Corporate opinion about competition and cooperation in the examined enterprises

HILDA HURTA

Enterprises emerging from the crisis face significant uncertainty independent of their capitalisation. While looking for points of departure enterprises try to measure each other's intentions. In my survey I strived to inquire about entrepreneurs' assessment of their position and their attitude towards their partners considering the present stressful economic environment. The research's results indicated that respondents are more optimistic than expected, their answers indicated that they don't struggle for survival but strive to maintain their stability and realise a moderate growth. Most of the managers consider their enterprises competitive on the domestic market and financially profitable. From the government they nevertheless expect an increased protection of domestic actors. They consider Hungarians to be rather competitive, although competition is not spotless in the country. Nevertheless they judged their own attitude to be cooperative rather than competitive. They emphasised that clean partnership is important for a successful business but differences in income are not due to outstanding economic performance. They consider their companies flexible and stabile, prepared for the oncoming changes, yet they are not risk-taking, work with long term contracts and allow for rebates in favour of cooperation.

Keywords: economic situation, competitive, cooperative attitude

1. Introduction

Economic processes are defined by economics as relationships of competing partners, where market forces competition of market actors. Actors strive to implement their objectives by competing with each other; competition defines the allocation of wealth, production and distribution.

Results of applied psychology suggest that uneven allocation of resources can give ground to conflicts (*Bakacsi* 1996), which is considered a baseline characteristics of organisations and groups, conflict arises from the perceived incompatibility of individual goals (*Smith–Mackie* 2004). Individual solutions of conflict can come in many forms: conflict avoiding attitude, adaptation, competition (rivalry), cooperation or compromise. In the case of competition the individual follows his own goals and tries enforcing them even on the other parties' expense. In this case, conflict is a game with victory as the only solution. *Grzelak* (1999) also considers the difference between interests arising from conflict resolution as the foundation of competition, where the focus is on individual interest based rivalry instead of cooperation along common interests.

Is the „homo oeconomus" obliged to compete when obeying his individual interests, or is he able to cooperate and share the earned benefits?

According to the Economic Research Company (*GKI* 2009) competitive market conditions declined and ethical behaviour of enterprises decayed in Hungary in the last years. This includes willingness to pay taxes which reduced to a level experienced last time a decade ago, and the perception of strong corruption.

According to the ranking of *Global Competitiveness Report* (2010–2011) Hungary stepped forward to the 52nd position in 2010-11 from the 58th place in 2008–2009, Slovakia fell back from 47th to the 60th place, while Czech Republic and Slovenia advanced from 31st to 26th and from 37th to 45th respectively.

Intensity of competition is relatively strong in Hungary, according to a survey of *GKI* (2009) managers assessed is 5,5 on a 1–7 scale. Nevertheless this value is still behind the western countries, in the US the respective value was 6,3. As the real obstacle the regulation of competition was indicated by most respondents, who considered it more stringent than American or Japanese regulation. For example, the impact of regulations and rules on products was assessed on a scale of 1–10 as 7,3 in Hungary compared to the US value of 6,6.

If we consider cooperation as the second subject of our analysis, then the following results can be seen: adaptivity of the Hungarian market (its flexibility to react to market effects) is moderately flexibly according to the *IMD* (2011) report (5,67 on a maximum 10 scale), this value is lower than the Japanese or US value, but higher than Germany's. According to the IMD report the Hungarian corporate sector's technical cooperation is favourable, but in relation to developed countries the value is mediocre as on the same scale (1–10) it is 2 points behind the scores of the US or Japan.

Attitudes are characteristic to everyone, as they define our relationship, behaviour and approach to our environment's objects, persons and situations. Since attitude can not be seen, overheard or sensed, the only way to conclude it exists is from the behaviour of the observed person (*Klein* 2004).

According to the dictionary of foreign words and phrases (*Bakos* 1973) attitude is behaviour, conduct and manner or in other words a theoretical standpoint or attitude of mind. In sociology – quoting the same source – it is habit, behaviour, or conduct in a given situation or for a given opinion.

Attitude is a capstone of socio-psychology, and recently economics also started to acknowledge its influence and studies its role in behavioural economics. Behavioural economics was formulated because economics (mostly due to Kahneman) started to apply psychological methods and approaches. Developing strongly in the 90's behavioural economics combines therefore elements of economics and psychology, studies the reasons of economic behaviours and decisions because a decision maker is not simply a logically behaving algorithmised robot, but social, cultural and emotional factors also influence him. We can have more precise results if we consider the additional motivations found in economic processes (*Hámori* 1998).

In a concise manner attitude is „an opinion strongly infiltrated by judgement which directs one's behaviour" (*Pléh–Boross* 2006).

According to *Hámori* (2003) behavioural economics has stronger ties with psychology than with economics, since it examines why individuals don't act rationally and follow the principles of utility maximisation.

Economics can be considered more or less a young discipline, and behavioural economics is even younger. Observation of attitude and cogitation can be considered to be still in the cradle, although many called the attention on this significant factor. Among others *Román* (2007), *Szerb* (2008) and *Chikán–Czakó* (2009) who claimed that competitivity and business success or handicap frequently stem from individually determined factors.

2. Material and methods

A pre-survey was conducted in March, 2011 as a trial phase. This survey included 87 questions and consisted of 7 larger blocks. Respondents had to indicate their opinion on a scale of four degrees. This means that answers represented subjective opinions. The total number of answered questionnaires was 198, distribution by size is shown in Figure 1.
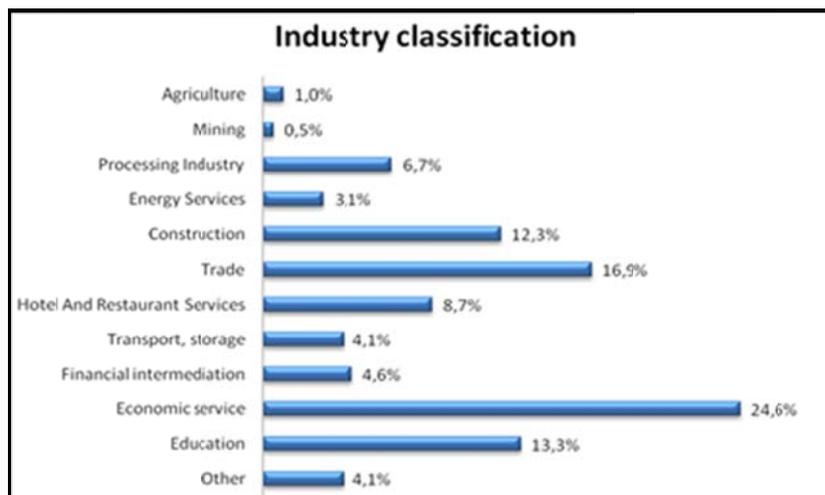
Figure 1. Surveyed enterprises by size
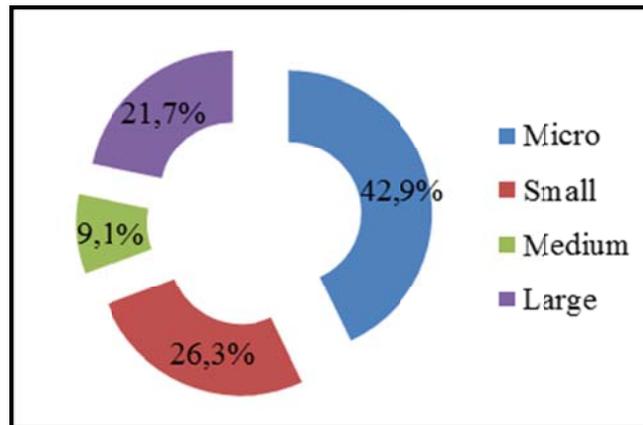
Out of the enterprises 86,7% was commercial, and 13,3% non-profit, 79,3% of the respondents were located in the Central-Hungarian region, and the remaining 20% of the answers came from the remaining six regions. The breakdown by their area of activity can be seen in Figure 2.

*Figure 2.* Area of activity of the enterprises in the sample (%)

Concerning the sex of respondents, 61,5% was male and 38,5% female. The age distribution shows that the majority (63,2%) was between 36 and 50 years old, 20,2% was over 51 years and 16,6% was under 35 years. The share of executive managers was 37,3%, 34,7% were mid-executives and 28% of the respondents were ordinary staff member. Their highest qualification was university/college degree in 42,3% of the cases, 42,8% reported high school and 14,9% had more than one degrees.

Full representativity was not an objective, but it has to be noted that the responses resembled a similar picture to the Central Statistical Office's (*KSH* 2009) statistics on size distribution of domestic enterprises. I consider the managerial attitude to define the attitude of the employees, therefore representative for all the employees. It is well founded to perform the weighting on this basis and thus obtain a representative sample with respect to the proportion of employees (Figure 3).

Figure 3. Share of employees in the respective enterprise size classes
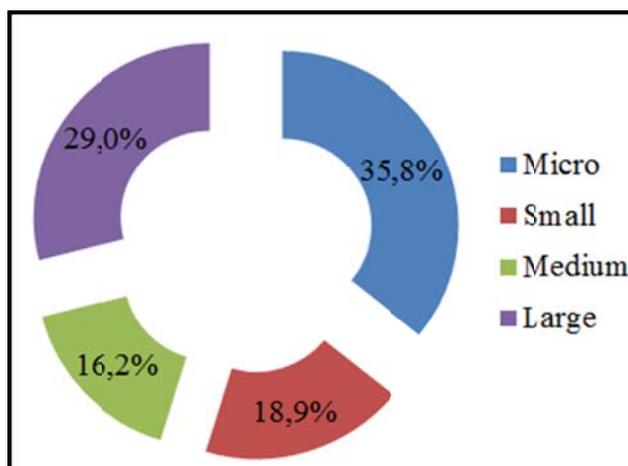
Statistical analysis was performed with SPSS (*Székelyi–Barna* 2002). After coding the questionnaires and recording the answers labels were given. Descriptive statistics was used in the initial steps, to present the frequencies of the answers to the respective questions.

Associative links between qualitative variables were examined by crosstabs, the statistical significance of links was tested by chi-square ($\chi 2$) test. The nullhypothesis was that the variables were independent; the nullhypothesis was refused if the empirical significance values were not larger than 5%. Refusal of the nullhypothesis meant the statistical justification of an associative link.

Strength of correlation between two ordinal variables was tested by the Gamma association test, which is a symmetric measure of association between two ordinal variables that ranges between -1 and 1. Values close to an absolute value of **1** indicate a strong relationship between the two variables. Values close to zero indicate little or no relationship. Negative sign shows a relationship of opposite direction, a higher value of one variable indicates a probably lower value for the other variable.

If two nominal or mixed (nominal and ordinal) variables were tested for correlation, then the Cramer's V was applied. Cramer's V is a measure of association based on chi-square, its value can range between 0 and 1, a value closer to 1 indicates stronger relationship.

From multivariate statistical tests I applied cluster analysis to group observed units and variables.

For grouping variables I used hierarchical clustering, as agglomeration methods I used the nearest neighbour and Ward's variance method. The first methods is perfect to indicate extreme cases, the Ward method maximises in-cluster similarity. Dendograms were used to display the results, and the resulting graph allowed me to identify and name the groups.

For grouping observed units the K-means clustering was used.

In the formulation of groups I considered the deviation of the group average as the basis for classification. For this one-way analysis of variance (ANOVA) was used. I tested the differences between the group averages by the empirical significance values (p values). Differences are statistically significant if the p values are not larger than 5%.

I used post hoc tests to identify groups with significantly deviating averages. Analysis of variation was tested with the Levene-method to identify the proper post hoc test. If the variances were identical between groups then the Turkey and Scheffe test was used, otherwise the Games-Howel test was applied.

Throughout the questions of the questionnaire, the respondents had to evaluate their activity or express their opinion on a four-degree scale. Values '1' and '2' indicated disagreement while '3' and '4' indicated agreement.

Number of answers to be evaluated were different by questions, therefore not the total sample size but the number of possible answers was considered as 100% (as the projection basis).

In the essay's quantitative assessment section charts and figures were used to illustrate the results for better understanding (Excel was used for this purpose).

The present study is a pre-survey of a future large scale research. Its objective was to enable a reasonable reduction of size and to test the clarity and consistency of questions and deductibility of conclusions. Clearly it can be the case that as an academic researcher I associate a different meaning with a term than an executive manager working in the corporate sector, and it should also be highlighted that an executive can not spend too much of his valuable time with filling out a questionnaire. The following sections present the main consequences and results of this study.

3. Results

The empirical sample is representative concerning the number of employees by enterprise size. For the comprehension of their business attitude I first assess their economic situation (Figure 4).

Figure 4. Assessment of the competitiveness and financial state of enterprises by the responders
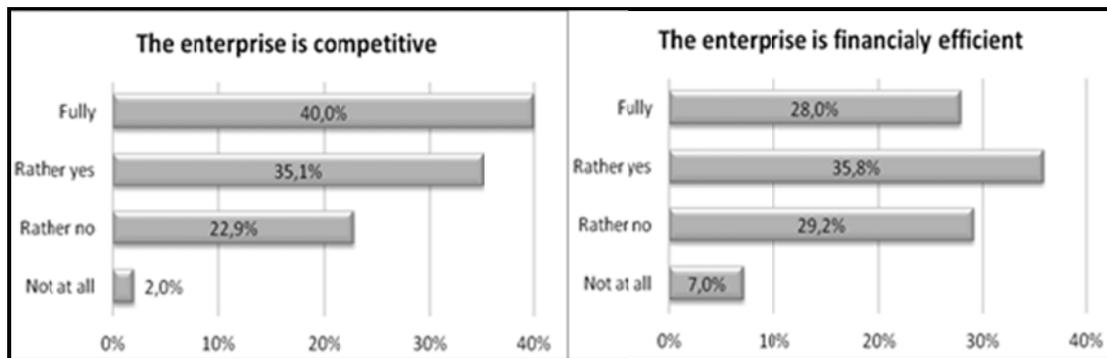
Source: Own construction   *Source:* Own construction

Enterprises indicated unexpectedly high values for the questions inquiring about „competitive" (75% was positive), „financially successful despite the crisis" (64% was positive) and „ready for challenges" (63% was positive) qualities.

Enterprise size was proven to be a strong distinctive factor in competitiveness (p=0,001). Competitiveness was indicated in micro-size enterprises to a lesser extent, SMEs to an increasing extent, large enterprises to an overwhelming extent respectively.

Competitiveness of a firm also correlated significantly with the importance of innovation (p=0,004), acquirement of foreign markets (p=0,016), and appearance with a new product development. Typically only those firms declared themselves completely competitive who also found innovation, foreign market acquirement and new product development important. The remaining companies might lack competitiveness due to the non-recognition of the importance of innovation.

Size of the enterprise also gave a statistically reliable (p=0,000) hint about the establishment of the firm: micro and small enterprises were founded typically for covering a market gap coming from on an own idea or a business plan. Medium enterprises were

typically sourced out, and large enterprises were daughters or members of a commercial chain.

Concerning strategy, the overall image is also more positive than expected. Only 12% considered his firm to be struggling for survival, 43% aimed at preserving stability and conserving market positions, and another 43% reported of a corporate (smaller or larger rate) growth target. Only 3% denied their companies having any strategy (Figure 5).

Figure 5. Definition of strategical directives by the respondents
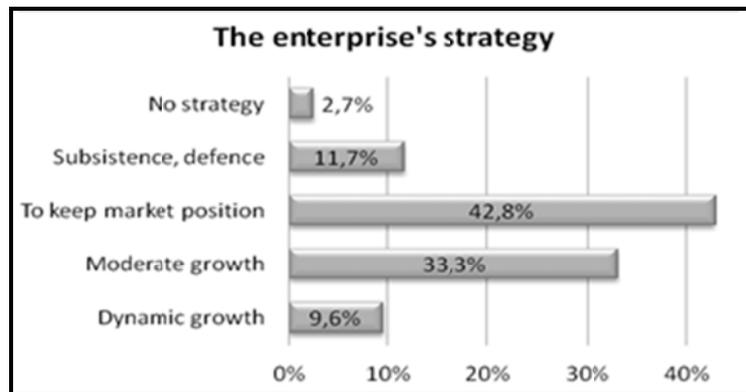
Source: Own construction

The strategies of the firms has a statistically significant relationship with their location on the corporate life-cycle curve (p=0,000). Those who are struggling for survival are losing markets, or as *Adizes* (1992) put it, in their „aristocratic period". Those who targeted the maintenance of their market positions typically indicated „adult age". Companies which reported moderate growth targets typically placed themselves in the „adolescent age", and strong growth targets were typically associated with a „mature" phase. Firms without strategies were recently started firms in the stage of infanthood (Figure 6).

Figure 6. Organizational life cycle model
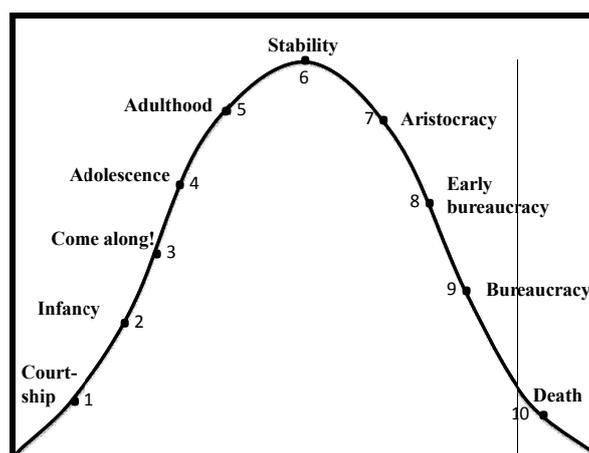
Source: Own construction based on Adizes (1992)

The sample justified a strong statistical correlation between the location on the life-cycle curve and competitivity (p=0,02) or financial profitability (p=0,000). Respondents with companies in their „settled down" phase typically indicated their companies to be competitive and profitable. Companies showing signs of „aristocracy" were deemed less competitive and profitable by their managers, „come along" phase companies were mostly indicated as competitive, „adolescents" were classified rather as profitable by the repsondents.

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Concerning risk aversion, 52% of the companies would rather choose lower return rate projects with less risk, location on the life cycle curve provides a distinctive factor for risk aversion. Companies in „infanthood" and „aristocracy" refuse high risk projects, companies from „adolescence" also restrain themselves from overly risky projects. Risk taking is characteristic for the „come along" and „early bureaucracy" stages. The reason for this can be that the present crisis made enterpreneurs more cautious, and at the same time companies in the declining section of the corporate life cycle might find consider their last chance to implement a risky higher margin project.

Company size and risk taking is also closely correlated (p=0,036), typically mid-size enterprises take risk, small and large enterprises try to avoid it, microenterprises totally refuse taking risky endeavours.

Low risk taking is underlined by the responses concerning company procurement and sales as 68% of the respondents reported existence of long term contracts in these areas, and further 85% revealed that rebates or price-cuts are used to incentivise cooperation with partners.

Opinions on state activity and intervention are as follows. A striking feature is that a large part of even those respondents who described their companies to be in good financial condition expect state or governmental aid. According to 92% of the respondents the state should use every available means to protect the domestic enterprises against foreigners and should also prefer in-country enterpreneurs in governmental purchases (95%), applicable funds (96%) or soft loans (89%).

The reason for this might be that while 75% of the respondents considered themselves to be competitive on home grounds, on the global level only 34% was confident. Yet they also expected governmental support. It has to be mentioned that 42% of the repondents announced that the state should protect the domestic enterprises beyond the point of them becoming strong enough to compete. This contradicts the fundamental rule of free market capitalism namely that market is competitive and distribution of wealth is defined by the efficiency in competition.

The majority of respondents considered competition unfair (61%), cooperation incorrect (58%) and level of confidence unsatisfactory (63%). Differences in income and wealth could not be associated with outstanding economic performance according to 62% of the answers. We will now take a look what is the attitude towards competition and cooperation in Hungary under these conditions.

Fundamental attitude of Hungarians will be assessed in the following section. The answers given in the survey indicated that Hungarians were competitive (79%) and not cooperative (68%) (Figure 7).

*Figure 7.* Competition and cooperation in Hungary according to the responders
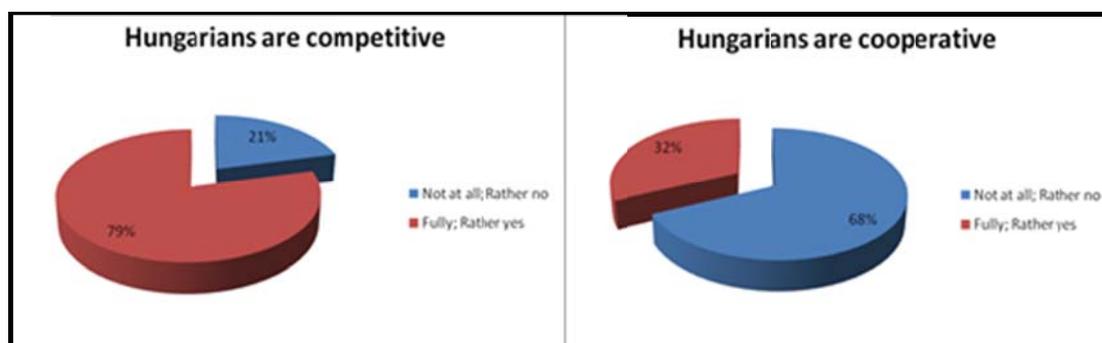
Source: Own construction   *Source:* Own construction

To provide an interesting contrast the self-assessment of the responders is presented on Figure 8. As the figure demonstrates difference on in competitivity is negligible between the self-image of respondents and their opinion about Hungarians. On the other hand, willingness to cooperate is not just greatly different between the two groups but of opposite sign.

Figure 8. Competitive spirit and cooperative attitude among the responders
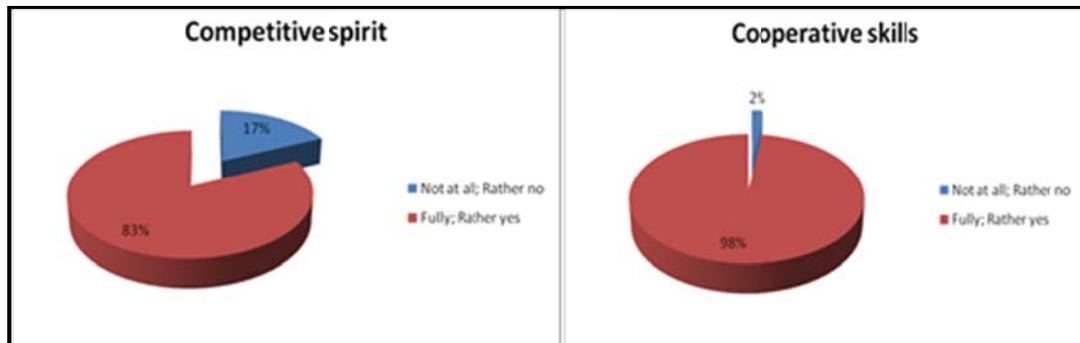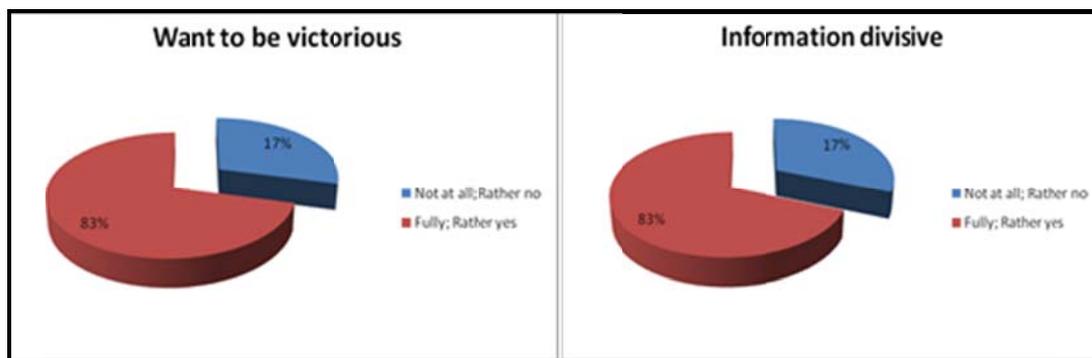

Source: Own construction   Source: Own construction

As it was defined in earlier research (*Hámori* et al 2007) competitive attitude is a positive attitude. In this case executives consider competition as a constant challenge and the desire to achieve victory provides a strong motivation to do everything to overcome rivals. Based on this definition and utilising furthermore the assumption that cooperativeness implies information sharing here are answers to two monitoring questions (Figure 9).

Figure 9. Victory as a goal and inclination to share information among the responders

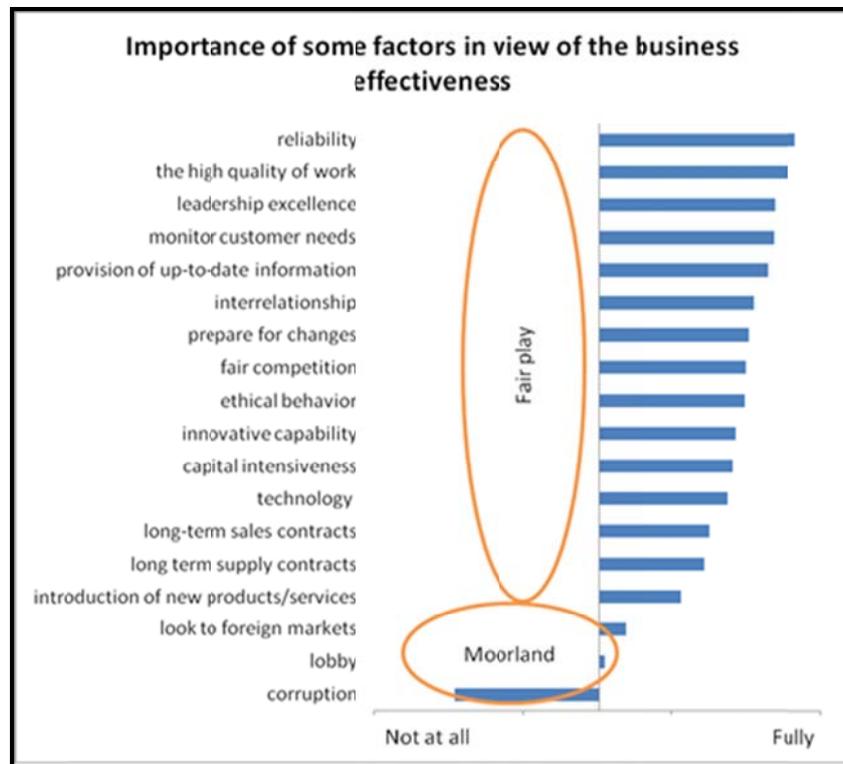Source: Own construction   Source: Own construction

The level of competitivity of Hungarian firms seems stable with a value over 70%. The image is not so unambiguous when considering inclination to cooperate. Although the difference between cooperativeness and information sharing attitudes was around 30% the general perceived image of cooperativity of Hungarian partners (68% states that Hungarians are non-cooperative) as described by the respondents is still contradicting the reported attitude of cooperativity of the respondents themselves.

This baffling contradiction is not easily resolved since the subjects of the survey themselves are also actors of the Hungarian society. In this case it is insufficient to explain this with the baseline distortion of self-declaration as respondents want to comply with expectations. My opinion is that respondents are aware of the proper and desirable attitude and the necessary endowments to comply with challenges yet the conditions in our country are still not eligible (for a cooperative business climate).

In the following I present the factors for profitability which were indicated as important (Figure 10) The chart shows that the most emphasised factors are the so-called soft factors, from reliability, managerial skills and ethical behaviour to innovative capabilities. These are

followed by the so-called hard-factors like capital funds, applied technology, introduction of new products to the market. At the end of the line we can find the entry to foreign markets and lobbying as less important factors, and corruption which is not considered important.

Figure 10. Importance of some factors from the aspect of business success
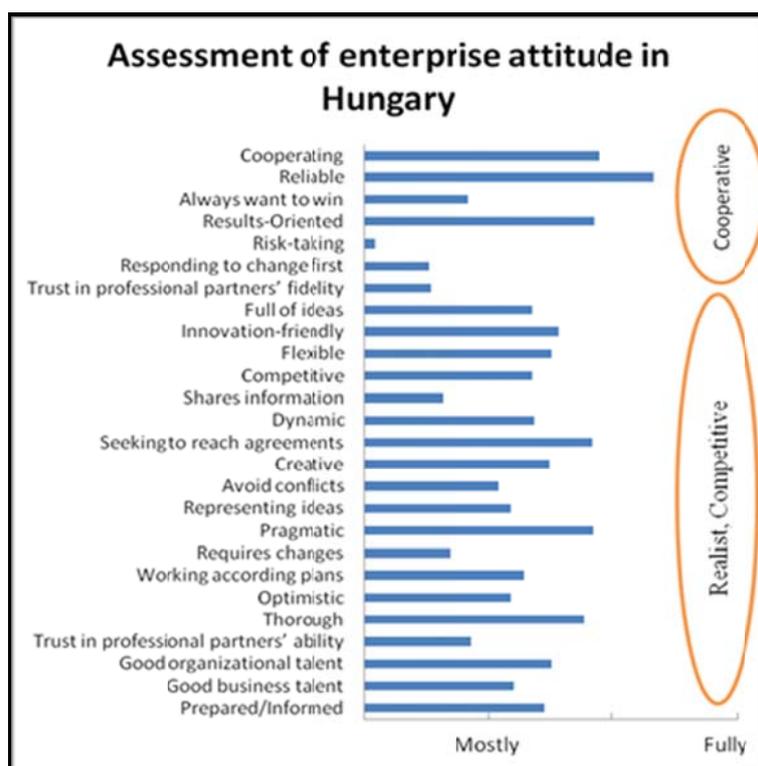
The cluster analysis suggests that „development of cooperation" does not show any resemblance to any other variables. For the remaining variables two clusters could be distinguished. The first includes those who from the aspect of business success find both the objective (capitalisation, technology) both the subjective (ethics, fairness, reliability) factors important. That is, they work along „fair business principles". The other cluster contains only three elements: lobbying, foreign market presence, and corruption. These factors I called loose grounds or "moorland". For their implementation a lot of money and extra effort is necessary, yet they are very risky and don't guarantee success.

The attitude of the Hungarians stood in the focus of my analysis, with special regards to cooperation and competition. Among the personal characteristics, the „indecisive" doesn't show any similarity with other variables. Two clusters could be fitted to the rest of the variables along the original assumptions, one was a pragmatic and competitive group, and the other was a risk-avoiding cooperative group (Figure 11).

Figure 11. Attitude of Hungarian entrepreneurs

Assessment of enterprise attitude in Hungary

(Categories from top to bottom: Cooperating, Reliable, Always want to win, Results-Oriented, Risk-taking, Responding to change first, Trust in professional partners' fidelity, Full of ideas, Innovation-friendly, Flexible, Competitive, Shares information, Dynamic, Seeking to reach agreements, Creative, Avoid conflicts, Representing ideas, Pragmatic, Requires changes, Working according plans, Optimistic, Thorough, Trust in professional partners' ability, Good organizational talent, Good business talent, Prepared/Informed. Grouped as "Cooperative" and "Realist, Competitive". Axis: Mostly — Fully)

Source: Own construction

The results from the questionnaire's data are also supported by the relevant literature. The postponing of necessary reforms, corruption, deteriorating competitive conditions, the strengthening gray and black economy are all limiting factors for the development (*GKI* 2009). According to *Kolodko*'s (2010) insight many players lost their inertia, but this is rather due to the suspension of necessary structural reforms and to the overemphasised political clashes, than to the global economical crisis. In the opinion of *Bogsch* et al (2011) the country is in moral crisis, Hungarians' attitude has to be changed if we want to be competitive.

4. Conclusions

As the outlined results show respondents deemed their situation better than expected, this can definitely be considered positive. A negative sign is that competition and cooperation is not considered fair. Those who perform under the average don't pay attention to innovation. In general it can be stated that lack of confidence adds extra costs to the budget of economic actors. Development of cooperation, risk sharing and common innovation to reduce costs would be necessary these days to meet the challenges of the economic environment. Companies under the present conditions unfortunately don't dare to undertake such ventures limiting growth and improvement of competitivity.

Even if we consider that self-surveying always gives more positive results than the actual values, still we find an enormous distance between how respondents described the Hungarian situation and how they assessed their own attitude of cooperation and reliability although they make up the economy. A positive benefit could come from mutual confidence and cooperation if firms would perceive each other accordingly.

Summarising the results, the executives know which qualities are necessary to comply with the challenges, but the situation in our country is still not appropriate. Ethical behavior, computability and improvement of cooperation is considered a righteous expectation.

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