Cooperation among the Competitors in International Cargo Transportation Sector: Key Factors to Success

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The purpose of this paper is to explore how cooperation with competing companies can be achieved successfully. Although international cargo transport sector is chosen, guidelines should be applicable to other industries as well, because they are based on psychological factors, which are universal. The paper is scientifically novel because it: (1) focuses on horizontal alliances; (2) looks at international transport industry sector; (3) evaluates specifics of developing (Lithuanian) market; (4) looks at multi-company cooperation.

The costs and management challenges in building successful cooperative projects are often much higher than anticipated. For example Bergquist et al. (1995), studied 75 diverse alliances in the United States, found that about 1 out of 3 had either failed outright, had to be radically restructured, or survived only because the partners could not extricate themselves.

Research confirms that difficulties in creating successful alliances in part can be attributed to differences between three strategic viewpoints that dominate world of business strategy:

(1) Competitive paradigm, whereby companies gain competitive advantages in one of two ways – (a) by achieving advantageous position in an industry; (b) by developing and using core competences to offer better products and services (Prahala, Hammel 1990; Wernerfelt, 1984; Porter, 1985).

(2) Cooperative paradigm, whereby companies exist in a network of interdependent relationships fueled by desire of companies to gain collaborative advantages through strategic collaboration (Contractor, Lorange 1998; Hamel, Doz, Prahalad 1989; Kanter, 1994; Nielsen, 1988).

(3) Syncretic paradigm, whereby competitive and cooperative strategies should be pursued simultaneously to achieve above average performance (Lado, Boyd, Hanlon, 1997).

Managers subscribing to competitive paradigm, fail to notice benefits provided by cooperative or syncretic paradigms. Such view prevents them from cooperating altogether.

Literature lists following key factors that influence the success of collaborations: (1) Membership; (2) Purpose and objectives; (3) Structure; (4) Process; (5) Communications; (6) Resources (Matthesich, Monsey, 1992). First hand research collaborated these findings by indicating that following areas have to be addressed for cooperation to be successful: (a) trustworthiness/dependability; (b) alignment of goals and interests; (c) active participation in the projects; (d) careful selection of members for cooperation; (e) detailed definition of cooperation ahead of time; (f) mechanisms to ensure compliance to previously made commitments.

Research showed that most cooperative project in the past experienced following major problems: (a) Failing to follow through with commitments; (b) inability to find compromises; (c) Lack of initiative; (d) Lack of coordination with alliance members. Suggestions how to overcome the roadblocks and difficulties to cooperate: (a) Selecting members of cooperation; (b) Active leadership of the project; (c) To look at cooperation from a business perspective; (d) A detailed definition of cooperation ahead of time; (e) Ensuring compliance.

The paper concludes that difficulties associated with setting up and running cooperative ventures are resolvable and provides specific suggestions that have to be addressed in any cooperative venture for it to be successful.

Keywords: horizontal alliances, cooperation, key success factors, transport industry.

Introduction and relevance

Since May 1st 2004 Lithuania, along with 9 other Central and Eastern European countries has entered European Union. Disappearance of boarders and customs has had a profound impact on hauler’s industry in Europe as a whole and on Eastern European haulers in particular. Restrictive barriers were removed and as a result competition heated up. Meanwhile, rapidly rising costs and decreasing freight prices have squeezed already thin hauler’s margins deeply into red. Costs of fuel alone have risen by 364% in past 5 years (EIA, 2006).

Without apparent solution to problem of diminishing returns transport companies are forced to look for new ways to survive and compete. Worldwide alliances have recently become a popular growth alternative. By cooperating with other industry players, companies can achieve synergies and competitive advantages that are too expensive to grow internally or to acquire. Alliances come in many different forms ranging from informal, network relationships to formal joint ventures and federations.
They are a more flexible means of employing only relevant resources over different time periods of time. Importantly, alliances tend to suffer less from employee resistance than M&A’s. Speed is another important consideration, rather than waiting for a company to develop its own resources/competencies, or go through a lengthy process of mergers and acquisitions, alliances offer the fastest way to acquire missing resources and knowledge. At the same time there is little evidence of practical cooperation among haulers in Lithuania. Moreover, empirical studies on alliances show a bleak picture. For example Nilsson (1995) reviewed 121 international articles written on strategic alliances and found that: (1) 84% were mostly positive towards alliances; (2) the more scientific and empirically based the article, the more negative the view on alliances. Thus the key question becomes how can companies cooperate successfully with other transport companies to survive and to achieve continuous growth and development.

**Problem**

In a real-world companies are facing both: global competition and opportunities to cooperate. Cooperation with competing companies is the most difficult and unstable kind of cooperation. That is why it’s critical to know how such corporation can be achieved successfully.

**Scientific novelty**

Four aspects of an approach to solve the problem are novel here. (1) Despite a large body of academic literature relating to alliances, most often alliances are analyzed as a part of vertical integration or complementary (noncompeting) arrangements. This paper addresses the issue of implementing horizontal alliances which are the most common and most difficult to successfully implement in practice. (2) Although, some research is done in the field of logistics and cooperative ventures within, very little is known about cooperation within international transport/hauler industry among the competitors of. (3) Despite the fact that there are quite a few studies about cooperation abroad, little is known about how such studies can be applied in Lithuania (developing market). After all Lithuanian culture and psychological outlook may significantly influence importance of different factors for building successful alliances. (4) Most academic literature analyzes alliances from a point of view of only two alliance partners, this paper focuses on a multiple alliance partner situations.

**Research goal**

Evaluate and validate the key factors of building a successful horizontal alliance (alliance among competitors) within transport industry.

**The object of this paper**

The object of research of this paper is how cooperation among the competitors can be achieved. Research focuses only on horizontal alliances within the transport industry.

**Research tasks**

(1) collect findings, review and analyze scholarly literature on various aspects of alliances, particularly focusing on alliances with competitors; (2) to extract from experiences documented in literature relevant lessons for designing, managing and sustaining effective cooperative ventures; (3) to evaluate those factors within real-world situation in transport industry; (4) to synthesize key areas critical for development of successful horizontal alliances.

**The methodology of the research**

To achieve outlined goals following methods were used: review, evaluation and analysis of scholarly literature; first hand research employing in-depth interviews with transport industry experts; synthesis of findings from theoretical literature and first-hand research.

**Review of existing literature**

This section of the paper summarizes diverse literature on strategic alliances and creation of collaborative advantages. Literature is reviewed from the perspective of transport industry and with the goals of implementing successful alliances in transport industry as well.

In the past decade organizations have aggressively moved to develop strategic alliances and other forms of collaboration (Huxham, 1996). A review of the literature suggests that, despite the rapid growth of strategic alliances, the experiences have been mixed (Bergquist et al., 1995; Huxham, 1996). Some have been very successful; while in others the advantages have not been realized.

The costs and management challenges are often much higher than anticipated. For example Bergquist et al. (1995), studied 75 diverse alliances in the United States, found that about 1 out of 3 had either failed outright, had to be radically restructured, or survived only because the partners could not extricate themselves. Yet another study by Bleeke and Ernst’s (1991) found that of 49 international partnerships two-thirds ran into serious financial or managerial trouble during the first two years.

Difficulties in creating successful alliances in part can be attributed to three different strategic viewpoints that dominate world of business strategy:

(1) Competitive paradigm, whereby companies gain competitive advantages in one of two ways – (a) by achieving advantageous position in an industry; (b) by developing and using core competences to offer better products and services (Prahalad, Hammel, 1990; Wernerfelt, 1984; Porter, 1985).

(2) Cooperative paradigm, whereby companies exist in a network of interdependent relationships fueled by desire of companies to gain collaborative advantages through strategic collaboration (Contractor, Lorange, 1998; Hamel, Doz, Prahalad 1989; Kanter, 1994; Nielsen, 1988).

(3) Syncretic paradigm, whereby competitive and cooperative strategies should be pursued simultaneously to achieve above average performance (Lado, Boyd, Hanlon, 1997).

Competitive orientation is characterized by firm’s desire to achieve superior position in an industry (Porter, 1985) and to generate competitive advantage through...
development of unique, hard-to-copy competences (Wernerfelt, 1984; Conner 1991). Companies subscribing to this view tend to perceive relationships as a “zero-sum” game, whereby one firm’s gain is another company’s loss (Scherer 1970). By focusing on “zero-sum” games, companies fail to notice and take advantage of opportunities provided by positive-sum collaboration between companies (Kanter, 1994).

Cooperative orientation is characterized by firms that view business as a collaborative venture, pooling complimentary resources, skills and capabilities. Through collaboration companies can focus on long term goals and exploiting opportunities for positive sum gains (Aram, 1989). It should be noted, that this approach has been criticized by game theory (Rappoport, Chammah, 1965) and transaction cost economics (Hill, 1990) whose research shows that negative opportunism can be more beneficial under certain circumstances. In addition, Bresser and Harl (1986) asserted that greater cooperation encourages reciprocal commitments of resources to cooperative effort, which in turn generate strategic inflexibility.

A third (syncretic) view, tries to combine competitive and cooperative behaviors. Lado, Boyd & Hanlon (1997) assert that syncretic behavior is “a firm’s strategic orientation to achieve a dynamic balance (or syncretism) between competitive and cooperative strategies”, whereby “cooperation, in the context of syncretic rent seeking, can enhance the competitive position of firms by enabling partners to build and leverage idiosyncratic, rent-yielding organizational competencies and simultaneously reduce costs and risk associated with the mobilization of such competencies” (Lado, Boyd, Hanlon, 1997). Simultaneous cooperation and competition can stimulate greater knowledge seeking, technological progress, and market expansion than is achieved when each strategy is pursued separately (Lado, Boyd, Hanlon, 1997). This strategy is not without limitations, as pursuing syncretic behavior comes at an expense of managing additional relationships (Olson 1965). Pursuing such strategy requires careful partner selection, because if alliance partners have incongruent goals and expectations, or one partner accumulates knowledge from alliance at a slower rate than the rate at which other partners absorb competencies, below expected economic rents may result. (Hamel 1991; Prahalad, Hammel, 1990).

Clearly, managers subscribing to competitive paradigm, would fail to notice benefits provided by cooperative or syncretic paradigms. Such view would prevent them from cooperating altogether.

Existing studies suggest that antecedents to alliance formation are internationalization (Yoshino, Rangan, 1995), technological needs (Tylor, Steensma, 1995), perceived environmental uncertainty (Dickson, Weaver, 1997) and various other strategic motives (Glaister, Buckley, 1996).

Several scholars have theorized reasons and motives for alliance formation. Major approaches to explain strategic alliance formation: transaction cost (Hennart, 1988), competitive strategy (Porter, 1985), resource-dependence (Pfeffer, Salanick, 1978), organizational learning (Kogut, 1998), social exchange (Anderson, Narus, 1990), political economy (Stern, Reve, 1980), strategic decision making (Das, Teng, 1996, 1998, 1999) and the resource-based theory of the firm (Das, Teng, 2000; Tsang, 1998). Also, Parkhe (Parkhe, 1993) considered the game theoretic approach. Brief discussions of these theories can be found in Gray and Wood (Gray and wood, 1991) and Smith, Carrol, Aschford. (Smith, Carroll, Ashford, 1995).

The major reasons inducing companies to enter a strategic alliance include, among others, creation of rents, expansion and diversification of resource usage, and imitation of resources. Rent is defined as a return in excess of the firm’s opportunity cost (Tollison, 1982). Entering in a strategic alliance should create rents for individual companies.

Despite deep understanding of alliances in general alliances with competitors (otherwise knows as horizontal or intra-industry alliances) are surrounded by controversy and at the same time remain one of the most popular types of alliances (Teng, 2003). Some scholars think that collaboration with competitors is a „dead end“ (Harari, 1994). Partly it is because such alliances often become learning races between competitors, which are similar in resources and diminishing distinctive competences (Mowery, Oxley, Silverman, 1996). Alliances also tend to fail, because desire to compete often surpasses desire to cooperate (Park, Russo, 1996).

On the other hand, there is a strong camp of supporters for intra-industry alliances (Dowling at all, 1996; Hamel, Doz, Prahalad, 1989) claim that such alliances are difficult but necessary as competitors often have capabilities and resources that are important for the company, because strategic alliances can lead to success „through the creation of a collaborative advantage as opposed to a competitive advantage...“ (Nalebuff, Brandenburger, 1997).

What criteria should be used to evaluate if it is worth to start an alliance? Huxham (1996) concludes that organizations should only form collaborations when: (a) it clearly helps each organization achieve a priority aim; and (b) it is clear that a single organization, acting alone, cannot address the problem.

Kanter’s (1994) research on private sector alliances supports this conclusion. She found that successful alliances involve collaboration, what she thinks of as creating new value together, rather than simple exchange. More specifically, she found that partnerships that link up distinct (and complementary) stages in production or the delivery of services, what she calls “value-chain alliances”, tend to be the most successful and closely bound.

In contrast, partnerships which pool similar resources to produce a single product or service, tend to be the weakest and least sustainable types of partnerships. Given their high costs, many researchers today would argue that collaborative alliances are not justified unless a collaborative advantage is achieved.

**Challenges to effective collaboration**

In practice collaboration is sometimes is associated with concept of “collaborative inertia”. It is situation when results of collaboration are nonexistent or slow to materialize (Huxham, 1996). Causes of such inertia have
been identified as result of: (1) differing aims of organizations; (2) power sharing problems; (3) lack of trust and trust building activities; (4) ambiguity, complexity and dynamics of collaborative structure; (5) lack leadership or mechanisms that make things happen (Huxham, 2003).

Gomes-Casseres (1993) argues that the trade-off for getting access to complementary skills or knowledge is sharing of control. Sharing control often requires increased costs and time in management as decisions and division of responsibilities usually have to be negotiated. Gray (1989) also cites constraints to time and financial resources as key factors undermining collaborations.

Other scholars, such as Song and Panaydies (Song, Panaydies, 2002) have been highly critical of alliances. They claim that “...alliances are unstable and may not safeguard long-term benefits. Various in-depth studies report failure rates of up to 80%, whereas dissatisfaction of one of the partners in the relationship almost always leads to the termination of the alliance.” They further on suggest that alliance member companies seem to pursue their own self-interest at the expense of the whole alliance (Song, Panaydies, 2002).

Also some conflicts arise between partner firms due to wasteful alignment of surplus resources that suggest a lack of compatibility in the different resources contributed by the partners. One type of inter-firm conflict results from differences between partners that are counterproductive to alliance operations (Park, Ungson, 1997).

Dissimilar resources of firms are an obstacle to smooth cooperation and may include various types of strategic orientations, managerial practices and organizational cultures (Parkhe, 1991).

The effective performance of strategic alliances is threatened by instability due to mutual interdependence and consequent vulnerability of the alliance partners to each other. When one partner finds it advantageous to maximize his own gains at the expense of the venture, then cheating may occur (Hennart, 1991), which will result in instability, ineffective performance and dissolution. To this extent, Buckley and Casson (Buckley, Casson, 1988) stated that alliance partners have an inalienable de facto right to pursue their own interests at the expense of others.

Finally, most researchers stress that managing alliances requires skills and systems that are not the same as those that lead to success in vertically organized, hierarchical, organizations (Bergquist et al., 1995; Gray, 1989; Kanter, 1994). This requires developing new management skills and competencies in organizations.

Components of lasting alliances

Mattesich and Monsey (1992) defined a set of key factors that influence the success of collaborations: (1) Membership; (2) Purpose and objectives; (3) Structure; (4) Process; (5) Communications; (6) Finances. These factors are used as a framework for organizing lessons learned from literature for designing, organizing, and managing effective collaborative alliances.

Overview of cargo transport industry

Review of collaboration would not be complete without considerations of environment in which transport companies work. Lithuania is located in a strategically advantageous geographic position between western Europe and Russia. Due to this location it is natural that international transportation of cargo has been one of the most important businesses in Lithuania. According to Department of transportation of Lithuania (2005) transport created 9.8% of overall Lithuanian GDP. Over 6.4% of Lithuanian workforce is working in this sector. For the purposes of this paper, a smaller subset of transportation sector is considered – namely companies involved in transporting cargo to and from other countries while using trucks. In other words, Lithuanian haulers.

Historically haulers have been very competitive and international in nature. As a result between years 1995-2004 number of trucks has been growing at an average rate of 7.6 % (Table). However this strong growth in capacity has encountered significant obstacles in recent years.

<table>
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<tr>
<th>Year</th>
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<td>7992</td>
<td>523</td>
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<td>2001</td>
<td>11016</td>
<td>749</td>
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<td>947</td>
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<td>12037</td>
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<td>649</td>
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<td>9752</td>
<td>164</td>
<td>1.70%</td>
<td>2004</td>
<td>16479</td>
<td>1846</td>
<td>12.80%</td>
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<td>2000</td>
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<td>515</td>
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Table: Number of trucks in Lithuania 1995-2005

Source: Department of statistics of Lithuania (2006)

Since July 1st, 2004 Lithuanian haulers could compete in ES market without significant restrictions. Results of years 2004-2005 have proven troubling, number of companies involved in international cargo transportation has shrunk by 24.6 % (department of transportation of Lithuania 2005). At the same time number of trucks has increased by 14.1%. This indicates that smaller companies are going out of business and are no longer competitive. While relative number of large haulers is increasing. This is consistent with industry that is entering second stage of consolidation.

However, overall outlook for industry has been confounded by rising costs of doing business. Coupled with inability of transport companies to pass costs to their customers, situation has been becoming dire indeed. For example since joining ES it is estimated by DVZ transport publication (Labzentis, 2005) that oversupply of transport capacity has reached 40%, while prices for transport within ES have dropped by over 20%. It is a natural reaction to infusion of competitive forces from new member states.

Unfortunately, this has coincided with considerable growth in other costs as well. For example fuel prices have increased significantly. Hauler’s association Linava
secretary for transport politics and information A. Baranauskas claims that price of fuel has squeezed margins down into negative territory. If in 2002 fuel made up 25% of all expenses, in 2004 that amount has reached 50% (Transport world 2004, Vol. 20(80)).

Director of transport company Immensum V. Navickas confirms this position by claiming that in his experience prices of services have remained steady through end of 2004, while costs have increased by almost 10% (Transport world 2004, Vol. 20(80)).

Moreover, average wages in Lithuania have risen by 21.3% during period of 2002-2005 according to Lithuanian department of statistics (2005). At the same time, drivers are more mobile than most workers in Lithuania, consequently there has been a significant effect of emigration to UK, Ireland and other countries of Western Europe.

Competitive environment of transport companies is characterized by intense international competition in a very fragmented industry, where even biggest players cannot dictate their policy to clients. Moreover, lack of entry barriers allows new transport companies to be founded quickly, further increasing competitive pressures.

Research methodology

A semi structured interview method was selected because it allows the benefits of deeper understanding and better rapport with the interviewee (both benefits of unstructured interview). At the same time preliminary structure allows for easier comparison of responses by various interviewees and also ensures, starting points for all interviews.

Respondent selection is one of the key criteria determining validity of the research. Research object is Lithuanian hauler industry, thus only transport companies in Lithuania were considered. Most of the company owners surveyed where from Vilnius. However companies from other parts of Lithuanian were also represented (namely Šiauliai, Kupiškis). Moreover over it is the subset of transport companies involved in international cargo transportation that is selected for this research. Some of the companies surveyed had auxiliary operations in warehousing, rail road transport and other logistical services. All respondents were receiving bulk of their income from international cargo transport. Company size was considered not important, thus respondents from small (less than 5 trucks) and large (over 100 trucks) were selected. Experience and understanding of the industry by respondents was of key importance. Only company owners/directors that have over 7 years of experience were interviewed. Moreover, given the nature of the research object, respondents had to have at least some experience in cooperative projects with other transport companies in the past.

Research results

Following is the brief overview of respondent’s demographical data. Although not statistically significant, demographics gives us insight into experience and knowledge of the respondents. All of the respondents were working in transport industry at least 10 years. Some have been working all over their professional lives in the transport industry (28 years and more). An average among respondents is 16 years. While median for the respondents is 14 years. It is safe to say that all the respondents have tremendous industry understanding and practical experience.

10 out of 11 respondents are transport business owners. Only one is a manager without share of business. Therefore all of them are very involved in the success of their business.

4 out of 11 companies have 80 or more trucks and can be considered large (in Lithuanian hauler’s market). 3 of 11 companies have between 25 and 80 trucks and can be considered medium-size. For out of 11 companies have less than 21 trucks and could be considered small. Thus a good representation of large, medium and small companies was achieved.

Factors encouraging or discouraging cooperative behavior

To determine how business owners see the future of their industry and in effect how they see growth of their own companies, respondents were asked to evaluate opportunities and threats in the transport industry for upcoming five years.

Responses in opportunities portion of the question varied greatly. They are classified into three groups:

1. respondents who thought that transport industry over all will grow due to increasing amount of trade between West Europe and East Europe/Russia;
2. respondents who thought that opportunities lie in increasing size of the company whereby larger companies would be able to compete better;
3. respondents for far that the future lies in specializing in certain kinds of transports (transports of small cargoes for example) and providing a wider a variety of services.

Responses to question about threats can be categorized into following general groups:

(a) Concerned with increasing costs of doing business. These respondents expressed their concern with rapidly rising costs, especially often were mentioned increasing costs of fuel and human resources (especially drivers).

(b) Concerned with increasing competition from both Lithuanian and foreign transport companies. Key issue here is that increasing competition drives prices of services downwards while increasing costs puts a lot of pressure on operating margins.

(c) Concerned with actions of Lithuanian and foreign governments (especially Russia’s) which may significantly alter their ability to compete. Many transport companies transport goods to Russia. Any decision by Russia government to limit the number of trucks entering Russian would cause significant problems for transport companies. Also concerns were expressed that Lithuanian government is over taxing transport...
sector (for example road tax will more than double in next year) thus further increasing costs of doing business.

It is interesting to note, that most respondents remarked several of these issues thus emphasizing how important and how universal they are in transport sector. Naturally, increasing costs of doing business are forcing companies to look for solutions to lower them. Because these additional costs are very difficult to pass to customers as intense competition means that increases in one's rates would make it a company noncompetitive.

When asked about the reasons for cooperation most respondents recited solutions to the threats that they see in the marketplace. In other words for them reasons to cooperate are the very dangers that they see in the future and to address them they look for cooperation. This responses to a question about major reasons to cooperate could be classified into following:

(a) cooperate to reduce costs – a variety of thoughts and approaches all summarizing same idea cooperation is needed to reduce costs of operating a business. Forming alliances/joint ventures to increase the size of companies would reduce costs by up putting additional pressure on suppliers to lower prices or and a and thus lower expenses per transport unit that each company has. For example, a joint venture could be set up to provide technical services for the trucks. This would enable transport companies to significantly reduce their own service departments. Some respondents remarked that just increasing company size is definitely not enough for increased size makes it more difficult to manage effectively.

(b) cooperate to reach larger customers – this is the idea that cooperating together companies can approach and service of larger customers, that could not be approached on their own. Also it would allow companies to acquire yearly contracts.

(c) cooperate to influence legal environment – idea to cooperate together to put more pressure on the government and other legal institutions bus lobbying for better laws for transport companies. It should be noted that those new laws will be beneficial to all transport companies not only to the group of companies cooperating.

An overwhelming theme of all respondents is the idea that cooperation would be driven by the market situation. Which is observable now. Increasing competition and costs are putting pressure for companies to cooperate. As they see it one of the key ways to survive, especially for smaller companies.

Respondent cited following major difficulties in cooperation (often one respondents cited more than one reason):

(a) “this is my baby” reasons – overwhelming majority of transport companies where founded, developed by and belong to a single individual (most often founder). Naturally, founders have developed a large emotional attachment to their companies. Therefore, they are unwilling to let go of control and flexibility to make decisions on their own. Cooperation often requires letting go some portions of control as well as adjustment to other partners in cooperation. Often such business owners think that they're developed system is the best or most appropriate and any attempts show other ways of doing it are met with resistance.

(b) competitive view – many transport company business owners see other transport companies as competitors. In fact, it is true they are competing, however the marketplace is so large and there are so many foreign competitors that this competition is far and removed. Despite this, business owners think that by cooperating they are helping their competitors to become stronger and thus they are reluctant to do so.

(c) differing needs – for cooperation to be successful partners go into it should align their needs and goals with the needs and goals of cooperation. Naturally in the marketplace there are different companies with different strategies, desires, and goals therefore difficulties arise when trying to align all of these for successful cooperation.

(d) inability to see benefits of cooperation – many transport business owners do not have formal education. They don’t look or plan ahead to see developments in transport sector and thus don’t see the benefits of cooperation.

(e) lack of trust – many business owners feel that in cooperation they become vulnerable and can be taken advantage of by other members of cooperation. Thus they are reluctant to put themselves in a weak position or to uncover/show their internal business workings. In essence they are afraid.

When asked to define areas which respondents consider most practical for cooperation responses can be summarized into several following categories:

(a) Cost reduction – pooling together to purchase larger quantities of supplies or machinery (fuel, tires, trucks).

(b) Consortium – joined together to participate in large international tender offers or to serve large customers.

(c) Exchange of information – participating in haulers clubs to share information and try to find resolutions to common problems as well as to facilitate future cooperative ventures.

(d) Joint ventures – creating a third company which would provide common services to all participating members. For example, creation of expedition that would participate in large tender offers and then would organize and control fulfillment of obligations through member companies.

When asked to define possible form of such coopera-
tion many respondents remarked that it really depends on a particular project. Some defined as retention of independence as key criteria when deciding on the level of integration. Most were willing to do what it takes as long as economic benefits could be achieved.

When asked to define life of alliance respondents in general thought that it will depend on the circumstances. Key criteria was retention of economic benefits. As long as cooperative venture provides benefits they were willing to continue it. Some felt that it would make sense to start with short-term engagements and increase their length as momentum and trust builds.

A practical issue of implementing any cooperative endeavor is selection of partners. Many issues that come up during implementation of cooperative ventures (especially issues of trustworthiness and ability to keep commitments) are due to poor selection of partners. Respondents were asked to define criteria according to which they would select their potential partners. The responses are summarized as follows:

(a) Trustworthiness/dependability – this is the key criteria defined by almost all respondents. Being able to keep commitments and come through was considered key to any cooperative venture. The only way to evaluate such character trait was considered to starting with some smaller projects and seeing how a potential partner reacts.

(b) Goals and interests – potential member of a cooperative venture should have similar goals and needs as other members of the venture. Open discussions were considered the best way to gauge this criterion.

(c) Financial strength and pragmatic outlook to business – a potential member of a cooperative venture should come from a financially strong company and be looking to gain advantages together with other members of venture.

Respondents were asked to suggest how power and decision-making should be shared within a cooperative venture. They responded by saying that all major decisions should be made by major stakeholders of a cooperative venture. Principles of equality and democracy should be used in decision-making. In some cases it was suggested that the power should be based on the size of stake being held in a venture. Despite slight differences in ideas about decision and power-sharing most respondents agreed that finance and should be allocating according to initial stake in the venture.

Lessons from the previous cooperative projects and suggestions for future projects

All of the respondents in some way have participated in cooperative projects with fellow transporters. It is important to note that this is due to selection of respondents. As mentioned before one of the key selection criteria was previous experience in cooperation. Other business owners in the industry might not be so positive.

Almost all respondents (10 out of 11) are participants of haulers clubs (and informal, non-profit gatherings of fellow transporters that are meant as vehicles for information exchange and to further cooperation). Also most of respondents have participated in various short term cooperative projects such as pulling together resources to purchase tires, trucks, trailers and so forth. Most have realized economic benefit from such ventures and would like to continue them. None of the respondents have participated in long-running cooperative efforts such as joint ventures or alliances with other transport companies.

Those short-term cooperative ventures were not without their share of problems. Following is a summary of major problems encountered during past cooperative efforts:

(a) Failing to follow through with commitments – a common theme among responders was dissatisfaction with some members of cooperation which failed to follow through with commitments. For example few members participating in a cooperative effort to purchase fuel failed to pay on time thereby causing other members of alliance to incur additional expenses because promised savings could not be delivered. There was no structure in place to recoup financial losses from such actions. This has been cited as the reason preventing them from cooperating more often.

(b) Inability to find compromises – several respondents have said that in the past it was difficult to find compromises among varying interests and needs of the companies. In some cases cooperative efforts could not continue because no compromise was found.

(c) Lack of initiative – some good ideas were discussed, but no one took initiative to realize them into practice and to organize cooperative efforts.

(d) Lack of coordination with alliance members – several respondents have remarked that when one course of action was discussed some members would go ahead and do something completely opposite without consulting or discussing with other members of cooperation. For example, while members of cooperation were discussing joint purchase of one kind of tires, some other members went ahead negotiated and purchased other kind of tires thereby reducing the total number of tires that could be bought by cooperative and thus reducing savings.

Suggestions how to overcome the roadblocks and difficulties to cooperate are outlined below:

(a) Selecting members of cooperation – only companies interested in cooperation should be invited to cooperate. If a business owner is not willing to let go of some of the control, or does not see benefits of cooperation he simply should not be invited to cooperate. In opinions of respondents it was felt that every fruit should be given time to ripen. Additional criteria for selection is discussed in a separate section below.

(b) Active leadership of the project – cooperative projects require a lot of effort and coordination. Leaders of such projects should show initiative and activity to push and coordinate other project
members for the success of the cooperation.

(c) *To look at cooperation from a business perspective* – a few respondents have remarked that personal ambitions get in the way of a good business sense, thus developing a business sense and seeing economic benefits of cooperation which encourage more companies to cooperate. Some remarked that educational effort by a association of transporters should be necessary to encourage cooperation.

(d) *A detailed definition of cooperation ahead of time* – given a variety of interests, needs, and ideas for cooperation many respondents remarked that it is critical to have a detailed discussion before cooperation starts. The main idea here is to outline all of the interests before hand, to define structure, and principles of cooperation.

(e) *Ensuring compliance* – one of them most common roadblocks was inability of some members of cooperation to keep their promises. To prevent such events respondents suggested making a formal agreement ahead of time that would outline financial repercussions for alliance members who would default on their commitments.

One of the key themes throughout all respondents was desire for responsible and trustworthy partners. When asked how trust should be built most respondents were not sure how to answer that question. In their view, trust builds up automatically over time of working together. Then they can see how a new member of cooperative acts and keeps commitments. Respondents would prefer to start with smaller projects and shorter-term projects and build up trust over time to allow a closer integration between cooperative members.

Ultimately, many see the creation of a joint venture or even merger of capital as the future of cooperation. However, lots of work and many cooperative ventures have to pass before necessary amount of trust is built up and sufficient understanding of each other’s motives can be defined.

**Summary of research results**

Research purpose was to determine reasons why transport companies do not cooperate more often, which areas of cooperation are most likely to be used and what kinds of approaches have been used in the past.

First-hand research shows that key factors that encourage cooperative behavior are:

(a) opportunities or threats that cannot be resolved by a single company alone and require pooling of resources to accomplish. For example rapidly increasing costs of doing business require pooling together of resources to put additional pressure on suppliers to lower prices.

(b) perceived benefits of cooperating especially: (1) cooperation to reduce costs of doing business; (2) cooperation to reach larger customers; (3) cooperation to influence legal environment.

Key factors that discourage cooperative behavior in transport industry: (a) competitive view; (b) differing needs; (c) inability to see benefits of cooperation; (d) lack of trust; (e) psychological problems of business owners.

Respondents defined most desirable areas of practical cooperation in transport industry as: (a) cost-reduction; (b) exchange of information; (c) joint ventures to provide services to members of collaboration; (d) consortium to approach larger customers.

Previous cooperative projects have shown that the following areas should be addressed before hand for cooperation to be successful: (a) trustworthiness/dependability; (b) alignment of goals and interests; (c) active participation in the projects; (d) careful selection of members for cooperation; (e) detailed definition of cooperation ahead of time; (f) mechanisms to ensure compliance to previously made commitments.

Research has shown that transport companies are willing to cooperate as long as they see the benefits in cooperation and can overcome hurdles associated with setting up and running cooperative ventures previous experience indicates that cooperation can provide value to all members and at the same time it requires additional work to be successful.

**Conclusions**

An overview of scholarly literature showed that alliances in practice were difficult to implement and rarely yielded anticipated advantages. First hand research confirmed that cooperative ventures where in fact difficult to set up and to run. At the same time, almost all cooperative ventures in which respondents participated were considered fully or partially successful and provided anticipated benefits. Those ventures were short-term engagements and thus could be different in principle from alliances explored by scholars.

Scholars define three business strategy paradigms: (1) competitive; (2) cooperative; (3) syncretic. Only companies subscribing to cooperative or syncretic paradigm view could participate in cooperative ventures. This is further supported by respondents who claimed that one of the roadblocks to cooperation was business owners who failed to see benefits of such venture. Those business owners were so caught up in competitive paradigm view that they were unable to see benefits of collaboration.

Huxham’s (1996) view that organizations should only form collaborative ventures only when: a) it clearly helps each organization achieve a priority aim; and b) it is clear that a single organization, acting alone, cannot address the problem. It is strongly supported by first-hand research. All respondents see cooperation as a vehicle to achieve some internal objective which cannot be achieved on their own and claim that alliance should last only as long as it provides benefits.

In the international transport industry shared value-added a ventures, consortia and short-term partnerships (mostly to pool resources for short-term projects) are considered most viable forms of cooperation. Respondents confirmed that such forms of organizing cooperation have been used in the past. On contrary to this, licensing arrangements as a form of cooperation seem to be inapplicable in the transport industry.
Cooperative ventures in transport industry analyzed by this research were short-term thus did not have identifiable phases of alliance growth and development defined by Gray (1989, 1996); problem setting, direction setting, and implementation. An interesting finding was that none of the respondents reported of knowing any long-running collaborative project among transport companies. This finding supports the view that horizontal alliances are simply too unstable for long-term cooperation among competitors.

Teng’s (2003) framework for measurement of benefits provided by collaborative advantage was used to determine sought and received benefits of collaborative ventures in international transport industry. Unsurprisingly, lowering average cost per unit was the most sought after and expected benefit. Increasing company's unit sales came second.

Respondents considered the following practical areas for cooperation in international transport: (a) pooling resources for cost-reduction; (b) exchange of information; (c) joint ventures to provide services to members of collaboration; (d) consortium to approach larger customers. Huxham (2003) has identified difficulties in achieving collaboration as result of: (1) differing aims of organizations; (2) power sharing problems; (3) lack of trust and trust building activities; (4) ambiguity, complexity and dynamics of collaborative structure; (5) leadership or mechanisms that ‘make things happen’.

First hand research supports Huxham’s view. It was found that biggest difficulties and barriers to collaboration are: (a) competitive view; (b) differing needs; (c) inability to see benefits of cooperation; (d) lack of trust; (e) psychological problems of business owners.

Surprisingly, psychological problems of business owners came up as the key factor discouraging companies from engaging in cooperative activities. Sometimes irrational desires and ambitions of business owners prevent them from engaging in economically beneficial cooperative ventures. This could be a subject of future research to define what particular kinds of business owners are vulnerable to this point of view.

Literature lists the following key factors that influence the success of collaborations: (1) Membership; (2) Purpose and objectives; (3) Structure; (4) Process; (5) Communications; (6) Resources (Mattesich, Monsey, 1992). First hand research collaborated these findings by indicating that following areas have to be addressed for cooperation to be successful: (a) trustworthiness/dependability; (b) alignment of goals and interests; (c) active participation in the projects; (d) careful selection of members for cooperation; (e) detailed definition of cooperation ahead of time; (f) mechanisms to ensure compliance to previously made commitments.

Key research problem was defining how competitors could cooperate to create collaborative advantages in the field of international cargo transport. Both theoretical and practical research has proven that effective collaboration is possible in the area of international transport as long as he difficulties and issues are addressed. Key success factors have been identified and described, thus providing guidelines for practical cooperation.

References


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Konkuruojant kooperaciją tarptautinių kroviniių gabenimo vilkikais sektoriaus: pagrindiniai sėkmės faktoriai

Santrauka

Lietuvos ir kitų Centro bei Ryto Europos valstybių įstojimas į Europos Sąjungą smarkiai paveikė tarptautinių kroviniių pervėžimo vilkikas rūkų. Išnykusios pasienio eiles ir atsivėrusios Vakarų Europos rinkos suaktyvino vežėjų konkurenciją, tuo pat metu kyla atsakingi imonės įmonių vadybinių ir finansinių sunkumai. Per 1993-1995 metus bendradarbiavimo požiūriu susišaukė daugybė specifinių strategiškų ir technologinių iššūkių, susijusiose su bendruomenės veikla ir veikiamu bendradarbiavimu tarp kroviniių pereinimo projektų. Mokslinės literatūros pagrindu sudarytas empirinis tyrimas yra įvairiuose tarptautiniuose tyrimo etapuose didingas iš tikrųjų ir sukurtas bendradarbiavimo projektų sektoriuje.

Praktiškai bendradarbiavimas kartais užklimpsta „kolaboratyvinėje inercijoje“. Tai situacija, kai bendradarbiavimo rezultatai nepasiekiami arba per šiaurė mažiausiojo (Huxham, 1996). Tokios inercijos priežastys dažniausiai yra: (1) skirtingų įmonių tikslai; (2) valdos dalybos problemos; (3) pasitikėjimo trūkumas; (4) neaiškūs suderinamieji veiksniai bendradarbiavimo struktūra; (5) lyderių stabili nesėkmė, mechanizmai užtikrinti kontrolės ir įtakos veiksnį bendradarbiavimo sėkmei: (1) aljanso narių įsipareigojimai; (2) aljanso įmone nesugebėjimas atsidurti su bendradarbiavimo partneriais dažnai padidina valdymo kaštus ir išplėstus principus; (3) kontrolės ir įtakos veiksniai bendradarbiavimo; (4) bendradarbiavimo partneriai nepriimtini vieno partnerio veiksniai bendradarbiavimo sėkmei; (5) bendradarbiavimo partneriai nepriimtini vieno partnerio veiksniai bendradarbiavimo sėkmei.

Kita mokslininkų grupė palaico horizontaliuosius aljansus (Douglas ir kt, 1996; Hamel, Doz, Prahalad, 1989) – jei tvirtina, kad sukurti tokius aljansus sunku, bet būtina. Konkurso dažnai turi geriau veikti juridinę (teisinę) aukštesnės lygmens įmonės, aptarnaujant jų poreikius ir įmonės tiksles. Tokius aljansus žaliosios įmonės aukščiausioje lygmenų veikloje, tačiau jie dėl įvairių veiksnų gali būti neįmanomi ir dažnai tampa maždaug nuostabaus, nes trūksta įtakos bendradarbiavimo sėkmei: (1) bendradarbiavimo partneriai dažnai padidina valdymo kaštus ir išplėstus principus; (2) bendradarbiavimo partneriai nepriimtini vieno partnerio veiksniai bendradarbiavimo sėkmei; (3) bendradarbiavimo partneriai nepriimtini vieno partnerio veiksniai bendradarbiavimo sėkmei; (4) bendradarbiavimo partneriai nepriimtini vieno partnerio veiksniai bendradarbiavimo sėkmei; (5) bendradarbiavimo partneriai nepriimtini vieno partnerio veiksniai bendradarbiavimo sėkmei.