

SPOLUPRACOVAT NEBO SOUTĚŽIT?

INVESTIGATING THE 'COMPETE OR COOPERATE' DILEMMA

Hilda Hurta

Anotace:

Tento článek se zabývá nejaktuálnějšími názory na problematiku vztahu zaměstnanců a zaměstnavatelů a zda k vyšší efektivitě vede spolupráce nebo soutěživost. Příspěvek prezentuje pozitivní a negativní efekty konkurence mezi- a uvnitř společnosti, výhody a nevýhody spolupráce. Příspěvek je také posuzován ze sociologického hlediska, kdy je brán do úvahy lidský faktor.

Klíčová slova:

Soutěživost, spolupráce

Abstract:

This paper investigating the latest opinions about the dilemma whether the workers and the companies should compete or cooperate each other for the higher efficiency. The study presents positive and negative effects of the inter-, and intra-company competition, advantages and disadvantages of cooperation as well as the human factors influencing them and sociological considerations.

Key words:

Competition, Cooperation

INTRODUCTION

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. 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) 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.

OPINIONS OF THE DILEMMA: COMPETE OR COOPERATE

Competition serves to conjure up images of conflict, atomised individualism, selfishness, dog-eat-dog behaviour and the survival of the fittest. Cooperation suggests the opposite, namely harmony, community, benevolence, caring, sharing, and everything generally warm and uplifting. The study presents the two concepts as usually used, then later on the essay presents numerous definitions and views about competition and cooperation.

What is competition? It is not something that can be formulated, according to Small (2005). He said: if there is a known way to win then there can be no competition. Competition is about playing strategic games and these games come in two different forms: zero sum games and non zero sum games. Zero sum means that if you take away the losses of the losers from the winnings of the winners the result is zero. In other words, winners win what losers lose. But, not all games are zero sum games. There are games where winners win more than

the losers lose. There are games where losers lose more than the winners win. These types of games are called non zero sum games because if you take away the losses of the losers from the winnings of the winners the answer is not zero. Non zero sum games include games where all the competitors lose, or, all the competitors win.

What is cooperation? It refers to the practice of people or greater entities working in common with commonly agreed-upon goals and possibly methods, instead of working separately in competition. Cooperation is the antithesis of competition, as said usually, however, the need or desire to compete with others is a very common impetus that motivates individuals to organize into a group and cooperate with each other in order to form a stronger competitive force. Many people support cooperation as the ideal form of management of human affairs. In terms of individuals obtaining goods and services, rather than resorting to theft or confiscation, they may cooperate by trading with each other or by altruistic sharing.

How the view has changed about competition and cooperation in the last twenty years? The study in this section delineates the scientists' workmanships about the dilemma from several approaches which is more efficient in the workplace, to make the employees compete or cooperate.

In its most fundamental sense, – wrote Leffler (1985) – competition is ubiquitous to all economic systems. All forms of striving to enhance one's situation are competition. Indeed, there is competition wherever there is self-interest and scarcity. In this broad sense, neither government nor business policies affect the presence of competition, for neither self-interest nor scarcity is eliminated. The forms that competition takes are, however, innumerable. The laws and rules of business conduct cannot increase or decrease competition, but they can and do alter the forms in which competition occurs. „My topic today is the notion that we have become more competitive and individualistic as a result of the reforms, and no longer cooperate as well as we used to.” – wrote Kerr almost twelve years after Leffer, in 1997, however this perception started to change in the early nineties. Scientists separated wheter the competitive or the cooperative strategy is suitable.

Drago and Turnbull (1991) in their study examined promotion systems which are competitive or non-competitive. They introduced helping technologies where some aid to coworkers is efficient and consider various worker bargaining strategies. It was shown that the competitive scheme consistently prevents helping efforts, while the non-competitive scheme induces an efficient allocation of effort if workers bargain over help. Because the non-competitive scheme is less risky, it may dominate the competitive scheme even if workers do not help each other. If workers bargain over help, the non-competitive scheme will typically enhance welfare. Their analysis of promotion schemes suggests that firms which foster inter-worker competition for promotions cannot expect workers to help one another, while non-competitive schemes promote helping efforts if workers engage in at least partial effort bargaining. Therefore, in workplaces where help is efficient, competitive promotion schemes will be inefficient, while firms using non-competitive schemes will achieve efficiency by promoting inter-worker cooperation.

Myers' estimate at the same period was that there has never been capitalism anywhere without competition between workers and capitalists. In every company, there is competition between owners and workers over how the company's income is divided between wages and profits: the more that goes to one side, the less there is for the other. Most company managements try to deny this. They tell workers to cooperate with them instead of competing; then the company will be successful in competing against other companies and there will be “more for everyone”. But if workers stop competing for a larger share of the company's income, it just makes it easier for the owners to take more and they can be counted on to do it. There is certainly no guarantee (or even likelihood) that the successful owners, out of

gratitude, will share their success with their workers. (Myers, 1997) So doubts have emerged about cooperation at the end of nineties.

Bandiera, Barankay and Rasul (2004) in their study used personnel data to identify the determinants and the motives of cooperative behavior in the workplace. They measured workers' productivity under a relative incentive scheme, where there are gains to workers choosing their efforts cooperatively, and then under piece rates, where there are no gains to cooperation. Using daily variation in group composition, they found that under relative incentives, workers cooperate more when they work in smaller groups, with coworkers of the same nationality, and with coworkers of similar ability. They also found that the ability to communicate and monitor coworkers are key for cooperation. None of these factors affected worker performance under piece rates. Overall, the results suggested that it is collusion, rather than altruism, that drives cooperative behavior under the relative incentive scheme. The findings have implications for the design of incentive schemes and the organization of the workplace.

According to a recent analysis (Kosfeld and Siemens, 2006) a competitive labor market with heterogeneous workers differ with regard to their intrinsic motivation for cooperation in teams. Some workers are willing to cooperate if their coworker cooperates as well (conditional cooperators), other workers only follow monetary incentives and hence never cooperate (selfish workers). A worker's type is private information and firms compete for workers offering wage contracts that can provide monetary incentives for individual effort but not for team effort. Results show that there is no pooling of workers in equilibrium but that workers endogenously sort into firms that differ with regard to the corporate culture of teamwork. While selfish workers are employed in firms that offer strong monetary incentives for individual effort and do not enjoy team work, conditionally cooperative workers are employed in firms where teamwork is observed. Moreover, asymmetric information about a worker's type can cause monetary incentives to be muted in firms that employ conditional cooperators. Interestingly, firms employing conditional cooperators can sustain positive profits in equilibrium, whereas competition for selfish workers drives down profits of the corresponding firms to zero. The reason for this result is that wage contracts for conditional cooperators in a separating equilibrium have to be sufficiently unattractive to selfish workers. This in turn may constrain a firm in paying out its profits to the workers, since if wages were too high selfish workers would invade the firm, cooperation would be destroyed, and the firm would consequently make losses. So some results show that teamwork and an intrinsic motivation for cooperation in firms can survive labor market competition. Furthermore, Kosfeld's and Siemens's model provides a theoretical rationale for the endogenous emergence and stability of different corporate cultures.

Much of the fundamentals in the field of the cooperations of firms 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 (1995a) 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".

What are the opinions of the everyday actors? In this section the study presents a few opinions from real participants of the economy. This is important because the essay showed only the scientists views about the topic, but there is an other prospect. The picture what we

can really see in a workplace. Are there any correspondences with the theories, or are there any strong oppositions?

„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; Huble, 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, cooperation 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 employed people which, however, sets limits to cooperation, and competitiveness is influenced by psychological factors of human behavior. McCornick (2006) claims that nobody has taught persons to carefully consider where they want to compete and where they want to cooperate.

Is there any other way not just compete or cooperate? 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 coopetitive 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 (Zineldin, 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 and 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.

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 and Mystery (2004) as “cutthroat” 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.

CONCLUSION

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.

In the last twenty years the academic view has changed about whether we should compete or cooperate for the higher efficiency. But there are things what are not involved to researches, but exist in the everyday life, competition can mobilize people's energy, and gives aims to them. At the same time competition can be fatal or causes measurable damages in material resources, on the other hand the total lack of competition again can be ruining.

There exist a new notion, according to which different independent partners can cooperate and compete at the same time with each other. Coopetition 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.

BIBLIOGRAPHY

- Andreoni, James and Miller, John H. (1996): An Experimental Study of Rationality and Altruism, SSRI Working Paper, University of Wisconsin, Madison.
- Arrow, Kenneth J. (1981): Optimal and Voluntary Income Redistribution In: Rosenfield, Steven (ed), Economic Welfare and the Economics of Soviet Socialism: Essays in Honor of Abram Bergson, Cambridge: Cambridge University Press.
- Auster, E.R. (1994): Macro and strategic perspectives on interorganizational linkages: a comparative analysis and review with suggestions for reorientation, *Advances in*
- Axelrod, R. and Hamilton WD. (1981): The evolution of cooperation, *Science* Mar 27; 211 (4489): 1390-6.
- Axelrod, R. (1984): *The Evolution of Cooperation*, New York, Basic Books

- Bandiera, Oriana; Barankay, Iwan and Rasul, Imran (2004): Cooperation in the workplace: Evidence from the field, CEPR Discussion Paper, Stockholm 24/25 September 2004.
- Battista, Giovanni; Padula, Giovanna (2002): Coopetition Strategy, a new kind of interfirm dynamics for value creation, EURAM, Stockholm, 9-11 May 2002.
- Becker, Gary S. (1974): A Theory of Social Interactions *Journal of Political Economy* 82, pp.1063-1093.
- 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.
- Bengtsson M, Kock S (2000/b) "Coopetition" in Business Networks - to Cooperate and Compete imultaneously. In: *Industrial Marketing Management* 29: 411-426.
- Brandenburger A, Nalebuff B (1996) *Co-opetition*, New York 1996.
- Bolton, Gary E., Brandts, Jordi, and Ockenfels, Axel (1997): Measuring Motivations for Reciprocal Responses Observed in Simple Dilemma Games, Discussion Paper, Universität Magdeburg.
- Bolton, Gary E., Ockenfels, G. (2000): ERC: A Theory of Equity, Reciprocity and Competition, *American Economic Review* 90(1), pp. 166-193.
- 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
- Contractor, F. and Lorange, P. (1988a): Why should firm co-operate? The strategic and economic basis for co-operative ventures, in Contractor, F. and Lorange, P. (Eds), *Cooperative Strategies in International Business*, Lexington Books, Lexington, MA, pp. 3-28.
- Contractor, F. and Lorange, P. (1988b): *Cooperative Strategies in International Business*, Lexington Books, Lexington, MA.
- 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
- Doz, Y. (1996): The evolution of co-operative strategic alliances: initial conditions or learning processes?, *Strategic Management Journal*, Vol. 17, pp. 55-83.
- Drago, Robert and Turnbull, Geoffrey K. (1991): Competition and cooperation in the workplace, *Journal of Economic Behaviour and Organisation* 15. pp. 347-364.
- Dufwenberg, Martin and Kirchsteiger, Georg (1999): A Theory of Sequential Reciprocity, Discussion Paper, CentER, Tilburg University.
- Falk, Armin and Fischbacher, Urs (1998): A Theory of Reciprocity, Discussion Paper, University of Zürich.
- Fehr, Ernst and Fischbacher, Urs (2002): Why social preferences matter – The impact of non-selfish motives an competition, cooperation and incentives, Institute for Empirical Research in Economics, University of Zurich, *Economic Journal*, Working Paper Series No. 84. pp. 1-42 ISSN 1424-0459.
- Fehr, Ernst and Schmidt, Klaus M. (1999): A theory of fairness, competition and cooperation, Published in: *The Quarterly Journal of Economics* August 1999, pp. 817-868, Institute for Empirical Research in Economics, University of Zurich, Working Paper Series No. 4. ISSN 1424-0459.
- FigyelőNet (2005): Konfliktus és együttműködés, in *Agysejtpusztulást okoz a rossz főnök*, 2005. október 5.
- Fischbacher, U., Gächter S., and Fehr E. (2001): Are People Conditionally Cooperative? Evidence from Public Goods Experiments, *Economics Letters*, 71, pp. 397-404.
- Fischbacher, Urs; Fong, Christina M. and Fehr, Ernst (2003): Fairness, Errors and the Power of Competition, Institute for Empirical Research in Economics, University of Zurich, *Economic Journal*, Working Paper Series No. 133. pp. 1-43 ISSN 1424-0459.
- 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.
- Hamel, G. (1991): Competition for competence and inter-partner learning with international strategic alliances, *Strategic Management Journal*, Vol. 5 No. 1, pp. 33-55.
- 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.
- Hubble, Megan (2005): Competition or Cooperation? Tips for Employee Success, *Recharger Magazine* October 1, pp. 103-106.
- HVG (2004): A gazdaságpolitika 10 kihívása, *Heti Világ Gazdaság*, 2004. november 25.
- HVG (2006): Nem a név számít, *Heti Világ Gazdaság*, 2006. január 21.
- Johnson, P.R. Heimann, V. L. and O'Neil, K. (2000): The wolf pack: team dynamics for the 21st century, *Journal of Workplace Learning: Employee Counselling Today*, Vol. 12 No. 4. pp. 159-164.
- Kahneman, Daniel, Knetsch, Jack L. and Thaler, Richard (1986): Fairness as a Constraint on Profit Seeking: Entitlements in the Market, *American Economic Review*, LXXVI, No.4, pp. 728-41.
- Kerr, Roger (1997): Competition or Cooperation, New Zealand Institute of Management, Chief Executive Officers Breakfast Briefing, Wellington 12 November, 1997.

- Kosfeld, Michael and Siemens, Ferdinand von (2006): Competition, Cooperation and Corporate Culture, 6 April, 2006. Institut für Empirische Wirtschaftsforschung, Universität Zürich.
- Lawrol, M. (2004): Industry Experiences Trickle-Down Transformation, Cooperation plus competition equals total solutions May 2004, SIGNAL Magazine.
- Leffler, K. (1985): Towards a Reasonable Rule of Reason: Comments, Journal of Law and Economics, 28, pp. 381-386.
- Levine, David K. (1998): Modeling Altruism and Spitefulness in Experiments, Review of Economic Dynamics 1. pp. 593-622.
- Lovas Zsuzsa (2006): Versengés és együttműködés, Figyelő 2006/5. február 2.
- Lawrol, Maryann (2004): Industry Experiences Trickle-Down Transformation, Cooperation plus competition equals total solutions, May 2004, SIGNAL Magazine
- McCormick, Brad (2006): What do we win and lose by competing and cooperating? <http://www.users.cloud9.net/~bradmcc/sq/Serenity.html>
- Muck and Mystery (2004): More Competition, November 16.
- Myers, Allen (1997): Competition and cooperation, Green Left Weekly, Issue #288 September 3, 1997.
- Neumann, John von and Morgenstern, Oscar (1944): Theory of Games and Economic Behavior, Princeton University Press, Princeton NJ.
- North, Douglass C. (1990): Institutions, Institutional Change and Economic Performance, Cambridge University Press, Cambridge.
- O'Boyle, Edward J. (1999): The nature of social economics, A personal commentary, International Journal of Social Economics, Vol. 26, No. 1/2/3, pp. 46-57.
- Pelline, Jeff (1998): "Coopetition" gaining acceptance CNET News.com, Published: March 23.
- Rabin, Matthew (1993): Incorporating Fairness into Game Theory and Economics, American Economic Review, LXXXIII, No. 5, pp. 1281-1302.
- 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.
- Reiss, Michael (2003): Hyper-coopetition, A complexity-based approach to production management in the New Economy, UNIVERSITÄT STUTTGART, Lehrstuhl für ABWL und Organisation.
- Rothschild, M. and Stiglitz J. (1976): Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information, Quarterly Journal of Economics, 90(4), pp. 629-649.
- Samuelson, Paul A. (1993): Altruism as a Problem Involving Group versus Individual Selection in Economics and Biology, American Economic Review 83, pp. 143-148.
- Scarnati, J. T. (2001): On becoming a team player, Team Performance management: An International journal, Vol. 7, No. 1. pp. 5-10.
- Sen, Amartya (1995): Moral Codes and Economic Success C. S. Britten and A. Hamlin (eds.), Market Capitalism and Moral Values, Edward Elgar, Aldershot.
- Sherman, S. (1992): Are strategic alliances working?, Fortune, September, pp. 77-8.
- Small, Peter (2005): Concepts and strategies, Competing for cooperation, CD-ROM.
- Smith, Adam (1759) reprinted 1982: The Theory of Moral Sentiments. Indianapolis, Liberty Fund.
- Smith, K. (1996): Cooperative learning: make a groupwork work, new Directions for Teaching and Learning, Vol. 67, Fall, pp. 71-82.
- Világgazdaság (2005): Itthon véget ért a karrierkánya, Világgazdaság, 2005. március 29.
- Zineldin, Mosad (1998): "Towards an ecological collaborative relationship management", European Journal of Marketing, Vol. 32 No. 11/12, pp. 1138-64.
- Zineldin, Mosad (2000): TRM Studentlitteratur, University of Lund, Lund.

Author adress:

Hilda Hurta, Szent Istvan University, Godollo, Pater Karoly u. 1., 2103, Hungary
e-mail: Hurta.Hilda@gtk.szie.hu, tel. +36-20-520-3617