAL IN RELATIONS BETWEEN ENTERPRISES

Managers point out that 'the keystone of successful business is cooperation. Friction retards progress. Correct inter-organizational relations give a possibility to have access to precious resources in the form of human capital. Moreover, they foster the creation, connection and exchange of human resources. Entities engaged in these relations benefit from cooperation also on a human capital level [5]. Ken Robinson recently said that "human resources are like natural resources; they're often buried deep. You have to go looking for them, they're not just lying around on the surface. You have to create the circumstances where they show themselves".

It is human capital which uses own competences, intellectual efficiency, motivation and predisposition to fulfil certain organizational roles, including shaping the inter-organizational relations. By means of employees relations with customers, suppliers, competitors and other people engaged in business are built. It is worth to have in mind that one of the three primary components of intellectual capital is structural capital that enables human capital to function. Structural capital is owned by organization and it includes among other things software, processes, technologies, infrastructure, databases, trademarks and also the relational capital that is reputation, customer loyalty, strong ties with stakeholders, information system or the company's image [6].

Strong ties between entities engaged in cooperation lead to exchange of knowledge and information and this may bring many positive effects. Companies may achieve better prices and deals, reduce purchase, operation and maintenance and labour cost and other expenses. If two or more parties cooperate joint marketing activities may result in an extensive marketing promotion. While merging with another company in a distant location the other party may avoid cost of capital investment or price competition. It enters new market easily, it may benefit from increased market share and win consumer loyalty. The exchange of information and sharing knowledge with other engaged entity facilitates implementation of innovative solutions. Better value of a company relies on expanding the existing value [7].

Inter-organizational relations, as it was previously mentioned, must be based on mutual trust, respect, openness, clear ways of communication and honesty. Companies before engaging in cooperation and during activities preceding creating relations identify certain variables. They oscillate between benefits and costs of entering into cooperation. There is also observed an evolution of criteria of the measurement of value. More meaningful become non-material criteria as the economic relations are more complex. The measurement of business value is increasingly fraught with subjectivism and uncertainty [8].

III. CONDITIONS OF ORGANIZATIONAL NETWORKS FUNCTIONING

Key condition of network organizations functioning is the possibility to combine forces through joint initiatives as well as the use of the unique potential of the companies that form the network. Reasons which push companies to create network organizations may be analyzed primarily from the perspective of the concept of resource theory of an enterprise [9]. According to this concept, each organization is a unique set, which includes all assets, organizational skills, processes, information, and knowledge [10].

Thus, the appropriate use of resources and skills leads to the generation of key competencies of the organization. The resource theory is consistent with the statement that no company is able to be resourcefully perfect. It is explained by the fact that a hierarchical company is not able to control all its resources necessary to create value [26]. The intention to create economic networks is therefore connected with providing and strengthening competitive position as a result of building the forms of cooperation between economic entities in order to gain access to additional resources.

The importance of the participation of enterprises in the network, as one of the sources of competitive advantage, should also be emphasized. Participation in the network allows companies to have a better access to resources, it creates more opportunities to acquire new knowledge and new skills. Currently, inter-organizational relations and external networks are gaining in importance as they ensure entities access to new information, resources, markets and technology. External networks are very valuable because they enable companies participating in them to gain new abilities and learn new skills [11].

Network organizations provide companies survival and reinforcement of their position among the competitors due to multi lateral cooperation. In addition, they allow to focus on the key skills that are activated and used in a coordinated manner, enabling intelligent, collective use of network resources and potential of knowledge [12].

The organizational network brings benefits only if it is based on joint and accepted mechanisms of coordination. These mechanisms include the following planes [13]:

1. Market plane that covers:

- managing the expectations of co-operating parties and potential conflicts,
- clear division of specialization, competence and the expected level of quality of delivered products and (or) services.

2. Hierarchical plane that covers:

- strictly specified standards, rules and procedures of cooperation,
- rules for the flexible management of network.

3. Social plane that covers:

- high level of mutual trust,
- fast, conflict-free and bilateral flow of information.

Proper configuration of the coordination mechanisms mentioned above allows effective cooperation, it allows also to generate benefits accompanying cooperation from the effect of synergy by reducing costs, ending on a higher level of competitiveness.

IV. BENEFITS RESULTING FROM THE EXISTENCE OF INTER-ORGANIZATIONAL RELATIONS - ANALYSIS OF EMPIRICAL RESEARCH

Inter-organizational relations are recognized as an important source of competitive advantage which is becoming more and more important and a source of profitable outcome. The main reason why companies establish inter-organizational relations as part of a network is the achievement of synergy.

Research made in public administration institutions in Netherlands and Lviv indicated that the companies, as a result of establishing inter-organizational relations, obtained the following benefits:

- decrease in uncertainty,
- increase in flexibility,
- gaining experience and potential,
- acquiring speed of action that allows to take chances which present themselves as well as market opportunities,
- increase in accessibility to resources and information.

The essence of building networks in organizations which participated in the research was the possibility to form systems of cooperation enabling generating an additional value as a result of participation in these systems. Moreover, in the surveyed organizations the synergistic potential of partners increased and thus it enabled them to achieve common strategic goals that if performed would not be possible to implement. The implementation of this cooperation was possible because the studied organizations have the necessary capacity to interact. Creating additional value, as a result of cooperation in the network was possible largely through competencies by which relationships between the participants in the network were created. The consequence of competencies in the surveyed organizations was the creation of appropriate structures of relationships within the network. Cooperation in the network organization was based on a combination of many skills and inclinations that in conditions of a changeable environment led to the success of cooperating companies.

In the organizations, the functioning of network organizations allowed to join forces by mutual initiatives, and by the use of a unique potential of the companies forming the network. It must therefore be emphasized that the appropriate use of resources and skills led to the generation of key competencies of the organization. The form of a network organization allowed in the surveyed organizations to reduce overall expenditures necessary to introduce new product on the market, while making it easier to direct limited internal resources inside of the company to create and support competitive advantage.

V. CONCLUSION

In a perspective of inter-organizational relations improving competitiveness of an organization is made by cooperation. As a result, competitive advantage is obtained against remaining non-cooperating entities. This cooperation, or in other words creation and putting into practice solutions based on various forms of cooperation becomes a basic value of inter-organizational networks. Cooperation of enterprises is an alternative for competing. The essence of these relations comes down to a voluntary relation of enterprises in a joint interest. Establishing inter-organizational relations in the surveyed enterprises was a factor of their competitive advantage. These organizations got the possibility to obtain resources (material and non-material) which were not available internally, and there were no possibilities of their acquiring by companies by themselves.

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