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Collaboration in Business: A Review of Literature

Mohamed Ismail Hj Pakir Mohamed, Wan Fauziah Wan Yusoff
Faculty of Technology Management and Business
Universiti Tun Hussein Onn Malaysia
86400 Parit Raja Batu Pahat Johor
Malaysia
ismailp@uthm.edu.my, fauziahy@uthm.edu.my

Abstract

Business collaboration has becoming an essential for companies to be more competitive in today environment. To ensure the collaborative relationships effectiveness and success each company should has clear understanding of the purpose of collaboration including its barriers. This paper is trying to review and identify various factors of collaboration barriers from previous research and published papers. From our review it was revealed that collaboration contributed a number of benefits in business such as reduce cost of production, increase quality of products, increase market of products and finally increase share values of the companies. Nevertheless, collaboration in business can be failed due to three important barriers due to interpersonal characteristics, organizational characteristics, and individual characteristics. Specifically lack of trust, lack of communication and poor return on investment in collaborative engagement were the factors of collaboration barriers discovered in this paper.

Keywords: *Collaboration barrier, business***.**

Introduction

Business collaboration is a very broad and encompassing term and when it is put in the context of the supply chain it needs yet further clarification. Many authors when talking about collaboration cite mutuality of benefit, rewards and risk sharing together with the exchange of information as the foundation of the collaboration (Stank *et al.*, 1999a; Barratt and Oliveira, 2001). Today, companies can have a significant advantage if they are able to create a successful collaboration (Kanter, 1994). In order to maximize the success of such collaboration there is a need for a deeper understanding of collaboration. Therefore it is imperative to study on the barrier of collaboration. What are the factors of collaboration barrier. Do these factors have an impact on to the current state of collaboration in business including SME in Malaysia. This paper aims to identify benefits and collaboration barriers by reviewing previous research.

Collaboration

What is collaboration?

According to Rowland (2008), collaboration in simple terms is the act of working together. It is something more, it is working together to accomplish more than any one person or organization could do alone. It is much more than just trying to find common ground on which to act. It is about bringing out the best in the group and helping them to reach a higher ground. It is about increasing the capability of the whole. It is able to multiply each other strengths to produce results no party could achieve themselves. For collaboration to happen there must be enough freedom to achieve the goal, with very few outside restraints (Rowland, 2008).

Collaboration involves cooperation in which parties are not necessarily bound contractually. There is a relationship, but it is usually less formal than a binding, legal contract and responsibilities may not be shared equally. Collaboration exists when several people pool their common interests, assets and professional skills promote broader interests for the communityǿs benefit. The most important thing to remember is: Organizations donǿt collaborate-people collaborate (National Coalition for Homeless Veterans, 1997).

From previous studies, there are several researchers interpreted about the definitions of collaboration. According to Huxham (1996), collaboration has been discussed as a way forward for organizations in situations in which working alone is not sufficient to achieve the desired ends. Table 1shows the various definitions of collaboration by various researchers.

Table 1: Various Definitions of Collaboration

Researchers	Year	Definiton
Huxham	1996	Collaboration is taken to imply a very positive form of working in association with others for Collaboration is a distinct mode of organizing, implies a positive, purposeful relationship between organizations that retain autonomy, integrity and distinct identity, and thus, the potential to withdraw from the relationship.
Jordan and Michel	2000	Collaboration is a number of companies linked to create and support a service or product for its service life including final disposal.
McLaren *et. al.*	2002	Collaboration is a focus on joint planning, coordination and process integration between supplier, customers and others partner in a supply chain. Also involves strategic joint decision making about partnership and network design.

Benefits of Collaboration

Previous literature also reported that the benefits of such collaboration are considered to be significant. In earlier study Lewis (1990) discovered that companies gained various benefit of collaboration especially in terms of increased of quality of product, economics of scale in business and so on, Finally the collaboration increased share market of the companies. Later in year 2000 Parker found similar findings that firm which involved in technological collaborations were able to decrease risk of failure of product development. Finally they were ab;e to gain rapid access to markets (Parker, 2000; McCarthy and Golicic(2002). Other benefit of collaboration found in the literature include share and reduce the cost of production
development (Lewis, 1990; Parker, 2000; McLaren et al., 2000; McMarthy and Golicic, 2002. Summary of benefits associated with inter-enterprise collaboration is provided in Table 2:

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Table 2: Motives and Benefits of Collaboration

Benefits	Source
• To increase their market share • To increase asset utilization • To enhance customer service-reduction in lead times, customer complaints, etc. • To increase quality of product. • To enhance skill and knowledge. • To achieve economies of scale in production.	Lewis (1990)
• To share and reduce the cost of production development.	Lewis (1990), Parker (2000), Horvath(2001), McLaren *et al*(2000)
• To reduce time in product development.	Lewis (1990), Parker (2000), McCarthy and Golicic (2002), McLaren et al (2000)
• To decrease risk of failure of product development.	Parker (2000)
• To have technological gain as participating firm.	Lewis (1990), Parker(2000)
• To gain rapid access to markets.	Parker (2000), McCarthy and Golicic(2002)
• To reduce inventory-in the face of increasing technological complexity and rapid rate product development and obsolescence.	Parker (2000), Holton(2001)

Barriers of collaboration

The literature on collaboration suggests that implementation of collaborative initiatives has inherited difficulties; therefore the amount of effort involved in integrating operational, tactical or strategic levels of separate companies is usually large. Collaboration usually failed due to several barriers. Based on Selin and Myerὃs (1995) collaboration barriers can be determined by (i) interpersonal (ii) organizational and (iii) individual.

Interpersonal barriers

Interpersonal barriers are those related to the interaction between individuals and are highly sought after when selecting a collaborative partner. Partnerships between companies are very much similar to those relationships between people. They begin, grow, and develop or fail the same way (Kanter, 1994). Interpersonal characteristics are characterized by good partner fit, trust, and previous experience. Each partner needs each other). Partners with less power may possibly not be included or may have less influence than others (Bramwell & Lane, 2000). This can cause mistrust and suspicion among partners.

On other occasions, collaboration is jeopardized as partners are unwilling to reduce their own power, work with unfamiliar partners, or too many partners are involved and are unwilling to share information (Bramwell & Lane, 2000). Some partners may pressure others to leave in order to press their own case or block the access to information, which can ultimately increase the uncertainty about the future as policies developed by multiple stakeholders become unpredictable.

Diverse management styles, rapid change in personnel, and the process of decision making will have an influence on the relationship (Kanter, 1994; Fyall & Garrod, 2005). Other authors stated that collaborative arrangements may face the unpredictability of the future as policies developed by multiple stakeholders and organizations can become fragmented (Bramwell & Lane, 2000). Last but not least, if partners are not progressing at the speed they expected and/ or lose their flexibility, this would lead to the dissolving of such collaboration (Bramwell & Lane, 2000; Fyall & Garrod, 2005).

Interpersonal barriers were represented by lack of trust, lack of previous experience, and lack of partner fit (Kubickova & Wang, 2009). It goes along with Morgan &Huntö (1994) and Barratt (2004) findings where relationships based on trust are highly valued since any commitment entails vulnerability.

Next, the ability to learn from previous mistakes should not be overlooked. Winston et al. (2009) points out that the experience that partners endure during collaboration will shape the future involvement and motivation. Previous experience had an influence on the future likelihood to collaborate. A lack of partner fit would be factors that jeopardize the collaboration (Kubickova & Wang, 2009). As Kanter (1994) highlights, to maximize collaboration advantages, one must understand how relationships work, how they evolve and grow. Creating a partnership where each partner is doing its part is necessary for successful collaboration. Partners must have good communication, be honest and committed, and treat each other fairly. This coincides along with Bramwell & Laneö (2000) findings, where more than often, individual success gets in the way of collaboration.

Organizational characteristics

Organizational barriers deal with a number of organizational issues such as what are the mutual benefits, is there a return on investment, does the company have a clear vision, and how the performance and integrity of a company is viewed (Kubickova & Wang, 2009). Partnerships can be terminated if a company culture is not supportive, partners are dissatisfied with each other, and cultural differences arise (FyFall & Garrod, 2005). Company culture such as workplace culture, lack of senior management commitment, and inappropriate support structures can contribute problems to collaboration. (Akintoye *et. al.* ,2000)

Furthermore collaboration is difficult to implement if an organization fails to understand when and whom to collaborate (Barratt, 2004). To find the right timing on when to collaborate and the selection of partners to collaborate is important to a successful collaboration venture. In addition, over reliance on technology to collaborate also could be a barrier to collaboration. Believing on using technology such as information technology as a success factor for collaboration is not enough to guarantee a fruitful collaboration (Barratt, 2004).

Individual barriers

Individual barriers could be divided based on lack of skills and qualities. Employees with certain skills can influence a company by increasing its productivity and profits. The skills identified in this study were: influence, discipline, carefulness, sociability, drive and cooperation. Influence can be characterized by a person who has good communication abilities and gives feedback. Discipline and carefulness can be represented by someone with good planning and organizational skills. Sociability would be demonstrated via ability to build relationships and friendships, influenced by strong leadership skills and cooperation spirits (Kubickova & Wang, 2009). Additionally, inadequate negotiation skills, lack of clear objectives and new ideas, vision, and knowledge can negatively affect collaboration (Fyall & Garrod, 2005; Kanter, 1994).

It is also discovered that territorial behavior also can negatively affect collaboration. Individual comfort of working with internal team could cause an individual to protect its territory and disrupt the collaboration process (Axelsson and Axelsson, 2009)

Table 3. Summary of collaboration barriers found in the literature.

Table 3: Barriers of collaboration.

Characteristics	Collaboration barrier	Source
Interpersonal characteristics	• Lack of good partner fit, • Lack of trust, • previous experience • Mistrust/suspicion among partners. • Partners are unwilling to reduce their own power, work with unfamiliar partners, • too many partners are involved, • unwilling to share information. • Individual success gets in the way of collaboration • Lack of trust, • lack of previous experience, • lack of partner fit	FyFall & Garrod (2005) Bramwell & Lane,(2000). Kubickova & Wang (2009)

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	• Lack of trust, • Previous mistakes or the experience during collaboration	Barratt(2004) Winston *et. al.* (2009)
Organizational	• Company culture is not supportive, • Partners are dissatisfied with each other, • Cultural differences arise • Policies developed by multiple stakeholders (Unpredictable future) • Fragmented organizations • Concern about the mutual benefits return on investment, • Concern about companyôs clear vision, • Concern about companyôs performance • Concern about companyôs integrity • Over-reliance on technology for collaboration • Failure to understand when and whom to collaborate • Workplace culture • Lack of senior management support • Inappropriate support structures	FyFall & Garrod (2005) Bramwell & Lane,(2000). Kubickova & Wang (2009) Barratt(2004) Akintoye *et. al.* (2000)
Individual	• Inadequate	FyFall & Garrod (2005)

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	negotiation skills, • lack of clear objectives • lack of new ideas, • lack of vision, and • lack of knowledge	Kubickova & Wang (2009)
	Lack of skills • influence, • discipline, • carefulness, • sociability, • drive and • cooperation	
	• territorial behavior	Axelsson and Axelsson, (2009)

If collaboration is done properly, it can result in creating alliances with collaborative advantage while increasing the numbers of consumers, offering products at a relatively low cost, and being able to react more effectively and efficiently to changes (Fyall & Garrod, 2005). Companies will have the capability to learn from each other new negotiation skills and to increase their commitment and shared resources such as time, financial, and training. (Bramwell & Lane, 2000).

Collaboration Challenges Faced by Small Medium Enterprise(SMEs) in Malaysia

In Malaysia SMEs can be categorized into three categories: (i) microenterprise, (ii) small enterprises and (iii) medium enterprises. The categories are based on the number of employees and sales turnover. Table 1 below details the definition of SMEs in Malaysia.

Table 4 : Definition of SME by size

	Micro-enterprise	**Small enterprise**	**Medium enterprise**
Manufacturing, Manufacturing-Related Services and Agro-based industries	Sales turnover of less than RM250,000 OR full time employees less than 5	Sales turnover between RM250,000 and less than RM10 million OR full time employees between 5 and 50	Sales turnover between RM10 million and RM25 million OR full time employees between 51 and 15
Services, Primary Agriculture and Information & Communication Technology (ICT)	Sales turnover of less than RM200,000 OR full time employees less than 5	Sales turnover between RM200,000 and less than RM1 million OR full time employees between 5 and 19	Sales turnover between RM1 million and RM5 million OR full time employees between 20 and 50

(Source; SMIDEC, 2008)

Malaysian SMEs are not exceptional from facing various barriers and challenges which prevents them from further expanding their business. These challenges can come from an extensive and liberalized organization, globalization, technology and institutional changes.In 2003, findings of a Bank Negara survey, found that competition, inability to gain loan, inability to source skilled labor and lack of government support as major problems that were facing by SMEs. This is further supported by a study conducted by Salleh (1991) who has identified that amongst the important problems faced by SMEs deterring them to expand are the shortage of skilled personnel, poor networking amongst the important players in the market, lack of market access, inadequate finance, unintended impact of policy instruments, competitions from foreign SMEs and technological constraints.

Based on SMIDP, 2001-2005 study report (SMIDEC, 2002), Malaysian SMEs are faced with various challenges globally and domestically. These challengers are competition from other producers, intensified global competition, limited capability to meet the challenges of market globalization and liberalization, low productivity and quality output, limited capacity for knowledge acquisition and technology management, limited access to capital and finance and the infancy of venture funds in initial or mezzanine financing, lack of skills for the new business environment, general shortage of information and knowledge and high cost of infrastructure. Ting (2004) identified 5 key challenges and they are; human resource constraints, shortage of information on customers and potential markets, lack of access to finance, global competition and the limited or inability to adopt the technology. Wan (2003) discovered that globalized environment such as shortage in financing, lack of managerial capabilities, low productivity, heavy regulatory burdens, and access to technology and management are amongst many other challenges faced by SMEs.

According to Nik (2006) it is important to appreciate that the SMEs are normally set up and managed by individuals who may not have the skill sets to effectively manage the whole business. The owners may have specific skills such as in the production, marketing or product development but lack other important competencies which are critical for the success of their ventures. Such deficiencies create opportunity of external service providers to close the gap. Hj-Pakir and Samsuddin (2010) in their research discovered that the supply chain collaboration of Malaysian SME manufactures with their trading partners is at a minimal level. Malaysian SME manufacturers are that level is because lack of trust and willingness to

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integrate information on supply chain matters related to monetary with its trading partners. However this study did not identify the barrier to collaboration.

Conclusion

The review of literature clearly shows that collaboration lead to a number of benefits especially in term of reduction of production cost and increasing of share market of the organizations involved. However, to ensure the success of collaboration in business organizations involved need to overcome three important barriers (i) interpersonal characteristics, (ii) organizational characteristics, and (iii) individual characteristics. In the case of SMEs in Malaysia, as level of collaboration still low or minimum due to lack of trust, the SMEs should first have a clear understanding of the purpose of collaborations

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