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## IDENTIFICATION OF THE MAIN PROBLEMS IN USING COOPERATIVE MANAGEMENT IN SLOVAK ENTERPRISES AND THE PROPOSAL OF CONVENIENT RECOMMENDATIONS

*The main purpose of the article is to present some knowledge in cooperative management focused on the area of management and marketing and to show possibility to use the cooperation in a company practice effectively. The article contains drafts for successful functioning of the cooperation in practice. There are also identified the main fields of potential problems which should be discussed by responsible participants within cooperation to achieve effective functioning. The solution of the questions researched within the article needs to use several methods depending on the character of particular parts of the solution.*

**Keywords:** Cooperative management, research of cooperation potential, cooperation towards competitiveness.

### 1. Introduction

Nowadays the area of cooperative management is not fully elaborated, contrarily; it is the core interest for theoretical specialists and practitioners. Their main effort is to create a model of successful use of cooperative management in a company, which would secure their competitiveness. Cooperative management creation in a company often fails. The reason is that mostly there is no clear activities plan, there is an absence of competence division for implementation, and strategy of an enterprise is not oriented towards creation and improvement of the cooperation. In the company's practice there are some mistakes within the loss of managers in this field. Mainly it is an incorrect understanding of the term cooperative management and insufficient use of cooperation potential in the enterprise. The suitable recommendation draft within this field can considerably contribute to increase the success of cooperative management use in the enterprise [1, 2, 3, 4, 5, 6, 7 and 8].

Cooperative management offers effective direction of cooperative processes in an enterprise. Its aim is to permanently improve activities of enterprise and provide flexibility in order to satisfy growing demands of customers and partners of enterprise. A result of its effort is the security of competitiveness. However, it is important to create strategy for using cooperative management in enterprise based on a conveniently implemented informative system, developing enterprise culture supporting cooperation, providing financial and human resources.

The purpose of the article is, on the base of a detailed analysis of literary sources in the field of strategic management, cooperative management, marketing and realized research, to gain a picture of the use of cooperative management in Slovak companies and to subsequently apply the gathered knowledge into a recommendation draft for effective cooperation control in a company's practice.

### 2. Objective and Methodology

The main aim of this work is to gain new knowledge in enterprise management focused on the areas of management and marketing and to point out possibility of the effective use of the cooperation in the enterprise practice. The article contains recommendations for successful functioning of cooperation in an enterprise practice. The recommendations should serve mainly to individual participants of the cooperation as a valuable tool of its successful management. The article identifies the main fields of potential problems which should be observed by responsible participants within the cooperation in order to reach its effective functioning. Solving the examined tasks within the article needs the use of several methods depending on the character of individual parts of the solution.

To gain and gather the information we used the methods of document analysis (analyzing current and historical data referring to the topic), a questionnaire and the method of semi-structural interview (data collection in empirical research), observation method (visit to particular enterprises).

In the process of information elaboration we mainly used the method of quantitative assessment (creation of statistical averages, statistical tests application and other statistical methods) and comparative method (when comparing the data gained through the empirical research and the data from the analysis of secondary sources).

The companies acting in all branches of the national economy in Slovakia were the subject of the research. In fact they are the companies included in medium-sized and big businesses depending on the number of employees according to the Statistical office of the Slovak Republic.

The sample size was 367 respondents for a 95% confidence interval required at a 5% maximum permissible mistake. With regard to the fact that 273 respondents participated in the

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research, the mistake that occurred was 5.83%. The data were collected only by personal interviewing. 497 companies were interviewed, of which 273 managers filled in the questionnaire, which means 54.93% return.

To solve the problem observed we used the methods of induction, deduction, synthesis (when creating the recommendations for successful functioning of the cooperation in the enterprise practice), abstraction and simulation.

### 3. Current state of dealing with the issue

Nowadays there is a debate on a definition of cooperative management and allocation of the areas of its operation among the professional public. There are a few definitions of cooperative management published, however, each of these covers only a section of the overall role of cooperative management. Table 1 summarizes the definitions of the term *cooperative management*.

Definitions of the term *cooperative management*

Table 1

Author(s)	Definition
Ray (2002)	Cooperative management is a framework for the integrated management of enterprise networks.
Staatz (1983)	Cooperative management is a cooperative decision making in the context of heterogeneous preferences, there is a need to develop models which address the issue explicitly and in so doing suggest alternative ways of structuring cooperatives to deal with a group choice.
Brown (1998)	Cooperative management is a partnership between government and industry.
Laflleur (2005)	Cooperative management is the way the management and development of a cooperative are conducted in a competitive setting.
Zhang (2011)	Cooperative management is the core of all management problems. Conditions of constructing a cooperation system are analysed which are the motivation of resource dependence, objective of effect enhancement, constraints of encouraging cooperation and possession of technology of cooperation.
Mendoza	Cooperative management might be defined as the efficient and effective utilization of the resources of a cooperative as a business organization for the purpose of serving the needs of its members within the context of the accepted cooperative principles.
Watzlawick	Cooperative management should be understood as a complex decision making process within the three levels of management pyramid which aims at achieving a proper balance of success of cooperative enterprise as a business unit as well as a social institution.

The definitions mentioned above bring to fore the following features of cooperative management [9, 10, 11, 12, 13 and 14]:

- Cooperative management is a complex decision making process, and decisions are made at all the three levels of management pyramid.
- The overriding objective of cooperative management is to serve the needs of members.
- The conduct of all the activities must be governed jointly by the two sets of principles namely, a) principles of management and b) principles of cooperation.
- The creation of proper balance between efforts aiming at commercial success and those aimed at maintaining the institutional goals of the cooperative association.
- Like any other management, it seeks to achieve its aim by means of effective and efficient use of resources.

Based on a thorough analysis of domestic and foreign literature, we can proceed to the following definition: *Cooperative management is effective and purposeful relationship management in the meaning of cooperation between individual, relatively independent organisations or individuals with the aim to increase their competitiveness* [15].

### 4. Situation in Slovak enterprises – results of empirical research

A research was carried out from September 2012 to February 2013 the task of which was to acquire and interpret the information related to the level of cooperation use in the conditions of Slovak enterprises. The main purpose of the research was an attempt to identify key elements of the effective managing (functioning) of cooperation, problems, satisfaction with enterprises' cooperation and possibilities to improve functioning cooperation. The data gained brought a complete picture of Slovak enterprises' preparedness to use cooperative management.

273 managers of middle-sized and big enterprises acting in the Slovak Republic took part in the research. All respondents were addressed through personal asking. In the processing of the information  $\chi^2$  independence tests of qualitative features and a cluster analysis were used.

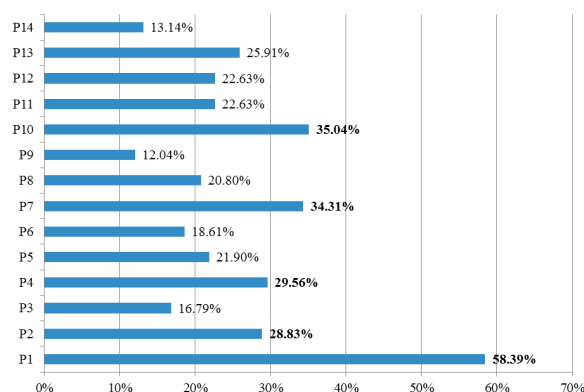
A lack of literature referring to the issue of cooperative management use (specification of terms, structure and methods of use) reflects the reality that just a few managers had the processes documented and understood the issue.

The ascertainment that almost half of the respondents (48%) are planning to cooperate with another enterprise or organization intensively in the near future (within 1 year time), can be taken positively.

The fact that even 46% of the managers interviewed would decide to cooperate with their most important partner repeatedly may be evaluated the same way. It proves their tough relationship which can be considered as the basic prerequisite for a successful cooperation.

The intensity rate of cooperation of a certain enterprise with other enterprises on the rating scale from 1 up to 10, where 1 means "almost none" and 10 means "very intensive", was found out in the research. Interesting findings:

- Enterprises cooperate most intensively with commercial enterprises; high intensity of cooperation (level 8, 9 and 10) was confirmed by 64.4% of the managers asked,
- Enterprises do not almost cooperate (the level 1) with non-profit organizations, this possibility was pointed by 55.2% of the respondents asked,
- Really weak intensity of enterprises cooperation is with the European Union, 49.7% managers asked affirmed that they do not almost cooperate with the EU,
- Similar situation is within the enterprises cooperation with a local self-government and regional self-government (Senior Territorial Unit).



Legend:

- P1 Insufficient fulfilment of terms of contract within cooperation
- P2 Unwillingness to provide internal information referring to a cooperative enterprise (fear of providing internal information of an enterprise)
- P3 Unwillingness to cooperate from the side of a cooperative enterprise (a partner)
- P4 Low efficiency of the cooperation, i.e. expenses for the cooperation are always higher than resulting effects
- P5 Insufficient unison and adopting of the informative systems with the partner IS
- P6 Unwillingness of the communication among cooperative enterprises
- P7 Informative distortions (incorrectness, insufficiency, etc.)
- P8 Low willingness of the customers to keep and support the cooperation (their negative relation towards the cooperation)
- P9 Low willingness of the enterprise management or organisation towards the cooperation
- P10 Financial demands
- P11 Time busyness of the management
- P12 Questionable quality of cooperation (unclear cooperation contributions)
- P13 Results not corresponding with the effort expended
- P14 Distrust of cooperative enterprises

Fig. 1 Problems arising when cooperating with other enterprises and organisations Source: Own research

$\chi^2$  independence test of qualitative features proved that there is a kind of dependency between satisfaction of enterprises with the level of the current cooperation (satisfaction index) and largeness of enterprises.

The following were considered to be the main problems which occurred during cooperation of an enterprise with other enterprises and organizations: insufficient fulfillment of terms of contract (58.39%), financial demands (35.04%), information distortions (34.31%), low efficacy of cooperation (29.56%) and unwillingness to provide internal information from the side of a co-operational enterprise, i. e. concern about providing internal information of an enterprise (28.83%). For more information see Fig. 1.

## 5. Identification of the main problems and formulating recommendations

Using the cooperative management in enterprise is a difficult process which needs detailed knowledge of the business environment. Enterprise managers should be ready for risks that the using of the cooperative management brings. Otherwise, the initiative doomed to failure. The fundamental for success in this field is an early identification of risk fields and acceptance of appropriate decisions to increase possibility of the success connected with the cooperative management in enterprise.

The following part deals with the identifications of possible risk fields and recommendations, which should help to decrease the risks. Prevention is a necessary prerequisite for successful functioning of the cooperative management in enterprise.

An unemployed cooperation potential of an enterprise is the most common problem. The enterprise either does not know its cooperation potential or there are none conditions in an enterprise for its improvement and use. Displays of these problems differ. First of all it is connected with the appearance of misunderstandings, expenses and realization of inefficient cooperation processes (recurring many times).

Managers of the enterprise should be interested in a detailed analysis of cooperation capacity of the enterprise. The enterprise must have a view of their knowledge, experience, sources, property and managerial abilities and skills which they have at their disposal and they can use them to the full when creating and managing cooperation. To do so, it is important that the top management of the enterprise have an exact conception referring to cooperation creation and their management which must be stated in the enterprise strategy supported by responsible human and financial sources. Managers must communicate with potential partners and their employees actively and join them into the cooperation creation. The top management should create a kind of motivational scheme, which will stimulate their employees to join the cooperation processes.

Another risk area is absence of information system supporting effective exchange of information among partners within cooperation. The information coming from partners is not often registered in the form which could be used later on or it is not accessible to all responsible people. This leads to the situations when managers and employees react insufficiently towards the information replies within the cooperation.

Managers of an enterprise should create certain databases connected with an information system of the enterprise. In the case of impulse everyone in the enterprise must exactly know how to react. This ensures effective work within the cooperation. The information system must take into consideration requirements and a current situation in the field of information technologies of individual partners within the cooperation.

*A lack of appropriate conditions supporting cooperation creation* is considered to be a serious problem. Managers of the enterprise should focus on creation of the enterprise culture with an appropriate motivational scheme. Except for the above mentioned recommendations whose application causes improvement of the cooperation conditions, it is needed to focus on the employees of the enterprise. The top management should try to encourage their activity and to create appropriate conditions, which will secure open communication, discussion on cooperation possibilities and team works. Employees of enterprise should bring their enthusiasm into the development of a new cooperation.

*Cooperative programme incorrectly prepared* is a frequent problem when using cooperative management in enterprise. Enterprise managers tend to focus only on providing the technological side of the cooperation. Yet, the enterprise must have enough information on cooperative processes, cooperative ability and cooperative sources at its disposal. If the enterprise is not interested enough in this field and starts to implement cooperative management on the base of insufficient documentation, then the using of cooperative management in enterprise is doomed to failure. The following might be recommended to the managers of an enterprise:

- realize a detailed analysis of a current situation in the enterprise,
- correctly understand the role of technology when using the cooperative management,
- map a potential for cooperation comprehensively and specify demands for cooperation,
- set the assessment system of cooperative efficiency of the enterprise including its rules in a correct way.

Problems might also occur *when defining cooperative goals*, which the enterprise wants to achieve considering the cooperation planned. Very often the enterprise does not know how the cooperation will be provided and realization of what activities will be necessary. In such a situation it is necessary that the enterprise understands its cooperative possibilities and these are reflected into its strategic goals. The following proceedings might be recommended to the managers of the enterprise:

- Understand the principles of cooperation correctly (good knowledge of the issues gained through the literature studies or through appropriate professional education),
- Clarify the situation where the enterprise wants to get using the cooperative management,
- Understand the expected cooperation contribution and ways leading to their achievement,
- Work out a common vision with the partners.

*Exclusion of a human factor* from the process of using the cooperative management is also a serious problem. The employees

who do not take part in creating necessary documentation referring to the future cooperation, process of cooperative potential identification and setting the cooperation requirements, so they do not have enough information about cooperative management goals. This causes the situations when they do particular activities passively, with no interest because they are not informed about the enterprise intentions in this field. The following might be recommended to enterprise managers to minimize this problem:

- Secure a regular communication with the employees in order to create the environment suitable for origin and development of the cooperation,
- Enable the employees to take part in the development of the cooperative programme and subsequently use the cooperative management in the enterprise,
- Accept and take into consideration the employees' ideas on creating the cooperative programme,
- Explain to the employees a meaning of the cooperation for further directing of the enterprise,
- Provide the employees with necessary information about each step of using of the cooperative management in the enterprise.

In the process of securing the cooperative processes there might be a danger of *automation of the previous wrongly set (faulty) processes*. To minimize the origin of such a situation we can recommend to the managers of the enterprise to:

- Identify and regularly update cooperative processes,
- Emphasize mainly the processes which are directly connected with the work in the field of cooperation,
- Pay attention to the current state of the cooperative process analysis,
- Create a separate process model of the cooperation realised.

Using the cooperative management in the enterprise can be successful just in case that the enterprise accepts the initial conditions which include limits of a different character. In the case of *ignoring the initial conditions* a lot of serious problems occur. In order to prevent them we can recommend to the managers of the enterprise to:

- Set the key indicators of cooperative management application in the enterprise,
- Set control points within cooperative management application in the enterprise,
- Take into consideration restrictions (extent of the use of the cooperative potential, risk of the failure, cooperative capacity level, etc.).

Only in the case of setting the measured goals the top management can judge and evaluate contributions of the cooperation. *Absence of feedback*, which is intended for the leading of the process, is a frequent mistake in the process of cooperative management application. It is necessary to observe and assess the whole process of using the cooperative management (from the analyses up to the realisation).

That is why we can recommend to the managers of the enterprise to secure the continuing assessment of cooperative management application in the enterprise. This requires setting the goals of cooperative management application on the base of

measurable indicators clearly. The enterprise managers should limit and set the metrics so that they can through better set measurable goals faster and more effective lead particular fields in the enterprise, the ones which influence the cooperation. Yet, it is necessary to create a group of metrics on the base of the main priorities in leading of the cooperative activities in the enterprise.

## 6. Conclusion

The analysis of special literature and the carried out research proved the fact that mutual reliance, fulfillment of the terms of contract, the level of communication and information system enabling effective work with the information referring to the cooperation have the key role in the issue. It is possible to say that:

- Effective cooperation has a significant impact on competitiveness.
- Experience and mutual trust are important factors for cooperation development.
- Cooperation between independent companies could be managed in order to gain competitive advantage.
- Cooperation with R&D could improve an innovation process.

Managers of the enterprise should make a plan connected with the creation and improvement of cooperation including a method how to achieve it; remake an enterprise strategy so that it contains creation and improvement of cooperation relationships; earmark sufficient sources (human and financial) for cooperation and their searching; make appropriate conditions for creating and improvement of cooperation relationships. "Business strategies which do not recognize the presence of complexity and uncertainty with related and future changes will be inflexible and unlikely to be correct" [8].

The article dealt with the field of cooperating and its effective leading of the enterprise. The results are definitions of the main problems occurring in the process of cooperative management application in the enterprise. Some recommendations have been prepared to run this process without any problems, which are considered to be a valuable tool for managers when creating a conception and a subsequent use of cooperative management in the enterprise. The recommendations do not only help to decrease probability of creating problematic fields, they are also a kind of prevention and a tool to improve cooperative processes in the enterprise.

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