The factors that affect the formation and development of formal networks of micro and small enterprises

Os fatores que afetam a formação e desenvolvimento de redes formais de micro e pequenas empresas

Cristiano Gomes Consentino¹, Ricardo Viana Carvalho de Paiva² e Luiz Rodrigo Cunha Moura³

¹ Centro Universitário UNA, Brasil, Mestrado em Administração, e-mail: cristianoconsentino@gmail.com
² Centro Universitário UNA, Brasil, Doutorado em Administração, e-mail: ricardovcp@gmail.com
³ Centro Universitário UniBH, Brasil, Mestrado em Administração, e-mail: luizrcmoura@gmail.com

Abstract

The objective of this study is to analyze the factors and aspects - economic, management, marketing, among others - that influence in the association and in the development of the first formal network of micro and small enterprises (MSEs) in the retail industry of stationery stores from Brazil. The work had, as the unit of analysis, the first society of specific purpose (SSP) composed of 21 MSEs. Data were collected through a semi-structured interview script. The data interpretation was performed by means of a content analysis. The results classify the purchase SSP of MSEs as a new form of enterprise network with bureaucratic, symmetrical, owner, horizontal characteristics, long term, intangible, competitor inter-relation, with a structure free of barriers and sharing of solidary responsibility. The expectations divergence regarding the goals of individual firms influence the development of this SSP of MSE in the stationery stores sector in Brazil.

Keywords: Strategic Alliances; Micro and Small Companies Networks; Micro and Small Enterprises; Network Management.
horizontais, de longo prazo, intangíveis, concorrentes, com estrutura livre de barreiras e compartilhamento de responsabilidade solidária. A divergência de expectativas em relação aos objetivos de cada empresa influencia o desenvolvimento deste SPE de MPEs no setor de papelaria no Brasil.

Palavras chave: Alianças Estratégicas; Redes de Micro e Pequenas Empresas; Micro e Pequenas Empresas; Gerenciamento de Redes.

1. INTRODUCTION

The retail industry in Brazil, in the light of technological, logistical and communication advances, has undergone changes. Computerization and constant quest for efficiency to gain agility in the processes are marks of this constant evolution. The need to reduce costs, increase operational quality and maximize profits are demanded by factors external to the sector, as economic recession (RODRIGUES et al., 2010). Under these conditions, there is a need for companies to establish partnerships as strategic alliances and networks of business cooperation. These partnerships are considered important management tool to improve the competitiveness of organizations (FRANCO; HAASE, 2015).

Micro and small enterprises (MSEs), specifically, because they have limited resources have a particular condition of risk (PESÄMAA et al., 2013; HOFFMANN; SCHLOSSER, 2001). A solution that supposedly can increase the MSEs competitiveness is the gain of synergy expected from the union with other companies of the same size, forming the so-called cooperation networks business (FRANCO & HAASE, 2015). In this process, companies remain independent, but work in pursuit of common goals together (BRINKMANN et al., 2014; THORGEN; WINCENT; ÖRTQVIST, 2009). The majority of networks of cooperation has as its original proposal the relationship with suppliers in search of better prices and commercial conditions for acquisition of goods, but the activities based on learning are gradually gaining space in the common agenda (PILTAN; SOWLATI, 2006; TIGRE, 2006).

As a stimulus to the formation of associations in Brazil, the Complementary Law no. 128, article 56, on December 19th, 2008, regulated the Specific Purpose Society (SSP). The formalization of a cooperation network composed of micro and small enterprises (MSEs) and its legal embodiment gives rise to an SSP. The SSP should be set up as a limited company, having as partners exclusively owners of MSEs and one specific objective of cooperation determined in its constitution: Purchases for resale to associated companies or sales of products purchased from associated companies to non-associated companies. Each MPE appoints a legal representative who will be responsible for voting in strategic actions of the SSP and also in shared decisions.

This work has as motivation to study the first SSP of stationery stores in Brazil, the MX Network (fictitious name adopted by request of confidentiality on the part of the SSP) considering the law of the SSP and the theory on corporate networks. The Network MX is the result of the union of two informal corporate networks of the retail segment of stationery, in the metropolitan region of Belo Horizonte.

This union orginaed an SSP, which, for its foundation, made use of Complementary Law nº 128, article. 56, §2º, paragraph I, dated from December 19th 2008, published at the Federal Brazilian Gazette on 12/22/2008. The MX Network was formed on September 08th
2011 and was composed of 13 member companies. On April 19th 2013, SSP registered, with the Trade Board from Minas Gerais State, the inclusion of ten new businesses and the exclusion of two others.

The choice for the MX Network of stationery stores to identify the factors that influence the association and the development of a formal network of MSEs in retail stationery was due to the fact that the network in question is the first specific purpose society of Minas Gerais state. Only after the Complementary Law no. 128, article 56 from December 19th 2008, the associations among companies of this size was regulated, thus creating the possibility of creating a legal personality for business networks of micro and small businesses.

In this context, the present study aims to analyze the factors that influenced the association and in the development of the first business network of formal MSE of the retail industry of stationery stores in Brazil. In addition, this work also aims to classify the SSP studied according to the characteristics of networks found in literature, identify and characterize the favorable and unfavorable factors to the association of a formal SME to a formal network of MSEs in retail stationery, in addition to the factors that influence the development of associations of a formal network of MSEs in retail stationery.

The need to know what the factors are that influence the association and the development of a formal network of MSEs, governed by Complementary Law no. 128, article 56 from December 19th 2008, and the challenges faced in managing the union to achieve the expected goals by mutual cooperation, according to the perspective of the directors of micro and small enterprises, is the justification for this research. The relevance of this work is in understanding the complexity of management of an enterprise network composed of competitive MSEs that must cooperate among themselves to reduce the threats and increase their chances of survival and success.

This work also seeks to demonstrate that the collaborative association between micro and small enterprises, through an SSP, can contribute to the creation of larger businesses, achieving synergy and benefits together, which would hardly be operated separately or through informal networks. This study is justified to help answer what factors influence the association and the development of a formal network of MSEs from retail stationery.

This research aims to assist the understanding of formal business networks composed of MSEs, exhibit characteristics and solutions available in the literature of networks to improve the integration between members of groups of business and the productivity of the association. It is also aimed to know and identify for this type of business relationship the reasons that generate conflicts, the advantages and disadvantages of the association between micro and small businesses.

There is still little knowledge of how to build thriving networks and key factors for the success of business networks and, therefore, theoretical progresses are necessary (OLSEN; ELVEKROK; NILSEN, 2012). In addition, there is a limited number of studies pointing enterprise networks as an object of study (WEGNER; BORTOLASO; PADULA, 2016), generating a strong need for research on adapted collaboration to specificities of MSEs (HOFFMANN; SCHLOSSER, 2001), which in addition to many of them have problems in their operations generating the need for new knowledge (PESÄMAA et al., 2013). There is a need still to study the factors capable of leveraging the formation of business networks and also the benefits for all involved (CUNHA; PASSADOR; PASSADOR, 2012).
In practical terms, the relevance of this work is in understanding the complexity of management of an enterprise network composed of competitive MSEs who must cooperate among themselves to reduce the threats and increase their chances of survival and success. The need to know the most important aspects of the development process of an SSP, as well as the costs involved, risks and uncertainties of the participants, responsibilities and possibilities for growth of associated enterprises also justify the development of this study (WEGNER et al., 2016). Additionally, the present study will allow the identification of interests that lead companies to join in search of collaboration. In addition to verifying how the innovations can be deployed and the impacts in associated companies.

2. THEORETICAL FRAMEWORK

A business network is a union of companies that aims at reducing costs through administrative excellence achieved collectively supported by technology (BRINKMANN et al., 2014; CASTELLS, 1999), in addition to sharing knowledge and improving the competitiveness facing the competitors (WEGNER et al., 2016). This definition of networks assumes the search for complementarity and efficiency to enable collective gains.

The main advantage of the formation of business networks refers to the end of the isolation of organizations and the extension of the relationship to improve the management of each company, as well as the network itself (VILELLA; PINTO, 2009), and the participants of the networks are able to, among the many benefits of membership, better prices for purchases with suppliers, in addition to more access to research and development, technology and lower costs in risky activities (SILVA et al., 2014; BALESTRIN; VARGAS; FAYARD, 2005), making the participating companies more competitive and having new skills (PILTAN; SOWLATI, 2016; PESÃMAA et al., 2013; PACAGNAN, 2006), in addition to protecting the market against new entrants (GODARTH et al., 2014).

The evolution of the companies directly impacts on the evolution of the network: the more collaborative, and the greater the scope, the greater the possibility of earnings of associated members (MARCHI et al., 2012; RODRIGUES et al., 2009). All these advantages presented offer to members of enterprise networks increased access to resources that can enhance the organizational development and, still the reduction of the level of market uncertainty (AGOSTINI; NOSELLA, 2015; MAZZAROL; LIMNIOS; REBOUD, 2013).

Several factors affect the formation of partnerships among businesses, notably the trust, commitment, sharing of risks and rewards, sharing of information, joint decision making and relationship in relation to specific assets (PILTAN; SOWLATI, 2016).

On the other hand, in terms of the disadvantages of networks, four factors are highlighted that lead entrepreneurs to prefer the isolation rather than association. First, the macroeconomic conditions are often discouraging. Second, many fear exposing trade secrets with the increase of the relationship among the competitors. Third, coordinating the cooperation involves time, and conflict management. And, finally, it is necessary to use effort to reduce the transaction costs (KNORRIGA; MEYER-STAMER, 1998). In addition, there may be the leveling of the competition, in addition to the loss of individual identity, which is due to the name of the network used by the associated companies (PACAGNAN, 2006). Although grouped into network, companies are still looking for their individual
interests and there may be opportunistic activities within the network, as Tigre highlights (2006). Olsen et al. (2012), c), additionally, present that the need for a professional manager, to meet the formalities of collective business, increases the cost of network operation. This corroborates with the perceived difficulties for the formation of networks and associations at international level, in which the experience of the manager is a fundamental factor (ARRANZ; ARROYABE; ARROYABE, 2016). In addition, one of the disadvantages of association among competing companies is the difficulty of relationship with rivals before the formation of the network (ARRANZ et al., 2016; MAZZAROL et al., 2013).

In order to emphasize the points of the theoretical framework that underlie the responses of the objectives of this work, i.e., to analyze the factors that influenced the association and in the development of the first business network of formal MSEs of the retail industry of stationery stores in Brazil, Table 1 summarizes the characteristics of the network found in Porter (1989), Knorriga and Meyer-Stamer (1998), Balestrin et al. (2005), Guerrini (2005), Tigre (2006).

Table 1  -  Characteristics of networks found in the literature

<table>
<thead>
<tr>
<th>Association formality: Bureaucratic or informal.</th>
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<tbody>
<tr>
<td>Regarding the decision power among the members: Symmetrical or asymmetrical.</td>
</tr>
<tr>
<td>Regarding the ownership rights among the shareholders: Proprietary or not.</td>
</tr>
<tr>
<td>Regarding the hierarchy and the position of leadership forward the members: Vertical or horizontal</td>
</tr>
<tr>
<td>Regarding the duration time of the network: Flexible or long-term.</td>
</tr>
<tr>
<td>Regarding the type of strategy and competition in relation to the other partners: Tangible, intangible or competitors (they are not exclusive).</td>
</tr>
<tr>
<td>Regarding the type of structure presented as to the organizational borders in networks: Modular, virtual or free from barriers.</td>
</tr>
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</table>


Networks have several characteristics, so they can be classified as: formal, informal, long-term or limited time, and vertical and horizontal (KNORRIGA; MEYER-STAMER, 1998). For Tigre (2006), the typology used for vertical networks is hierarchical and, for horizontal networks, not hierarchical, without any change in characteristics.

Knorriga and Meyer-Stamer (1998) define formal networks as those that have a contractually sanctioned legal basis. Examples are strategic alliances, export consortia, business associations. Informal networks have no contractual basis and exist due to the mutual interests of the parties involved.

Guerrini (2005) adds that networks are classified according to the type of formalization that exists between participating members and can be symmetrical (equal decision-making power between members) or asymmetrical (with a centralizing agent), citing social networks, which do not register formalities in the contract. For asymmetric social networks, there may be contracts for the negotiation of products and services, but not for the relationship between companies. In the bureaucratic networks, there is formalization registered in the contract. In proprietary networks, the contracts refer to the right of ownership between the shareholders of companies.
Tigre (2006) presents network classifications according to the existing form of cooperation, with hierarchical or vertical networks, coordinated by an anchor company that integrates a set of suppliers of different levels, articulated in a value chain. The definition itself suggests a leadership position vis-à-vis the other partners and gives the leader the power to define the rules and oversee the conduct of the other partners. The leading companies in a hierarchical network can be large producers; large buyers or exclusive suppliers of technologies or critical inputs. Tigre (2006) illustrates, as leaders of hierarchical networks, large buying companies like Walmart, who runs a chain of suppliers and toymaker Mattel, which owns famous brands, such as the Barbie doll. As leaders of hierarchical networks that provide exclusive technologies or critical inputs, the author cites companies such as Coca-Cola, which owns the secret formula of the main raw material for the best selling soft drink in the world and companies such as Sony, Nintendo, and Microsoft, which provides the platform for game development that should be marketed only for products manufactured by them.

Contradictorily, non-hierarchical or horizontal networks are inspired by the geographical agglomeration of companies, as they concentrate the supply of labor, development of transport services and the marketing of specific products (TIGRE, 2006). Only the grouping of companies in a given location does not configure the network, which only comes into existence when organizations take joint actions, such as the formation of consortia, shared investments, sharing of technological structures, among others. Generally, the lack of hierarchy in networks is characterized by the union of small and medium-sized companies with horizontal and vertical specialization, in addition to simultaneously supplying and competing with each other. There is no clear hierarchy. A non-hierarchical network may have, among its objectives, the realization of joint actions commercially, technologically, operationally and politically (TIGRE, 2006).

Balestrin and Vargas (2005) complement Tigre’s definition (2006), saying that non-hierarchical networks are made up of companies that remain independent in the conduct of their market strategies, in the management of information and technologies and their organizational objectives. There is a cooperative process that goes hand in hand with competition among its members and facilitates the freedom of individual action simultaneously with collective actions.

Knorringa and Meyer-Stamer (1998) also demonstrate that some networks are formed to achieve a concrete objective, therefore for a limited time, it is called flexible. The other forms are long term. Under these conditions, networks are formed with no date to end their operations. This happens, for example, in districts and business associations.

For Porter (1989), there are three possible types of interrelationships between companies: tangible interrelationships, intangible interrelationships, and competing interrelationships. All forms of interrelationship, in isolation, can have important impacts for companies, but they are not mutually exclusive. Tangible interrelationships arise from opportunities to share any valuable activities between companies. These value activities are
divided into five categories: production, market, acquisition, technology, and infrastructure. Intangible interrelationships arise from similar strategies, the same type of buyer, similar value activities, as well as the configuration of the value chain. This type of interrelation results in knowledge transfer so that it is possible to make a similar company more competitive. And competing interrelationships occur when companies are competing in one or more business units. As Porter (1989) stated, more than one type of interrelationship can simultaneously impact-related companies.

In a complementary way, Guerrini (2005) presents characteristics as to the type of structure presented regarding the organizational borders in networks. The types of structure can be modular, in which the organization maintains the essential activities of the value chain and outsources the support activities, exercising control over them. It can also be a virtual structure, which temporarily unites networks of suppliers, customers, and competitors to reduce costs and access markets. And the barrier-free structure, with less rigid definitions of functions and tasks.

The synthesis of the factors found in Oliver (1990), Castells (1999), Peci (1999), Todeva and Knoke (2005), Pacagnan (2006), Mazzarol et al. (2013) that may influence favorably or unfavorably, the MSEs to join the business networks are listed: Access to new technologies; environmental outreach; range of competitive advantages; threats found individually; expansion in marketing; learning of tacit knowledge of partner; acquisition of distribution facilities; asymmetry; low individual performance; low competitive power; future benefits for all involved; similar characteristics of the business; technical and commercial complementary; environmental condition; cooperation among competitors; creation of central purchasing; creation of synergy; crisis of profitability; costs and high risks; development of technical standards; distance among firms; diversification; efficiency; lack of financial resources for the initial investment; stability; inability to achieve goals in isolation; business isolation; legitimacy before the market; individual limitation; brand, advertising and publicity; shared performance improvement; need; need to return in short term; corporate history; relationship of managers; trade policies; provide benefits to former competitors; reciprocity; trends of the sector and individual corporate vision.

The analysis of these factors on the part of each entrepreneur owner of SME and also the conditions in establishing organizational relationships help to define on the prosperity or not of this association that could generate future benefits for all involved in the partnership at four different levels: organizational, economic, strategic and political.

Table 2 presents, in brief, the factors that influence business networks identified in Knorringa and Meyer-Stamer (1998), Lagemann (2004), Thalamus and Carvalho (2004), Balestrin et al. (2005), Tigre (2006), Verschoore Filho (2006), Provan and kenis (2007), Rodrigues et al. (2009), Thorgen et al. (2009), Wegner and Padula (2010), Marchi et al. (2012), Olsen et al. (2012) and Mazzarol et al. (2013), as advantages, disadvantages, kind of governance, management and trends of a collective organization provided by development.
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### Table 2 - Factors which influence on the development of corporate networks

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
<th>Governance, Management and trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower costs in the acquisition of goods.</td>
<td>Companies in the same sector are considered competitors and the interaction presents the risk of revealing trade secrets.</td>
<td>The shared governance, is usually the most desirable among members of a network.</td>
</tr>
<tr>
<td>Competitive advantage provided by information sharing</td>
<td>Macroeconomic conditions may discourage inter-companies firms cooperation.</td>
<td>The leadership governed, is usually carried out by a company of fundamental importance for the network.</td>
</tr>
<tr>
<td>Legitimacy facing the market.</td>
<td>The cooperation coordination involves time and it is necessary a great effort to reduce costs.</td>
<td>OAR is autonomous and shall coordinate and maintain the network, manage conflicts and be the facilitator and speaker of the collectivity.</td>
</tr>
<tr>
<td>The benefits of the association tend to increase with the growth in the number of participants and time of union.</td>
<td>Competitor participants limit to cooperation and interaction.</td>
<td>There is not a type of ideal governance to be followed by all the networks.</td>
</tr>
<tr>
<td>Reducing costs with advertising, publicity and outsourced services.</td>
<td>The performance of all organizations may be compromised if a leader passes to exert influence on the strategies of other companies.</td>
<td>The trends of cooperation: a high degree of professionalism in management, centralized governance, mixed models of organization, which combine the franchise system, branches and cooperatives at national and international level.</td>
</tr>
<tr>
<td>Improvement of organizational development individually and collectively.</td>
<td>Risk of opportunistic attitudes.</td>
<td>Fusions among the networks may create megacooperations among multiple sectors.</td>
</tr>
<tr>
<td>Stability as time goes by.</td>
<td>Little time for members to management of the collective business.</td>
<td>The economy of scale and ability to provide services to affiliates will depend on the number of participants, regardless of the operation sector.</td>
</tr>
</tbody>
</table>


All these factors demand time and responsibility on the part of managers and, thus, enterprise networks require a professional management (WEGNER; PADULA, 2010).

Another approach that has not been developed in this research, but it deserves to be mentioned is related not only to economic and competitive factors of business networks, but also with social issues inside and outside among its members. So that a corporate network is successful it is necessary that its members have confidence among themselves, in addition to the favorable relationship environment (WEGNER; ROSSI; SCARANO, 2014). The cooperation among its members, as well as the sharing of experiences are important factors for the increase of trust among the members, as well as the creation of a positive cultural environment among those associated, having as consequences more solid corporate networks and with greater possibilities to achieve good results (CUNHA; PASSADOR; PASSADOR, 2012).
3. METHODOLOGY

The methodology adopted in this study presents qualitative approach, descriptive type regarding the purposes (GODOY, 1995). The strategy adopted was case study (YIN, 2010). The unit of analysis was made up of the first specific purpose society of Minas Gerais, composed of 21 small companies originated from the union of two informal corporate networks that formed the SSP of stationery stores, being the research individuals: 12 entrepreneurs members of the company collectively, that represent the totality of participating companies, by some of these entrepreneurs are members in more than one company. This unit of analysis encompasses all legal representatives of 21 companies associated to the SSP, which was chosen by judgment of researchers on the ability of these businessmen partners to have the information necessary for the achievement of the objectives of this research. The data collection was performed by means of semi structured interview script, combining open and closed questions. The analysis of data collected was performed according to the method of analysis of content (BARDIN, 2011), and the software NVIVO 10 for assistance in the work of the grouping of responses in their respective categories of analysis.

The script of semi structured interview addressed issues - already seen in the theoretical framework - such as the factors that influence favorably or unfavorably the MSEs to align themselves with the SSPs such as: access to new technologies; environmental outreach; range of competitive advantages; threats found individually; expansion in marketing; learning of tacit knowledge of partner; purchasing means of distribution; asymmetry, in addition to other factors. This is the category of data analysis 2. Furthermore, table 1 is the basis for the elaboration of questions related to the categories of analysis 1 and 3. This content was based on the works of Knorringa and Meyer-Stamer (1998), Oliver (1990), Castells (1999), Peci (1999), Balestrin and Vargas (2002), Lagemann (2004), Tálmamo and Carvalho (2004), Guerrini (2005), Balestrin et al. (2005), Todeva and Knoke (2005), Pacagnan (2006), Tigre (2006), Provan and Kenis (2007), Rodrigues et al. (2009), Thorgen et al. (2009), Olsen et al. (2012) and Mazzarol et al. (2013).

For the preparation of content analysis, it was adopted the model proposed by Krippendorff (2012), as shown in Figure 1:

Figure 1 - Components of content analysis

![Figure 1 - Components of content analysis](source: Krippendorf (2012, p.86), translated by the authors.)
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The model of Krippendorff (2012), as shown in figure 1, is proposed in the following steps: Unitization, sampling, recording or coding, reduction, inferences and narration of responses, in order to be able to respond in a clear way the research question. To explain each of the steps, it is presented a synthesis of the proposed model and three categories of analysis were established considering the objectives of this study and in relation to the theoretical framework described earlier:

**Category 1:** Classification of corporate network as SSP.

**Category 2:** Advantages and disadvantages of the MSEs association to a formal network of SME in the retail stationery stores.

**Category 3:** Factors influencing the development of a formal network of MSEs in the retail stationery stores.

4. ANALYSIS AND INTERPRETATION OF RESULTS

The data analysis is subdivided considering the three categories used in the process of data analysis and interpretation of the results.

**4.1. CLASSIFICATION OF SSP AS A CORPORATE NETWORK**

The category of analysis number 1 was the classification of MX network as a corporate enterprise on the main characteristics presented in the literature regarding the formalization and centralization, according to Guerrini (2005); as to the direction, according to Tigre (2006); as to the flexibility, according to Knorriga and Meyer-Stamer (1998); and concerning the borders and on the inter-relation as in Porter (1989).

It can be concluded that the MX Network presents characteristics of bureaucratic networks, according to Knorriga and Meyer-Stamer (1998), due to having procedures recorded in social contract and also in contract that defines the rules of the association. The type of centering is symmetrical, although there is an influence of a spontaneous leadership, all preserve the same power of decision, as described in Guerrini (2005), in situations in which they wish to participate. Because of the social contract of MX refers to the right of ownership among shareholders, according to Guerrini (2005), it is a proprietary network, presenting characteristics of non-hierarchical or horizontal networks, due to being inspired by the marketing of specific products (TIGRE, 2006), and due to the division of roles and tasks. It is classified as long-term, in this condition the network is formed without date to end its operations, according to Knorringa and Meyer-Stamer (1998), keeping their activities while the union is advantageous for those involved. It still maintains the three possible types of inter-relationships in which more than one type of inter-relationship may impact both companies that have relationships (Porter, 1989), being that (1) The tangible interrelationship because there is the possibility of additional benefits by sharing any activities of value; (2) the intangible interrelationship due to the participating companies have similar strategies and (3) The competitive interrelationship due to occurring competition among the partners of the SSP in more than one type of operation and also the sharing of responsibility, as laid down in the Complementary Law no. 128, article 56, paragraph 6, 2008, not defined in the literature yet. Regarding the type of network structure, it was possible to identify less rigid
characteristics of definitions of functions and tasks. Therefore, the MX network presents a structure free from barriers (GUERRINI, 2005).

4.2. ADVANTAGES AND DISADVANTAGES OF THE ASSOCIATION OF MSES TO AN SSP IN THE RETAILS STATIONARY STORES

Access to new technologies influenced the formation of the MX Network. The possibility of cost reduction for acquisition, greater efficiency and control in the operations of MSEs due to the greater number of partners to have access to technologies favored the association of MSEs with the studied SPE.

Environmental care also favored the association of MSEs with SPE. The creation of the SPE came from the union of two competing networks before the formation.

The reach of competitive advantages favored the unanimous association between the entrepreneurs of the MX Network. Each member sought competitive advantages that would improve their individual performance. It was highlighted that the individual weaknesses in accessing suppliers and purchasing goods for resale were one of the main points of competitive advantage sought.

The threats found individually due to the increasingly strong and fierce, professionalized and new players competition favorably influenced the association of most MSEs with the MX Network. Despite being constantly threatened by larger companies, a gradual increase in information on the part of the consumer public, the union of MSEs and the various possibilities for creating synergies in a network provides, as they develop, a reduction in the threats faced by each participating company.

The development of the association allows the individual growth of partner organizations and the search for markets that are not occupied.

Learning the partner's tacit knowledge was a factor favorable to the association of MSEs with the MX Network. Entrepreneurs seek to learn the strengths of each partner company to try to improve their performance.

The acquisition of means of distribution was not relevant to the association with Rede. As it is the union of two small networks that previously did not have this need, it is assumed that this factor was not even presented or discussed by the SPE members before the formation and that this is one more of the future possibilities created by participation in networks and glimpsed by the entrepreneurs at the time of the interview.

The asymmetry between companies divided the interviewees' opinions. The judgment of each entrepreneur regarding their potential and their real situation influenced their decisions, in addition to the differences between product mix. However, all companies participating in an SPE must be micro and small and, specifically, in the case of the MX Network, all are small companies and have approximate sales. Thus, asymmetry in terms of size was irrelevant and asymmetry in terms of product mix favored the association, enabling diversification for future partners.

It can be concluded that the low performance favored the union by confidential reports to the researcher in other points of the interview. The search for unity to achieve collective improvements, the determination to seek the survival of its companies, increase
purchasing power and achieve competitive advantages were important and show the search for evolution of performance by half of the associated entrepreneurs.

The association factor between entrepreneurs and the SPE studied continues to favor the measure that the collective business develops. The more similar the companies were previously, the more benefits could be achieved and the synergy could happen more quickly with the merger.

The complementarity expected by future members of a purchasing SPE is to be able to purchase products within their resale needs at better prices and in smaller quantities than if they were purchased individually.

The environmental condition of stationery retailers and the changes foreseen for the sector by the interviewed entrepreneurs exposed the weaknesses and insecurities of the MSEs that sought to participate in the SPE.

The creation of a purchasing center is the main foundation for creating an SPE that aims to buy better. It is the most important factor in creating this network format. Also, the individual profitability crises favored the association with the MX Network and that participation can provide an improvement in profitability.

The high cost and risk factor was pointed out as the most unfavorable of all among those presented to entrepreneurs. What presents a risk for all companies is that some individual opportunistic attitude implies collective losses that must be assumed to avoid the credit restriction of all companies.

Because all the companies participating in the MX Network are retail MSEs and do not manufacture anything, the factor of development of technical standards was not considered relevant for most of the interviewees, who did not even consider their importance because they feel unable to create technical standards for the sector.

The distance between companies factor favored the association of MSEs with the studied SPE and that the involvement of the partner depends on adequate distance for market protection and participation without great efforts. Besides, diversification is a favorable factor for creating the development option. It should be noted that a diversified group can cause difficulties in creating synergies.

The efficiency provided was a favorable factor for the association of MSEs to the MX Network and is since entrepreneurs are not satisfied with the efficiency of their companies after some time of union, which can demonstrate their expectations regarding the factor.

It was also identified that the search for relationship and approximation allows the conclusion that the factor favored the association of MSEs with SPE and that the sharing of brands, publicity, and advertising favored the association of MSEs with Rede MX.

Several individual limitations favorably influenced the association of MSEs with the MX Network, including the individual disability of each participant, the distance from the main business centers and also the size of the companies. Just because they are small companies, which sell non-exclusive industrialized products, can individual limitations be identified in each one. However, the recognition of the limitation is what determined the search for the association of each entrepreneur.

Unanimously, the SPE partners stated that the performance improvement expected by the association of their companies with the MX Network favored their associations. This demonstrates that entrepreneurs were aware that unity, cooperation, and collaboration are capable of providing better performance to those involved, especially when it comes to collective purchases.
According to the responses of the interviews regarding the relationship of the managers before the formation of the partnership, it was evident that the factor was of fundamental importance for the emergence of the MX Network. Although not everyone is related, the trust between known members made it possible to nominate and approve members for the formation of the SPE with the largest number of participants. Thus, the relationship of managers before the association was favorable to the association of MSEs with the SPE studied.

All respondents reported that the sector’s trend favored the association of their MSEs with the MX Network. Despite the sectoral forecast reported to be quite pessimistic, once again the strong presence of entrepreneurship in the personalities of the entrepreneurs was highlighted to seek individual solutions. Therefore, the sectorial trend was identified as a favorable factor for the association of MSEs with the MX Network.

To illustrate the relevance of all factors, figure 2 presents the opinion of entrepreneurs on each factor. Each beneficial factor, unfavorable to the association of an SME to the SSP received a point, the factors mentioned as irrelevant by the interviewees were disregarded.

**Figure 2 - Influence of associative factors of MSEs for the entrepreneurs of SSP**

![Graph showing influence of associative factors of MSEs for the entrepreneurs of SSP](image)

*Source: research data.*

Regarding the factors that might favor or disfavor the collaborative associativism in an SSP, can be noticed that only the factor costs and high risk influenced the majority of entrepreneurs interviewed negatively regarding the association to the MX Network of stationery stores Ltda.
4.3. INFLUENTIAL FACTORS IN THE DEVELOPMENT OF AN SSP IN RETAIL STATIONERY STORES

The third category of analysis aimed to identify the factors influencing the development of the MX network, highlighting the advantages presented by Lagemann (2004), Balestrin et al. (2005), Verschoore Filho (2006), Rodrigues et al. (2009), Marchi et al. (2012), Mazzarol et al. (2013) and the disadvantages pointed by Knorringa and Meyer-Stamer (1998), Tálamo and Carvalho (2004), Tigre (2006), Thorgren et al. (2009), Olsen et al. (2012) and Mazzarol et al. (2013). Inquiries were made to entrepreneurs so that they would be instigated to expose on the advantages and disadvantages on the anticipation of the development of the associative relationship of SSP.

The biggest advantage of a network in the form of SSP in the opinion of the majority of respondents is the reduction of costs relating to the acquisition of goods for resale. However, some businessmen reported that they do not have the power to purchase enough to see costs as advantageous to participation. As there is a division of costs concerning the administrative expenses common to the participants of the MX network of stationery stores, companies that have less purchasing power cannot perceive large financial advantages in their participation. Thus, so that these associates continue to participate in the SSP, more financial advantages should be constantly offered and analyzed. Therefore, only companies with sufficient buying power to benefit more by discounts offered in collective purchases than to honor the expenses allocated pro rata among the members of the SSP realize benefits in their participation regarding the costs.

To all members of the MX Network, the sharing of information among the participants presents a major competitive advantage for the development of their businesses. But, the rapid sharing of information may undermine the confidence of partners when the information shared is not positive. Therefore, it is possible to conclude that, in a network, the information circulates quickly, presenting advantages to participants, as well as exposing them to mistrust and intrigues. The interviewees, in their majority, reported that the MX Network of stationery stores is still below its capacity concerning to the possible advantages afforded by legitimacy. The entrepreneurs say they have acquired greater respect among the suppliers, but the audience did not notice changes.

When it comes to the advantages regarding the number of participants of the union, the responses indicate that the greater the number of participants, the better the conditions of purchases and lower the cost proportional to be allocated pro rata among the members; besides that, the greater the number of participating companies, the lower the risk is in proportion to each company, if one or the other becomes delinquent. However, the decisions will be slower and more complex, if there are no changes in the current kind of governance used by the MX network.

According to the entrepreneurs, the stability provided by the company collectively is due to the ability to generate benefits that the SSP has, compared to individual companies. Based on the interviewees’ reports, the MX Network is below its capacity regarding the brands sharing that would justify the investment in publicity and advertising together, which also occurs regarding the outsourced services. Thus, it can be set as irrelevant to associated members the possible advantages of reducing costs related to the sharing of advertising, publicity and outsourced services in the MX network.

When requested to point out advantages of improvement and organizational development individually and collectively provided by the participation of their companies
in the MX, network responses varied between the setback, stagnation and a considerable advance of individual companies. Despite the divergence of responses, the researcher can understand that the entrepreneur who complained of setback has expanded recently his shop.

The stability granted by development was considered to most entrepreneurs as a considerable advantage in participating of the MX Network. However, a businessman pointed to the stability as a risk of accommodation for all members.

The development of the network and the confidence gained among partners during the time of existence allows some entrepreneurs not to be afraid to reveal their secrets. Even though, some of them confessed that they are transparent in their relationships within the network. The factor was considered as a disadvantage for the development of MX Network.

As for the macroeconomic conditions that can discourage the inter-companies cooperation, all members of the MX Network do not realize that it can be a disadvantage for collective activities, considering thus, advantageous the union in any macroeconomic situation.

The interviewees’ reports indicate that the time to coordinate cooperation is scarce for most members and, therefore, rules and limits of expenditure have been agreed at the beginning of operations. Thus, it was considered the factor as an advantage for the development of MX Network.

The SSP’ partners exhibited in their answers not to be limited to cooperate and also they showed that they interact among themselves. However, they show signs that they do it because of the condition of partnership that are involved and not because they feel comfortable. Thus, the factor proved to be a disadvantage for the development of the MX Network, which can be minimized if the distance among the stores is longer.

When it comes to the influence of a leadership in the strategies of other companies, there was a difference of opinion among the respondents. Some believe that a leadership that influences the strategy of other companies seeking to improve efficiency and others that the interference of a leadership can affect the individual business.

According to the unanimity of the interviewees, the risk of opportunistic attitudes lies on the business of the MX Network. However, the reputation of those who perform such breach will be jeopardized.

The short time of members for the management of collective business implies on a lack of debates and lack of information exchanges. Hence, the sensation of non-participation in the decisions might discourage the obedience of recommendations so that it is possible to achieve benefits collectively.

An SSP has rigid fiscal obligations. In the case of MX network, there are 21 associated companies and 12 businessmen responsible for the operation. So that there is an organization, some formalities are necessary so that the network management is efficient. This analysis allowed to identify the factor as a disadvantage to the development of the SSP studied.

According to the participants’ reports, the SSP studied operates below its capacity, therefore the increase of members would not provide increased administrative costs. In addition, more advantages could be achieved by increasing the number of members, such as increased scale of purchases. Although all participants have the same decision power, there are no rules defined in the MX Network, which avoid lengthy actions, when there is no consensus of opinion by the entrepreneurs. Therefore, if alternatives are presented to
solve stalemates, shared governance tends to be beneficial for the development of the MX Network.

The majority of respondents held back upon reporting the high cost and the risk of opportunism as the disadvantages of the administrative organization of the network (AON).

The advantages pointed regard the greater ease to expand, fairness in decisions and in the management of collective interests. When based on the type of governance used by the network studied and in the main goal of the SSP which is the reduction of costs and the purchase of goods for resale, made possible by the collective efficiency, it was concluded that the AON, as possible type of governance for the MX network, will be a disadvantage for the development of the Union, which may increase the collective costs and frustrate partners who sought to lower costs when joining.

Considering the goals of this research, the first category of analysis aimed at classification of SSP as enterprise network regarding the main characteristics presented in the literature, which allowed to conclude that specific purpose society - SSP - is a new format for corporate network in Brazil, composed exclusively of micro and small enterprises, with formalization and property rights of businesses defined in contract, symmetrical because of all the members have the same power of decision, horizontal, as there is not a clear hierarchy among the members and long-term, because there is no time limit of existence defined. In addition, it features, tangible, intangible and competitive inter-relationship due to occurring share among member companies, having similar strategies and competing among themselves, in addition to possessing a structure free from barriers with less rigid setting of roles.

The second category of analysis related to identifying the favorable and unfavorable factors to the association of an SME to a formal network of MSEs in retail stationery stores, intended to identify, according to the 40 factors found in Oliver (1990), Castells (1999), Peci (1999), Todeva and Knöke (2005), Pacagnan (2006), Mazzarol et al. (2013), that may influence the association of MSEs of retail stationery stores of the metropolitan region of Belo Horizonte municipality.

Of the 40 possible factors that could encourage or discourage the formation of collaborative associativism in an SSP, it is possible to realize that for the majority of the members only the factor costs and high risks negatively influenced the formation of the MX Network. Despite of the high costs for the creation and maintenance of an SSP, the risks of liability for opportunism of others and by any debt from partner companies presented themselves as the main factor able to discourage such an organization. The high risk of participation in a SSP occurs, first, because all participating companies are jointly responsible for all debts that the network can acquire. Furthermore, if one of the companies have the name registered as delinquent payer in entities of credit protection, all can be harmed and also lose credit for being members of the debtor. All other factors favored the association of MSEs to the MX Network according to the majority of the businessmen.

It is also emphasized that some factors influenced in favor of unanimity among the businessmen to participate in a collective undertaking in the format of SSP, namely: range of competitive advantages, similar characteristics of the business, creation of a central purchasing body, creation of synergy and efficiency expected and improving performance.

The third category of analysis aimed to identify the factors influencing the development of the MX Network, highlighting the advantages and the disadvantages mentioned in
the literature. The main advantage of a network in the format of SSP of purchases is the reduction of costs relating to the acquisition of goods for resale to the companies’ members which, beyond the power of scale provided by the union of MSEs, benefit from not having to collect the taxes on the transfer of goods.

The possible disadvantages mentioned on the participation of MSEs in a SSP were minimized with positive arguments of the association. What led to the conclusion that the benefits perceived from the inclusion of MSEs in a SSP outweigh the negative factors related to it.

5 CONCLUSIONS AND FINAL CONSIDERATIONS

In theoretical terms, the contributions of this work can be described in terms of the comparison with the results described in the literature, which proved to be valid and efficient to assist the characterization of SSP (GUERRINI, 2005), as to the direction (TIGRE, 2006), as well as the flexibility (KNORRIGA; MEYER-STAMER, 1998), as the borders (DESS, 1998) and on the inter-relationship (PORTER, 1989). However, the theory does not include the sharing of joint and several liabilities, provided for in the Complementary Law no. 128, article 56, paragraph 6, 2008. So, based on this research, it is suggested the inter-relationship of responsibility that provides this type of sharing among members in corporate networks.

Table 3 - Characteristics of SSP of SME of identified purchases

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Description</th>
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<tbody>
<tr>
<td>Bureaucratic</td>
<td>To have procedures registered in the social contract and also in contract that defines the rules of the association.</td>
</tr>
<tr>
<td>Symmetrical</td>
<td>Everybody preserves the same decision power.</td>
</tr>
<tr>
<td>Owner:</td>
<td>The contract refers to the right of ownership among shareholders.</td>
</tr>
<tr>
<td>Horizontal</td>
<td>Inspired in the commercialization of specific products, there is division of roles and tasks.</td>
</tr>
<tr>
<td>Long-term</td>
<td>The network is formed without a date set to end their operations.</td>
</tr>
<tr>
<td>Tangible inter-relation.</td>
<td>Possibility of additional benefits by sharing any activities of value.</td>
</tr>
<tr>
<td>Intangible inter-relationship.</td>
<td>Participating companies have similar strategies.</td>
</tr>
<tr>
<td>Competitive inter-relationship.</td>
<td>There is competition among the SSP partners in more than one type of operation.</td>
</tr>
<tr>
<td>Free from barriers.</td>
<td>Less rigid setting of roles and tasks.</td>
</tr>
<tr>
<td>Sharing of solidary responsibility (not provided in theory)</td>
<td>Predicted in Complementary Law number 128, article 56, paragraph 6, 2008.</td>
</tr>
</tbody>
</table>

Source: Elaborated by the authors

The theoretical framework of this study included all factors that may influence the association of an SME to a network found in Oliver (1990), Castells (1999), Peci (1999), Pacagnan (2006), Mazzarol et al. (2013). A fact evidenced after the non-identification of other possible factors that influenced the association of MSEs to MX network soon after the presentation for entrepreneurs of 40 factors that are covered by the literature.
The advantages presented by Lagemann (2004), Balestrin et al. (2005), Verschoore Filho (2006), Rodrigues et al. (2009), Marchi et al. (2012), Mazzarol et al. (2013) were also valid for a network in format of SSP. Thus, advantages regarding the reduction of costs, power of scale provided by the Union, legitimacy before the market, sharing of brands, advertising and publicity, the increase in the number of participants were identified in this research. However, the stability provided by entrepreneur participant of an SSP represents an accommodation risk. The caveat is also valid for competitive advantages gained by sharing information, which showed to be able to undermine the confidence of partners when the information shared is not positive. Thus, it is suggested a review of the literature regarding stability and also the risk of sharing information to MSEs participating in networks.

On the other hand, the disadvantages cited in thalamus and Carvalho (2004), Tigre (2006), Olsen et al. (2012) and Mazzarol et al. (2013) on the development of networks were confirmed to the research in SSP. Thus, the competition in the same sector and the risks of revealing trade secrets, time and effort required to coordinate cooperation in order to reduce costs, the limitation of the interaction among competitors, risk of opportunistic behavior, the need for professional management and the cost increases, networks highly formalized that limit the benefits of the Union, little time for members to manage the company collectively and to the performance impairment in case a leader passes to exert influence on the other associated members, which evidenced the efficiency of the theory.

Evidences found at the MX Network contradict the theory about the disadvantages of the development of networks. Macroeconomic conditions may discourage the inter-companies cooperation, which contradicted the result suggested that the advantages obtained by cooperation are independent of macroeconomic conditions (KNORRIGA; MEYER-STAMER, 1998). The same also occurred as in the greater the number of members of a corporate network, the greater the administrative cost of the network (THORGEN et al., 2009), which was not confirmed in SSP, that the greater the number of participants the administrative cost divided among the companies tends to reduce until it reaches the limit of operation capacity of network which should remain stable.

Of the twelve critical success factors for the success of networks of MSEs reported by Hoffman and Schlosser (2001), only the factor “Deriving the goals of the alliance of business strategy” is not suitable for the MX Network. The perception of entrepreneurs participating in the SSP studied presents evidence that the sector of stationery store needs strategic changes to not be extinguished. Thus, if the objectives of the Alliance are derived from the strategy, the move could be hampered and the collective survival threatened.

It is important to consider that this study contributes to the understanding of the factors to be considered by entrepreneurs in their decision to join or not to SSPs. In this sense, this work has contributed to increase the robustness of the theoretical aspects, as well as for the study of micro and small enterprises.

In practical terms the results present the most different managerial implications. Briefly, the results can collaborate for marketing programs with the intention of forming new SSPs in different regions of Brazil, especially if they are considered the factors that most influence the entrepreneurs’ decisions. In addition, the search results also serve to support the planning, execution and control of various projects and activities carried out by the SSPs. The expected goals and results may reflect the advantages and disadvantages considered more important by entrepreneurs, collaborating for the success of MSEs, improving their
process for managing and growth over time, as well as generating “successful stories”, which can attract more entrepreneurs in the formation of new MSEs.

The limitations of this research can be described in terms of the absence of literature on Specific Purpose Society. The characteristics of networks were analyzed only by searching for a single purchases SSP, so the result should not be generalized and not extended to sales SSP. In addition, it is important to consider also the small sample - twelve respondents - who composed the study of MX Network.

For future bodies of research, it is suggested the adoption of other techniques of content analysis to analyze contextual and the intersubjective issues of the interviewee, aiming to postulate critical positions regarding the discourse, as well as expand the search to SSPs that have the specific purpose of sales, so it is possible to compare the results. Another possibility of research concerns the study the SSPs that have a large number of members, which would allow the execution of research describing with representative samples, as well as compare the SSPs from different sectors of the economy.

REFERENCES


The factors that affect the formation and development of formal networks of micro and small enterprises


The factors that affect the formation and development of formal networks of micro and small enterprises


