

COOPERATION BETWEEN JAPANESE COMPANIES AND LOCAL AUTHORITIES IN TERMS OF LIFE CYCLE OF ORGANIZATION

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Abstract

The aim of the paper is the identification of the cooperation areas between Japanese companies located in Poland and local governments in terms of particular stages of life cycle of an organization. The paper presents the results of the study conducted among Japanese enterprises and local governments located in the region of Dolny Śląsk in Poland. The research shows that the analyzed companies higher appreciate creating beneficial relations based on early stages of a life cycle of an investment. The local governments in turn, much more appreciate creating relations based on activities at the stage of a well-grounded operation of an enterprise in a region.

Keywords: Local authority, Japanese companies, cooperation, life cycle of organization

1. INTRODUCTION

Local government plays an essential role in the economic development of a city [1]. Thanks to the application of legal instruments, administrative procedures and financial means it may significantly influence its socio-economic situation [2]. One of the key tasks of local government regarding economic development is attracting external investors [3], including the foreign ones - connected with so called foreign direct investment (FDI). The most foreign investors concentrate within or around an urban area. It brings many advantageous for a city such as: economic and regional growth [4]. Local authorities are aware of the benefits therefore they try to attract investors offering them attractive plots, property tax exemptions, etc. However, such actions, in order to be profitable both for the city and for the investors, require a close cooperation of local government with foreign investors.

The aim of the paper is the identification of the cooperation areas between Japanese organizations located in Poland and local governments in terms of particular stages of life cycle of an organization. The structure of the paper is as follows: the first chapter presents the nature of the cooperation between foreign enterprises in all stages of a lifecycle and local authorities. The following chapter describes research methods used in the paper. The last chapter contains the findings of the study. The last part of the paper presents the conclusions.

2. COOPERATION BETWEEN FOREIGN INVESTORS AND LOCAL AUTHORITY IN TERMS OF ORGANIZATION'S LIFE CYCLE

In the literature there are many definition of cooperation mainly related to the business field ([5]; [6]; [7]; [8]). One of the first definition was developed in 1937 by Mead according to whom cooperation „it is the act of working together to one end” [5]. Bearing in mind this definition the cooperation between foreign investors and local authority can be understood as process of working together throughout the life cycle of an organization established in the city by a foreign investor in order to obtain mutual benefits. Thus, it can be assumed that the cooperation begins when the investor makes the decision concerning the location of a given organization / enterprise and finishes at the point of its liquidation or renewal according to the life cycle of an organization.

Reference literature contains numerous classifications of a life cycle of an organization ([9]; [10]; [11] and [12]). However, four phases appearing one after another are distinguished most commonly, namely: formation, development, maturity, and recession [13]. In the paper also four stages of a life cycle of an organization were identified but in terms of scope and area of cooperation between foreign investors and local government. As a result, the following phases were identified: an initiation phase connected with the decision on locating the investment in a given region (city), the phase of formation and early development, the phase of operation (connecting the phase of growth and maturity) and the recession phase (closure or renewal). The areas of cooperation between enterprises and local government in terms of the four stages of a life cycle of an organization are presented in **Table 1**.

Table 1 Stages and areas cooperation between local authority and foreign investors (companies)

Stages of life cycle of cooperation	Areas of cooperation
1. Initiation - before a foreign company will be founded in a city (I)	<ul style="list-style-type: none"> • cooperation with starting an investment in a given city (in terms of offering an attractive purchase price / acquisition of the plot) • the help of local government for example in negotiations with the representatives of special economic zone
2. Formation and early development (F)	<ul style="list-style-type: none"> • cooperation in terms of recruiting employees • cooperation regarding the organization of public transport commuting possibilities for employees to get to the facility • local government's help at formal requirements connected with starting an investment in a given city • cooperation in terms of building transport infrastructure around the newly arising investment
3. Operation of the company (O)	<ul style="list-style-type: none"> • cooperation with the enterprise regarding the preparation of city development strategy • cooperation with the enterprise at the implementation of the city development strategy • inviting the representatives of enterprise (s) to social consultations, city development meetings, participate in committees / working groups, etc. • cooperation regarding investment in terms of improving of developing the infrastructure in the city • cooperation in terms of organization of cultural, sport and other events • cooperation regarding vocational training of students from a given area • cooperation in terms of organization of freight transport in a city • cooperation regarding joint promotion of the city and the enterprise (for example at international fair) • cooperation in terms of solving social problems and increasing social capital of a region
4. The closure of the company (C)	<ul style="list-style-type: none"> • Cooperation regarding employees' outplacement • Cooperation regarding the liquidation of assets of a company, etc.

The scope of cooperation between a local government and a foreign enterprise is affected by many factors. Among them one can name: the amount of financial means available within the budget allocated to the cooperation with business, the location characteristics of a city (geographic and infrastructure conditions), the size of a city, and consequently the access to qualified employees and first of all, the mutual openness and willingness to commit.

3. RESEARCH METHOD

In the paper the following stages of the research methods have been applied:

- a critical analysis of the literature related to the direct foreign investments, cooperation, Japanese management methods, the life cycle of organization
- the development of research tools, namely two questionnaires on the basis of relevant literature, one questionnaire was created to examine the cooperation between enterprises and local governments from the point of view of local government and the second one from the point of view of a foreign company
- conducting a survey and focused interviews. The questionnaires were sent by electronic mail to towns and cities in the province of Dolny Śląsk, where companies with Japanese capital are located. Among 12 selected towns 6 sent back completed forms. The research in companies with Japanese capital was conducted on the basis of focused interviews. Five companies participated in the research.
- the analysis and interpretation of results. The analysis was performed with the use of Excel spreadsheet. The data was compiled in terms of the phases of a life cycle of an organization, however without the phase of recession (in the province of Dolny Śląsk there were no such cases).

4. RESULTS

The results of the conducted research concern two aspects of cooperation between local governments and companies with Japanese capital. The first one includes the information on the frequency of cooperation between foreign investors and local governments in terms of the previously defined stages of a lifecycle of an investment and the types of activities assign to them (**Table 1**). The second one presents the assessment of the extent in which the specific activities influence beneficial relationships between a local government and enterprise(s) with Japanese capital.

In the first case, 14 activities were indentified, in terms of which local governments and companies had a possibility to select answers from 0 to 6, where 0 - means no cooperation, 1 - one-time cooperation concerning one undertakings / event; 2 - very rare cooperation (once in 5 years or less often); 3 - rare cooperation (once in 2-3 years); 4 - moderate frequency cooperation (once a year); 5 - frequent cooperation (every 3-4 months); 6 - close cooperation (every month or more often). **Table 2** contains the summary of results for particular activities and phases of a life cycle of an organization, calculated as:

- the number of responses confirming the cooperation (divided into the groups of entities),
- the frequency of cooperation calculated as a median of responses given by local governments.

In the case of the frequency of cooperation only the results for local governments are presented, as they refer to the cooperation of local governments with all Japanese entities in their area. According to the authors, it comprises a more comprehensive picture and offers a more reliable result in terms of establishing the frequency of cooperation than the presentation of results from the point of view of single entities.

Table 2 The frequency of cooperation between the local governments and Japanese companies in terms of selected activities and phases of a life cycle of a foreign investment

Stages of cooperation with foreign company	Areas of cooperation	Number of responses		The frequency of cooperation of local government	
		Local government (max 6)	Company (max 5)	Result for the activity	Result for the phase
1. Initiation - before a foreign company will be founded in a city (I)	cooperation with starting an investment in a given city (in terms of offering an attractive purchase price / acquisition of the plot)	5	5	1.0	1.0
	the help of local government for example in negotiations with the representatives of special economic zone	5	4	2.0	
2. Formation and early development (F)	cooperation in terms of recruiting employees	4	4	2.5	4.0
	cooperation regarding the organization of public transport commuting possibilities for employees to get to the facility	2	3	4.0	
3. Operation of the company (O)	cooperation with the enterprise regarding the preparation of city development strategy	5	3	0.0	2.5
	cooperation with the enterprise at the implementation of the city development strategy	3	4	3.5	
	inviting the representatives of enterprise (s) to social consultations, city development meetings, participate in committees / working groups, etc.	4	5	1.0	
	cooperation regarding investment in terms of improving of developing the infrastructure in the city	6	4	2.5	
	cooperation in terms of organization of cultural, sport and other events	4	4	4.5	
	cooperation regarding vocational training of students from a given area	1	2	3.5	
	cooperation in terms of organization of freight transport in a city	5	2	0.0	
	cooperation regarding joint promotion of the city and the enterprise (for example at international fair)	3	4	1.5	
	cooperation in terms of solving social problems and increasing social capital of a region	5	4	3.5	

According to the abovementioned data, among the analyzed areas, the greatest number of responses, both on the part of local governments and the companies concern: in the initiation phase (I) -the cooperation at the founding of the investment, in the formation and early development stage (F) - the help in recruiting employees,

in the operation phase (O) - the cooperation regarding the organization of cultural, sport and other events. The lowest number of responses concerns the activities taken up in the phase of operation (O) and these are: the cooperation in terms of organization of freight transport in a city and the cooperation regarding the preparation of city / commune's development strategy.

However, the highest frequency of cooperation between local governments and Japanese enterprises exists in the case of activities regarding: cooperation in terms of organization of cultural, sport and other events (median 4.5) and cooperation regarding the organization of public transport commuting possibilities for employees to get to the facility (median 4.0).

The second area of research, concerning the assessment of the extent of stimulating beneficial relations between local government and enterprise(s) with Japanese capital, included a set of 9 defined activities. In this area also the local government and the enterprises had a possibility to select a response in the five-grade scale (where 1 - the lowest grade, 5 - the highest grade). A median was calculated for each activity (separately for local governments and enterprises), and then gaps in the level of assessments were identified. The results regarding the identification of gaps are presented in **Figure 1**. A negative value of a gap means, that enterprises give a higher grade to the influence of a given activity shaping the relations than the local government. A positive value means a reverse interpretation. The lower the value of the gap the more correlated is the assessments of a given activity.

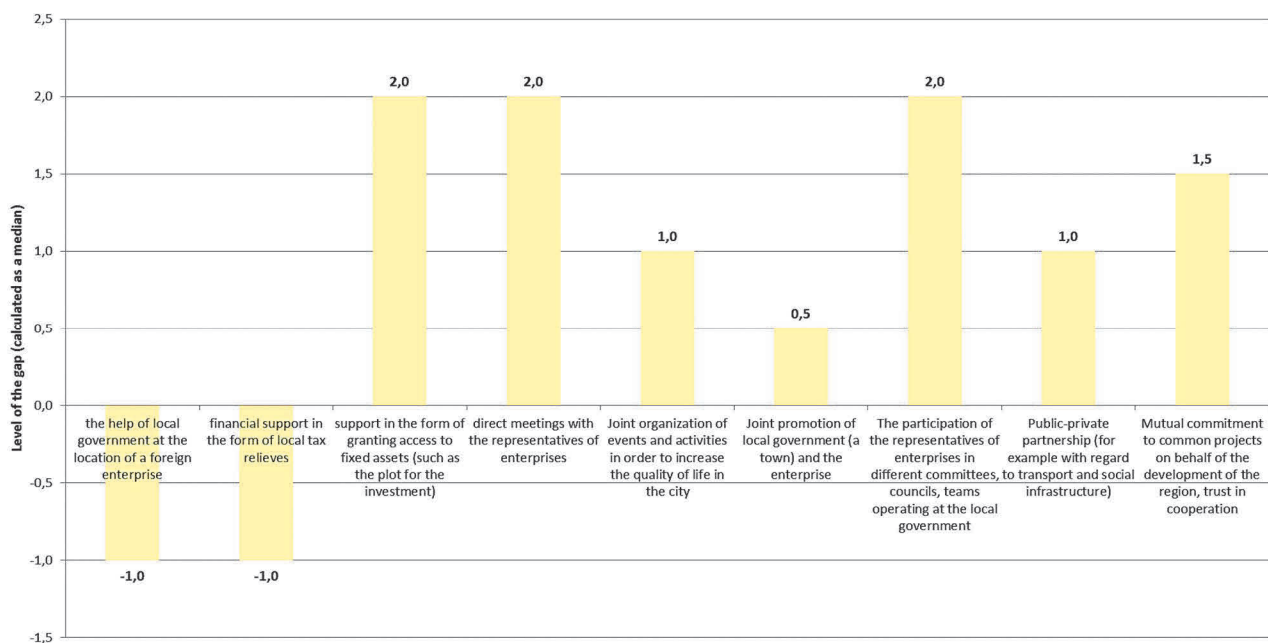


Figure 1 Gaps in the assessment levels of the influence of particular activities on shaping the beneficial relations between the local government and an enterprise (calculated after the median)

The biggest gaps regarding the extent of the assessment of the shaping beneficial relations between a local government and an enterprise (gap 2, 0) exist in the area: granting access to fix assets by local government, direct meetings and the participation of the representatives of the enterprises in boards and teams operating by local government. Those activities are perceived as more advantageous by local government than by the entrepreneurs. The most correlated results, on the other hand, regard the assessment of activities concerning joint promotion of the local government and the enterprise (gap 0, 5).

5. CONCLUSION

The suggestions presented in the theoretical part of the paper regarding the description of cooperation between Japanese enterprises and local government in terms of the life cycle stages of an organization are based on the experience. The results of the conducted research allow to draw the following conclusions regarding the cooperation:

- Higher frequencies of cooperation between local governments and enterprises with Japanese capital refer to those activities, which may directly translate into benefits for the companies, either shaping their positive image in the region or using the regional human resources in the best possible way.
- In terms of the life cycle of an investment, the highest frequency of cooperation for this group of entities concerns the phase of formation and early development (F). It most probably results from the fact that the investors try to make the maximum use of the relation created during the initiation phase with local government in order to secure as fast as possible their position on the local market. The lowest frequency was observed at the initiation phase (I), which in turn, results from the characteristics of activities realized in this phase, for example one-time meetings at transferring plots or signing agreements concerning the tax release.

Pursuant to the conducted research it is possible to formulate a conclusion that the analyzed enterprises appreciate in a greater extent building beneficial relations on the basis of activities taken up in the early phases of an investment's life. Local governments, in turn, appreciate much more building relation on the basis of well-developed operation of a company in a region. It is predominantly a consequence of different perception of the effects of the realization of such an investment. In the case of companies they have a strictly business-like, financial dimension, however in the case of local governments they are directed at the achievement of long-term socio-economic effects.

The authors are aware that, the presented research results do not include all entities with foreign capital, and they refer only to the cooperation of local governments with a selected group (Japanese companies). It is a kind of a case study comprising a fragment of the discussed issue. To obtain a full picture of the described cooperation it is necessary to conduct a wider research in this area with an attempt to establish not only the frequency but also the effectiveness of the activities.

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