

## **MODIFICATION OF THE CONCEPT OF COMPETITIVENESS WITH SPECIAL REGARD TO THE DEMAND EMERGING NOWDAYS ON COOPERATION**

HURTA, HILDA

**Key words: competitiveness, cooperation**

### **CONCLUSIONS**

What is the activating force that organizes economic affairs? The social side of human nature means that competition alone is not sufficient because competition is the expression of human individuality. Cooperation, which gives expression to human sociality, is the other one. Reality provides many examples indicating that people are more cooperative than is assumed in the standard self-interest model. In the last twenty years the academic view has changed about whether we should compete or cooperate for the higher competitiveness. In the eighties they supported the opinion that the competition is the only way to achieve success in business. Later on the argument started on competition vs. cooperation, and they realized that in some situation the competition, while in others the cooperation is efficient. In the same period the two definitions have changed as well. Different writers defined competition and cooperation variously according to their research' approach. The study examined competition and cooperation separately, but there exist a new notion, according to which different independent partners can cooperate and compete at the same time with each other. So the opposite approaches can be fused, that is co-competition. Co-competition is a very popular solution for the present complex problems. But according to the everyday people it is not sure, that „working with the enemy” can run.

### **ABSTRACT**

Competitiveness got into the focus of interest in the second half of the last century and it became the main target of the economic strategy. By reviewing several versions of the concept, the aim of the study is to outline a main trend, giving a new mode of comprehension on the development of the theme, assuring hereby the foundation of the further research. Taking for basis from several significant authors, the study arrives at the question of cooperation emerging nowadays as well as it confronts different opinions and arguments with one another within the

topic of competition and cooperation. Finally the study rises the possibility of co-competition, which is the newest alternative to the solution of the problems of the world of our time which becoming increasingly complicated, at the same time even this concept is debated.

### **INTRODUCTION**

Economic sciences are continuously undergoing transformation for some decades past. More and more sociological, behaviour scientific considerations are drawn by the economists into their examinations. Earlier scopes of analysis,

which were confined to the narrow domains of market and productions, are increasingly expanded and also phenomena pointing beyond these are included in their research work from the field of human behaviour. In addition to the wholly rational people, enforcing their self-interest, also religious, self-satisfied, passionate, envious, aggressive, revenging, malicious people are taken into consideration, who don't think with a cool head and appear as individuals intending to attain maximum profit. Competition and cooperation are two driving forces for the advancement of human civilization. Any one who is not interested in competition or cooperation will be left out and left behind. Competition is in order when there is not enough room for everyone to be a winner, and therefore, competition is to separate winners from losers. On the other hand, cooperation is the only driving force that will make every participant a winner. The competition is presented as both inevitable and desirable: inevitable because the rest of the world will compete against us even if we don't compete against them; desirable because competition guarantees the most efficient production and therefore lowest prices and best quality products (*Myers, 1997*). But competitiveness is influenced by psychological factors of human behavior. Competitiveness is a multidimensional concept. It can be looked at from three different levels: country, industry, and firm level. Competitiveness originated from the Latin word, *competer*, which means involvement in a business rivalry for markets. It has become common to describe economic strength of an entity with respect to its competitors in the global market economy in which goods, services, people, skills, and ideas move freely across geographical borders (*Murths, 1998*). In this paper just two of the perspectives have been shown macro- and microeconomic.

## MATERIAL AND METHODS

The study provides a comprehensive survey of the literature surrounding competitiveness, with particular emphasis on cooperation. International competitiveness is the key objective of each economic player therefore it should be defined both at macroeconomic and microeconomic level. The international competitiveness of a country is more than a national economy's aggregate comparative (relative) advantage. There are different approaches to define the above mentioned category and analyse how different factors affect it. I summarize the main views that can show the growth potential of a nation. The study at issue presents the history of this conceptual change as well as the new demand on cooperation emerging in our days.

## RESULTS AND DISCUSSION

### Macroeconomic perspective

Under classical economic theory, specialisation in the form of Adam Smith's 'division of labour' provides for economies of scale and differences in productivity across nations. For Smith, investment in capital and trade facilitates this specialisation and raises productivity and output growth. Moreover, growth itself could be reinforcing, since increasing output permits further division of labour and hence further growth. With respect to trade, *Adam Smith (1776)* demonstrated the gains from trade to be made when moving from a situation of autarky to free trade when countries have an absolute advantage in the production of different goods. If one country can produce goods using less inputs in production then it will have an absolute advantage and should export the good; or alternatively countries should import goods that others can produce using

fewer inputs. Thus trade is attributed to absolute differences in productivity. Moving beyond Smith's concept of absolute advantage, *David Ricardo (1817)* demonstrated that gains from trade could be made when two countries specialise in the production of goods for which they have a comparative advantage. In the Ricardian model, production technology differences across industries and across countries give rise to differences in comparative labour productivity. In Ricardo's 'two countries two goods representation', even though workers in one country are more productive in the production of both goods (i.e. have an absolute advantage in both goods), provided that they are relatively more productive in one of these goods (i.e. have a comparative advantage) then they should specialise in its production, while withdrawing from production of the other good. The core assumptions of neo-classical theory – perfect information, constant returns to scale and full divisibility of all factors – provide the necessary conditions for the neoclassical world of perfect competition. With respect to trade, the Heckscher-Ohlin (HO) model, also referred to as the „factor-proportions model” builds on Ricardo's model by incorporating two factors of production: labour (as with Ricardo) and capital. Whereas the Ricardian model assumes that technological differences exist across countries, the H-O model assumes that technologies are the same across countries and that comparative advantages are due to differences in the relative abundance of factors of production (factor endowments). When different industries use factors in different proportions then countries will specialise in the production of goods that use more intensively the factor with which they are more abundantly endowed. In a 'two country, two good representation', the

capital-abundant country will export the more capital-intensive good while the labour abundant country will export the labour intensive good.

Keynesian theory differs on very essential points from classical economic theory, most importantly the functioning of markets (*Keynes, 1936*). Contrary to his predecessors, Keynes did not believe that prices cleared markets at all time. This price stickiness can lead to adjustments in quantity production instead. Another important divergence is the view on capital and labour. Where classic economists treated capital and labour as two independent production factors, Keynesian theory presumes capital and labour to be complementary. Keynesian theory is essentially a theory of the short-run dynamics of aggregate demand and employment in the economy, based on expectations, as these influence investment and consumption behaviour. Aggregate output is taken as the sum of consumption, investment, government spending, plus exports minus imports. The drivers of the system are the consumption function and the investment accelerator, together with export demand. The latter gives rise to an export multiplier, in which aggregate output can be expressed as a derived function of export demand. The export base of a national economy – the extent to which it competes in and earns income from exports, and the derived impact of that export income on the domestic sectors and on overall consumption and investment – thus plays a key element in the basic Keynesian model.

Despite the fact that improving a nation's competitiveness is frequently presented as a central goal of economic policy, arguments abound as to precisely what this means and whether it is even sensible to talk of competitiveness at a macro-economic level at all nowadays.

According to the Report of the President's Commission on Competitiveness (1984) „A nation's competitiveness is the degree to which it can, under free and fair market conditions, produce goods and services that meet the test of international markets while simultaneously expanding the real incomes of its citizens. Competitiveness at the national level is based on superior productivity performance and the economy's ability to shift output to high productivity activities which in turn can generate high levels of real wages. Competitiveness is associated with rising living standards, expanding employment opportunities, and the ability of a nation to maintain its international obligations. It is not just a measure of the nation's ability to sell abroad, and to maintain a trade equilibrium.” It can be found in the OECD Programme on technology and the Economy (1992) that „Competitiveness may be defined as the degree to which, under open market conditions, a country can produce goods and services that meet the test of foreign competition while simultaneously maintaining and expanding domestic real income” By the European Competitiveness Report (2000) „An economy is competitive if its population can enjoy high and rising standards of living and high employment on a sustainable basis. More precisely, the level of economic activity should not cause an unsustainable external balance of the economy nor should it compromise the welfare of future generations.”

Ronald (2003) discerned the following elements of macro-economic competitiveness:

- A successful (economic) performance, typically judged in terms of rising living standards or real incomes.

- Open market conditions for the goods and services produced by the nation in question (i.e. there is actual or po-

tential competition from foreign producers).

- Short-term ‘competitiveness’ should not create imbalances that result in a successful performance becoming unsustainable.

At the same time there exist some clear limitations to the above definitions:

- The competitiveness of a nation is to all intents to be judged by its ability to generate high and rising living standards. A much broader view of well-being would lead, for example, to an assessment of competitiveness that includes also social and environmental goals.

- Competitiveness is defined in terms of the outcome rather than the factors that determine competitiveness. The real question for analysis of competitiveness remains, however, to identify those factors that explain competitiveness rather than to describe its outcome.

### Microeconomic perspective

Firm level competitiveness can be defined as the ability of firm to design, produce and or market products superior to those offered by competitors, considering the price and non-price qualities (D'Cruz, 1992). Competitiveness processes are those processes, which help identify the importance and current performance of core processes such as strategic management processes, *human resources* processes, operations management processes and technology management processes. The competitiveness process can be viewed as a balancing process that complements traditional functional processes such as operations management and human resources management. It enhances the ability of an organisation to compete more effectively. Sources of competitiveness are those assets and processes within an organisation that provide competitive advantage.

These sources can be tangibles or intangibles. Firm-level competitiveness is of great interest among practitioners. Nations can compete only if their firms can compete, argues Christensen of Harvard Business School. Porter says „it is the firms, not nations, which compete in international markets” (*Porter, 1998*). At the firm, or micro-economic, level there exists a reasonably clear and straightforward understanding of the notion of competitiveness, based on the capacity of firms to compete, to grow, and to be profitable. At this level, competitiveness resides in the ability of firms to consistently and profitably produce products that meet the requirements of an open market in terms of price, quality. Any firm must meet these requirements if it is to remain in business, and the more competitive a firm relative to its rivals the greater will be its ability to gain market share. Conversely, uncompetitive firms will find their market share decline, and ultimately any firm that remains uncompetitive – unless it is provided by some ‘artificial’ support or protection – will go out of business (*Ambastha – Momoya, 2004*).

One of the most rapidly emerging theories about the competitiveness of small- and medium-sized enterprises is that both can be accelerated through inter-firm collaboration (*Gomes – Caseres, 1994*). Small- and medium-sized manufacturers as well as multinationals are building more and tighter relationships with other companies to achieve greater external economies of scale, market strength, or exploit new opportunities. They engage, both formally and informally, in joint activities such as co-marketing, co-production, shared resources, or joint development. Although there are a growing number of local, regional, and state efforts to encourage and accelerate inter-firm collaboration, there

have been few systematic studies of their impacts. In the absence of hard data, policy makers rely on claims of effects and outcomes based on anecdotal evidence. Collaboration among small- and medium-sized enterprises is an emerging approach to industrial competitiveness. The cooperative behavior will help small- and medium-sized firms compete, and therefore the goal is to alter the behavior of enterprises and to facilitate cooperation.

### Cooperation of firms

Much of the fundamentals in this field were established with the seminal edited volume by *Contractor and Lorange (1988a)* on co-operative strategies in international business, with contributions from *Buckley and Casson (1988)* on a „theory of co-operation”, *Contractor and Lorange (1988b)* on „the strategy and economic basis for cooperative ventures”, *Harrigan* on „partner asymmetries” – among other positional papers in the same volume. The research in the field was marked also by contributions from *Cunningham and Calligan (1991)* on „competitiveness through networks of relationships”, *Hamel (1991)* on „inter-partner learning in strategic alliances”, *Auster (1994)* on „theoretical perspectives on inter-organisational linkages”, *Gulati (1995)* on „the relationship between repeated transactions and trust”, *Doz (1996)* on the „learning processes in strategic alliances”, and on „management of collaborations in technology based product markets”.

„Research has consistently shown that competition: induces the use of tactics of coercion, threat, or deception; attempts to enhance the power differences between oneself and the other; poor communication, minimization of the awareness of similarities in values and

increased sensitivity to opposed interests; fosters suspicious and hostile attitudes; increases the importance, rigidity, and size of the issues in conflict. In contrast, cooperation and cooperative tasks or reward structures induce: a perceived similarity in beliefs and attitudes; a readiness to be helpful; openness in communication; trusting and friendly attitudes; sensitivity to common interests; a de-emphasis to opposed interests; an orientation to enhancing mutual power rather than power differences.” – polarized the scientists’ definitions *Hubble (2005)*. So what are the non-scientists views about the competition and cooperation in the workplace?

Several article claims that conflict is a naturally occurring phenomenon that has both constructive and destructive potential, depending on how it is managed. Engaging in conflict tends to generate anxiety in many people who associate it with negative or violent outcomes, which leads to fight or flight responses. In fact, conflict can provide an uniquely human opportunity to learn about ourselves and others, to motivate necessary changes in the status quo, to challenge obsolete ways of thinking, relating, working, and to innovate (*Figyelőnet, 2005; Hubble, 2005*). This is an idea, what is opposite of the searched ones and an other opinion is in harmony with these statements, what claims that avoidance of conflicts reduces motivation and in long term it effects efficiency as well (*Világgazdaság, 2005*). Competition in turn can be efficient as well, not just cooperation, because mobilizes people’s energy, and gives aims (*Lovas, 2006*). Although this statement is in correspondence with the scientists’ views, these elements were not involved into the research in this topic.

So some of the articles shows that we should not take the competition, coop-

eration and conflicts so seriously as the scientists claims, some presents exactly the opposite. There exist a statement according to which the total lack of competition is ruining, but at the same time, even the competition itself may be fatal (*HVG, 2006*). An other statement emphasizing that negligence of the cooperation between the partners what causes measurable damages in material resources, is in harmony with this (*HVG, 2004*). At the same time competition is indispensable among firms which, however, sets limits to cooperation, and competitiveness is influenced by psychological factors of human behaviour. *McCornick (2006)* claims that nobody has taught persons to carefully consider where they want to compete and where they want to cooperate.

### Coopetition

The study investigated the two driving forces, competition and cooperation, separately, so far. But the field of management is currently facing a number of new challenges which find their origins in the restless dynamics of environmental change and firms strategic action and thinking. As a result, they needed to adapt and integrate existing theoretical lenses and conceptual categories or develop entirely new ones. In this vein, the concept of coopetition has been introduced in 1996 to further the new requirements of competing via collaboration. This is a business situation in which independent parties cooperate with one another and coordinate their activities, thereby collaborating to achieve mutual goals, but at the same time compete with each other as well as with other firms. The basic philosophy underlying cooperative business relationships is that all industrial management activities should aim for the establishment of mutually

beneficial partnership relationships with other actors in the system, including competitors (Zinedin, 1998, 2000). For instance, two participants might establish a strategic alliance for product development and innovation and at the same time compete with each other in the marketing of the collaboratively developed products. Coopetition thus implies that actors can interact in rivalry due to conflicting interests, and at the same time cooperate due to common interests (Bengtsson – Kock, 2000/a). The central, overarching goal is to create mutually beneficial exchanges and added value. Hensler (2000) describes as „a myth” the notion that competition is an inevitable, productive, enjoyable and character-building part of human nature.

The cooperative relationship can broadly be defined according to Zinedin (2004) „An ongoing relationship between different independent partners which cooperate and at the same time compete with each other. They have a common vision and goal regardless of the legal or organisational forms and borders. The relationship can range from handshake agreements to licensing and equity joint ventures. The partners are able and willing to cooperate and compete with each other on a basis of mutual commitment and trust, and a mutual sharing of information, risks, and rewards. A growing interdependence among key strategic partners is vital to continued strategic relationship. Such a relationship is treated by the partners as a non-zero sum game.”

Reiss (2003) in his study stated that hypercompetition and coopetition represent the essence of complexity requirements in the New Economy context. Coopetition represents a challenging mix of competition and cooperation due to loose network structures which do not exclude

multiple engagements in different networks (Brandenberger – Nalebuff, 1996; Bengtsson – Kock 2000/b; Reiss – Beck; 2000). The combination „Hyper-Coopetition” represents an extremely challenging complexity load (Reiss, 2003).

A non-scientist opinion (Pellin, 1998) expects the trend – „working with the enemy,” as some describe it – to continue. The term „coopetition” is being thrown around freely in „executive-speak,” is now commonly used to describe a person's or group's ability to handle increased workload at the office. The New Economic Index described the notion as collaboration among competitors. Battista – Padula (2002) said, that this is a hybrid behaviour. Free-market competition is often described according to Muck – Mystery (2004) as „cuthroat” and „wasteful.” „Dog-eats-dog” rivalries are fueled by „greedy self-interests” operating according to „the law of the jungle” in which „survival of the fittest” is the only rule. In contrast, government regulation is said to have the potential to promote genuine cooperation in which citizens „pull together” to advance the common good. On the rhetorical battlefield, „competition” is too often out-gunned by „cooperation.” Lawrol (2004) pleads in harmony with Reiss (2003) that coopetition is the industry's answer to developing complex solutions to today's complex problems but at the same time „you certainly get to know your competitors better, and you do run the risk that in the next effort where you're competing against them you know more about them ... and they know more about you. This hasn't been as problematic as you might think, but if a relationship has gone sour, you have insight into their weaknesses”. So the actors of the economy have different view from the scientific one.

## REFERENCES

- (1) Ambastha, A. and Momaya, K. (2004): Competitiveness of firms: review of the theory, frameworks, and models, *Singapore Management Review*, Jan-June issue. – (2) Auster, E.R. (1994): Macro and strategic perspectives on interorganizational linkages: a comparative analysis and review with suggestions for reorientation, *Advances in* – (3) Battista, Giovanni; Padula, Giovanna (2002): Coopetition Strategy, a new kind of interfirm dynamics for value creation, EURAM, Stockholm, 9-11 May 2002. – (4) Bengtsson, M. and Kock, S. (2000/a): Tension in coopetition, C&C, paper presented at the 1st International Conference on Cooperation & Competition, Vaxjo University, Vaxjo, 8-10 November. – (5) Brandenburger A, Nalebuff B (1996) *Co-opetition*, New York 1996. – (6) Buckley, PJ and Casson, M. (1988): *A Theory of Cooperation in International Business In: Contractor, FJ & P. Lorange: Cooperative strategies in international business: 31-53*. Lexington, MA: Heath– (7) Contractor, F. and Lorange, P. (1988a): Why should firm co-operate? The strategic and economic basis for cooperative ventures, in Contractor, F. and Lorange, P. (Eds), *Cooperative Strategies in International Business*, Lexington Books, Lexington, MA, pp. 3-28. – (8) Contractor, F. and Lorange, P. (1988b): *Cooperative Strategies in International Business*, Lexington Books, Lexington, MA. – (9) Cunningham, M. and Calligan, N. (1991): Competitiveness through networks of relationships in information technology product markets, in Paliwoda, S. (Ed.), *New Perspectives in International Marketing*, Routledge, London– (10) D'Cruz J. and Rugman A. (1992): *New Concepts for Canadian Competitiveness*, Kodak, Canada. – (11) Doz, Y. (1996): The evolution of cooperative strategic alliances: initial conditions or learning processes?, *Strategic Management Journal*, Vol. 17, pp. 55-83. – (12) European Commission, *European Competitiveness Report, 2000-2002*. – (13) FigyelőNet (2005): Konfliktus és együttműködés, in *Agysejtpusztulást okoz a rossz főnök*, 2005. október 5. – (14) Gomes-Casseres, B. (1994): Group versus group: how alliance networks compete, *Harvard Business Review* 72 (July- August), pp. 62-74. – (15) Gulati, R. (1995): Does familiarity breed trust? The implications of repeated ties for contractual choices in alliances, *Academy of Management Journal*, Vol. 38, pp. 85-112. – (16) Hamel, G. (1991): Competition for competence and inter-partner learning with international strategic alliances, *Strategic Management Journal*, Vol. 5 No. 1, pp. 33-55. – (17) Hensler, D. (2000): Cooperation in the competitive environment of new growth economics, paper presented at the 1st International Conference on Cooperation & Competition, VaxjoUniversity, Vaxjo, 8-10 November. – (18) Hubble, Megan (2005): Competition or Cooperation? Tips for Employee Success, *Recharger Magazine* October 1, pp. 103-106. – (19) HVG (2004): A gazdaságpolitika 10 kihívása, *Heti Világ Gazdaság*, 2004. november 25. – (20) HVG (2006): Nem a név számít, *Heti Világ Gazdaság*, 2006. január 21. – (21) Keynes, J. M. (1936): *The General Theory of Employment, Interest and Money*. – (22) Lawrol, Maryann (2004): *Industry Experiences Trickle-Down Transformation, Cooperation plus competition equals total solutions*, May 2004, *SIGNAL Magazine* – (23) Lovas Zsuzsa (2006): Versengés és együttműködés, *Figyelő* 2006/5. február 2. – (24) McCormick, Brad (2006): What do we win and lose by competing and cooperating? <http://www.users.cloud9.net/~bradmcc/sq/Serenity.html>– (25) Muck and Mystery (2004): *More Competition*, November 16.



- (26) Murths T. P. (1998): „Country Capabilities and the Strategic State: How National Political Institutions Affect MNC Strategies”, *Strategic Management Journal*, 15, pp 113-129. – (27) Myers, Allen (1997): *Competition and cooperation*, *Green Left Weekly*, Issue #288 September 3. – (28) Organisation for Economic Cooperation and Development (1992): *Programme on Technology and the Economy*. – (29) Pelline, Jeff (1998): „Coopetition” gaining acceptance CNET News.com, Published: March 23. – (30) Porter, M. E. (1998): *The Competitive Advantage of Nations* (with a new foreword), New York: the Free Press. – (31) President’s Commission on Competitiveness (1984): *The Report of the President’s Commission on Competitiveness*, written for the Reagan administration. – (32) Reiss, Michael, Beck T. C. (2000): *Netzwerkorganisation im Zeichen der Koopkurrenz*. In: Foschiani S, Habenicht W, Schmid U, Wäscher G, *Strategisches Management im Zeichen von Umbruch und Wandel*, Festschrift für Prof. Dr. Erich Zahn zum 60. Geburtstag, Stuttgart 2000, pp 315-340. – (33) Reiss, Michael (2003): *Hyper-coopetition, A complexity-based approach to production management in the New Economy*, UNIVERSITÄT STUTTGART, Lehrstuhl für ABWL und Organisation. – (34) Ricardo, D.(1817): *On the Principles of Political Economy and Taxation*. – (35) Ronald L. Martin (2003): *A Study on the Factors of Regional Competitiveness, A draft final report for the European Commission Directorate-General Regional Policy*, University of Cambridge – (36) Smith, A. (1776): *An Inquiry into the Nature and Causes of The Wealth of Nations*. – (37) Világgazdaság (2005): *Itthon véget ért a karrierkánaán*, *Világgazdaság*, 2005. március 29. – (38) Zineldin, Mosad (1998): „Towards an ecological collaborative relationship management”, *European Journal of Marketing*, Vol. 32 No. 11/12, pp. 1138-64. – (39) Zineldin, Mosad (2000): *TRM Studentlitteratur*, University of Lund, Lund. – (40) Zineldin, Mosad (2004): *Coopetition: the organisation of the future*, *Marketing intelligence & Planning* Vol. 22 no. 7, 2004. pp. 780-789.