

Zofia Patora-Wysocka

Academy of Management
Faculty of Management
Department of Management
ul. Sienkiewicza 9, 90-113 Łódź, Poland
E-mail: zpatora-wysocka@swspiz.pl

Cooperative Relations in Internationalisation: Practical Management Orientation in Textile and Clothing Enterprises

Abstract

The issue discussed in this paper is one of the more complex constructs. While the internationalisation of textile and clothing enterprises is clearly part of the pragmatic context of management, there is also a need to define it from the perspective of a diverse group of enterprises. Therefore, understanding the internationalisation of Spanish, Polish, and Ukrainian textile and clothing enterprises requires the development of a set of interpretational rules which would not only be logically consistent but would also ensure comparative observations. The study is supposed to provide information for the construction of a consistent internationalisation approach for small textile and clothing companies. It emphasises the importance of cooperation relations management and indicates that management in textile and clothing enterprises seen from the viewpoint of internationalisation does not call for an analytical cognitive perspective which would separate the organisational structure from its environment.

Key words: textile and clothing industry, internationalisation, management, small enterprises.

Introduction

The liberalising policies of the EU and WTO as well as mounting Asiatic competition result in increased challenges to the European textile and clothing industry [1]. These challenges call for fundamental restructuring and modernisation based entirely on innovation [2] and a new approach to organisation and management structure. Due to the volatility of the globalised markets, it is necessary to find new imperatives for the growth of textile and clothing companies. One could argue that an important element of the sector will be small organisations focused on modern manufacturing and process technologies. In this sense internationalisation is a kind of expression of the manager's reaction and vision of the enterprise's development through innovation, which is directly involved in the process of creating new structures. Indeed, one could argue that owing to relations, each market player is in some sense an extension of the internationalisation process. The ultimate causes of internationalisation are relation-based operations, the polymorphism of transactions and structures, far-reaching flexibility and the scope of their impact. Enterprises operating as part of internationalised networks provide new meaning to management; the classical functions of an organisation are transferred to the network. Market relations entail an exchange of resources and optimisation of their use. In actual fact, the quality and nature of these relations also become a specific resource around which a network develops and which can be deemed a source of

competitive advantage for the enterprise. The strict separation of the internal and external environment is vanishing. The boundaries between the company and the market are becoming blurred and an international network is emerging.

Network: relations and structure

Pfeffer, Salancik, Johanson, Mattson, Cyert, and March were among those who made the most fundamental contribution to the development of the theory. The concept of a network draws on developments in social sciences, sociology, anthropology, and the theory of social organisation and exchange. In this sense, a network can be characterised by the following categories:

- Density - measured by the number of actual relations between *market players* in comparison to the potential maximum number of relations;
- Centralisation - defined as the level of network concentration around one or a few of the players. At this level of analysis, the theory specifies mechanistic structures where a high level of centralisation dominates and organic structures clearly demonstrate several centres [3];
- Availability - while it is assumed that the greater the network efficacy, the greater the availability, Mitchell introduced the method of measuring the level of availability based on the premise that it is composed of the average number of people available through a single structure. It has turned out that a higher level of avail-

ability is positively correlated with the tempo of the diffusion of standards and values within the network [4].

- structural balance - consisting of the reciprocity and transitivity of relations. Reciprocity is based on simple logic "(...) if A likes B, then B also likes A" [5], and transitivity means "(...) if A likes B, and A also likes C, then B and C also like each other" [5].

Relations can be analysed from the point of view of their complexity (e.g. if the players cooperate on a formal plane, whether they are also friends, etc.) and the strengths and values they bring (knowledge, information etc.) [5]. M. Hansen consolidated the concept of the power of relations established around a network. Knowledge transmitted through loose connections is general, while strong ties support the transmission of sophisticated knowledge. The problems researched as part of this theory refer to a question concerning optimum relations thus characterised and their impact upon maximising profits from work [6]. In this sense the social approach to networks is consistent with the theory of contingency [7] and Pfeffer and Salancik's resource-dependency approach, where the weight of the analysis is shifted to the resource plane [5, 8].

The author of this paper believes that the resource-based network approach is especially appropriate in the case of small enterprises of the textile and clothing industry. The problem of barriers and the limited influence of enterprises due to their small size, strongly promoted in the

literature, can now be given a practical solution. The resource-dependency perspective on networks leads to a network model of resource optimisation; management through external relations causes relocation or even the disappearance of traditional areas where the enterprise operated. The enterprise operates within a network, which becomes a collective organisation, adopting the function of influencing the market directly. Thus, small textile and clothing enterprises can overcome the barrier of limited funding, achieve economies of scale, and gain greater innovation potential.

■ Research questions

The purpose of the research is to examine the situation of cooperative relations in the internationalisation of SME's of the textile and clothing industry in Poland, Spain and Ukraine. Therefore, the following research questions have been formulated:

- 1) Do Polish, Spanish and Ukrainian enterprises apply different internationalisation strategies in the development of cooperative relations?
- 2) Is it possible to differentiate specific forms of internationalisation?

■ Method

Data collection

The businesses studied are small-sized enterprises in the textile and clothing industry from Spain, Poland, and Ukraine. The empirical part was prepared based on primary data gathered during the author's field research. The content and format of the closed questions were developed on the basis of an open-ended questionnaire and some preliminary interviews with top executives from Poland, Spain, and Ukraine. Closed questions are indisputable and prove that analysis should be performed on numerous research samples. This tool was appropriate from the point of view of the author's objectives as it made it possible to perform a qualitative, quantitative, and, above all, multidimensional comparison of observations. The completion of the research project required the use of secondary information resources as well.

Sample size

"Differences between particular factor analyses become smaller with increased sample size. (...) It is thought that it is sufficient to study approximately 100 en-

tities. Results obtained from small samples can be (...) treated as hypotheses which need to be confirmed in further studies" [9]. The size of the sample was sufficiently large. The total number of enterprises studied was 149 – 51 in Spain, 51 in Ukraine and 47 in Poland. The enterprises examined were from the Madrid Autonomy, Łódź and the Lviv region. The selection method applied was snowball sampling.

According to Zakrzewska *"(...) the number of entities studied should be at least three times higher than the number of variables"* [9]. This proportion was observed. The classic factor analysis performed covered 33 variables against the 149 enterprises studied.

Respondent profiles

The enterprises studied are in the textile and clothing manufacturing sector. The final sample included firms from the main categories of the textile and clothing industry: the manufacturing of cotton woven fabrics for clothing and technical applications, the manufacturing of hosiery, the manufacturing of women's clothing, the manufacturing of men's and boy's trousers, as well as the manufacturing of men's and women's shirts and women's tops. These enterprises employ up to 49 people each.

Measures

The internationalisation of management, from the perspective of different countries, requires a complex and dynamic approach. It also needs a carefully chosen technique of data processing, one which would enable the researcher to go beyond the method of direct observation and to impart meaning to the multidirectional relationships of variables in a reliable way. Adopting such a strict criterion of reliability requires a multidimensional methodology. Factor analysis has turned out to be an effective tool because it makes it possible to *"(...) find a new set of variables, a set which is smaller than the original set of variables and which expresses relationships between the variables observed. (...) It is a methodology which selects a group of factors unavailable for direct observation, based on correlations between variables. These factors preserve a considerable part of information contained in the primary variables, and they have a different factual interpretation"* [10]. In short, it is a method which combines variables into

independent sets called 'factors'. These factors become new variables which have to be named and interpreted. The factual context of this research made it possible to interpret the factors as forms of internationalisation.

A strict criterion was adopted for the significance of the factor loading value (over 0.5). Variables with a lower modulus of the factor loading value, i.e. from 0.4, were treated as supplementary information.

The research included a variable describing the country of origin of the enterprises. It allowed to obtain a pure Polish model and a pure Ukrainian model. The other models should be associated with all populations, which is indicated by the margin distribution analysis. In this way it was possible to present common features of the internationalisation of textile and clothing enterprises from Poland, Spain and Ukraine and to draw general conclusions based on these grounds (see also *Table 1* on page 10).

■ Analysis

Results of measurement model

The nature and properties of internationalisation in small textile and clothing companies were determined owing to the discovery of multidirectional relationships between properties chosen from the viewpoint of the problem's logic, as well as the potential and reliability of information contained in the relevant data. The analysis was conducted based on the determination of factor loading values for elementary variables. In this context, the research indicated new variables (so-called factors), almost all of which provide information enabling one to clearly equate the internationalisation of small-sized textile and clothing enterprises with cooperation.

The first factor describes only the Polish cases of internationalisation, concerning enterprises whose key partners are large foreign companies that also function in the local market; these foreign companies are customers of the enterprises examined. The motivation for cooperation is the intention to increase sales and predict possibilities for development.

The second factor presents a model of consolidated organisational relationships based on export concerning only clothing

Table 1. Results of factor analysis; Extraction Method: Principal Component Analysis. Rotation Method: Varimax, within 16 iterations. (Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalisation. a. Rotation converged in 16 iterations.): **Source:** own study.

Models	Factor loading value
Polish model	
Type of cooperation with large companies	-0.796
Country of origin (Poland)	0.713
Cooperation with foreign/domestic companies	0.669
Cooperation motive – higher sales	0.662
Key partners – large foreign companies	0.619
No cooperation	-0.510
The company has its own representatives abroad	0.405
Export model	
Cooperation motive – export	0.858
Cooperation motives – development abroad	0.672
The company exports goods	0.671
Competitive advantage – foreign customers	0.613
The company has several representatives abroad	0.516
Key partners – foreign companies	0.415
The company has a subsidiary abroad	0.462
Supply relations	
Competitive advantage – a foreign supplier	0.779
Company has foreign suppliers	0.637
Key partners – foreign companies	0.623
Cooperation motives – access to technologies	0.500
Local networks	
Cooperation motives – higher sales	0.450
Key partners – smaller local companies	0.839
No cooperation	-0.629
Competitive advantage – local partners	0.422
Organisational structure – branches, subsidiaries	
Revenues from branches	-0.813
The same strategy at home and abroad	0.664
The company has a subsidiary abroad	0.522
International networks	
The company has partners. They sell abroad together	0.817
Network organisational structure	0.534
The company has its own commercial agents abroad	0.468
Different strategies at home and abroad	0.433
Local outsider model	
Local strategy modelled after foreign companies	-0.856
Local strategy not modelled after foreign companies	0.777
Ukrainian model	
Key partners – the company is looking for foreign investors	0.716
Market structure – several huge state-owned companies	0.699
Cooperation motives – access to technologies	0.553

companies. In this case, cooperation is understood as a system of relationships based on demand. Competitiveness in the local market depends on the effectiveness of cooperation abroad. Enterprises have foreign customers and their own sales representatives abroad. Moreover, internationalisation is the direct cause of what is happening in the closest environment of the company.

The next factor (cf. *supply relations*) is the vision of internationalisation through building supply relationships.

However, small textile and clothing companies may also promote more sophisticated forms of internationalisation; they may establish branches and agencies abroad and even gain more profit from these than from their domestic activity (cf. factor: *organisational structure – branches, foreign subsidiaries*). It appears that there are entrepreneurs who use a uniform strategy in their home country and abroad, a fact that is directly connected with the similarity between groups of consumers.

However, there is another group of companies (cf. factor: *international network*) which adapt different strategic tools in their home country and abroad and which are even more flexible and able to complete changing tasks while remaining consistent with the objectives of the turbulent internationalisation process. In the case of the companies discussed, higher dynamics of expansion abroad can be predicted. Its direct and strong motivation is a clearly stated objective to sell goods and services abroad. These companies are organised around a network (see *Table 1*). In this case, the strong division between the organisation and the environment may seem superficial or even artificial. It is easier to associate such a structure with the Nordsick process¹⁾ than with a statistical perspective of the vertical division of functions. However, in this research there is no ideal type of strongly internationalised powerful cooperator. A clear differentiation should be made here between the theoretical plane and the imperfect empirical reality. As a consequence, the study provides three answers – three network models – which differ significantly in details but are conceptually consistent in their essence.

The first of the structures (cf. factor: *local networks*) covers enterprises whose key partners are smaller local companies. The activity of these kinds of enterprises is never the result of random or independently chosen management tools. Such entrepreneurs are always willing to cooperate and take part in internationalisation in this way. One may have the impression that this model is very close to Marshall's idea; it initiates a common objective and collective goals. However, it seems that this network has very strict criteria of access, that is to say, confidence built mainly locally.

The next factor is *international network*.

The last model of network cooperation is rather loosely connected to the classic concept, and it concerns only Ukrainian companies (factor: *Ukrainian model*)²⁾. In fact, a network can hardly be identified. It is rather an indication or a kind of reaction resulting from the specificity of partners or/and competitors. The market is dominated by several large state-run enterprises. Small entrepreneurs seek foreign investors, where the motivation for establishing such close cooperation is access to technology. This model may be recognised as the deformation of the

theoretical concept, but on the other hand it provides very interesting evidence that cooperation is the key reason for internationalisation.

It seems that among the numerous complex forms of internationalisation, the theory does not single out a structure that would suggest that an enterprise is unfavorably predisposed towards internationalisation. However, the results obtained do suggest the profile of an isolated company (cf. factor: *local outsider*), one which does not intend to imitate the methods and tools of its successful foreign competitors. This is the image of a small local outsider; a strong sign that cases do exist which are undesirable from the viewpoint of management practice.

The conclusions from the study solve the problem of systematised forms of internationalisation for small textile and clothing enterprises. At the same time, they are a kind of empirical reflection on currently accepted criteria and the cognitive logic of the enterprise internationalisation concept. "(...) In management the rationalism of social sciences is connected with seeking temporary acceptable (...) solutions (...) which do not aspire to be universal and certain" [11]. In empirical terms easily definable forms of the internationalisation of small textile and clothing enterprises were distinguished. The research results constitute the proposal of a concept which accommodates the common core of the other models while differentiating their forms and ways of functioning.

Discussion and implications for management

The research results explicitly indicate that the internationalisation of small textile and clothing enterprises is a reaction to the current market situation. Internationalisation is an intuitive and spontaneous process which does not follow a long-term strategy. It is often conducted on an irregular basis and rarely constitutes a sequential process. The practical concept of internationalisation does not quite correspond to the classical explanatory pattern of internationalisation, according to which this process is compatible with the evolutionary concept of incremental market commitment abroad. The market of the enterprises studied is dominated by other small structures similar to them. However, the results do not

diminish the importance of direct foreign investors, which undoubtedly proves that substantial market innovation and competition potential exist. Small textile and clothing enterprises draw on the internationalisation of the environment through temporary operations built on the basis of loose and collective business relations with partners of similar size and structure. Furthermore, such enterprises do not promote any specific model of internationalisation as only some of them export goods, have foreign suppliers and agents, etc. In this context, it is also difficult to identify any distinct tools which would help to maintain cooperation with business partners. There are a variety of methods and motivations, with the only constant being the prospect of reducing costs and increasing sales. The following conclusions can be drawn:

- market turbulence, - strong expansion of Far East enterprises, and contemporary ideals of internationalisation impair the sense of subjecting to long-term strategies,
- according to Weick's logic, market risk is created by the activity of entrepreneurs, but it can also be eliminated as a result of this activity, therefore small textile and clothing entrepreneurs who start foreign expansion should actively build cooperative relations, close to network structures,
- the character of foreign expansion should be supported by the logic of the common creation of value, where competition is the force of the secondary sharing of this value [12],
- networks or relations should have the nature of more casual, rather informal structures.

Textile and clothing enterprises are concentrated around relations. They do not yield completely to the classical logic of empirical reality, which would allow fragmentary analysis through strict separation of the external and internal environments, or of the structure and its boundaries. Modern paradigms of internationalisation require a consistent vision of the organisation: an enterprise closely connected to the environment in which it functions, that is, a totally uniform structure. In this sense, cooperation becomes a specific resource, and its quality can be deemed an important factor in innovation and internationalisation.

Editorial note

1. F. Nordsick - forerunner of the process approach, called the structure of an organization "a stream of actions" as early as in the 1930s.
2. Information obtained on the basis of marginal distribution analysis.

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