

Competition and its Diverse Meanings: A Search for a Synthesis

Dhiman K. Chowdhury*

Abstract

The subject competition is not confined to economics only but also has been approached from sociology as conflict, from philosophy as knowledge, and from management as strategy. There appears to be conflicts among the approaches. For example, economists take the view that competition reduces the abuse of market power while sociologists believe that competition encourages struggle for control of resources. Similarly, competition and trust may appear opposites but philosophers argue that they are logical opposites. This article cross-examines the apparently conflicting views of competition and attempts a synthesis. It applies the philosophic concept of knowledge in resolving the diverse beliefs, behaviors, and practices.

1. Introduction

Competition is a subject so diverse that affects all quarters of a society including individuals, societies, organizations, markets, and the government. It affects societies' material benefits, solidarity, and happiness. Therefore, competition has been a subject of economists, management scholars, sociologists, philosophers, and lawyers. Economists looked at competition from the viewpoint of performance and productivity, management scholars from strategies, sociologists from conflicts, philosophers from happiness, and lawyers from policies. The World Economic Forum (2000) has listed diverse variables that affect competitiveness of a country. These are as wide as macro economic conditions, government, judiciary, infrastructure, law and order, to narrower issues like tax rates, foreign exchange rates, tariff rates, union power, research and development, interest rates on bank deposits, and pay-performance linkage. In a competitive

* Professor of Accounting, University of Dhaka.

environment, it is expected that administrative regulations are not pervasive, government economic policies are independent of pressure groups, law and order is strictly enforced, quality of infrastructure is high, and the difference in quality of schools available to the rich and the poor is low. For competitiveness also required are low unemployment rate, transparent bureaucracy, property rights, low tax rates, low costs of litigation, performance related reward, and delegation of authority.

For a firm, competitiveness is the ability to produce the right goods and services of the right quality, at a right price, at the right time. It means meeting customers' needs more efficiently and effectively than other firms (DTI 1994: 9). Upgrading the productivity of industries, innovation, product diversity, cost reduction are the elements of competitiveness. Competitiveness is conducive to innovative and productive activity by firms (Porter 1990). Trade associations and supplier organizations, trade exhibitions and strong networks and clusters of personal and corporate interactions is also conducive to competition, innovation, cooperation and competitive advantage. Collaboration and partnership arrangements amongst small and medium sized firms, joint ventures, joint R&D activities with educational establishments are the examples of cooperation and competition and innovation (joint ventures can be predators and anticompetitive also). Innovation is typically complex and costlier and involves uncertainty, risk-taking, probing and reprobating, experimenting and testing (Dosi 1988).

This article will cross-examine and synthesize the various viewpoints on competition with a view to arriving at 'knowledge' for better understanding of the subject. This synthesis is important because there appears to be conflicts among the viewpoints. For example, some hold the view that competition reduces the abuse of market power while others believe that it is a struggle for control of resources. Again, there is a view that competition encourages individualism while others believe that with competition come trust and cooperation. Performance related remuneration and higher pay differentials among people are considered competitive in societies whereas, in some other societies, trust-based life-time employment relation and lower pay differentials also have been found functional. This article will cross-examine the apparently conflicting views of competition. It will apply the philosophic concept of knowledge in resolving the diverse beliefs, behaviors, and practices. Economists and management scholars consider competition as a knowledge creation process. This article will review some of the literature on how competition is related to knowledge and performance. Finally, the article takes the case of Japan and shows how it is a trust-based but still a competitive society.

2. Competition as Knowledge Discovery and Knowledge Spillovers

Hayek (1945) asserted that the major economic problem was a knowledge problem. “The peculiar character of the problem of a rational economic order is determined precisely by the fact that knowledge of the circumstances of which we must make use never exists in concentrated or integrated form but solely as the dispersed bits in incomplete and frequently contradictory knowledge which all the separate individuals possess”. His theory indicates the necessity of a competitive and open market where various players in the market can freely interact with each other with a view to reducing their imperfect information and knowledge. Consider a publicly financed company where managers know more about the company than the shareholders know. This situation of information asymmetry between management and shareholders requires management for detailed disclosure and spillover of company information through the company annual reports. The disclosure and reporting of price sensitive information such as managers’ insider dealings also help knowledge spillovers among various corporate players. Delegation of authorities, committee-type management, and corporate board with outside independent experts—all these competitive environments further facilitate the spillover of imperfect, dispersed and frequently contradictory information and knowledge which separate individuals possess. Concentration of power, market entry barriers, tariffs and quotas are largely noncompetitive which hamper the growth of knowledge. Wernerfelt (1984) considers a firm as unique bundles of resources and capabilities that are rare, valuable, imperfectly imitable and imperfectly mobile. The economic problem of a society is a problem of the utilization of knowledge, which is not given to anyone in its totality. Consumers’ tastes and preferences are not given to firms; through competition, firms discover them. The costs of producing goods by various technologies are not provided to firms; such costs must be learned. This perception about competition and knowledge has implications for equilibrium in market and economies. The factor governing the speed and rate of knowledge development has to do with the competitive environment. Competition promotes innovation; the pace of innovation in most industries is closely linked to high levels of competition there. The simple argument is that innovation, the creation of new knowledge and new ideas are embodied in products, processes, and organizations. Competition not only creates incentives to produce new knowledge but it also forces the other agents to increase their own performance through imitation, adoption, absorption of the new knowledge created elsewhere, in order not be excluded from the market. Competition in the product market forces managers to innovate (Hart 1983). Competition in the capital market reduces cost

of capital and increases the value-increasing diversification, and thus disciplines managers (Harris and Raviv 1990, Jensen 1986). And competition in the labor market increases executive turnover in non-performing firms (Weisbach 1988).

There are various forms of knowledge discovery (R&D): a company's own R&D, cooperative or joint R&D, and government-sponsored R&D. Japan is regarded as a forerunner in the practice of cooperative R&D. The most celebrated example is the VLSI (Very Large Scale Integrated Circuit) project, conducted between 1975 and 1985, and designed to help Japan catch up in semiconductor technology (Sakakibara 1997). Firms whose activities are beginning to cross industry boundaries must acquire knowledge from other organizations in other industries. In this context, cooperative strategies can become indispensable mechanisms for learning. The objectives of cooperative R&D are cost-sharing and skill-sharing. Examples of skill-sharing include the combination of optics and electronics which led optoelectronics, the development of fiber-optics communication systems, and the fusing of mechanical and electronics technologies producing the mechatronics revolution, which has transformed the machine tool industry (Kodama 1992). An analysis of 398 questionnaire responses from participants in Japanese government-sponsored R&D consortia funds reveals that the relative importance of the cost-sharing motive in R&D consortia increases when participants' capabilities are homogeneous or projects are large, while the relative importance of the skill-sharing motive in R&D consortia increases with heterogeneous capabilities (Sakakibara 1997).

3. Competition as Strategy and Comparative Advantage

Competition is a dynamic and complex phenomenon. It means the range of actions aimed at ensuring the realization of the choices of a given firm while restraining at the same time the sphere of actions of its rivals. It means 'to compete', which involves a process of rivalry between firms for a market or for a productive resource (human, material or financial). This includes rivalry in prices, in improved techniques of production or products, in R&D or advertising expenses in the engagement of new productive or distributive activities or in the imitation of existing activities, in the implementation of new forms of organization in which customers, suppliers, partners or even competitors may be involved. A strategy is essentially a set of complex multivariate choices, including resources, activities and product market positioning. Consider Rumelt et al. (1994: 9), "Because of competition, firms have choices to make if they are to survive. Those that are strategic include: the selection of goals; the choice of

products and services to offer; the design and configuration of policies determining how the firm positions itself to compete in product markets; the choice of appropriate level of scope and diversity; and the design of organization structure, administrative systems, and policies used to define and coordinate work.... It is the integration (or reinforcing pattern) among these choices that makes a set of strategies.”

Competition is the constant struggle among firms for comparative advantages in resources that will yield market place positions of competitive advantage for some market segment(s) and thereby superior financial performance. Dierickx and Cool (1989) point out that firm resources can be usefully categorized into those that are tradable (e.g., unskilled labor, raw materials, and standard pieces of machinery) and non-tradable (e.g., firm-specific skills, reputations for quality, dealer loyalty, R&D capability, brand loyalty, and customers’ trust). Whereas tradable resources can be acquired quickly and easily in the factor markets (i.e., they are mobile), the stocks of non-tradable resources must be developed, accumulated, and maintained through time (i.e., they are immobile). The resources critical for competitive advantage are those that are non-tradable. Barney (1991: 101) called this resource-based competition. First, he defines firm resources to include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc., controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness. He points out that only resources that are heterogeneous, imperfectly mobile, and asymmetrically distributed among rivals, that is, are rare, can generate competitive advantage and superior financial performance. He further views that heterogeneity and immobility alone do not guarantee a sustained competitive advantage. Sustainability occurs only when rivals find it difficult to both imitate the competitive advantage producing resource and develop or acquire strategic substitutes for it. Selznick (1957) refers to competence-based theory, which is interested in what an organization can do particularly well, relative to its competitors. Prahalad and Hamel (1990) argue that a competitive firm must invest in core competences because an organization’s capacity to improve existing skills and learn new ones is the most defensible competitive advantage of all. He contends that core competences, unlike physical assets, do not deteriorate with use but are enhanced as they are applied and shared.

4. Competition, Knowledge, and Performance

Competition enhances performance. If there are many ways of doing things, competition allows many to be tried and then select the best, something a

monopoly finds hard to replicate. The main argument in favor of a positive relationship between competition and productivity performance rests on: the existence of monopoly rents gives the company stakeholders, in particular managers and workers, the potential to capture these rents in the form of slack or lack of effort. It may be argued that in oligopoly industries, resources may be spent on deterring rivals, and this can lead directly to production inefficiency. The use of excess capacity (too high capital intensity) to make entry deterrence credible is an example of this. Although there are theoretical reasons for believing that competition improves corporate performance, the empirical evidence on this question is weak (Nickell 1996). He analyzes 670 UK companies and shows some evidence that competition as measured by increased number of competitors or by lower levels of rents is associated with a significantly higher rate of total productivity growth. Porter (1990) argues that there exists a positive causal relation between competition and growth since competition forces firms to innovate and to be efficient. Nickel (1996) has found empirical evidence to this view. On the other hand, Grossman and Helpman (1991) show that competition hurts research and development and growth when it facilitates imitation. Successful innovations earn monopoly profits for a while. The streams of profits end when imitation takes place. Successful imitators earn rents or profits because their (South) manufacturing costs are lower than those of competitors in the North. IBM introduced its original PC based on the 8088 processor chip in the early 1980s. It aroused an enormous market share until firms in Taiwan and Korea were able to offer competitively priced clones.

In a free market environment, capital will move from the capital rich to the capital poor economies to reap profit. The migration of capital will equalize capital-labor ratio and factor price, and thereby equalize per capita income level across regions. Market orientation can also increase efficiency by reallocating resources from sectors with low productivity to sectors with high productivity. This theory was used in a number of empirical studies to explain convergence across a set of countries in which trade is more open and factors are more mobile. Tian (2000) showed that market orientation played a crucial role in the rapid growth of the initially backward provinces in post-1978 China, and was the most important source of convergence over the period. Naughton (1992) observes sharp reductions in both the level of state enterprise profits and the dispersion of profitability across branches of Chinese industry. He attributes the decline and convergence of profit rates to the continuing erosion of barriers that formerly protected state enterprises against competition from collective firms, from imported products, and from innovative rivals within the state sector. Firm

concentration ratios for Chinese industry tend to fall considerably below comparable figures for US and Japan. Stiglitz (1989) argues that when spillovers of knowledge within a country are less than perfect, then markets will never be perfectly competitive. He illustrated the thesis that market failures, particularly those related to imperfect and costly information, may provide insights into why the LDCs have a lower level of income.

Potential competition as a limiting force on the exploitation of market power has received recognition at least since Staten (1956). Intense price competition among equivalent products of different competitors has downward pressure on prices and firm profitability. Most studies show a positive relation between concentration and rate of return (Telser 1988: 378). Stigler (1963) uses an alternative measure of profitability, i.e., the ratio of market value of shareholders' equity to book value of their equity and he found significant positive rank correlation with concentration ratio. There is also evidence in Telser's work to show that in the highly concentrated industries a large number of companies seem to be attracted by the high rates of return. Hence, there should be a positive association between rate of return and concentration by industry over time. Eventually, this ought to lower both the concentration ratio and the rate of return. Competition ultimately prevails so that concentration and rates of return decline. Many later studies on US data found no statistically significant linear relation between domestic concentration and profitability. The results are also similar for UK, French, Belgian, and Italian data (Schmalensee 1989: 974-975).

Competitive environment reduces concentration of power, self-interest and ideology, and encourages distribution of resources according to skill, knowledge, and performance. Corporate remuneration system in recent decades is more competitive and performance based replacing fixed remuneration system. Employee profit sharing, share ownership, and share option benefits brought for employees not only their share on profit but also their participation on ownership and management of the firm. Corporate board nowadays is more competitive than before. A corporate board now uses the expertise, knowledge, and independence of people outside the company. The duty of these outside non-executive directors is, among others, to monitor the performance of the executive directors, and to report matters to the shareholders if they are not satisfied (ABI 1990). Cadbury report (1992) requires that outside non-executives should be appointed by the whole board not by the chairman. This corporate governance standard if applied properly is expected to curb on self-interest and ideology based knowledge of executive directors. Even in the public sector, agency system has been introduced

in UK government in the late 1980s through the 'Next Steps' (Kingdom 1999). The objective of the private sector, like agency, is the improvement of management in government. This system is popularly known as the alternative of privatization. Under this system, operating activities of a government department are put under the responsibilities and supervision of a chief executive. He prepares the business plans and strategies, budgets, and sets goals and targets, which have to be agreed by the minister and then resources are allocated to the agency.

5. Trust, Culture and Knowledge

Incentives, motivation and control are widely used economic and management mechanisms to influence people for harder work, efficiency and higher productivity. This Anglo-American model of human relations in work does not however seem to be predominant in some societies for example, Japan. Although this model is in use, Japan is mainly a trust-based society where work environment, life-time employment, remuneration system, enterprise union, and work hierarchy are based on trust and culture. Their ancestors taught them to work harder and honestly, to be loyal to seniors, to pursue collective team behavior as against self-assertion, and to maintain harmony. This trust based society and its philosophy and 'knowledge' has been received from their ancestors, culture and history. This knowledge lived from generation to generation over place and time. They nourished this culture and knowledge in their social relationship. Different countries have different history of civilization. According to anthropology and history, men moved from one place to another according to their comfort and security of life and encountered with different environment, climate, and resource-base. Accordingly men selected their profession, made work rules, and designed human relation and life-style. Beliefs and knowledge originated anthropologically and historically from their own environment, climate, resource-base, and consequent experiences. Climate, geographical structure, and resource-base—all molded their life, economic activities, and their beliefs and knowledge. Also society never remained the same, it changed and transformed from time to time and so did modify its knowledge, culture and behavior. In the history of civilization of any region society moved through different stages. Different countries have experienced these stages at different time and speed. Again in each stage, mode of production and the nature of human relation were different. In agriculture and small scale production, for example, human relation was simple but in factory system and large scale production, because of separation of ownership and management, human relationship did not remain that simple. Modern Anglo-American companies are mostly financed by equity capital, that is,

publicly financed, whereas Japanese companies are mostly financed by banks and retained earnings. Thus Japanese companies are more family-companies than public companies. In the recent past, however, Japan has increased its activities with the outside world; there has been growth in tourism, foreign trade, foreign employees, Western culture and so on. A society is under constant transformation. The traditional trust system also has to change with this transformation in society. Revision in trust, culture, belief, and knowledge is a logical consequence. Since Japan is interacting and socializing with different culture and knowledge, borrowing from them is an inevitable consequence. As a response to that, Japan already started in its trust based society some elements of competition such as performance related pay, contract job, and transparency in corporate governance (Aoki 1984, 1988; Suzuki 2005).

Trust (belief) and reason (competition) go hand in hand. In a new situation, we start with belief and gradually revise our beliefs. We rely on trust where cause and effect is indeterminate (at least remote indeterminacy). Take the case of employee remuneration in a large company. This is in fact based on both 'trust' and 'reason' or competition. It is reason because some part of an employee's performance can be measured 'objectively'. It is trust because some part of his performance cannot be measured objectively. Particularly in a team-based work environment, individual performance can hardly be singled out. In this situation, individual merit rating by immediate supervisor (based on trust as well as supervisor's knowledge) is in place particularly for promotion. And, bonus system based on organization performance rather than individual performance is in place where bonus is distributed among employees equally or according to basic salary. Regarding organization performance and bonus, both trust and knowledge are involved: trust, because it is believed that all employees work with reasonable effort and therefore contribute to organizational performance; and it is knowledge because some mechanisms (control system) are in place to check an employee's free riding behavior, for example, his presence or absence in work place is monitored. So in every sphere of human association and relation there are issues which are numerous and some of these can be identified and measured objectively and many others which are subjective and uncertain and cannot therefore, be measured objectively. Again, when we say we can measure objectively it really means we can measure 'relatively' objectively because our decisions and actions are based on evidences which are 'probabilistic'. And, importantly, as the mode of production and human relationship take more complex structure, this problem of measuring accurate knowledge becomes more acute. Here in these situations, trust (belief) and competition and reason (knowledge) go together. For the above

uncertainties and imperfections of human knowledge, Japan's pay structure typically has three elements: person related (age and merit), job related (equal pay for equal work) and need related (allowances) (Aoki 1988).

Trust is the expectation that arises within a community of regular, honest, and cooperative behavior based on commonly shared norms, on the part of other members of that community (Fukuyama 1995: 26). According to him, the most effective organizations are based on communities of shared ethical values. Although this belief requires detailed scrutiny, it seems partially true when we agree that self-interest, individualism and self-assertion are found at a lower level among people of higher-order thinking, high achievers and of higher social status. Kenneth Arrow (1974) argues that trust is an important lubricant of social system. It saves a lot of trouble to have a fair degree of reliance on other people's word. Trust and loyalty enable you to produce more high-esteem values. You pay your bus fare by yourself and the driver or conductor does not check. Though some people could cheat but as a whole the system is working and saves time and money in many countries including Japan and Malaysia. These communities do not require extensive contract and legal regulations in their relations because prior moral consensus gives members of the group a basis for mutual trust. By contrast, people who do not trust one another will end up cooperating only under a system of formal rules and regulations which have to be negotiated, agreed to, litigated and enforced, sometimes by coercive means with high transaction costs. Transaction costs include finding the appropriate buyer and seller, negotiating a contract, complying with government regulations, enforcing that contract in the event of dispute or fraud, monitoring and bonding costs, institutional activism costs, auditing, and insurance and security costs. A high trust society does not have to pay such high tax. Spontaneous sociability is critical to economic life because virtually all economic activity is carried out by groups rather than individuals.

Fukuyama (1995) has differentiated Japanese and Chinese kinship-based society. According to him, there are three broad paths to sociability: the first based on family and kinship, the second on voluntary associations outside kinship such as schools, clubs, and professional associations, and the third is the State. Familism—too strong an insistence by society on maintaining family ties at the expense of other kinds of social relationships can be detrimental to economic development. Max Weber (1951) in his book *The Religion of China* argued that the strong Chinese family created what he called, 'sib fetters' (overly restrictive family bonds) constraining the development of universal values and the impersonal social ties necessary for modern business organization. In the West,

many observers believed that family ties had to weaken if economic progress is to occur. The extended family provides shelter and food to all its members regardless of their individual contributions. The individual savings are discouraged. Family loyalty and obligations take precedence over other loyalties and obligations. Thus the extended family tends to dilute individual incentives to work, save and invest. In sharp contrast to Japan, Chinese society is not group oriented. The familism evident in Chinese business life has deep roots in Chinese culture. Competition between families makes Chinese societies seem individualistic but there is no competition between the individual and his family in the Western sense (Fukuyama 1995: 75). There is, however, opposite observation by Wilson and Pusey (1982) Chinese family system is strictly patrilineal; inheritance flows through males only (now changed) and is shared equally by all of a father's sons. There are however, similarities between Chinese and Japanese Society: filial piety, seniority, children's obligation to parents, more affection to parents than wife, ancestor worship, women subordination to men. There are differences too. There are non-kinship based associations in Japan unlike China. Family is non-biological unlike China. Adoption of outsiders is widespread. Adoption outside the kinship group is in place. The Chinese occasionally criticized Japan's 'promiscuous' adoption practices as 'barbarous' and 'lawless' because of their openness to strangers (Lebra 1989). The percentage of adoptions within Samurai families rose from 26.1% in the seventeenth century to 36.6% in the eighteenth, to 39.3% in the nineteenth century (Moore 1970). There is a very strong inclination on the part of the Chinese to trust only people related to them, and conversely to distrust people outside their family and kinship group (Whitley 1991).

The problem of free riding can be mitigated if the group possessed higher degree of social solidarity. People become free riders when they put their individual economic interests ahead of that of the group. But if they strongly identified their own wellbeing with that of the group or even put the group's interests ahead, then they would be much less likely to shirk work or responsibilities (Fukuyama 1995: 156). Therefore performance related pay around the world is predominantly based on group or organizational performance rather than individual performance (Chowdhury 2004). Even in US, the country of the highest individualism, performance pay for school teachers based on individual merit rating did not work. Life time employment is a result of the trust based society. The Japanese are more likely than Americans to say their work superior, "Looks after you personally in matters not connected with work" by eighty-seven to fifty persons (Lipset 1992: 57).

6. Competition, Trust and Cooperation

Trust reduces complexity and uncertainty in many social interactions. To cope with indeterminate and contingent outcomes due to uncertainties in every particular case, one requires a great deal of information that is very costly to obtain. Thus the need for stable and global mechanisms is rooted in the fundamental unpredictability of social interaction. As distinct from an external mechanism such as a legal or social sanction, trust is an internal mechanism for this purpose. It dispenses with the requirement for extensive research if one can place high confidence (trust) in others; it works as a substitute for full information. In this sense, trust is a rational, cost-saving device if it proves successful. But distrust is also a rational device that avoids a risky situation by abandoning the effort of trusting others. If we can rely or trust on the labels on food packets, medicines, reports in newspapers, academic journals, data collected by official bodies, etc., our scope of action is expanded. In a situation where we need to check everything ourselves we are constrained in our options indeed. Competition and cooperation go hand in hand (Hayek 1960: 37). This is obviously the case in activities like games. Cooperative behavior is essential in a society for human flourishing and so should be encouraged wherever feasible and not obviously harmful. Equally, competition in some contexts is also essential to realizing human welfare. For example, an absence of competition may well lead to a constraint on our fulfilling of our physical and mental capacities, on our discovering technologies that can relieve human suffering and facilitate human well being, and whether competition does that will depend upon the context of their operation. Although trust and cooperation seem to be general conditions of human flourishing, the question of the desirability of competition is likely to be far more sensitive to the prevailing conditions.

Muller, in his 1809 work *The Elements of State Art (Die Elements der Staatskunst)* holds the view that the main problem with the modern way of production is a sort of ‘calculator’ aiming only to maximize his material interests and ignoring various other elements of culture, moral and welfare which stem from social traditions. “In the traditional organizations, i.e., those originating in the middle ages, craftsmen and apprentices are trained not only in handicraft skills but also taught to be simultaneously “poets, scholars and artists of all kinds”, so in the guild as an educational organization a ‘heartfelt relationship’ is formed between master and others, but in the manufacturing system the entrepreneur dominates “mechanical wage laborers” coldheartedly, calculatively and seeking after pure income” (pp. 311-13). Characteristic of Muller’s thought is the way he gives

priority to the maintenance and the recovery of the balance among economic, social and cooperative functions in institutions. He vigorously argued that material development should be restricted to a certain degree for the realization of these ideals. Even though he does not reject an increase in material wealth, this is not the main purpose for him.

7. Individualism and Collectivism: The Logical Opposites

Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his immediate family. Collectivism as its opposite pertains to societies in which people from birth onwards are integrated strong, cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty (Hofstede 1991: 51). This individualism and collectivism or independence and dependence are logical opposites. Men are dependent on each other because of division of labor and agency relationship in modern society which has been explained in detail in Chapter 2. Independence is also very dear to man and he cannot be forced and coerced, against his freedom and independent thinking. Koestler (1960) remarks about Indians' basic predisposition of indifference to contradictions and the peaceful coexistence to logical opposites. Philosophy of ethics, *dharma* (duty) and *moksha* (salvation) coexist with pursuit of *artha* (wealth) and *kama* (sexual satisfaction). Indian psyche, values and reactions are contextual rather than textual. Indians switch gears constantly according to the situation, thereby displaying many frequently contradictory facades. One should speak the truth; one should speak what is pleasant; and one should not speak the truth if it happens to be unpleasant. Rightness and wrongness appear to be determined by the context in which the behavior takes place. Roland (1984: 123-130) takes the view that correct behavior is much more oriented towards what is expected in specific contexts of a variety of roles and relationships, rather than any unchanging norm for all situations. Wars are to be done in a corner, in one's mind, and in forest (*kone*, *mone*, and *vane*). Collectivist forms such as *kirtan* and mass prayers are also there. Management philosophy—management is situational—is consistent with Koestler and Roland's finding about the Indians. However, the management philosophy is universal. Tripathi (1988) observes that the human form of collectivism found in Indian society is a mix of individualism and collectivism that is conditioned by many values and contingencies. Devos (1973) shows that the Japanese places emphasis not on attaining individual glory, but rather on continuing family tradition. Wilson and Pusey (1982) find that Chinese parents encourage their children to seek individual and collective achievement

simultaneously. Whereas in US the market values tend to crowd out purposes of democratic community, such as promoting human growth and development (Soros 1997). Juviler and Stroschein (1999) expressed the need for a balance between lofty principles of human solidarity and the self-interest, which drives the indispensable market.

According to Russell (1960: 53, 91), “Success (in the sense of material benefits) can only be one ingredient in happiness, and is too dearly purchased if all the other ingredients have been sacrificed to obtain it. The emphasis upon competition in modern life is connected with a general decay of civilized standards such as must have occurred in Rome and Augustan age. Men and women appear to become incapable of enjoying the more intellectual pleasures. It is not only work that is poisoned by the philosophy of competition (main thing in life), leisure is poisoned just as much”. He also views that the habit of thinking in terms of comparisons is a fatal one because it leads to envy. The opposite, however, is also true where comparison is good for ‘knowledge’ creation. Management literature also suggests that comparison and performance evaluation are necessary for motivating people and reducing free riding problems.

8. Competition and Conflicts: Sociologists’ View

Sociologists view the terminology ‘competition’ as ‘conflicts’ to describe certain aspects of industrial relations. Competition is a word describing a conflict over the control of resources or advantages desired by others where actual physical violence is not employed. Conflicts of interests in employment arise because each party wants to maximize its own utility. Since wages are costs which affect profits, and profits can be raised at the costs of wages, those whose interests lie in maximizing wages are in competition with those concerned to raise profits. Both parties may be presumed to be acting in accordance with the dictates of rational economic action, but the rational appraisals of interests made by workers and managers pull in opposite directions. The divergence of interests occurs in any economic system where those who work do not also retain the profits of their activity. Thus competition derives from the separation of the ownership of a firm from those who work for it and the consequent appropriation of anything remaining out of revenues after costs have been covered as profits for the owners.

Distribution of power also causes conflicts. Whenever there are hierarchical structures of power and influence, there will be the potential of social conflicts. Opposing interests are created by the possession of and exclusion from power. Conflict lies in the particular arrangement of social roles of domination and

subordination. There are powerful alienating tendencies in modern factory technology and organizations (Robert 1964: 4). A person is powerless when he is an object controlled and manipulated by other persons. Industrial workers can experience powerlessness from their lack of control, which results from the separation of ownership of means of production and productive labor, failure to control managerial policy and decision-making, failure to control conditions of employment, and failure to control the immediate work process.

Weber (1964) visualized industrial relations as class relations. People have views about their own position, the class to which they belong, and the relationship amongst classes. Work 'humanization' techniques such as job enrichment, autonomy, company pension schemes, improved working conditions, incentive benefits, and job security, have therefore, gained considerable popularity with management theorists over the last decades. In Japanese competition, manual and non-manual employees are guaranteed career progression and wages that rise with age as well as merit rather than careers for a selected few and wages based mainly on performance criteria. Employees also receive substantial non-wage benefits, company housing, medical, educational, and leisure facilities. Managers promote a company philosophy or ideology of community identification with the collectivity and loyalty to the paternalistic cooperation. Collectivism and community are reinforced at all levels of the company by the creations of small teams as the basic units of organization. Management also decentralizes decision-making and encourages worker participation. Large private enterprises in Japan have remarkably peaceful industrial relations and a contributory factor is undoubtedly the form of moral cohesion instituted in corporate paternalism. This suggests that enlightened policies can contain social conflicts arising out of economic competition.

9. Japan: A Society of Logical Opposites

One of the characteristic features of Japanese society is the avoidance of confrontation. Most Japanese would rather walk away from a conflict than join in the fray, and there is a tendency to nod and agree with another's opinion even when it is not shared. This is done out of both an ingrained civility and a commitment to the harmony of the moment over the self-assertion of conviction. This is based on an ideal of amelioration: that people of differing beliefs can surely live together if they do not try to impose their faith on each other (The Japanese Times, April 11, 2005, p. 7).

Japan is probably the most successful capitalist country with collective interest being predominantly active in social relations, the lowest income inequality

(during 1987-95), the lowest number of days lost in industrial disputes among the developed countries during 1990-93 (Jacoby 1995), and one of the lowest crime rates (UN 2000). Salary is mainly based on seniority. A nurse's aide about to retire might earn twice the salary of either the head nurse (in her thirties) or a young physician on the regular staff (Campbell and Ikegami 1998: 77). Group consciousness and institutional affiliation appear to be more important than individual ego and superiority or individual orientation. For a company, it belongs not to 'shareholders' but to 'us'. Rather than saying 'I am a typesetter' he tends to use 'I am from a publishing group'. Everywhere, there are signs of service motive more prominent than personal profit motive. Another social culture is dependency in human relations. The word, *amae*, the noun form of *amaeru*, is an intransitive verb that means, 'to depend and presume upon another's benevolence'. Parental dependency is encouraged in Japanese society whereas the opposite tendency prevails in Western societies. Bow down head is very common as a sign of respect or as a greeting. Trying to get approved by excessive politeness and obedience is a culture. Parental dependency is institutionalized everywhere in Japanese societies. The American baby appears to be more physically active and happily vocal and more involved in the exploration of his body and his environment than is the Japanese baby who in contrast seems more subdued in all these respects (William Caudill quoted in Okimoto and Rohlen 1988: 21). Unanimous agreement has a very important social function for the Japanese. The Japanese avoid to contradict or to be contradicted, that is, to have to say, 'no' in a conversation. "*Hi*", an word for English 'yes' is airing so much that it can be said that most of their time in conversation is spent in saying '*hi*', '*hi*', and '*hi*'. Sometimes, it appears that they are born for saying '*hi*'. And they say '*hi*' in such way with so much of importance and emphasis that it seems they quarrel with each other. They simply do not want to have divided opinions, and if such an outcome appears to be inevitable they will get so heated emotionally that it becomes almost impossible to continue any reasoned discussion. "I think this explains why disagreements become violent in the Diet (parliament) and other groups in Japan. The greater the power of cohesiveness, the more violent the effect of a break. It is like splitting the atom" (Okimoto and Rohlen 1988: 22). Contrary to this, in the West, with its emphasis on the freedom of the individual, people have always looked down on the type of emotional dependency that corresponds to '*amae*'.

Dispute is solved by mutual understanding and the principle of rule by consensus prevails. Contracts and agreements drawn up by large Japanese trading companies and other societies invariably contain a 'good-faith' or 'amicability' clause. The

clause states in case a dispute arises between the parties hereto with respect to their rights and obligations under this contract, the parties hereto shall discuss the matter among themselves with good faith. Europeans, on the other hand, think that they are entitled to take the other party to court if the latter fails to perform his contractual obligations. The number of civil suits per capita brought before the courts in Japan is roughly between one-twentieth and one-tenth of the figures for suits per capita in the common law countries of the US and UK. Even if the number of cases brought to conciliation proceedings is included, the difference remains the large, between one-sixteenth and one-eighth (Okimoto and Rohlen 1988: 194).

Although the Japanese have dependency value they are self-disciplined and hard working and they love their work. History of working hours around the world gives support for this (Jacoby 1995). In 1989, a Japanese worker worked 2159 hours in the manufacturing industry compared to 1956 in US, 1610 in France, 1603 in Germany, 1851 in UK, and 1895 in Canada. Similar performance is recorded in 1960, 1970 and 1980. Their remuneration structure with lower disparity among various layers in an organization is another evidence as respect for all types of work irrespective of status. Joint consultation committees between labor and management in Japanese companies are common. An individual is given due care and respect and participation in decision-making. Bow-down tradition is practiced not only from junior to senior rather it is visible everywhere at every level irrespective of status. Bowing down by the prime minister, ministers and lawmakers is a common tradition in Japanese governance. It means that every individual is given due care and importance. Though the society is hierarchical, the decision is consensual.

The above Japanese social values are not alien but supported in philosophical writings, particularly in the theory of knowledge. This theory says, human knowledge is imperfect, rationality bounded, and man works mainly on belief or at best justified belief. Coupled with this philosophical discipline, anthropology and sociology add another dimension of knowledge, which suggests that men are dependent on each other. Thus, collective attitude seems better and philosophical than self-assertion and ego. Philosophy of knowledge suggests that as you study more and more you see the 'plural' of factors rather than 'single' or individual factor that triggered any change in a society. An individual human being is only an element, though very important, among many elements behind any change. History, geographical location, government, traditions, values, technology, religion, resource base, many factors are behind the happening or non-happening

of an event. Moreover, we are in fact dependent on each other. We are involved in interactions with others and this interaction is a two-way process. In management, the art of getting things done must know how to manage people, and there you need support. Human beings do mistakes or dysfunctional behavior out of self-interest or out of imperfections in knowledge or both. Intellectuals tend to say, 'it appears', 'it seems' rather than 'it is' because they see that knowledge has a time and place context and therefore always there are rooms for improvement and development.

10. Conclusion

Competition is an interactive process where market players interact with each other according to socially accepted rules and regulations. Competition is an environment where none can make an abnormal profit. It means that competition forces cost and price down for firms to survive in the market with minimum rates of return. This is made possible by the presence of a large number of players in the market. Thus, competition leads to pluralism. But there are parallel views that competition encourages individualism and comparison. Individualism and pluralism like other logical opposites can co-exist. What is right and what is wrong depends upon circumstances, i.e., behavior is contingent. For example, comparison and performance evaluation provide incentives for better performance and controls poor performance and thus mitigates free riding problem. But this competitive practice is good subject to conditions, for example, the difference in individual performance benefits should not be so great that it creates large inequalities in income and social position. Sociologists consider competition as a struggle for controlling resources and power. They consider it as a class struggle and kinship. However, to counter these monopolistic and oligopolistic behaviors, new management and governance techniques have been developed around the world. These include humanistic management techniques such as participative management, decentralization of authority, quality circles, responsibility accounting, employee profit sharing and share ownership, trade union, accounting reporting and disclosure, committee type of management, democratic labor laws, and corporate governance.

Competition and trust and cooperation are logical opposites. Trust is good in certain circumstances for example, where risk is less particularly in standard object or event, and in non-monetary, cultural and social values. If we show serious competitive behavior in everything, it may be costly and time consuming. If we check every details: laws, formalities, full information, evidential documents even for standard object or event then this might constrain our

potential options. In corporate governance, shareholders keep trust on the board of directors in addition to monitoring, proxy voting and other competitive behavior. Even in various market collusion behavior such as tacit agreements, cartels, joint ventures, and mergers, both trusts and competition go hand in hand. Both the trust and competition have their limitations. Although in cartels, firms have trust on each other, they have incentives to cheat on the collusive agreement. So they apply various competitive methods to detect and prevent cheating. Some trusts are legal for example, information exchange, trade associations, and collaborative research but anti-competitive trusts are illegal. This article shows that knowledge allows logical opposites. Japan, the second largest economy in the world is predominantly based on trust, collectivism, life-time employment, seniority, and benevolence whereas its competitors such as US and UK are predominantly based on competition, individualism, incentive and control, and private profit motive. Like competition, trust is also a justified belief. If you have service motive instead of private profit, and collective interest instead of self-glory and self-assertion, trust can work as knowledge.

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