

INTERORGANIZATIONAL CO-OPERATION IN COMPANY MANAGEMENT

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ABSTRACT

Differentiation and integration are typical processes for the modern management. The article describes the system of modern management. It defines the place of processes in the structure of the management object. The author characterizes processes as the object of management and presents the integration trends of management. The study of management integration mechanisms has allowed to draw conclusions about the presence of four levels of performance integration (interorganizational, interfunctional, functional, operational). As was proved in conducted surveys every integration levels yields consistent results. To implement the interorganizational co-operation, it is required to perform dedicated preparatory work, since an organisation controlled at the interfunctional level cannot naturally evolve to the interorganizational level.

PERFORMANCE AND PROCESS IN MANAGEMENT

At present management undergoes a rapid growth. Performance management is one of its modern areas. In a broad sense performance is any employment or job which includes expedient change and transformation of the surrounding world. Performance includes a purpose, means, result and the process itself. In the sphere of management definitions of performance and its management are vague. We can refer to R. Williams (2003), who generalizes materials of numerous foreign researches in his publications. He does not provide a definition of the concept "performance" and states that «it is rather difficult to give its definition» and that «there is no general definition of performance management for all professionals in this sphere». The definition of performance is presented by various models of its perception as control systems of performance and as the system integrating firm's management areas.

Process is a close concept to performance. Modern specialists understand this term as the above mentioned components of performance. Recorded in ISO 9000:2000 the definition states: «Process is a stable, purposeful set of interconnected types of performance which transforms inputs into outputs that are valuable for consumers by a certain technology». Here processes include performance, rather than the reverse, as it follows from a classical definition of performance.

As the problem of management integration in a firm constitutes a subject of performance management, it is expedient to use the concept "performance" in the context of integration processes. A concept "process" as a more general one is used in discussing all questions connected with management, including its separate directions.

OBJECTIVE MANAGEMENT DIFFERENTIATION

Management is quite diverse nowadays. There have been constant attempts to systemize its types. Using the cybernetic model of management system, there has been an attempt to reveal logic of development of modern management, identification of its types and their interrelation. The subject and management object and also contents of job's firms (purpose, technology, style and national and cultural features of management) served as criteria for the research.

The conducted analysis has shown that the variety of management types (284 types in this research) is connected first of all with a variety of areas of application and features of realisation of managerial processes and also the fact that differentiation of management has an objective character. It has been revealed that differentiation of management goes in several interconnected directions. The direction «Management Object» has the most developed and stable structure.

Historically the first management object was process. Another group of management objects is various "subjects" which as well as processes require detailed elaboration as management objects. First of all management subjects should be divided into material and non-material ones. In the framework of material subjects the most important is the distinction between animate and inanimate objects. Animate subjects of management represent human resources (separate persons and groups of persons).

There is a spectrum of modern management types for separate persons: personified management, self-management, clients management, etc. Groups of persons are objects of management in general management, social management, personnel administration, team management and so forth. Inanimate objects are presented in modern management practice by objects of labour, implements, other property, supporting resources (financial and informative). Especially it is necessary to note rapid differentiation of objects of this level in the framework of information resources: they control databases, data, site contents, address lists, computers' desktops, information life cycles, memory, networks and so forth. It is obvious that soon this list would extend and that the same would happen with all resources that apply innovative technology of the future.

The spectrum of types of management directed on non-material subjects is quite broad. The types of management connected with human resources develops most dynamically, e.g. conflict management, health management, management of stress, anger, ideas, talents. A general tendency is to approach to individuals, positive influence on potential executors and supervisors. Other non-material objects of management are purposes, safety, etc.

Thus, the management object has a structured hierarchy where the process and the subject as well as objects of management are the factors of a two-dimensional space. The third dimension of the management object introduces the scale of management objects. Management can be directed on separate objects (self-management, etc.) or on groups of objects (corporate management, firm management), and also on interconnected objects (industries, territories, systems of various character and nature).

Processes as objects of management in turn have quite a complicated structure. We can single out deterministic and stochastic processes by their character. Management focused on controlling stochastic processes operates probabilistic approach to analysis, forecasting and activity planning. It is typical for instance for investment management, management of credits/deadlines of projects unlike for instance scientific management, operational management, firmal management, management of taxes and duties, time management, etc.

In the late 60s – early 70s the attention was drawn to processes connected with interactions at various levels that led to development of new types of management such as interfunctional, interfirml, interbranch management, management of partner relationships, interaction of projects, customer relations, interactions with public authorities, etc.

From the beginning of the last century management of processes had a division by industries in many respects justified by technological features of separate processes. At present this tradition has remained in many respects: specialists speak about business management as a whole or about management of its development (strategic management), change management, management of researches, developmental works, purchase, production, distribution, management of marketing, sales, electronic trade or (in the framework of a providing subsystem of an operating system) about management of documents circulation, warehousing, insurance, logistics, training, acquisition of licenses, etc.

The third subgroup of management objects are objects in which it's difficult to separate a subject and a process from each other. Herein a subject as an management object in its state is connected with development of

a process; therefore, management of a process connected with a subject becomes an integral part of a type of management. For example, such types of management are management of staff, labor force, labour, human resources, focus groups. While working with so called inanimate objects there is the same rigid interrelation. For example, it affects work with material resources: integrated management (quality), logistics, material management, management of inventory, waste, resources, etc. The similar situation is with financial resources: trust management, management of accounts receivable, cash assets, salaries, expenses, investment portfolio, circulating capital, costs, project cost, etc. We can talk about the link of processes and information resources and also with implements.

Non-material subjects as objects of management are also often inseparable from processes that are connected with them. Management of detection and correction of errors, time management, management of knowledge etc., deal with such questions.

A broad spectrum of objects of management consists of inseparable processes, material and non-material subjects. These are all social and economic systems, and consequently, firms, enterprises, associations, public bodies. Such objects are considered in administrative management, public administration, innovative management, corporate management, firm management, management.

TOPICALITY OF MANAGEMENT INTEGRATION

Practice of detailed elaboration of management object and influence on management of a differentiation of labour, purposes, styles and national and cultural features of management highlights issues of management integration in various directions.

The concept "integration" is used in several areas of knowledge and each of them specifies its unique significance. Integration is an extremely used term in modern science and management. The theme of integration of management is one of the most popular. The overwhelming majority of specialised scientific literature at least once addressed this theme in the last five years. As a whole it is told that management integration is considered from different approaches. Integration is described as consolidation of activity's types, complex realisation of functions and administrative interactions, interaction of participants of distribution process (including sellers and buyers), availability of general information and communication systems, construction of organizational relations (including rationalization of system's organization) and also a process of inclusion and involvement of new elements, field of activities or separate functions into an activity.

Diversity of understanding of integration involves various types of integration in economics and management. Main types of integration are: economic, horizontal and vertical (ascending) integrations, combined integration, progressive (direct) integration, progressive and regressive integrations, conventional integration, circular integration, through, short-term and long-term integration, conglomeratic integration. The description of evolution of management integration is offered in foreign literature (Stevens (1889); Christopher (2006) et. al.)

As the conducted research has shown, management integration is led both in the direction of uniting its various components and in the direction of analysis and synthesis of management objects. The interrelation of the following directions of differentiation was found during the research: object – object, object – subject, object – management technology, object – management objective, subject – national and cultural features of management, management style – national and cultural features of management.

The interrelation of management types on the following directions is noted in the process of management: management subject influences the choice and realisation of technology, style and management objective; management technology tests the influence of separate components, and also the style and national and cultural management features; national and cultural features of management affect the choice of management's objective.

Formation of management types includes groups that are consolidating various levels of objects of management, namely: a process and a particular type of activity; a process as the management object and an

animate object as the management object (Self Management, etc.); a mixed management object (a subject and a process) and industry (municipal management, etc.); a mixed management object (subject-process) and group of objects of the criterion of a scale (Corporate Management, Firm Management, etc.); a mixed management object (subject-process) and territory of scale's criterion (management of a regional economy, etc.).

Integration of management caused by a deepening professional management differentiation requires the research of management integration's mechanisms.

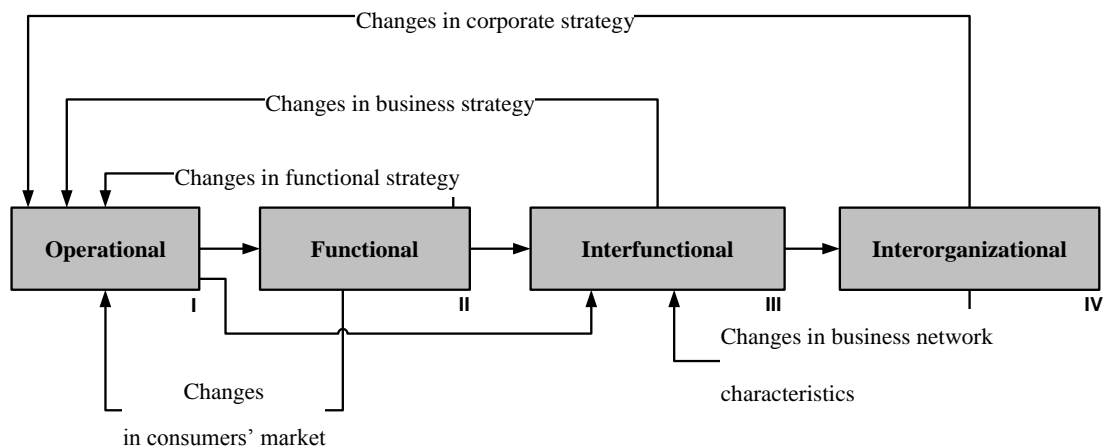
WORKING HYPOTHESIS OF RESEARCH

Ignoring the geographical aspect of integration and generalizing the results of research performed by other authors, it should be concluded that performance integration displays four levels. The first three levels (operational, functional and interfunctional) can be defined as internal integration of activity within the framework of a separate enterprises. The last interenterprise level represents external integration (Figure 1).

Successful interfunctional interaction within the framework of individual enterprises lays the basis for successful interorganizational integration. Effectiveness of interfunctional interactions has to do with maturity of functional operation. Efficient control of individual functional areas is based on a clearly spelled-out operational level of activity integration (Johnson (1999); Craighead (2007)). Depending on the considered performance level, one can speak about control of operations, functional areas, interfunctional and interorganizational interactions. Process approach to control allows functional network of business-processes of an enterprise to be ensured without distinguishing between the functional and interfunctional levels of activity. The conducted research was based on availability of the above-mentioned activity integration levels in the control experience of each enterprise.

The research hypothesis is that implementing different performance integration levels yields consistent results.

Figure 1. Interaction of levels of activity integration.



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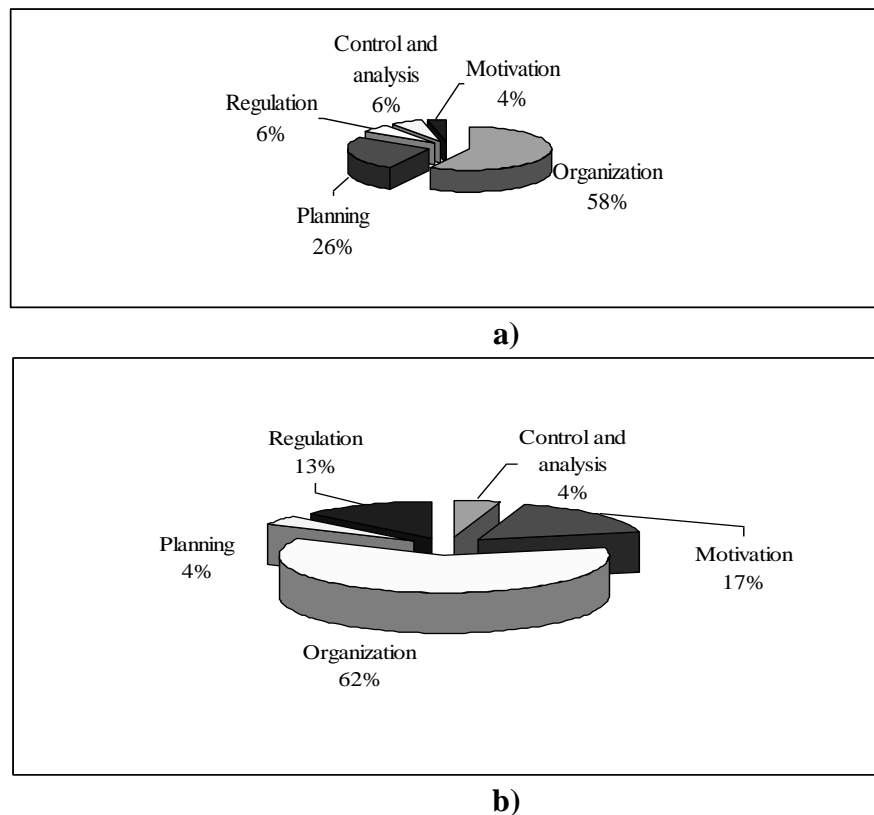
We conducted a poll of organisations' employees working in Russia to check the working hypothesis of our research based on the Higher School of Economics (HSE) and the International Logistics Centre of HSE. About 500 people took part in the polling. The volume of the research was estimated by the accumulation of consistent results of the performance level integration.

INTERORGANIZATIONAL CO-OPERATION AS A LEVEL OF PERFORMANCE INTEGRATION

On the interorganizational level experts mentioned most often integration security with suppliers and customers, and savings of costs and expenses. These are main positive results of considering operation of organisations in business networks. The second place is «Strategically directed management» which reveals the main difference of interorganizational co-operation from other levels of performance directed primarily to the internal business environment. Consequently, they do not realize strategic opportunities of organisations to the full in business environment including network competition. The third place – «Client oriented approach». The structure of other positive results of interorganizational co-operation is rather diverse and describes both external and internal management environment.

In functional-administrative sphere the function "Organisation" has the greatest percentages both in positive results and negative results of interorganizational co-operation (58% and 62% accordingly (Figure 2). Organisation of managerial processes and realizing business in time and space, forecasting and planning of these processes in business networks are obviously strategically directed.

Figure 2. Influence of Positive (a) and Negative Results (b) of Interorganizational Co-operation on Management Quality



In professional sphere management has most positive results judging by their percentages (57%). Special attention to management in interorganizational level is logically connected with the leading function "Organisation". Operational performance has the greatest percentages of negative results (40%). This is recurrence of operational integration and it focuses attention on the process approach to organisation's management in network competition.

In the process sphere the prevailing attention in positive results' assessment of interorganizational co-operation is in the realization stage (45%), defects assessment (unlike other previously considered levels of integration) - the preparation stage (61%).

Only 29% of negative results of interfunctional integration influence the selected positive results of interorganizational co-operation. It fundamentally distinguishes interorganizational co-operation from other levels where the majority of negative results of lower levels is influenced completely or partly by positive results of higher levels. Thus, network competitiveness requires the organisation's management to have radically new knowledge, experience and skills. Yet interorganizational co-operation is insufficiently spread in Russian business' practice. Therefore, it is little developed and that, possibly, can explain such a small number of the mentioned negative results. Possibly in the future this level's feature of interaction will be studied in greater detail.

One of the negative results of interorganizational interaction most often pointed by experts is the fact that this level needs a detailed study of operational, functional and interfunctional levels of integration. In fact, this statement does not have any negative connotation. The fact that operational, functional and interfunctional levels of integration were not studied in detail resulted in inability of managers to notice positive results of interorganizational co-operation (primarily of strategic character in network competition). As the overwhelming majority of Russian organisations are in such situation, they are viewed as a drawback. To implement the interorganizational co-operation, it is required to perform dedicated preparatory work, since an organisation controlled at the interfunctional level cannot naturally evolve to the interorganizational level, that requires further investigation.

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