

INTER FIRM COOPERATION AND COMPETITIVENESS: A CASE OF SPORTS GOODS CLUSTER AT JALANDHAR

Dr. Priya Jhamb

Assistant Professor, Amity University, Noida.
e-mail: priyajhamb83@gmail.com

ABSTRACT

The present economy of international competition and globalization demands knowledge intensive units. As knowledge resides in the human brain, it can be utilized effectively by the process of information sharing, cooperation, creating linkages with the other firms. Research shows that a new growing interest in localized networks and inter firm relations has emerged. The concept of cooperation can be easily applied to industry clusters. Many researchers have highlighted the importance of inter firm cooperation and trust embeddedness for improving its competitiveness in the market. A number of Government and non government organizations have developed various cluster development programmes for establishing linkages between the clustered firms. However, in reality the co operation is not a successful phenomenon in majority of industrial clusters. The present study has been undertaken on sports goods cluster of Jalandhar to analyze the pattern of inter firm cooperation and support between the firms located in the cluster. The study aims to improve the collaborative ability of firms with an objective to enhance the competitiveness. Various measures are suggested to improve the collaborative ability of the firms located in the cluster. The study reveals that element of cooperation is not much active in the cluster. The reason behind this non sharing of information may be strong perception of the firms towards completion rather than cooperation. The study provides an insight for industry managers and public policy makers about the importance of strategic knowledge and inters firm cooperation.

Keywords: *industry clusters, inter firm cooperation.*

Introduction

The present economy of international competition and globalization demands knowledge intensive units. As knowledge resides in the human brain, it can be utilized effectively by the process of information sharing, cooperation, creating linkages with the other firms. Research shows that a new growing interest in localized networks and inter firm relations has emerged (Felzensztein and Gimmon, 2009). Now days, the whole world has been converted into global village and the firms are required to respond accordingly. Small and medium enterprises particularly, require special attention and special measures. In order to minimize problems, firms are required to follow the concept of cooperation where each firm share

information with each other and learn from the mistakes of others. Anderson and Narus (1990) define cooperation as the complementary actions taken by firms in interdependent relationships to achieve mutual outcomes over time. Morgan and Hunt (1994) suggested that to be an effective competitor in the global economy requires more cooperation and networking between the firms, which will lead to establishing or maintaining marketing competitive advantage.

The concept of cooperation can be easily applied to industry clusters. Maskell (2001) suggested that the social process of learning and innovation in inter firm cooperation works best when partners involved are sufficiently physically close to allow frequent interaction and effective exchange of information. The social process that is embedded in regional communities that share a common knowledge base and culture may be the best facilitator for inter-firm collaboration (Mckelvey *et al.*, 2002).

Birley (1985) stated that close proximity at the regional level facilitates frequent face to face interaction in both formal and informal settings. These networks become the basis of a rich information exchange that enables firms to learn about new alliance and market opportunities with reliable partners (Gulati, 1999). Clusters provide a better environment for the formation of networks in order to share information with other firms because of proximity, common objective and mutual trust (Kalra *et al.*, 2011).

Swann and Prevezer (1996) suggested that clusters in industries where multiple linkages can be created among the member firm present significantly stronger growth patterns than clusters in industries with much lower linkages between member firms. Through social interaction the firm learns how to cooperate and coordinate their reciprocal activities there by generating more value along the value chain as compared with a chain in which the firm transacts arm's length. (Blankenburg *et al.* 1996; pg. 1037). In industrial cluster, one can see the total population working as a big networked company. The concept of cluster is found helpful in capabilities building, skill up gradation, up gradation of technology, public private partnership and other aspects necessary for the growth and development of small and medium enterprises. There is an increasing agreement that clustering helps small enterprises to overcome growth constraints and compete in international markets (Nadvi and Schmitz, 1999). To achieve these objectives, co operation between enterprises located in the cluster plays an important role. Networks become the basis of a rich information exchange that enables firms to learn about new alliances and market opportunities with reliable partners (Gulati, 1999).

Many researchers have highlighted the importance of inter firm cooperation and trust embeddedness for improving its competitiveness in the market. A number of Government and non government organizations have developed various

cluster development programmes for establishing linkages between the clustered firms. However, in reality the co operation is not a successful phenomenon in majority of industrial clusters. Often the firms in the cluster do not have sufficient resources to face the competitiveness. It becomes necessary for the firms to form collaborative networks. The formation of network of the firms help to exchange, access, retrieve and communicate information to other actors located in the cluster. The timely availability of the information helps the firms in the cluster to improve its competitiveness.

The present study has been undertaken on sports goods cluster of Jalandhar to analyze the pattern of inter firm cooperation and support between the firms located in the cluster. The study aims to improve the collaborative ability of the firms with an objective to enhance its competitiveness. Various measures are suggested for improving the collaborative ability of the firms located in the cluster.

Sports Goods Cluster of Jalandhar

The origin of sports goods Industry of India can be traced back to Sialkot, Pakistan. In 1947, after partition, the entrepreneur belonging to one community decided to shift from Sialkot. The workers belonging to that community also migrated along with the entrepreneurs. As per the resettlement plan of Government of India, initially these migrants settled in Batala but later on shifted from Batala to Jalandhar. (UNIDO, 2001, p.3). At Jalandhar, the raw material required was easily available. Some of the migrants shifted to Meerut where also the raw material required was available.

Punjab and Meerut have emerged as the leading centers for sports goods manufacture and the only industry which appears to offer some prospects is sports goods industry of Punjab. Meerut is yet to become powerful (Chandra Mohan, 2002). Jalandhar has grown as the major centre of Indian sports goods industry. Meerut in Uttar Pradesh is the second and Gurgaon in Haryana is the third largest cluster of sports goods manufacturing. (NPC, 2009, p.1).

The sports goods cluster of Jalandhar has contributed significantly to the exports of India. It is found that 50 per cent of all India sports goods export is from Jalandhar alone (Annual reports, Sports Goods Export Promotion Council). But it is seen that since last few years, the performance of the cluster has been uneven, while many of the units in some segments like footballs have done normally well, a lot others have not performed to a satisfactory level in terms of growth, technology up-gradation and manpower development. The cluster faces a number of problems which inhibit its growth and may threaten its existence. The need of the day is to undertake various cooperative initiatives and strategies so that performance of the cluster can be improved.

Objectives of The Study

The present study aims to find solution to the following objectives:

1. To analyze the pattern of inter firm cooperation and trust between the firms located in sports goods cluster of Jalandhar.
2. To explore the benefits obtained by the firms as a result of inter firm collaboration or cooperation.
3. To analyze the role of inter firm collaboration and cooperation in improving the performance of the clustered firms and face competition in the market.

Database and Methodology

At primary level, the data was collected through a specially designed structured questionnaire. Before designing the questionnaire, it was proposed to visit the cluster to understand the present status of cluster. Ten firms were visited, three were exclusively serving domestic market, three were exclusively serving foreign market and four firms were dealing in both domestic market as well as foreign market. The visit provided a lot of information on their production process as well as functioning of the cluster. To have a broader outlook of the cluster, the office bearers of the local associations (SGMEA, SGFI, Sports Forum, AISGI) and support institutions (UNIDO) were also contacted. This interaction with the firms and associations provided an insight to frame the questionnaire.

The questionnaire consisted of various questions to study the pattern of inter firm cooperation within the cluster and benefits derived from such cooperation. The universe of the study was the sports goods units registered with District Industries Centre, Jalandhar i.e. 734 (As per figures given by District Industries Center, Jalandhar). A sample of 150 units (i.e. 20% of the total population) was taken to represent the universe. Here convenience sampling was used to draw the sample and collect the data from sample. Personal investigation method was applied to collect the data.

Result And Discussion

The element of information sharing is also found in the Jalandhar cluster. Table 1.1 shows the distribution of firms on the basis of sharing of information.

Table 1.1: Information Sharing among the Firms

Information Sharing	No. of Firms	Percentage
Yes	88	58.7
No	51	34
No and not even intention to share	5	3.3
No and never thought about it	6	4
Total	150	100

(Source: Based on Field work)

Table 1.1 depicts that 58.7 per cent of the firms share information with the competitors located in cluster while 41.3 per cent of the firms do not share information. Out of these firms, five firms even do not have the intention to share information and six firms had never thought about sharing information.

Soh (2003) stated that informal contacts play a key role in collaborative marketing activities, acting as channels of knowledge flows. Granovetter (1973) suggested that informal meeting and weak ties are useful for sharing marketing information. The result of the study can be related to “duration of exchange” explained by Coviello *et al* (2001) as continuous informal relationship within the industry. The development of these ties is useful in obtaining information that would otherwise not available or costly to determine.

It is found that the information is shared among the firms at both formal and informal level. At the formal level, various meetings are organized by the industry associations where all the members of association discuss industry related matters. At informal level, the entrepreneurs of various firms, who are friends or inmates exchange industry related information with each other. Gulati (1995) stated that ‘firms create relationships with other firms with whom they are interdependent with regard to resources and with similar others with whom they are connected through direct or indirect ties.’ Table 1.2 shows the distribution of firms by sharing of information

Table 1.2: Level of Information Sharing

Level of Information Sharing	No. of Firms	Percentage
Mainly at informal, social level	32	21.3
Mainly at formal, business level	17	11.3
At both formal and informal	39	26
No sharing	62	41.3
Total	150	100

(Source: Based on Field work)

A perusal of table 1.2 reveals that 21.3 per cent of the firms share information at informal level, 11.3 per cent of the firms share only at formal level and 26 per cent of the firms share information at both levels.

The Jalandhar cluster is not active in cooperating with the competitors. Though firms in cluster share information with the competitors but there is absence of cooperation among them. Table 1.3 shows the distribution of the firms by kind of cooperation with other firms.

Table 1.3: Kind of Cooperation Firms render to the Competitors located in the Cluster.

Kind of Cooperation	No. of Firms	Percentage
Sharing of machines	5	3.33
Collective marketing	0	0
Collective purchase of raw material	16	10.67
Development of a new product	6	4
Training of manpower	2	1.33
Sales promotion through trade fairs/ exhibitions	3	2
Share latest information	6	4
Up-gradation of technology	3	2
No cooperation	131	87.33

(Source: Based on Field work)

A perusal of Table 1.3 shows that 87.33 per cent of the firms do not cooperate with the competitors while 10.67 per cent of the firms reported that they purchase raw material along with the competitors. Only four per cent of the firms reported sharing of latest information and development of new product. From the field survey, it is observed that few firms located in Jalandhar cluster cooperate with the other firms only up to limited extent i.e. sharing of machines, training of manpower, collective purchase of raw material but firms do not cooperate with regard to marketing related activities. The information obtained out of personal contacts is not shared with the competitors. Every firm considers the information obtained about its client and the export prices as a top secret.

Research shows that the formality of discussion is different if discussions take between firms, rather than trade associations (Felzensztein and Gimmon, 2009). In Jalandhar cluster, five industry associations are located. Table 1.4 shows the membership profile of the sample firms.

Table 1.4: Membership Profile of Firms

Membership	No. of Firms	Percentage
Member of association	136	90.7
Not member of association	14	9.3
Total	150	100

(Source: Based on Field work)

A perusal of Table 1.4 shows that 90.7 per cent of the firms are the members of association while 9.3 per cent of the firms are not member of any association. It is found that some firms are member of more than one association.

The associations are actively working in the cluster. They provide lot of information to the firms with regard to new technology, innovation etc. These associations act as a mediator between the Government and the cluster. It provides information to the firms regarding new

Government policies and on the other hand, provides information to the Government about the problems and requirement of cluster. The literature on cluster also supports this result. Yamawaki (2001) examined the structure of industrial clusters in Japan and found that 'the local trade associations coordinate member firms' activities, facilitate the communication between them and disseminate technological and product information.' Table 1.5 shows the benefits obtained by the firms out of the membership of the association.

Table 1.5: Benefits Obtained by the Firms out of Membership

Benefits of Membership	No. of Firms	Percentage
Information about new technology	86	57.3
Information about identity and location of new customers/ suppliers	5	3.33
Information about trustworthiness of customers	24	16
Information about new government policies and schemes	80	53.33
Information about innovation	95	63.3
Information about sales promotion measures	30	20
Any other benefits	4	2.67

(Source: Based on Field work)

A perusal of Table 1.5 depicts that 63.3 per cent of the firms reported that these associations provide information about innovation; 57.3 per cent accepted that these associations provide them information about new technology while 53.33 per cent of the firms reported that they get information about new Government policies and schemes. These associations are actively engaged in arranging buyer seller meet and encourage participation in various trade fairs and exhibitions. Two buyer seller meets were organized by Sports Goods Manufacturers and Exporters Association (SGMEA) for the development of cluster.

Recommendations

Network of firms within the cluster helps in improving the performance and growth of the cluster. But this element of networking is not found to be active in the cluster. One can not pressurize others to work in collaboration with the competitors but the firms in the cluster can be convinced by providing information about the benefits which they can enjoy by becoming a part of the network. Various seminars, conferences can be organized to provide information regarding benefits of the networks. Apart from it, various associations can enhance the cooperation between the firms. Organizing regular meetings, participation of the cluster in various trade fairs and

exhibitions can increase the level of cooperation within the cluster. It is seen that the firms become members of the associations but they do not actively participate in the working of the association. Role of each member of the association should be clearly defined so that each member participates in the working of the association.

It is found that there are too many associations in the cluster. Many firms are member of more than one association. It is advisable that all the associations should be merged to formulate a single association which will cater to the demands of the sports cluster. It can help in providing a single platform for the cluster as well as Government to discuss various issues. Further a regular communication system should be developed by the associations i.e. schedule for meeting should be fixed so that regular interactions between the members can be enhanced. Further, regular meetings should be organized by the associations with the Government to discuss their problems and convince the Government to take remedial action.

It is found that the associations do not have enough staff to work on various issues. The office bearers of the associations are the entrepreneurs who are busy in their normal course of work within their firm and do not have much time for the activities of the cluster. There is an immediate need of the full time professionals to be appointed within the associations for enhancing the activities of association and in turn that of the cluster.

Conclusion

The study reveals that element of networking is not much active in the Jalandhar cluster. Most of the managers have informal or formal contacts with other firms, although it is found that the discussion about marketing activities is not frequent. The reason behind this non-sharing of information may be the strong perception of the firms towards competition rather than cooperation or marketing can be considered as a competitive or strategic issue that firms are not willing to share.

It may be concluded that most of the firms recognized the importance of cooperation in marketing and expressed their intension to create long term relationship with the competitors. Further, the role of trade associations also influences level of cooperation between the firms present in the cluster. The result is supported by the study conducted by Felzensztein and Gimmon (2007) which stated that the 'trade associations has the power to grant incentives and impose social networking' and then inter-firm cooperation is fostered in the industry sector.

The present study provides an insight for industry managers and public policy makers about the importance of strategic knowledge and inter-firm cooperation. The study provides information to managers for development of entrepreneurial networks and enhances their level of information.

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