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## **The missing culture of cooperation in Hungary: The business environment**

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*The business context is a complex combination of competitive and cooperative relationships among the different players. The goal of our research was to examine what happens with cooperation in this competitive context, since the existence of the cooperation culture tells a lot about democratic attitudes of people. Several studies show that there is no well developed cooperative culture in Hungary and it is assumed that this can be an obstructive factor in the operability of a community. We chose the business world and business people since in this field where the competition is perhaps the strongest in the society investigating the presence of cooperation and its integration with competition could be really characteristic and telling.*

*Analysis was based on data of 202 business people in Hungary, 69% of them were men, 31% woman, the average age was 43 years. According to their occupation they were mostly entrepreneurs and directors of a company (70%). The in-depth interviews were transcribed and content analyzed.*

*Our respondents characterized the relationship between cooperation and competition in different ways: being mutually exclusive, cooperation as a competitive strategy (both positive and negative forms of it) and cooperative competition. A gap was found between the beliefs on the presence of cooperation and the actual practice of everyday business life. In those cases when the respondents were asked about their perception of cooperation among business people in Hungary the majority answered that it is missing. However, when it came to their everyday business practices it turned out that they cooperate with each other at several levels.*

**Keywords:** *cooperation, competition, cooperative competition, business life, trust, citizenship*

Observing the functioning of citizen communities one of the most decisive factor is how their members are able to cooperate with each other (Heberle, 2002). Cooperative relationships among citizens contribute to social capital therefore this skill or competence also plays a crucial role in the economy since an essential component of economic growth is dependent on social capital (Kohn, 2008).

The different disciplines like economics, political science, anthropology and sociology focus on slightly different aspects of social capital, but they all emphasize the basic role of cooperation and trust as well as community spirit (Coleman, 1988; Putnam, 1993, Fukuyama, 1997; Bourdieu, 1997; Andorka, 1996). As Kohn (2008) delineates trust is a key element or basis for cooperation among the members of the society. Kopp (2008) also points out that cooperation is based on at least three important factors, these are

trust, security and an authentic self-knowledge. A relatively high level of citizens' trust is also inherent in the concept of democracy (Fülöp, et al, 2001).

However, the fall of trust and interest towards state institutions and political parties can be witnessed all over Europe (Hunyady, 2010). According to a comparative European survey conducted in 2006, Hungary is at the bottom of the list among the 19 examined countries on the active citizenship composite index (Hoskins, 2011). Csepeli (2010) states the nexus between the citizen and the state is flawed or controversial. Its reason is historical in nature. As he explains, the lack of the continuity of an independent Hungarian statehood for long centuries made the identification between citizen and state impossible. The state was alien or extraneous for most of the time, so not to cooperate with it was some kind of glory. After the political transition this situation has changed, but the state itself remained a kind of alien, threatening phenomenon in the perception of the citizens. In accordance with the above, most of the studies show decreasing level of trust among the people in the Hungarian society. According to the '*Public Trust Research 2010 Survey*' (Közösségfejlesztők/Community Developers, 2010) it is increasingly difficult to call for common action in the civic sphere. Research on social trust shows the same trend. (WVS-TÁRKI, 2009).

### **The aim of the present study**

Charles Heberle (2002) starts the list of the 7 most important citizenship skills with the skill of cooperation. The goal of the present research was to reveal how cooperation among the different 'players' can be present even in extreme competitive situations like in the business sphere. The research wanted to reveal how business people conceptualize the relationship between cooperation and competition, whether they are able to see them as interlinking qualities with a simultaneous presence that can be beneficial for both parties or they are exclusive categories/phenomena for them. Brandeburger and Nabeluff (1998) argued that the business context is a complex combination of competitive and cooperative relationships among the different players of the business life and they called this 'co-opetition'. Latest research in the field of business management also proved that the most beneficial scenario for both party in the business life is 'co-opetition' (Osarenkho, 2010). The present research searched also for conditions that according to business people encourage cooperation and for factors which they consider to hinder the emergence of cooperation.

### **The Research**

#### ***Sample***

Analyses were based on the data of 202 business people in Hungary, 69 percent of them were men, 31 percent woman. The average age was 43 years. According to their occupation they were entrepreneurs and company owners (40%), directors of a company (30%), top managers (20%), bankers (5%), economic experts (2%) and salespersons (2%). Approximately one-third of the respondents were from Budapest and 70 percent of them were from smaller towns of Hungary.

## Research Methodology

In-depth interviews were carried out, transcribed and content analyzed. Interviewees were asked about their general opinion about competition and cooperation and about their presence, role and significance in their own life, in the business life in general and in the Hungarian business life. The present paper firstly focuses on the analysis of the relationship the interviewees conceptualize between competition and cooperation, whether they perceive them as co-existing in the business world or they consider them mutually exclusive. Secondly, we analyze what kind of cooperation occurs in the business world and what conditions facilitate and hinder its presence.

## Empirical Findings

### *1. The relationship between competition and cooperation in the business world*

The key structural question of the research was the relationship between cooperation and competition. Three main concepts and several sub-groups emerged. One main approach to conceptualize the relationship was the *mutually exclusive* or *reverse linear*. Only 17 percent of the respondents fell into this group.

When cooperation and competition are conceived as being present in different contexts, and in one context only one of them, and in another context only the other one is present, it is an example of a mutually exclusive relationship.

‘In those cases when economy performs well I experience that interestingly also the competitive spirit- both in privacy and business life- is a bit stronger.’ (46-year-old man, CEO, bigger town)

Those who believe that cooperation and competition are mutually exclusive think that there is no win-win situation, they think in zero sum games in which these categories are in exclusive relationship with each other.

Some say that it is only *destructive competition* which excludes the possibility of cooperation. As one of the respondents put it:

‘Competition makes you more persistent and creative only in case if the aim of competition is to achieve as much as the others or get even above them. But aggressive competition has mostly harmful effects not only from mental health point of view, but also because it creates a negative atmosphere at the workplace and hinders cooperation and creativity. Therefore it happened to me that exactly because of that atmosphere I have not even mentioned about a couple of my new idea in my company.’ (30-year-old man, leading expert by a multinational company in a bigger town)

Again a different subgroup says that cooperation and competition are mutually exclusive only when the *stake of competition is existential*.

We should seek to create a friendly relationship with similar, bigger companies. This is indispensably important if we want to be subcontractors. But sometimes it also happens that the competitive companies become enemies because the mere existence of the company is at stake. (55-year-old man, CEO, bigger town)

The *reverse linear* relationship means that the more cooperation is created the less competition is there in the workplace. One interviewee put it the following way:

We can not absolutely exclude the role of the individual performances, but I think we achieve the optimal results if we give space for the teamwork, since it is proven today that teamwork is much more effective because the synergistic effects can prevail that way much more. (33-year-old creditor for SME-s, bigger town)

The next main approach is when cooperation and competition are *not exclusive terms*, the two can manifest themselves in different combination. Two different concepts represent this: cooperation as a competitive strategy (both its positive and its negative forms) and cooperative competition.

The biggest group of the interviewees (57,5 %) conceptualized *cooperation as a competitive strategy*, that takes place among the parties for pragmatic reasons in order to be more successful in a competitive context.

The competition gets even sharper, in this cutting competition it is extremely difficult to keep the quality at the same level with an acceptable price unless we find good partners, suppliers, with the help of them you can ensure to keep your services at an optimal price. That means these relationships get stronger and deeper. (...) (27-year-old man, controller, Budapest)

This has a negative version as well, what was labelled '*negative cooperation*'. References to corruption, cartels, and nepotism were considered here and 31 percent of the interviewed business people mentioned this type of cooperation in the business life. This type of cooperation also serves getting ahead of rival companies in the competition.

'When we can not really find ways to get through our ideas, then one does not have any other chance than to go to the Ministry of Environment, or to party leaders in order to try to achieve some progress.' (54-year-old man, CEO, bigger town)

When business people spoke about a particular type of the co-existence of cooperation and competition it was labelled *cooperative competition*. This refers to processes when the aim of the competitive parties is to improve themselves, become more innovative through competition. Therefore the competitors do not consider each other as enemies, but as partners, who help each other to develop their own business, since the other is not represented in their mind as a threat but as a tool or mean of development (Fülöp, 2008, p. 171-187). 40 percent of the interviewees talked about cooperative competition in their business practices.

## **2. The presence of cooperation**

It was also examined how many people state that there exists cooperation in the business life in Hungary. That has a special importance since there is a widely spread popular belief among Hungarians, and this constitutes almost an integral part of their self-perception, that they are not able to cooperate with each other (Miniszterelnöki Hivatal Országimázs Központ, Prime Minister's Office, 2000). In contrast to this it was found that from the 202 respondents only 6 (3%) says that there is no cooperation at all in the Hungarian business life, another 4 individuals think that there is only negative cooperation in the Hungarian business life referring to corruption, cartels and nepotism. That means that according to about 95 percent of the interviewed business people there is some kind of cooperation in the Hungarian business life.

It was also categorized among which parties and at what level this cooperation takes place. The most frequently mentioned example of cooperation was at the interpersonal level i.e. cooperation among colleagues within a company (59%). Contrary to expectations, more respondents said that their company cooperates even with the rival companies than the ones who talked about cooperation only with sub-contractors, suppliers or other partner companies (44,5 % and 25, 5% respectively). Cooperation between the company and the customers was mentioned by 17 percent of the interviewees and only 6 persons (3%) reported any kind of cooperation with foreign companies. (Of course that does not mean, that the proportion of cooperation with foreign companies is that low, it just signifies the number of references in the course of the interview).

## **3. The obstacles of cooperation**

Not all respondents mentioned such causes or conditions. The most frequently mentioned category was *self-interest*. All references to selfishness, jealousy, the priority of individual interest when it contradicts or does not meet with the common good or public interest were placed into this category (27 respondents mentioned). The second most frequently mentioned reason was the presence of *destructive competition* (19 mentioned), all those statements belonged to this category which mentioned aggression and the lack of solidarity among the parties within competition. Also those statements were categorized here which simply mentioned competition as the reason for the lack of cooperation without any marker. The third cause according to the respondents is the *unfair business behaviour* (17 mentioned) i.e. delay in payment, 'negative cooperation' i.e. corruption resulting in one party's unjust treatment over another. Any reference belonged to this category which involved one way or another the transgression of the mutually agreed rules of the competition. Besides these, the mutual *lack of trust* between the parties (7), the *post-transitional economic-political situation*, the *heritage of communism* and *forced cooperation* of that time, the *underdeveloped democracy in the country*, (7) the *lack of the culture of cooperation* (6) as well as the *limited resources* (5) were on the list of mentioned reasons.

#### **4. The conditions/facilitators of cooperation**

Among the facilitators of cooperation the most commonly reported was the *creation of group tasks and teamwork* (9) All of those explanations which emphasized the importance of *group performances*, the *incentives of teamwork* in the different institutions (be it the place of socialization like schools, or later on workplaces) were included.

Three categories share the second place according to the number of references, these are: *the handling of destructive competition by bosses*, the *promotion of organizational development* (be it team building activities, common free time programs, the development of team spirit in the members of a group) and finally the *optimal selection of the employed people* (age and expertise were mostly referred to, but some of the respondents mentioned even the optimal gender proportion as the facilitator of cooperation) (7-7-7)) On the third place according to the references there are again three categories: *raising awareness towards the common aims and interests*, *building trust and socialization to cooperation*. (6-6-6) To a lesser extent *rule keeping*, *fairness and morality*, *clearly defined roles and territories*, *good communication skills*, *conflict management skills* and *agreeable behaviour* were mentioned.

#### **Summary of the results**

Summarizing the results, it was found that the majority of the business people consider cooperation and competition as mutually intertwined and only a small group of them see them as mutually exclusive. Cooperation takes place mainly for pragmatic reasons it is in itself a competitive strategy. Cooperative competition among rival companies however serves their mutual development. Illegal practices like cartels, corruption, relying on connections are also examples of cooperation.

Cooperation is experienced and mentioned the most frequently within the company among colleagues. Cooperation with rival companies and in the form of cooperative competition is mentioned by almost half of the respondents. Another common cooperative relationship is with partner companies like suppliers or subcontractors. Cooperation has to be present also with the customers and in certain cases with foreign companies.

As an obstacle of cooperation self-interest, destructive competition, unfair business practices, lack of trust, the post-transitional economic and political situation, the underdeveloped democracy, the lack of culture of cooperation, and finally the role of limited resources were mentioned. Creation of group tasks and any kind of institutional incentives for cooperation, the handling of destructive competition by managers, promotion of organizational development (teambuilding activities, etc.), optimal selection of the employees working together ( age, gender and expertise factors), raising awareness towards the common aims and interests, building trust, rule keeping, socialization to cooperation were considered factors that facilitate the presence of cooperation.

## Discussion

In the course of the research trust was expected to be one of the key factors in the emergence of cooperation. In spite of that only according to a few the lack of trust can be an obstacle in the appearance of co-operations. The other presumption that there is a low level of cooperation in the Hungarian business life has not been proven either. The results showed that almost all respondents mentioned some kind of cooperation in the business life in Hungary. This seems to refute the self-image of most of the Hungarians (Országkép, 2000) that in Hungary people are not able to cooperate with each other. Companies cooperate if they recognize their shared financial interest in it, so emotional factors do not necessarily play a role. Among the obstacles of cooperation self-interest is seen as the most prevalent, when people are not able to recognize their common interests. It is imperative that one-third of the respondents mentioned examples of illegal co-operation, for instance the presence of corruption. This high proportion of transgression of rules can also have far-reaching effect on the low level of trust (VWS-TÁRKI, 2009) in Hungary which can influence the level of active citizenship.

In case of companies it is recognized interest what facilitates cooperation. The second most frequently mentioned facilitator was the handling of destructive competition which suggests that the people see the reason for the lack of cooperation not absolutely in competition, but only in its destructive type.

According to 57, 5 percent of the respondents cooperation serves the competition, it means that the importance and effectiveness what Brandenburger and Nabeluff (1998) and Osarenkho (2010) call 'coopetition strategy' was recognized in the everyday business practice in Hungary.

Results also show that there is a significant discrepancy between what is found about the presence of cooperation and trust in the society in general versus the economic sphere. When business people were asked about the existence of cooperation in the Hungarian business life in general the majority of them was sceptical, but when it came about their actual activity almost all of them mentioned some kind of cooperation with other participants of business life and almost half of them mentioned cooperative competition. Kahnemann and Tversky (1979) in economic psychology proved that people perceive the losses proportionally much higher than the same amount of benefits. In other words negative results/events leave much deeper mark in the people than the positive ones as the 'Prospect Theory' suggests. (Kahnemann and Tversky, 1979) So we can conclude that even a few negative experience in cooperation can result in the negative perception about cooperation. Again from the numbers it can also be seen that in the everyday practice in spite of all they do cooperate very often. This can have also evolutionary explanation: Caporael et al. (1989) state that 'there might be something in 'human nature' that drives people toward cooperation. For most of our existence, human beings have been hunter-gatherers. Such societies constitute a good environment in which to nurture cooperative conventions, due both to their efficiency in maximizing individual utility and to the existence of strong genetic (family) links' (Osarenkho, 2010, p. 205). Emergence of cooperation can be also partly due to the special 'survival function'

of cooperation in a competitive context, which have been shown by several researchers. (Smith, Organ, & Near, 1983; Podsakoff, McKenzie, & Ahome, 1997).

### Concluding Remarks

There were many examples in this research which found that the actual perception of the business people are far from their everyday practice. From these discrepancies comes the conclusion that these areas have to be researched more thoroughly in order to get objective results about a certain social phenomenon. Interestingly enough the key motivator of cooperation in the business life is recognized self-interest (cooperation as a competitive strategy) but this is what is seen as the major obstacle of cooperation among the parties as well. This is a kind of paradox.

Therefore publicly accepted perceptions have to be overcome and all of these social phenomena examined with the scientific measurements of social-psychology in order to get a sharper picture about the social reality and problems which surrounds us.

The present findings can be also translated to special policy recommendations which could serve as a significant contribution to the pedagogy and education for cooperation and competition.

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