

SUCCESS VS FAILURE OF ECONOMIC COOPERATION: THE CASE OF INDUSTRIAL COMPANIONSHIP BETWEEN FRENCH AND MALAGASY

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ABSTRACT

This article examines the multiple causes of success, failure or abandonment identified in the Industrial Companionship (IC) programs in Madagascar between 2000 and 2011. The IC is a particular cooperation that can be defined as an original device of accompaniment of a company for the benefit of an SME that favors the rapprochement of the leaders and aims to achieve multiform partnerships. In the Malagasy context, the essential is the transfer of know-how, the upgrading to international standards of products and trade, training, acquisition of equipment and technical assistance but also, because the cooperation aims to become profitable in the long term for both parties, The study conducted a documentary research on four waves from 1995 to 2011, interviews in France and Madagascar whose cooperation has succeeded or has been abandoned. The results show that, apart from abandonments due to force majeure, failures do not seem to be very different from other forms of cooperation, except for a much lower occurrence. And, in particular, that the IC does not totally protect from the risk of opportunism.

Keywords - *Industrial partnership, decentralized cooperation, international cooperation, company failure, North-South relations.*

INTRODUCTION

Like individuals, can organizations be philanthropic? It is a question of taking into account the actions because, upstream, the intentions and decisions are human. For many NGOs or associations, the fact that they are not for profit allows them to consider that their actions are disinterested apart from the advantages - consideration, trips, interesting activities... - that their members, leaders, volunteers or employees can get.

Generally, it is difficult to take this aspect into account in the context of a company's activities. This is why many prefer to separate the so-called philanthropic activities, better identified within the framework of the creation of a corporate foundation¹.

However, certain forms of cooperation called "industrial companionship" (CI) allow for actions whose media impact is almost non-existent, but which can nonetheless lead to an increase in the reputation of their authors in a given profession and often be the gateway to sustainable international activities.

If the title of this article refers to the disinterestedness of managers, it is because the promoters of the IC believe that "it is obvious to the French company that it should not expect to receive any benefits in return for at least three to five years" (**Collective, 2008**). Before hoping for a return on investment, the French business leader must go to the South to make a diagnosis of the company, then reflect jointly with his counterpart on the prospects for development and determine to what extent the French company can support him in his project.

There are many different forms of IC in terms of their objectives and methods, but the basic principle is fairly unchanging². A large company with a recognized experience curve agrees to help a smaller organization - SME or association - in a field, be it management or technology. The Regions, with the assistance of the Chambers of Commerce and Industry (CCI), have already initiated this type of cooperation in France by providing subsidies for one-off mentoring actions where the amount of the aid only covered part of the services provided. This can take the form of the secondly of an engineer to refine the development of a technological process in an SME or to help an association with its computerization...

It is obvious that the CI could also be exercised, beyond the proximity between SMEs, at a distance within the framework of economic relations between countries of the North and the South. Through their CCI, several French regions have initiated this practice in the framework of decentralized cooperation.

The article aims to report on an experiment conducted between the former Haute-Normandie region and a country, Madagascar. After an overview of the literature and feedback in this field (1), the article will present the experiences of IC in Madagascar and the research protocol (2), and then analyze the mixed results, focusing on the causes of failure or abandonment in Madagascar with companies that have benefited from this protocol or not (3). The conclusion will question the rather confidential nature of the IC, despite its convincing results, and its future prospects.

THE INDUSTRIAL COMPANIONSHIP, A SUBJECT LITTLE PRESENT IN THE SCIENTIFIC LITERATURE

The search for scientific articles did not yield anything. It was then necessary to make a detour through traditional search engines. The combination of the two words in the expression yielded very meager results. The same regional institutions - trade associations, chambers of commerce and industry, regions - have been used for the past 20 years, with little reference to national federations or central administrations.

"In 1992, the Association régionale de développement de la coopération internationale (**Adeci**) [based in Marseille] took the initiative of creating a network of enterprises and development (E&D), of which its director [Jean-Claude Sitbon] was president. This national network brought together several French regional structures (Adeci Pace, ARD Nord-Pas-de-Calais, Interco Aquitaine, Ipad Rouen, Ircod Champagne-Ardenne, Ircod Alsace and Loire-Atlantique Coopération) whose common denominator was

¹ In France, the PACTE (action plan for business growth and transformation) bill, presented in the Council of Ministers on June 18, 2018, consists of rethinking the place of business in society by redefining their *raison d'être*. One of the ten emblematic measures of the project thus proposes to amend the Civil Code and the Commercial Code in order to "strengthen the consideration of social and environmental issues in the strategy and activity of companies." To this end, the bill is inspired by the proposals of the report "Company, object of collective interest", submitted on March 9, 2018.

² The term "compagnonnage" was popularized by the famous Tour de France, launched in the 19th century by a branch of the French workers' movement. In 2010, the French *compagnonnage* was inscribed on the Intangible Cultural Heritage of Humanity under the title "Le compagnonnage, réseau de transmission des savoirs et des identités par le métier". The Unesco committee saw it as "a unique way to transmit knowledge and know-how".

that they were close to the regional fabric of SME-SMIs and that they worked within the framework of North-South cooperation" (Le Moci, 2010).

The expression "industrial companionship", proposed in 1994 by Adeci, originated from the desire to approach cooperation in a different way than the traditional North-South cooperation, which was too institutional and the work of financial institutions alone.

"This [traditional] cooperation consisted of bringing together the bearers in the South and the investors in the North (...). In our fieldwork, we realized that this approach was above all a source of illusions for companies in the South and that, in concrete terms, it did not work; moreover, it certainly did not cover the problems of small companies in the northern Mediterranean. Co-financing must remain a modality, not an end in itself" (Sitbon, 2010).

The founder and director of Adeci at the time added that partnerships were generally concluded without financial investment.

"Among the SMEs we accompanied, partnerships were concluded without financial investment. And, when we assessed our actions, we found a common denominator in these successes: in 80% of cases, these partnerships were between companies in the same business sector. Hence the idea of our "White Paper on Industrial Companionship".¹ in 1994] to connect companies with the same trade on both sides of the Mediterranean" (Sitbon, 2010).

To summarize, the CI approach has several characteristics in line with public policies of decentralized cooperation:

- it was born in 1992 thanks to operators with experience in the field, linked to the CCI and supported by their regions;
- it begins with the prior identification of industrial needs emanating from SMEs in the South, then by the search for partners in the countries of the North - until now mainly France and Belgium - of the same trades in order to ensure their complementarity² ;
- It involves a phase of mutual recognition of the managers and engineers of the SMEs associated with individualized programs conducted during meetings of about a week in the southern country, whose travel and accommodation costs are funded by the Regions;
- It does not aim to develop a client-supplier relationship from the outset, but rather to enable the full range of export markets to emerge for both partners; it is therefore an approach that aims to develop lasting business relationships;
- the results are positive - several hundred SMEs in the North and South - to the point that its promoters can now consider implementing South-South and even South-North IC relationships.

Its promoters believe that the CI is a state of mind that allows for an alchemy in the search for effective partnerships between SMEs that are generally unloved actors in bilateral cooperation programs. The CI has obtained its recognition since it has been retained in the Invest in Med program to develop sustainable business relationships³.

Expériences de CI à Madagascar et protocole de la recherche

Based on this model developed between the two shores of the Mediterranean, CI experiments have been implemented by the Rouen Chamber of Commerce and Industry and the former Upper Normandy region,

¹However, this white paper was sponsored by the French Minister of Foreign Affairs and the Ministry of Cooperation and Development and, the following year, led to the formation of a working group of the four French ministries (Foreign Affairs, Cooperation, Industry and Agriculture) and other organizations.... The United Nations Industrial Development Organization (UNIDO) is also often involved in some CI programs.

²The presentation file includes: the administrative and legal file of the company, the human resources (organization chart, workforce, training...), the production of the company (production tools, techniques...), the furniture and infrastructure of the company, the market of the company and the financial data

³ Invest in Med is a program launched by the European Union in the framework of the Barcelona process, with the aim of developing Foreign Direct Investment (FDI) and business partnerships in the the Euro-Mediterranean region. Launched in 2008, and completed in 2011, the Invest in Med program had a budget of 12 million euros, co-financed by the EC (75%) and the MedAlliance (25%).

which have created a dedicated structure, the Institute for the Promotion of Development Activities (Ipad), to lay the groundwork for this innovative partnership dynamic. Its promoter in Normandy, Ludovic Houssard, states:

The IC "is a program that the Rouen CCI has been developing for about ten years. It is based on a reflection of the Regional Chamber of Commerce and Industry of Haute-Normandie, to stimulate regional SMEs, on technology transfer, upgrading of manufacturers operating in countries that have a deficit in advanced technologies. In particular African companies, and in return, share the added value" (Sanza, 2006).

Box - Empirical sources and choice of method

The research began with a doctoral thesis in Management Sciences defended at the University of Antananarivo in 2013. It was repeated in 2016-2017 to find out what happened to the Malagasy SMEs that had benefited from the IC programs and to identify the causes of their failure or abandonment.

1/ During the doctoral research phase (2009-2013), interviews (15) were conducted with the managers of French and Malagasy companies selected in the various IC programs and whose cooperation was successful.

The information obtained was complemented by interviews (2) with program managers (one in France and one in Madagascar).

In addition, some companies have given up on cooperation even though this strategy could be a development tool. Interviews (21) with these companies showed that the blocking factors mentioned could probably have been overcome by an IC program.

2/ In its recent phase, an exhaustive documentary search was carried out on the four waves of the program: 1995-1999, 2000-2005, 2006-2009 and 2010-2011 (date of the program's termination, which is due to be revived in 2018), thanks to the consultation of Ipad files, to which we are grateful. Until the end of the last program in 2011 and for some time to come, this documentation was to remain confidential.

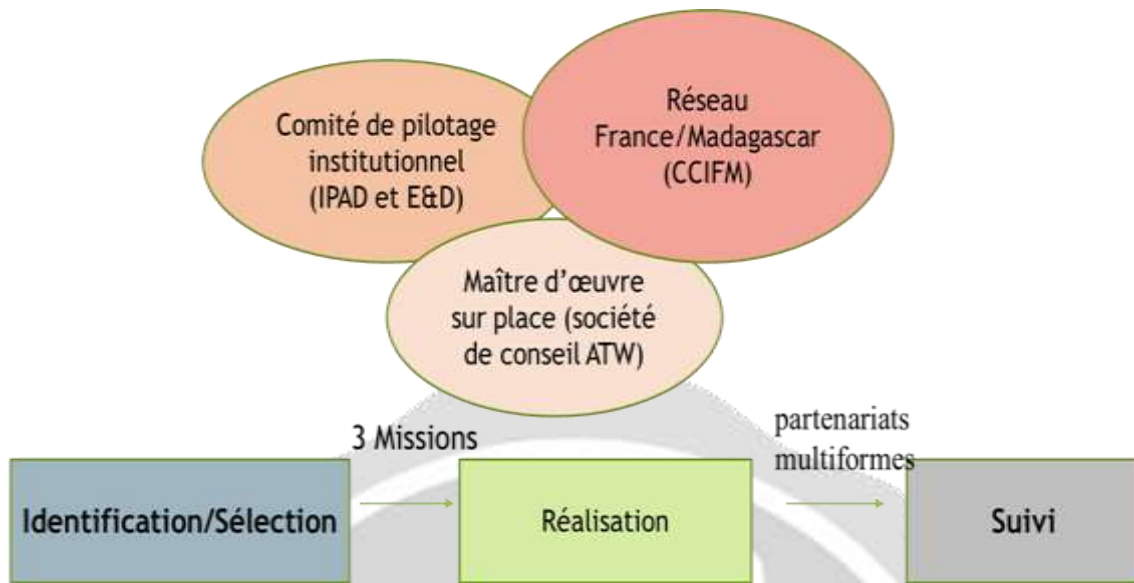
In order to gain a deeper insight into the success and failure of the cooperation, interviews were conducted with companies that had abandoned the cooperation, both within the framework of the CI program (8 cases) and outside of it (15 cases). Opinions on the reasons for dropping out were also collected from the documentation provided.

This program has developed missions in some countries of the South, mainly in Cameroon, Congo, Madagascar, Morocco, Senegal and Tunisia. The procedure consists in identifying in a selected country of the South companies which already have a production tool and which have development projects or companies which seek technical solutions or advice to be able to progress¹. Rather than calling on consultants, as international organizations do, Ipad opts for field work to trigger a CI process. Ipad proposes to French companies to come and spend a few days in the target country to see the working conditions of their counterpart in the same sector.

The CI mainly concerns medium-sized companies in the same business that wish to go beyond simple customer-supplier relations. The originality lies in the upstream search for needs identified in SMEs in the South, in the search for interested companies in the North and in the promotion, before any other arrangement, of a human relationship between the two managers, a source of confidence for the continuation of the cooperation. This rapprochement of partners is facilitated by the cooperation of professional institutions in both countries whose mission is precisely the development of their respective industrial fabric (Figure 1).

¹ The selection criteria are: formal companies with a functioning production tool and wishing to undertake an action or a development project (modernization, diversification or extension) of existing activities.

Figure 1 - The three partners and the three missions of the industrial partnership in Madagascar ¹



Source: Author, 2018

The outcome of this rapprochement takes various forms, from a simple customer-supplier relationship to technological assistance and know-how transfer, with benefits of all kinds being shared (Table 1).

Table 1 - Three success stories from the Fashion and Accessories business

French SMEs	Malagasy SMEs
The French company becomes a subcontractor for new brands	Anticipation of the evolution of trends (integration of leather in the design of products): creation of a range of products under a brand also distributed by its partner
Participation in styling training in Europe	Improvement of the work organization
Successful contract with another Malagasy SME specialized in leather goods	Opening of an integrated workshop for the manufacture and assembly of leather inserts on the product range

Source: Extracted from CCIFM and ATW GEOSYSTEM, 2007

It is understandable that large companies do not really need these devices, that the States leave it to the institutions and regional authorities to help their SMEs within their economic competence. The actions are hardly covered by the media outside of regional professional journals.

Mixed results in Madagascar

Opting for cooperation means proposing rules to continuously shape a favorable environment. Cornu (2004) proposes three rules: the first concerns the reconciliation of individual and collective interests, an altruistic attitude that is difficult to combine. The second is to multiply opportunities without any of them being critical. To do this, the cooperators should carry out the actions together in order to minimize the risks of failure. Finally, it is necessary to facilitate the passage to action. The following results show that these three rules are conditioned by several contextual parameters and that the CI program facilitates the process.

However, the causes of contract termination or abandonment of cooperation necessarily exist, but do they differ according to whether or not the companies benefit from a CI program?

Among the former, eight cases of failure or abandonment, exogenous or not to the cooperation, were identified (Table 2). The causes of failure or forced abandonment do not seem to be very different from traditional cooperation programs. They include economic failures that were more or less anticipated, but

¹ The figure was developed from extracts of reports prepared by CCIF and ATW GEOSYSTEM.

also the same opportunism at work. However, it seems, even if statistics are lacking, that these failures or abandonments occur much less frequently in an IC program than in other forms of cooperation where the actors are less prepared and less neutrally monitored by institutional mediators.

Table 2 - Causes of abandonment or completion of the cooperation

(8 cases of companies in the industrial partnership program)

(i)	"The French company ceased operations shortly afterwards. The French company ceased operations shortly thereafter..."
(ii)	"The French partner behaved badly"
(iii)	"The French company was bought out and no longer had a contact for the project. Beforehand, the partners had not been able to agree on the terms of the intervention in terms of price. The project was taken over by another French company.
(iv)	"Unproven commercial results for reasons of too high costs".
(v)	"The project was stopped for financial reasons
(vi)	"Subcontracting relationships were not significant because the French partner was too eager to position itself in a sustainable manner.
(vii)	"French operator too demanding wishing a commercial and financial return too fast which did not allow the Malagasy operator to adapt
(viii)	"The Malagasy company closed down for personal reasons of its manager.

Source: Extracted from CCIFM and ATW GEOSYSTEM, 2007

This is why it is interesting to compare this small sample of negative assessments of the IC with those highlighted in cooperations outside the IC (Table 3, in the appendix). The examples provided clearly show a lack of conception and external supervision of the business relationship. No selection at the outset, no phase devoted to bringing the partners together physically so that they can get to know each other and exchange information on their respective cultures in order to understand each other better, no follow-up on the spot by a mediator who cannot take sides but is there to find satisfactory solutions. Consequently, in order to characterize the causes, we will hesitate between the presence of information asymmetries between "good faith" or naive actors and deliberate opportunism on the part of ruthless managers...

It is therefore useful to recall here the advantages of the IC compared to the classic partnership: the existence of a "mediator" project manager for the search for potential partners, the realization of preliminary diagnoses of companies in France and in Madagascar and the selection;

- The obligatory physical meeting for exchanges on business opportunities and to facilitate the establishment of mutual trust;
- Flexibility through the possibility of choosing a partner and changing in case of abandonment;
- The assumption of the cost of the missions and a better access to financing;
- Follow-up by the mediators.

Cooperation responds above all to a need to share objectives, skills and/or common resources. Thus, well-chosen and complementary partners minimize slow and costly efforts to develop their own capacities and access new opportunities.

From this analysis, we can draw the conclusion that it is delicate to define the theoretical substratum of the IC, a hybrid and original object, between quasi-market and quasi-integration. There are references to **Coase (1937)** insofar as the contract, implicit or explicit, which brings the partners together is, in this case, certainly preferable to recourse to the market. But the IC does not really fit into any of Williamson's (1975) typologies, or rather into all of them in the end. Is the theory of trust, as a facilitator of contracts, of greater help? To a certain extent, since the leaders first get to know and understand each other, and therefore trust each other in a relationship of reciprocity. But the failures show causes due to the opportunism of one of the actors, as elsewhere. Undoubtedly, the theory of conventions could play an explanatory role, but the IC remains too marginal, even ephemeral, to claim that strong particular conventions could be implicitly extended to all the actors.

This leaves us with a bold suggestion: it appeared to us that the IC had strong similarities with **Elinor Ostrom's (2010)** theory of the capacity of small collectives to find arrangements to regulate their environment. Of course, the IC is not about the management of a perfectly identified and endangered commons, but fragile economies such as Madagascar's are living ecosystems that any arrangement that

allows them to survive is welcome, in this case far from the claim of efficiency of opening markets to competition...

CONCLUSION AND FUTURE PROSPECTS

Has the formula "industrial sponsorship" gone out of fashion? One might think so if one observes the rise of "skills sponsorship", a form of corporate sponsorship, which is of a different nature but which is beginning to interest small and medium-sized companies that are grouping together to create foundations. However, this type of sponsorship prefers local actions and is only marginally involved in actions in the countries of the South.

For several years, the CI has been of interest to the collaborative economy, in particular the creation of FabLabs, adapted to micro-industrial fabrics and developing flexible, inexpensive technological means with a strong economic and socio-cultural influence.

The remarkable interest of the CI is that it remains intimately linked to the human. "Beyond the turnover generated, it is also the value of human stories that counts. The quality of the human relationship, the trust that has been established. The process is almost initiatory. Together, the companies go through tests, which forge the value of their relationship and highlight their complementarity." (Sitbon, 2010)

This article describes the origin and the functioning of an international development tool particularly adapted to SMI-SMEs. The case studies of Malagasy companies have made it possible to measure the impact of the IF, the incentives and the obstacles to its development in a particular context. The IC is not a panacea, but we can only agree with an approach that favors SMEs and decentralized cooperation and seems to offer better guarantees of success than in traditional cooperation. Of course, failures and abandonments are not absent, but the voluntary and human process of the IC seems to minimize them, especially by reducing information asymmetries, the main source of opportunistic behavior.

It is to be hoped that researchers will study this tool, which combines empathy for the people who work for development in the countries of the South and the search for cooperation that creates added value. If the actors of skills sponsorship are not reluctant to hope for indirect benefits in their cooperation, those of the IC are explicitly looking for direct shared benefits but in full knowledge of the prior need to establish trusting and lasting human relationships despite cultures and socio-economic contexts that are very different at the beginning.

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APPENDIX

Table 3 - Causes of abandonment or termination of cooperation outside of the industrial accompaniment program (The case of 15 cooperations)

Causes	Occurrences	Examples of cooperation
Low level of commitment and lack of synergy	(multiple responses)	The partnership contracts were limited to occasional sales contracts (low transaction intensity). As a business provider, the Malagasy partner participates in the search for clients. However, his commitment lacks a vigorous and complete involvement: weak will to maintain the synergy between the partners (problem of frequency of relations). Long-term partnership proposals remain unproductive and without tangible commitment.
Insufficient creditworthiness	9 cases	The financial problem limits the realization or the concretization of the recommendations and suggestions brought by the French entrepreneur. The refusal of the cooperation comes from the Malagasy partner because the services provided seem too expensive compared to their expectations and means
Opportunistic behavior of one of the partners	7 cases	The partnership allowed to obtain new machines in order to improve the trade. However, the partner did not respect the advice and organizational suggestions made. Problems of information retention at the technical level, transfer of value and/or modification of the production process appeared, which led to the end of the cooperation. Conflicts of interest also emerge at the sales level, as the choice of exclusivity minimizes profit. Finally, there are problems of information retention and the valuation of transfers.
Divergent visions	6 cases	The French contributor of a new technology notices the development of the Malagasy company and the improvement of the value of the trade a priori: quality of work), better professionalism... Whereas for the Malagasy entrepreneur, it is the financial results which determine a priori his objectives and the reforms to adopt.
Weak knowledge phase and difficulty in setting up the files	5 cases	B2B meetings are used to detect business opportunities. It takes time to determine the needs of both parties and to put together a file that must highlight the technical elements: general design and technical description,

		investment estimates, implementation and operating conditions. Cooperation has been reduced to occasional exchanges without any medium-term determination.
Conflict due to too much interdependence	4 cases	Problems of preserving decision-making autonomy and the enjoyment of residual property rights were felt by the Malagasy partner following the technical recommendations and questions on the development and financial commitments proposed by the French contractor.
Requirements of standards not met	7 cases	Differences on the deontological conception of the profession: quality, rigor, organization of work. The quality charter impelled by the partnership has incurred costs that are too high: purchase of machines, training of workers, reorganization of the workshop. The recommendations of the Northern partner have not been respected. The Malagasy partner could no longer keep up with the required demands and the quality of production became unstable.
Problems of competitiveness	2 cases	The Asian market has gained strength over the Malagasy market and a partnership with an Asian entrepreneur is more profitable. The partnership is more expensive in terms of research and development (advice) compared to other Asian partners.
Unavailability due to geographical distance and trust issues	2 cases	The French partner does not want to invest anymore because of the lack of availability for control and follow-up. In addition to this reason, there is a problem of trust, causing skepticism about leaving the business in the hands of a Malagasy manager, and leaving him or her in charge of implementing management decisions on the spot.

Source: Author, 2012