Track: 5. SMEs, international new ventures and international entrepreneurship

Session Format: Poster

Cooperation between Polish and German SMEs in the construction sector

Introduction

Nowadays, competitive relationships between firms are often complemented with relationships based on cooperation. Cooperation is increasingly emphasized as a critical factor in successfully running an organization. It permits firms to stretch their resources, enhance their knowledge, reduce their costs, and improve their general performance. Moreover, by establishing a cooperation relationship firms can create a new or unique set of resources that can be difficult to imitate. In turbulent environments, cooperation between firms might provide a chance to overcome, or at least limit, barriers to firms' growth. Because small and medium enterprises (SMEs) have limited resources, cooperation might offer a number of benefits.

The proposed research project focuses on SMEs in the construction sector. According to Central Statistical Office of Poland, the condition of the construction sector in Poland deteriorated in 2012 and 2013. For example, production in construction was about 12% lower in 2013 than in 2012. It seems that in the current business reality, SMEs' readiness for cooperation with other firms will have an influence on the SMEs' market position, and if they are interested in growth, they cooperation is a necessity. However, empirical studies show that cooperation and international cooperation in the construction sector is currently poor.

Firms in construction sectors have some common characteristics. These characteristics include inter alia the following distinctive features: very high capital absorption, which often requires the use of borrowed capital, using different technological and organizational solutions in relation to projects and external factors, uniqueness of production (often as a result of the one-off nature of projects) and long-term production cycle, geographical dispersal of projects carried out, seasonality and dependence on weather.

Empirical studies conducted among SMEs show barriers limiting activity in the construction sector in a situation of economic slowdown. The most important barrier for SMEs in the construction sector has been highlighted as competition in the market. Strong competition makes the survival of smaller firms much harder, particularly during the initial stages of a firm's development. The second most important barrier for SMEs in the construction sector relates to payment backlogs. This problem is more serious in the construction sector than in other sectors. SMEs in the construction sector also indicate bureaucracy and unclear regulations as essential barriers that limit their activity.

A chance to overcome, to some extent, the barriers that limit the activity of SMEs in the construction sector might arise from cooperation with other firms and institutions. It is natural that firms are more willing to cooperate when they can accomplish large and important projects. Because construction projects require many building material suppliers and labour specialties, the management of a construction project almost always involves interrelationships between a number of firms variously involved during the construction process. Such relations are typical for SMEs in the construction sector, but are also unstable. The instability of relationships between SMEs in the construction sector, which are particularly important during periods of economic slowdown, has been poorly investigated to date.

Cooperation is aimed at carrying out a project using joint resources, and the joint competence of the partners. Resource and competence exchange needs permanent and regular contact between partners. In the construction sector, cooperation appears in relationships between

contractors and subcontractors, suppliers of building materials, government agencies, architectural firms, engineers, and clients.

Empirical studies confirm that SMEs can gain a number of benefits from joining firm networks. SMEs face resource constraints, in relation to both tangible and intangible resources, which makes it more difficult for them to operate in turbulent environments. By joining firm networks, SMEs can have access to knowledge and skills, thus allowing them to maintain their competitiveness.

The relationship between cooperation and firms' performance seems to have been investigated fairly extensively. However, SMEs in the construction sector have their own characteristics and, as such, the results of previous empirical studies conducted in other sectors might not be appropriate for them. Although firm networks are extremely important for assisting the activity of SMEs in the construction sector, previous studies conducted among Polish SMEs in this field are fragmentary.

To sum up, cooperation between firms and its determinants have been the subject of many empirical research studies. Cooperation might be very beneficial for SMEs; because they often have insufficient resources, it is challenging for them to operate in a fast-changing business environment. By participating in inter-firm networks, SMEs have the chance to gain access to new knowledge and skills.

The literature review indicates that the international cooperation of SMEs in the construction sector has not been examined in a complex way. The construction sector is very seldom the subject of research in this field. Because of the characteristics of firms within the construction sector, the results of studies conducted in other sectors might not be suitable for firms in the construction sector.

Purpose

The research project focuses on analysing the innovation potential of international cooperation in the construction sector. It has to be also analysed which chances and risks for the participating enterprises in the cooperation exist to develop strategies minimizing the risks and maximizing the chances of the contractual cooperation.

The main aim of the project is to develop strategies for international cooperation for SME`s and family businesses in the construction sector to create a higher innovation potential and a better workflow in the cooperation for the enterprises. The other aim of the project is to analyse knowledge transfer through international cooperation of SMEs in the construction sector.

Design/methodology/approach

First there will be a literature research of international cooperation in construction sector and a research of the innovation potential of contractual cooperation.

Due to this a questionnaire will be build up to figure out how important such innovation potential is for the construction industry and which problems or chances the enterprises see in international cooperation. Empirical research among Polish and German SMEs in the construction sector will be conducted. The questionnaire will be distributed by each research partner (German side and Polish side). Each partner analyzes their surveys and establish strategies due to the before done literature analysis.

Expert interviews will be hold with construction enterprises, which already did such cooperation or plan to do. Finally strategies contractual cooperation will be worked out.