The Relationship Between Reliability of Major Companies and Fair Competition Morale in the Market: The Case of Korea

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Abstract: As a research on the reliability of major companies in Korea, the objective of this study is to derive implications from correlation and regression analysis to identify how fair competition morale influences on reliability of major companies as an effort for them to acquire reliability as it is an important issue of the management. Results of analysis in this study are as follows. First of all, it was statistically and significantly shown that the more likely it is for responders to have a higher level of fair competition morale, the more they rely on major companies. In other words, it is interpreted that an effort for fair society is of an important element to improve reliability. Of course, it is anticipated to improve reliability of major companies through investment with CSR activities and CSV as well as institutional behaviors of major companies that have been much investing as of now. As a result, there is a higher possibility for consumers to recognize negative image on companies through violation of fair trade with stockholders, cooperative firms and affiliated companies over CSR of major companies that are exposed to less direct benefits. Therefore procedural and behavioral fairness of major companies are important more than others.

Key words: Reliability of major companies, major companies, fair competition morale, SCR

INTRODUCTION

Reliability has recently been an important issue for the management among companies. Especially, major companies have mostly been exerting an effort to acquire reliability. Fortune Magazine in America has been selecting and releasing America's most admired companies since 1982 and financial times in england and asian business magazine in hong kong have been releasing the rank of companies in terms of reliability since 1994.

Fair Trade Commission has imposed penalty worth 26 billion Won on 16 construction companies who have been debating in the bidding for Saemangeum construction in 2015. To be specific, major companies including SK Construction, Daewoo Construction and Kolong Global have been imposed with penalty. Current and former board members in LG Innotek have abused their social position from major companies collecting money and variables worth 6.5 hundred million Won in exchange for requesting for the delivery of parts from three cooperative firms in May, 2016 and investigation for a criminal case is in progress. In addition, children from union members have been hired by Hyundai Motors Company and Hyundai Heavy Industry Co., Ltd. in priority as a modern version of job inheritance and former president of Hanjin Shipping is currently under search and confiscation as well as investigation due to divestment before the company started being managed by creditors. Hereupon, major companies that are supposed to be a paradigm in society have been disappointing the citizens in spite of much investment for social reliability but only pursuing short-term performance. As a result, their firm value has been continuously degraded.

Pursuing to grow with society through reliability of the citizens, companies have been investing much for CSR and CSV and are expected to continue proceeding activities for improving reliability by investing on the same fields in the future. This study is intended to derive results through demographic analytical and practical research to identify how fair competition morale influences on reliability of major companies. In other words this study aims to identify how much those with high level of awareness of fair competition rely on major companies and to examine cause-and-effect relationship with reliability of major companies by classifying fair competition into fairness on an opportunity for competition and the one for result of competition.

This study is organized as follows. Chapter 2 has derived fair competition morale through review and

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survey on previous studies and developed hypotheses of the research. Chapter 3 has analyzed and stated measuring courses of research model, independent variables and dependent variables to verify established hypotheses. Practical research has been developed according to descriptive statistical data used in the study while deriving the result.

Theoretical background: Reliability has been insisted to be a means for reducing uncertainty (Lewis and Weigert, 1985). In other words, reliability is to make one acquire optimistic conviction based on positive expectation on others against uncertainty. Uncertainty of products or services to purchase depends on reliability of companies that provide relevant products or services. If reliability is formed on companies, uncertainty is expected to decrease while consumers find it more convenient to purchase products or services (Choi and Kim, 2008). In addition, reliability is defined as expectation on ethical behaviors such as good will or honesty on others and also means a degree of conviction or judgment for others to behave in an expected manner (Shin, 1999). Such reliability is defined as psychological state including cognitive expectation, belief or emotion.

However, there is a research for defining reliability in the level of behavior. Mishra (1996) has defined reliability as belief that others are equipped with much capabilities and open mind and concerned with his/her welfare. In addition, Deutch (1962) has defined reliability as a behavior for increasing weakness on others that could not be controlled when damages on the benefit incurring while others exploit one's weakness was greater than the case of vice versa. Schurr and Ozanne (1985) have defined reliability as belief to regard words or promises from others to be reliable and to perform the duties in an exchanging relationship. This means that expectation of reliability and negotiating attitude of purchasers influences on attitude and behavior on suppliers.

Companies are comprised of various interested parties. In other words, interests among stockholders, creditors, managers and employees complicatedly related with each other. They have a common goal for profit but recognize a role of government in regulating or supporting them as an important issue. When recognizing a company as one particular social community, there has been an effort to improve social responsibility and reliability of the company. Reliability on the company was known to be positively influenced by economic, volunteering and environmental activities of the company (Oh, 2010). As for factors of improving reliability of companies, reliability of company turned out to be gradually improved in countries where have chosen CSV as a factor of enhancing the reliability of major companies (Cho and Chang, 2014).

According to fair competition, a degree of recognition of fairness might directly influence on achievement of individuals and organizations. Fairness is generally comprised of distributive, procedural and interactive fairness (Greenberg, 1993; Colquitt, 2001; Johnson *et al.*, 2006). First of all, distributive fairness is defined "as a degree of awareness as to how much compensation paid out to individuals is appropriate in terms of contribution on organization" (Yoon *et al.*, 2012). Secondly, procedural fairness is defined as "a degree of recognition as to how much evaluative and procedural means is fair on the achievement" as recognition on the performance evaluating system in determining the amount of compensation (Folger and Konovsky, 1989). Third, interactive fairness is related to whether individuals are respected and sanctified and is defined as "a degree of recognition as to whether subordinates are fairly treated by the seniors when official procedures are implemented or explained as fairness on communication among other members incurring when established procedures are actually performed (Niehoff and Moorman, 1993; Greenberg, 1993).

Ministry of Strategy and Finance in Korea has defined fair competition as economic activities through free and fair competition among companies or individuals in the competing market while providing instructions for it to be of source of economic development by bringing reduction of price and improvement of quality and service in a competing market and hence making consumers and producers share economic profits.

Therefore, they define fair competition to be desirable through fair trade. For this, fair trade commission as a quasi-judicial body where prime minister belongs to is established as an affiliated organization while reviewing and deciding issues regarding monopoly and unfair transactions. Fair trade commission is performing the following roles to establish fair trade and fair market economic environment.

Literature review: As for a factor that influences on reliability of company, there is an opinion that CSV as a concept for proceeding CSR along with creation of profits is more important for companies over CSR in emphasizing the high level of ethical moral of major companies (Cho and Chang, 2014).

According to the international investigation from East Asia Institute and social company research institute in 2013, role of major companies turned out to create a

better society by establishing a high level of ethical standards with creation of profits. In other words, the proportion of selecting CSV for pursuing economic and social areas at the same time turned out to be high.

According to the summary of results in previous studies (Lee *et al.*, 2006) in investigating the practical research as to how image and reliability of company influenced on the national image in Korea, it was known that exporting price could be increased by 10% as the national image improved by one grade. According to the result of study by Lee *et al.* (2006) in dealing with national image based on reliability, national image turned out to be positively related to reliability. This means that national image significantly influences on reliability.

In addition, companies have explained to pursue social stability through improvement of technology and labor and management stability as a way to enhance national image. Hereupon, Samsung Electronics Co., Ltd. that performed in China as a global representative brand of Korea has been selected as a sample for the study. As an independent variable, effect of company image turned out to be significant in the national image at significance level of 1%. This indicates that advertisements and activities of product sales from Samsung Electronics Co., Ltd. as a representative company of Korea in local society in China influence on the national image. In addition, they turned out to be statistically significant at significance level of 1% in the relationship between the national image and company reliability. Company reliability turned out to significantly and directly influence not only on the formation of the company image but also on the establishment of the national image.

According to the result of investigating the influence of preference from companies on the company reliability and brand risk, fair reimbursement turned out to positively influence on the company image while reducing the brand risk. However, preferred reimbursement turned out to influence on the brand risk (Jun, 2011; Youn and Jun, 2011).

Intuitively, items about ethicality of companies are clearly defined to influence on intention of purchase for more than 10%. Therefore, unethical managerial activities of companies shall not be exposed to the press and recognized by the public. However care has to be taken on interpretation of this study when assuming that the press is a part of category of major companies according to advertisement from major companies as most of the profits earned by the press.

MATERIALS AND METHODS

Research hypothesis development: Fair competition morale is classified into fairness on the competition opportunity and result of competition while analyzing the influence of them on the reliability of major companies. In this study, fairness on the competition opportunity and result of competition as independent variables are analyzed through correlation and regression analysis. Each of the three additional dependent variables are established with separate hypotheses on fairness of the competition opportunity and result of competition. This is to identify detailed items that influence on the reliability of major companies. Therefore, additional hypotheses of 1 for fairness on competition opportunity and 2 for fairness on result of competition.

- <Hypothesis 1> Higher level of recognition of fairness on competition opportunity is related to higher level of reliability of major companies
- <Hypothesis 2> Higher level of recognition of fairness on result of competition is related to higher level of reliability of major companies

Research model: In this study, differences of a degree of reliability (Major_R) for measuring reliability of major companies were classified on the survey. In addition, ordered probit model that measures values selected in four dependent variables in the order has been used to establish the research model in Eq. 1:

$$
\begin{aligned}
Major\_R_i = {} & \beta_0 + \beta_1 Fair\_Opp_i + \beta_2 Fair\_Result_i + \\
& \beta_3 EMPL_i + \beta_4 Gov_i + \beta_5 INCOME_i + \\
& \beta_6 Social\_class_i + \beta_7 Gender\_M_i + \beta_8 AGE_i + \\
& \beta_9 School_i + \varepsilon_i
\end{aligned}
$$

$$(1)$$

Where:

|		
Major_R	=	As for reliability of major companies, 4 is for "completely reliable", 3 for "reliable a bit," 2 for "not much reliable and 1 for "not reliable at all" as a part of 4 score criteria
Fair_Opp	=	Average of following variables for fairness on competition opportunity
Fair_Opp1	=	10 score criteria with expansion of privately owned companies (10) and expansion of state-owned companies (1)
Fair_Opp2	=	10 score criteria that competition makes one work hard while improving creativity (10) and competition makes human wicked even more (1)
Fair_Opp3	=	10 score criteria that wealth is increased enough for every one (10) and one can only be rich by sacrificing others (1)
Fair_Result	=	Average of following variables for fairness on result of competition
Fair_Result1	=	10 score criteria that there shall a difference in income according to the amount of effort (10) and income shall be more equalized (1)
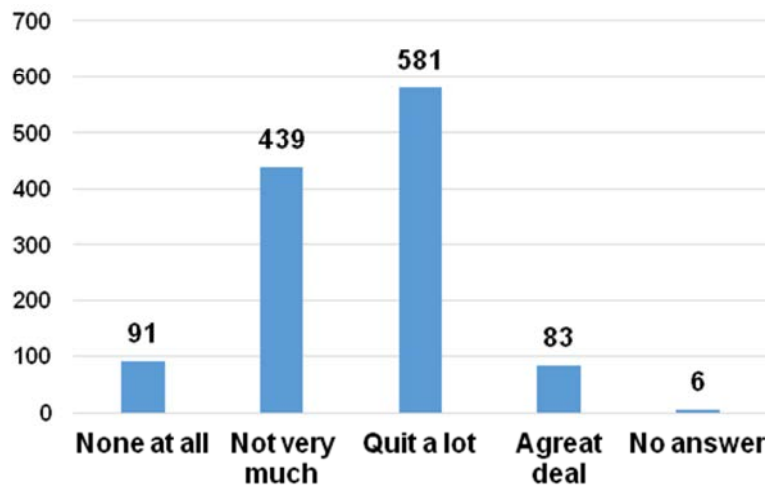
Fig. 1: Results of Reliability for Major Companies

Fair_Result2 = 10 score criteria that a person is required to be in charge of his/her living (10) and government shall take more responsibilities for individual welfare (1)

Fair_Result3 = 10 score criteria that life will be better if you work harder (10) and success comes with luck and background (1)

EMPL = 1 if employed and 0 otherwise as a variable of employment

Gov = 1 if hired in government or public organizations and 0 otherwise as a variable of employment type

INCOME = Measure with quantile as personally recognized income

Social_class = 5 score criteria that 5 for upper class, 4 for middle class, 3 for lower class, 2 for working class and 1 for the lowest class as personally recognized social class

Gender_M = 1 for male and 0 for female as a gender variable

Age = 1 for teenager, 2 for 20s, 3 for 30s, 4 for 40s, 5 for 50s, 6 for 60s and 7 for 70s or above as an age variable

School = 1 for middle school drop-out, 2 for middle school graduate, 3 for high school drop-out, 4 for high school graduates, 5 for community college drop-out, 6 for community college graduates, 7 for university drop-out and 8 for university graduates as the highest level of schooling variable

Measurement of variable: The results of the survey on 1200 citizens in Korea for reliability on major companies

(Major_R) as a dependent variable in this study are shown in Fig. 1. According to the results, more than a half of responders (total 664 respondents) including 581 of them responded that major companies were reliable a bit followed by 83 for completely relying on them turned out to have a favorable view. This is interpreted that more than a half of responders in the survey turned out to rely on major companies at some degree. On the other hand, 439 participants responded that major companies were not much reliable followed by 91 participants with responses of 'completely not reliable' as well as no responses and 6 participants with responses of 'not much reliable' (total 536 respondents) that were less than a half of respondents.

This study has divided the level of fair competition among survey responders into fairness on competition opportunity as a procedure fairness and on result of competition as distributive fairness for measurement. In other words, questions about fairness (Fair_Opp) on competition opportunity have defined cases of "Privately owned companies shall be expanded", "Competition makes people work harder and improve creativity" and "Wealth is increased high enough for everyone" as respondents with a high level of fair competition morale in the competing courses. However, cases with responses, "Competition makes humans more wicked" and "One can only be rich by sacrificing others" were regarded as relatively unfair opportunity in competition or negative view in competing courses. Therefore, they have defined aforementioned cases as responders with low level of fair competition morale in competing courses.

As for questions about fairness on the result of competition (Fair_Result) as a distributive fairness, cases with responses, "There shall be a difference in income
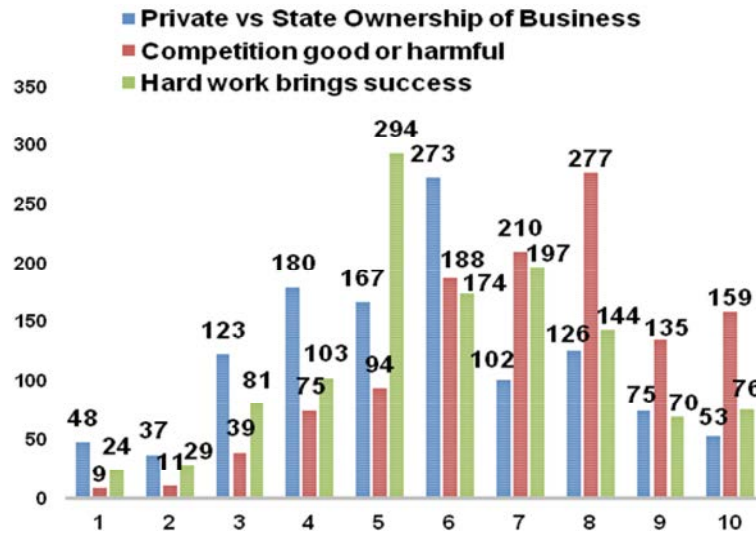
Fig. 2: Measurement of fair competition opportunity

according to the amount of effort," "A person is required to be in charge of his/her living" and "Life will be better if you work harder" were defined to have a strong recognition that compensation in corresponding with efforts exerted in competing courses shall be fair. Therefore, they were measured to have a higher level of fair morale in the results of competition. On the other hands, participants with responses, "Income shall be more equalized regardless of efforts," "Government shall take more responsibilities for individual welfare" and "Success comes with luck and background" were defined to have a low level of distributive fairness in this study since they had a view that results of competition shall be identical regardless of the amount of effort (Fig. 2).

Sample selection: The Data were used from the survey held in every five years in WVS (World Values Survey) for the research sample. Research sample is relevant to data from the survey conducted on 1,200 citizens in 2010 and is comprised of questions about reliability on major companies and fair competition morale as well as questions about demographic information among the questions related to overall values.

First of all, it was about the employment status that there were 376 responders as full time employees (30 h a week or more) (31.33%) followed by 89 responders as part time employees (less than 30 h a week) (7.42%), 244 responders as self-employed (20.33%), 180 responders as housewife not otherwise employed (15%) and 144 responders as students (12%).

As for occupation type, there were 174 responders from government or public institution (14.5%) followed by

697 responders from private business or industry (58.08%) and 181 responders from private non-profit organization).

As for average value from the other responders in the research, 45% of them turned out to be in age group from 30s to 40s. In addition, 49% of them were male and 51% of them were female participants. As for education level, 84% of respondents turned out to be 'community college graduates or above.'

RESULTS AND DISCUSSION

Results of Ordered Probit Regression Analysis: Results of regression analysis of the entire average model are in Table 1. The average of a dependent variable of competition opportunity, Fair_Opp, represented an opportunity of fair competition and also the value of 0.069. Therefore, it was statistically significant at significance level of 1%. This supports the result of hypothesis 1 that the higher the recognition of fairness on competition opportunity was, the higher the reliability of major companies turned out to be. In addition, Fair_Result, an average dependent variable of results of competition, represented the outcome of fair competition and also the value of 0.063. Therefore, it was statistically significant at significance level of 1%. Therefore, this supports hypothesis 2 that the higher the recognition of fairness on results of competition was, the higher the reliability of major companies turned out to be.

Results of regression analysis for fairness on competition opportunity are shown in Table 2. Fair_Opp1, a dependent variable of competition opportunity, was not

Table 1: Result of ordered probit regression

Variables	Exp. Sign.	Coefficient	Wald χ^2	p-values
Fair_Opp	+	0.069[a]	7.13	0.008
Fair_Result	+	0.063[a]	7.03	0.008
EMPL	+/-	0.076	1.08	0.300
Gov	+/-	-0.213[a]	5.16	0.023
INCOME	+/-	-0.048[a]	3.42	0.065
Social_class	+/-	-0.007	0.02	0.899
Gender_M	+/-	0.169[a]	6.44	0.011
AGE	+/-	-0.095[a]	12.67	0.000
School	+/-	0.029	1.41	0.235

Table 2: Result of ordered probit regression: fair competition opportunity

Variables	Exp. Sign	Coefficient	Wald χ^2	p-values
Fair_Opp1	+	0.012	0.64	0.425
Fair_Opp2	+	0.047[a]	7.73	0.005
Fair_Opp3	+	0.054[a]	10.64	0.001
EMPL	+/-	0.072	0.98	0.323
GOV	+/-	-0.219[a]	5.45	0.020
INCOME	+/-	-0.051[a]	3.97	0.046
Social_class	+/-	-0.010	0.03	0.857
Gender_M	+/-	0.137[**]	4.17	0.041
Age	+/-	-0.103[a]	14.70	0.000
School	+/-	0.025	1.02	0.312

Table 3: Result of ordered probit regression: fair competition result (compensation)

Variables	Exp. Sign	Coefficient	Wald χ^2	p-values
Fair_Result1	+	0.020	2.14	0.144
Fair_Result2	+	0.022	2.00	0.157
Fair_Result3	+	0.086[a]	40.42	0.000
EMPL	+/-	0.107	2.15	0.142
Gov	+/-	-0.215[a]	5.32	0.021
INCOME	+/-	-0.048[a]	3.48	0.062
Social_class	+/-	-0.007	0.02	0.897
Gender_M	+/-	0.166[a]	6.28	0.012
AGE	+/-	-0.089[a]	11.06	0.001
School	+/-	0.027	1.27	0.259

Intercept; +/-; Included; Log Likelihood Ratio; -1,241.047***; Number of Obs; 1,162;Statistically significant at the ã(1%), ã(5%) and ã(10%) two-tailed level, respectively. Number in the parenthesis indicates p-value. The variables are defined as definitions of equation 1

statistically significant and Fair_Opp2 and Fair_Opp3 turned out to be 0.047 and 0.054, respectively and were significant at significance level of 1%. This supports the hypothesis 1 that "Competition will make people work harder while improving creativity and this would lead to a high level of reliability of major companies with increased fair competition morale" and hypothesis 1 that "Wealth will be increased high enough for everyone and hence, reliability of major companies will be high with increased fair competition morale."

Results of regression analysis for fairness on results of competition are shown in Table 3. Fair_Result1 and Fair_Result2, dependent variables of results of competition, were not statistically significant and Fair_Result3 turned out to be 0.086 that was significant at significance level of 1%. This supports the hypothesis 2 that "Life will be better if you work harder and, hence, reliability of major companies will be high with increased fair competition morale." In other word, it can be

interpreted that those who work harder will be well-off. Therefore, those with distinct motivation on the work will have a high level of fairness on results of competition and, hence of reliability of major companies.

CONCLUSION

This results implies that reliability of the company might be improved through various worker compensation policies including an opportunity of promotion and reinforcement of incentives while proceeding daily works. Managers at a company are able to utilize such results improving reliability of the company through fair competition morale and also a tool for enhancing the evaluation of value for a company.

Data used in this study were from the survey resources held by WVS (World Values Survey) for every five year that released the ranks by investigating the countries in all over the world instead of resources specifically designed for this research. Therefore, since participants responded with other questions, there might be an error in measurement of variables. Hereupon, there is a need to diversity questionnaires on fair competition morale. In addition, it is anticipated to materialize this study further if analyzing with statistical data on fair competition morale in each country and also to classify the scope of analysis into each country on fair competition morale if investigating demographic items. Furthermore, it seems to be feasible to compare and analyze developed countries (G7), developing countries and poor countries.

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