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# A new understanding of competition

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A central aspect of modern society is the ubiquity of competition in its various forms and shapes. For the past century, competition has been more or less taken for granted as being central to the functioning of economic markets and democracy. More recently, governments have introduced competition in order to govern the provision of almost everything from waste collection to schooling, care of the elderly, and military service. Moreover, competition is an increasingly significant element of popular culture and sports, and has, often triggered by ranking systems, spread into almost every area of society. New areas for competition have thus been added to the common and seemingly mundane competition among individuals for the attention of parents or peers, for love and intimate relationships, or for status.

Despite the importance of competition to social life, social science has been largely silent on its causes and its broader meaning. Although early social scientists saw competition as a fundamental social relationship along with friendship and love, it later became largely confined to a narrow economic meaning with little analytical depth. As a result, the concept of competition has been poorly analysed; it is used primarily as an intermediary concept and is rarely the central subject of investigation. Competition is often used in a loose and undefined way, and when it is defined, the definitions vary across disciplines, leaving social scientists shorthanded in the debate about the rise of competition in new social arenas and about its consequences. Social scientists have even had difficulty addressing the most fundamental questions regarding competition: ‘When does competition (not) exist? Why does it happen? And, how does it emerge? How does a situation change from no competition to one that is experienced as competition? Can competition be exorcised? We believe that competition deserves the full attention of social scientists not only because of its earlier scant theorization, but also because of the normative and ideological connotations that place it at the centre of societal discourse and practice.

To open competition to broader social science investigation, we offer a definition that allows for a grounding of the origins of competition in institutions and organization—one that goes beyond earlier definitions suggested in economics, management, and sociology. *We see competition as a social construction that comprises four core elements: actors, their relationships, desire, and scarcity.* The existence of competition is dependent upon the co-occurrence of all these elements. This definition allows an investigation into the origins of competition

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and the role of various actors in rendering a situation competitive. Furthermore, it allows for the analytical separation of competition from its possible behavioural outcomes. Competition can lead to various actions, of which cooperation among competitors is a common one. More fundamentally, our definition does not reify competition as an objectively identifiable situation or a natural state of affairs that arises given the right structural context. Rather, competition needs to be enacted and socially constructed. Some people may see competition in a situation where others see none, because they perceive the existence of its elements differently. There are certain institutional conditions in late modernity that support the emergence of competition. Yet, organizational efforts are often needed for competition to arise. Although efforts at organizing competition are not always successful, a study of the organization of competition is critical to an understanding of why and how competition happens and to the question of who may be responsible for the outcomes of competition.

Most of the earlier literature on competition is based on the presumption that competition already exists and discusses how it is handled by people or organizations. In writing this book, we were more interested in how competition arises and how its origins affect its outcomes. Through a number of empirical studies, we seek to understand the construction of competition by individuals and organizations; for various goods such as money, status, and attention; and in various social settings, such as corporations and schools; and in higher education, sports, auditing, laboratory work, and journalism. We analyse the role of institutions, organizers, and organization in the construction of competition. These studies not only advance our knowledge about competition; they also form the basis for formulating new, intriguing questions for further research. In this chapter, we begin our project by explicating our concept of competition and its consequences.

### The popularity of competition

The idea of competition is not new. It has been used for understanding features not only of contemporary society, but of almost any elementary form of life. Even biologists tend to describe the relationships among objects under their investigation as ‘competition.’ Competition, however defined, seems to be an integral part of life. As a historical perspective informs us, however, competition has also been contentious, and societies have often sought to tame or even abandon it. The strict hierarchy of the Indian caste system and the medieval European guilds may be viewed as expressions of such efforts.

Modern society has placed its trust in the positive effects of competition and, it seems, cannot get enough of it. Strong belief in the usefulness of competition is clearly expressed in our appreciation of democracies, in which parties or candidates compete with each other for votes; and in the institution of competitive markets, which are expected to provide choice opportunities for those who demand a given

product or service and to ensure its efficient production. Competition is also thought to motivate athletes and make sports more attractive to mass audiences. It has become constitutive for any type of sport; even new and alternative forms of playful physical activities such as snowboarding or frisbee throwing are sooner rather than later organized as contests in which individuals or teams strive to outperform other individuals or teams. While physical activity is often exercised for its own sake, it is difficult to imagine sports of today to be non-competitive.

In the late 20th century, competition spread into domains that were once organized to temper competition (Castel et al. 2016; Stark 2020; Werron 2015). Since the 1990s, most public administration reforms have been attempts at creating competition among service providers by introducing new incentive systems and by outsourcing some services to private providers (Hood and Dixon 2015). These reforms were backed by the ideological support of such authorities as the Organisation for Economic Co-operation and Development (OECD), which welcomed a transformation of the public into customers as a way of addressing the perceived problems of the traditional welfare states (OECD 1987). In addition, large corporations, spurred on by the idea of returning to its ‘core competencies’ (Hamel and Prahalad 1990), mixed hierarchical control of its subsidiaries with internal markets in which subsidiaries are expected to compete against each other (Birkinshaw et al. 1998; Tsai 2002).

Likewise, reforms have been introduced in order to strengthen competition in highly professionalized domains, such as culture, science, and health care. In modern science, competition among individuals has always been appreciated and accepted (Ben-David 1991; Mannheim 1982; Merton 1973), but it is a more recent phenomenon that universities and research institutes are viewed (and see themselves) as competitors (Brankovic 2018; Krücken 2019). Consequently, universities that were once viewed as opportunity structures for researchers, described as mere milieux (Luhmann 1992) or even as organized anarchies (March and Olsen 1976), are transforming into strategic actors. This often happens under the assumption that individual scientists should perform as agents who serve their university in its competition with other universities. In the health care system, competition is no longer restricted to pharmaceutical companies competing to sell their drugs; it now includes competition among health insurance companies—a former remit of welfare states. Hospitals are also expected to compete and, like science, thereby re-orient the allegiance of employed professionals from their profession towards the organization in which they are employed.

Competition in the arts is no longer restricted to popular culture that targets mass audiences and celebrates its best-seller charts (Anand and Peterson 2000). Instead, almost all artists are expected to compete for prizes, and even poets are invited to participate in poetry slams, where presentations are evaluated by the audience and a winner is crowned. And states are often seen as competing with each other for the most effective policies or the best climate for business (Pedersen 2011). Such competition among states is fostered by globalization processes and by comparing nation

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states who, as a response, develop competition strategies in order to be attractive to multinational companies, for example (Kjaer 2015).

As these examples illustrate, the idea of competition is currently found in many, if not most, social domains, such as the economy, politics, sports, higher education, and science. Competition is not endemic to any of these domains, however. Rather, we can observe that competition has been promoted in these areas. Just as the more recent idea of competition among universities or even national research systems has been layered onto—rather than replacing—the earlier individual-level competition among researchers and among research groups, so have Western political systems become characterized by increasingly interwoven layers of competition (Hasse 2003). Not only do parties compete for votes from the municipal level to the national level, often in two chambers, but party members are seen as competing with each other for candidacy in various posts and positions. Furthermore, parties and candidates, particularly in the USA, may compete for donors to finance their campaigns, and they may compete for media attention practically everywhere. Organized interests and various lobby groups are described as competing for political influence (Dahl 1978; Laumann and Knoke 1987), scientific experts and consultants as competing for the opportunity to provide advice to politicians (Jasanoff 1990), and social movements as seeking to push politics towards their agendas against the background of other initiatives. Western political systems may therefore be viewed as a model for illustrating competition as a multidimensional and multi-level phenomenon.

Regardless of its impressive prevalence, competition is also contested, and its legitimacy should not be taken for granted. Although it serves as a core building block of liberal ideological projects (Hirschman 1982; Stiglitz 1992) in which competition is seen as providing many benefits, such as economic efficiency (Hayek 1945; Smith and McCulloch 1838; Stigler 1976), well-balanced and innovative democracies (Schumpeter 1942), or bonding that contributes to social integration (Simmel 1903/2008), sceptics highlight its negative or negligible effects. According to them, competition can erode the innovative capabilities of firms (Rahmandad and Repenning 2016) and result in more segregated schools and health-related deaths (Hsieh and Urquiola 2006; Propper et al. 2004; Rothstein 2007) or simply in a poorer system at higher cost (Hood and Dixon 2015). Reminiscent of the lively European debates of the early 1800s (Dennis 1975), the legitimacy of competition is increasingly questioned, even in its traditional stronghold of economic markets (Rodrik 2011; Stiglitz 1981; Wolff 2006). Likewise, sports fans protest against increased competition that results in the commercialization of sport, people complain about vulgarization of the arts, and there is ambiguity about competition among professionals.

In public debate competition is often connected to, or confused with, discussions about markets, but our examples illustrate that the idea of competition in society is evoked in many other contexts outside economic exchange. In fact, most competition occurs outside markets—organized competition in sports, politics, science, and higher education, for example, and the more generalized

competition for status, attention, and power. Rather than seeing competition as being within the purview of economics, we argue that it should be considered along with such other master trends as individualization and rationalization. Therefore, we need a conceptualization of competition that not only derives from or is reliant upon the institution of economic markets. We also need a conceptualization that does not presume that competition arises automatically because economists, reformers or others propagate it.

## Conceptualizing competition

Contemporary social scientists play a surprisingly modest role in current debates about competition. In contrast to some of the founders of modern sociology who saw competition as a fundamental form of social interaction that affects most aspects of society (Cooley 1899; Levine et al. 1976), contemporary work has tended to cast the question of competition in narrower terms by evaluating whether it enhances the functioning of markets (Aghion et al. 2005; Besley et al. 2005; Burt 1995; Podolny 1993; Proper et al. 2004). To remedy this situation, social science needs to reclaim a broader perspective on competition and ask more fundamental questions than whether or not and with what effect competition works. Competition, we argue, is one of the intellectual grand challenges of the social sciences, and we aim to provide the theoretical foundations to put forward competition as an object of varied social science research.

The main foil to social science engagement with competition is a piecemeal and disparate theorization across disciplines, a situation that discourages deeper questions and leaves little hope for constructive dialogue. The various definitions of competition have created a major obstacle in overcoming this situation. Some economists see it as a stationary state of optimal resource allocation (Stigler 1957); other economists and human ecologists conceptualize an indirect ongoing process that aligns the actions of myriad individual actors (Hawley 1950; Hayek 1945); political scientists and management scholars often view competition as a direct struggle among few competitors (Downs 1957; Kilduff et al. 2010; Porter 1980); and sociologists often conceptualize competition as indirect vying for the attention of a third party (Burt 1993; Simmel 1903/2008) or as a selection mechanism that shapes populations of organizations (Carroll and Hannan 2000; Hannan and Freeman 1977).

Another problematic aspect of existing theorizations of competition is the theoreticians' agnosticism towards the origins of competition. Particularly common are assumptions about the naturalness of competition, which plays into the myth of the 'hands-free' market economy that is beyond personal interests and politics (Dobbin and Dowd 1997; Lazonick 1993). Earlier work has therefore silenced questions about the origins of competition, thereby downplaying the role of institutions and organization.

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In order to address fundamental questions of competition, we conceptualize it as the construction of a relationship among actors that centres on something scarce and desired. Competition exists, therefore, when a focal actor desires something that the actor believes to be scarce, because other actors harbour the same desire. Our emphasis on the constructed nature of competition means that we think of competition as an enactment of a situation, rather than an objectively identifiable situation. Its construction should not be presumed; it requires explanation.

Parsing competition into a combined construction of four elements (actors, relationships, desire, and scarcity) opens the field for a new understanding of the emergence of competition that draws on broader social scientific work on the spread of the social actor (Meyer and Jepperson 1996; Pedersen and Dobbin 1997), the significance of social relationships (Ahrne 2014), and the construction of the sense of scarcity and desire in society (cf. Douglas 2002; Xenos 1987). To view the construction of competition as contingent upon the existence of these elements not only provides an alternative to earlier functionalist explanations based on the assumption that positive effects of competition explain its emergence (cf. Hayek 1945; Hirschman 1982; Schumpeter 1934). Our perspective also offers insights into the question of reversibility of competition. The construction of competition should, for instance, be more difficult to dismantle in contexts in which the constituent elements of competition are taken for granted than it is in contexts in which they are controversial and require ongoing justification.

Conceptualizing competition as a social construction opens the area for new lines of inquiry. Questioning its origins challenges the notion that competition is a natural state of affairs that emerges given the right context (cf. Burt 1993; Hayek 1978). Denaturalizing competition also places into question the idea that its consequences are also natural—most famously expressed in Joseph Schumpeter's (1942) notion of competition as a 'gale of creative destruction'—which allows us to ask how is competition constructed and who is responsible for its outcomes.

To place our perspective on competition in a broader frame, we begin with a brief overview of some of the main prior conceptualizations of competition in theories that touch on competition among organizations and how competition has been thought to happen. Because of the common conceptualization of competition as belonging to the realm of markets, a significant part of the earlier work in this field has been undertaken in economics and management. Yet work in economic sociology and the cognitively oriented management literatures have also provided insights into competition. It is beyond the scope of both this book and our competence to do full justice to the history of ideas and state of the art of all these fields in these few pages. Instead, we focus on the key features and authors that have impacted the discourse on competition. We do not include much of the recent work of experimental and game theory orientation. This research, sophisticated as it is, usually excludes our main focus: the formation of actors and the construction of competition. And, in a sharp contrast to our approach, it conceptualizes competition not as

the often-ambiguous social construction of a situation, but in terms of specific actions and behaviour.

## The concept of competition in economics, management, and sociology

### Economics: the abstraction of competition

Although many people currently associate competition with economics and economists, much of the early work on competition occurred in what would today be recognized as social philosophy by such scholars as Adam Smith and John Stuart Mill (Dennis 1975; McNulty 1967; Stigler 1957). They conceptualized competition as an intricate and dynamic process whereby individuals provoked each other into seeking to outdo one another (Smith and McCulloch 1838). A major conceptual development, which long placed competition primarily within the field of economics was the paradigmatic idea of ‘perfect competition’ introduced by Cournot and others in the early nineteenth century (Dennis 1975). One of the main drivers in early economic theorizing was the wish for a mathematical conceptualization of an entire competitive economy as a coherent system for resource allocation (McNulty 1968; Stigler 1957). This need for mathematical tractability caused the ambiguities inherent in the earlier individualistic and processual definition to be abstracted away (Stigler 1957; Stiglitz 1992; Vickers 1995). The idea of perfect competition therefore defines competition as a state—the equilibrium point at which prices are stable, characterized by the presence of full information among those involved and the point at which none of the competitors derive sustained profit from their individual actions (Stigler 1957).

Although attractive as an idealized end-state for efficient resource allocation across an entire economy, McNulty (1967) has termed perfect competition behaviourally empty. Economist Friedrich Hayek (1948; 1978) described it as the very antithesis of Adam Smith’s notion of competition as a dynamic process. By the early 1900s, this behavioural emptiness began to be redressed in the work of empirically oriented ‘field economists’ who were interested in the role of individual firms in competition, or, more precisely, the presence of firms that were systematically more profitable than other firms (Bain 1956; Robinson 1969). These economists did not abandon the idea of perfect competition but used it as a conceptual benchmark against which they defined deviations brought about by industrial policy or actions of individual firms that rendered competition ‘monopolistic’ or ‘imperfect’. The number of firms in a market was often taken to be a key indicator of the proximity of a market to its benchmark of perfect competition. Few firms indicated a less perfect market, and more firms were seen as being closer to the ideal type of perfect competition (Caves and Porter 1977; Tirole 1988).

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While having re-introduced the firm as an actor, economists have still relied on strong but problematic assumptions about the rationality of the individuals who led these firms in competition (Cyert and March 1992; March and Simon 1958). Moreover, the presence of competition in a market was seen as unproblematic, as it was conceived of as a natural state of affairs generated by the individual's innate drive to 'truck and barter' (Smith and McCulloch 1838). Rather than explaining why firms would perceive a particular situation as competition, economists sought to explain deviations from this situation—imperfections in the competition.

Furthermore, economists have dealt almost exclusively with the case of competition in markets—often to the extent that markets and competition became conflated into market competition (see, for instance, Hirschman 1982). But equating competition with a specific type of market exchange unnecessarily narrows the conceptual scope of competition, thereby undermining efforts at understanding competition as a broadly useful social science concept. It ignores the fact that competition is analytically distinct from markets. Markets are, by definition, a type of voluntary exchange, and a competitive market is one in which there is a choice of possible exchange partners. By contrast, most competition occurs without an exchange process—in the case of competition over status, attention, or a partner, for example.

## Management: competition as a strategic challenge

Mainstream management literature initially adopted the economists' perspective on competition and defined the intensity of competition as the number of competitors (cf. Porter 1980; Rumelt 1991). Although economists (coming from a bird's eye perspective) see many competitors as indicative of and desirable for competition, the typical management scholar (coming from a frog's eye perspective) prefers fewer competitors for the prospects of a focal firm. And, although economists are interested in sharpening the process of competition, management scholars seek to help managers blunt its effects on a specific firm (Porter 1996). As perfect competition negates the possibility of managers to render their firm more profitable than others (cf. Hayek 1978), managers aim to disturb perfect competition to create 'temporary monopolies' in which they can derive sustainable profits (Ghemawat 2002; Peteraf 1993; Porter 1981). A rational market strategy, therefore, is an attempt at escaping competition rather than searching for it (Hasse and Krücken 2013).

The key question for management scholars is not the number of other competitors, in a general sense, but which other specific firms are the main competitors: which organizations are the firm's 'rivals' (Barnett and Carroll 1987; Porter 1980). Rivals are firms that are aware of each other and offer similar things to similar target customers (Kilduff et al. 2010; Porter 1980; 1985); in short, rivals desire money from the same customers. The identification of rivals is not self-evident, however (McGee and Thomas 1986). Some management scholars have solved this problem by



defining particular actions as competitive—lowering prices or targeting the core customers of other firms—and define as rivals those firms that respond to each other in this way (Baum and Korn 1996; Chen and Hambrick 1995; Chen and Miller 2012; D’Aveni 1994; Miller and Chen 1996).

Although a definition of competition as the presence of specific actions can help to identify competitors and may be valuable for managers, it is behaviourally deterministic, and therefore problematic. Both earlier and recent work demonstrate that competition can engender a wide variety of actions: a blend of acts of cooperation and antagonistic behaviour (Bengtsson and Kock 2014; Ingram and Roberts 2000; Jarzabkowski and Bednarek 2018; Sonenshein et al. 2017), covert or open cooperation in cartels (Strandqvist 2018), or specific behaviour such as cheating (Kilduff et al. 2016; Schreck 2015). Ingram and Yue (2008) note that the practice of assuming that competition should render antagonistic behaviour is virtually institutionalized within mainstream economic and management literature, but this seems to be an assumption—or wishful thinking—rather than being based in empirical evidence. Antagonistic behaviour may be more likely in market competition, but if we aim to develop a broadly useful understanding of competition for the social sciences, it is important to draw a clear analytical distinction between social structures on the one hand and its possible behavioural responses and intended or unintended outcomes on the other. We need a definition of competition that allows for the fact that it can give rise to many different actions and outcomes—or even none at all.

We find a promising way forward in work that defines competition from a managerial perspective (Reger and Huff 1993). Following a turn towards an interest in managerial cognition in management studies (Kaplan 2011), economic sociologists have taken the perspective of managers in defining who competes with whom over what, and thereby establishing whether or not there is competition (Lant and Baum 1995; Porac et al. 1995). Of interest are not the perceptions of all individual managers, but the perceptions of those whose perceptions are reciprocated, such that there is a cognitively competitive community whereby several managers recognize each other as competitors (Hodgkinson 1997; Porac and Baden-Fuller 1989; Reger and Huff 1993). A cognitively competitive community is created and sustained by both antagonistic and cooperative managerial actions (Porac et al. 1995). It can be maintained by such organizations as industry associations, in which the decision has been made that a number of firms are competitors (Schneiberg and Hollingsworth 1990) and by the classification efforts of significant others (such as industry observers, analysts, and mass media) who inform managers about who their competitors are (Anand and Peterson 2000; Cattani et al. 2017; Kennedy 2008; Rosa and Porac 2002).

A cognitive perspective on competition as developed by these scholars is promising, as it addresses the ambiguity about identifying competitors. It is also useful in that it points to the value of considering competition as a social construction (Cattani et al. 2018). It runs the risk of being a limited perspective, however, if it is based on the assumption that competition is always double-sided, so that the party

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recognized as a competitor by one party always recognizes the other party as a competitor, because, empirically, this is often not the case. Another limitation is the practice of considering only managerial cognition, which runs the risk of defining competition merely from an inside perspective (Hirshleifer 1978). Such conceptualization excludes other parties that may have a profound impact on those who are seen as competitors. A government that wants to see competition among its railway operators will take action if it does not perceive the railway operators to be competing—no matter how the cognitive community of railway operators perceive competition (cf. Dobbin and Dowd 1997). We therefore need to expand the conceptualization of competition beyond that taken in most management studies and contributions to economic sociology, by looking beyond competitors. Classical sociological contributions offer some promising starting points for that endeavour.

## Sociology: competition as a relationship

According to the seminal work of German sociologist Georg Simmel, there are two types of competition: a ‘lower’ form, in which at least two actors desire something that is directly available to either of them; and a ‘higher’ form, in which the desired object is under the control of a third person. It is the higher form of competition that was of greatest interest to Simmel, and he characterized this competition as ‘*a form of struggle fought by means of objective performances, to the advantage of a third person*’ (Simmel 1903/2008: 945, our emphasis). The presence of a third party shifts the attention of the focal competitor from competitors to the third party. Using an example from Adam Smith, when two bakers compete, one will not necessarily win the customer by sabotaging or bad-mouthing the bread of the other, as this may merely shift the consumer away from the consumption of bread. Expanding on Smith’s example, Simmel argued, the baker will instead try to win the ‘heart and soul’ of the third—in this case the consumer. Viewed in this way, competition not only creates the social strain of a struggle; it can also strengthen social cohesion if members of a society strive to ‘uncover the innermost wishes of another’ (Simmel 1903/2008: 962).

Simmel’s conceptualization of competition is a good starting point for a theorization that does not confine competition to the economic sphere of markets, but considers it a fundamental social relationship, along with love and friendship (cf. Coser 1975; Levine et al. 1976). Nevertheless, his work suffers from some shortcomings, which we need to address. Simmel’s main limitation is his vagueness and the anecdotal nature of his reasoning, or, as Richard Swedberg (2014: 69) puts it, his writing is more intuitive and artistic than conceptually clear. It is easy to get the impression from his writings that competition exists only if a third party is involved (i.e. higher competition), and Simmel is indeed often read as defining only these third-party forms as competition (cf. Burt 1993; Hannan 1988). On that basis, it is

often taken for granted that relations among competitors are always indirect and mediated by third parties.

Yet, there are strong arguments for why direct relationships among competitors should be included even when third parties are involved. For example, in White's (1981) discussion of production markets, such as pharmaceuticals or aircraft construction, third parties in the form of customers are so distant that the competitors have only each other to study for clues about what the customer may want in the future. Similar conditions exist in hotel markets (Lant and Baum 1995). Such direct relationships can be based on mutual observation and information processing (DiMaggio and Powell 1983; Haveman 1993; Lant and Baum 1995; White 1981), or they can be organized and maintained by membership in trade associations and other meta-organizations (Mizruchi 1992; Schneiberg and Hollingsworth 1990). In both cases, direct relations with those who are experienced as competitors compensate the weakness of ties with third parties.

Another question concerns the meaning of 'relation' or 'relationship'. Relations are often viewed as consisting of interaction—communication or the exchange of material goods, for instance. Max Weber (1978: 26–8), by contrast, provided a different understanding with his definition of a relationship. According to Weber, a relationship exists *when actors consider each other and each other's real or assumed behaviours and action*.

Even though relationships can be stimulated by interaction and vice versa, it is possible, given this definition, to have a relationship without interaction (Ahrne 2014; Ahrne and Brunsson 2019). The relationship between a fan and a star or the relationship of a believer and God are illustrative. Competitive relationships in this understanding are a type of sensemaking (Cattani et al. 2018; also Chapter 2, this volume), involving actors that consider others as frames of reference for their decision-making, but it does not require that competitors interact with each other. In fact, competition may be the prime example of relationships that need not and tend not to be based on interaction, because competition requires only that a focal actor envisions competitors and utilizes a personal understanding of these competitors as a frame of reference when making choices about social action.

Whereas Weber seemed to assume that relationships are mutual, we are open to the possibility that they can be one-sided: one actor has a relationship with another, but the reverse is not necessarily true. Competition can thus be asymmetrical. Research on managers suggests that it is no trivial issue to determine if a relationship exists between two firms—and the extent to which any such relationship is viewed as competitive. In their case study of Polaroid Corporation, Tripsas and Gavetti (2000) showed how its management did not identify the new electronics firms producing digital images as firms requiring consideration. Competition, in their view, was with the older firms that manufactured physical film. Consequently, Polaroid tailored its market strategies and actions towards the old firms, and when it lost market shares, managers interpreted their loss as having been caused by exogenous demand shifts rather than Polaroid's poor performance in relation to the digital producers. Similar

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stories of dominant industry incumbents being blindsided and failing to consider new entrants to the industry as competitors are well documented in technology and innovation studies (cf. Anderson and Tushman 1990; Henderson and Clark 1990), but such forms of asymmetric competitive relationships can also be found in politics, science, and sports.

In summary, a common shortcoming of the literatures we have surveyed is an almost exclusive interest in markets as the setting for competition and a lack of interest in the origins of competition. Another, but related problem is that economics, management studies, and sociology tend to stay with a narrow and often unclear conceptualization of competition. Furthermore, instead of problematizing the existence of competition, its existence is taken for granted; the discussion is instead concentrated on how competitors act, how they should act, or how competition allocates resources.

## Defining competition

Based on our review of various approaches to competition, we can now provide a more precise definition. Competition is the construction of a *particular relationship* (in the Weberian sense and as previously outlined). It covers relationships in which a *focal actor desires something that this actor perceives as scarce, because of a belief that other actors have the same desire*. Products, money, attention, status, and many other things can become objects of competition. Before we dig into the research implications of this definition, we must have a closer look at its components.

We begin with the question of *desire*—a term we use for anything an actor is longing for. ‘Desire’ has a psychological connotation, but as a concept it has attracted much broader attention in the social sciences and in humanities since the writings of Jacques Lacan (see Chapter 10, this volume). For our definition of competition, ‘desire’ is a more appropriate term than ‘needs’—a term that refers to functional lines of thinking in anthropology and sociology; or ‘demands’, which are often reduced to markets and understood as the expressed willingness and capacity to pay for a given product or service. ‘Desire’ in our understanding is closer to ‘goals’ in organization theory (Cyert and March 1992): organizations often have goals as a frame of reference for their decision-making. Various things may be desired, but for a desire to be an element in a competitive relationship, we argue that an actor must *realize or imagine that another actor shares the same desire*. The baker or the managers of Polaroid Corporation must recognize or believe that there is another baker or another firm with the same desire. Without that recognition, the situation is not one of competition.

It is noteworthy that we are discussing how actors *understand or construct* a situation with respect to the desires of others. One suitor can believe that another person shares the desire for a third person, regardless of what that other person actually thinks or feels. A government can convince some schools that they are competing

with other schools for students; yet those other schools may be of a different opinion. In either case, the first necessary element of competition is for a focal actor to believe that someone else shares a desire.

To this point we have been using the term ‘*actor*’ quite freely, but our theorization requires an understanding of actors as considered by others as capable of desire; as capable of recognizing the desires of others; and as having the capability to act on desires. In other words, competition requires entities that are inscribed with ‘actorhood’ (Meyer and Jepperson 2000), because actorhood implies the capability of making decisions in line with one’s desire and the willingness and ability to implement those decisions.

Earlier work on competition has typically been based on the assumption that actors are present, but this is a precarious assumption that obscures our understanding of how competition occurs. Importantly, it is an assumption that divorces the study of competition from the richness of work on actors and actorhood in the broader social science. No entity is a social actor by nature or in isolation. Actorhood is the result of institutions or organization (Hasse 2017; Meyer and Jepperson 2000; Sewell Jr 1992), which means that it is contingent upon history and geography (King et al. 2010; Meyer 2010; Pedersen and Dobbin 1997). In current society, it is mainly individuals, organizations, and states that gain actor status; other entities such as classes or clans, once considered actors, are no longer seen in that way (Hasse 2017). Furthermore, it seems that any state, organization, or individual is now expected to develop an identity as actor (Brunsson and Sahlin-Andersson 2000; Hasse 2017).

Although actors are generally recognized as having the ability to desire and to consider the desire of other actors, actorhood is dependent on the situation. A common, situational limitation on the capacity to act is a lack of resources. Many people may desire to have a Picasso painting over their fireplace, but because they are not wealthy, they are not competitors to affluent art collectors or museums. Studies of what other firms that a focal firm recognizes as a competitor suggest an asymmetry: smaller firms identify larger firms, but larger firms do not recognize the smaller (Baum and Haveman 1997; Lant and Baum 1995).

At times, decisions or institutions limit what is seen as legitimate actorhood. Social standing, supported by such institutions as aristocracy, can delineate who is and is not a competitor to become the next sovereign. The complications of becoming a legitimate competitor for affection when violating such institutions is a common theme of popular literature. In sports, being considered a competitor is usually contingent upon conforming with categories like gender and age (Obel 1996). The capacity of an actor to be a competitor can also have moral dimensions (Wolff 2006). Norms about the appropriateness of same-sex attraction have been key constraining factors for who is considered a legitimate competitor for affection (cf. Adut 2005). Becoming a competitor is thus institutionally enabled and often circumscribed through social classification (cf. Zelizer 2005; Zerubavel 1996).

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Actors who recognize each other's desire for something is a necessary, but not sufficient, element of competition. There are many situations of shared desire that do not constitute competition. One can think of regions with winter tourism which may share a desire for snow, for example. Competition requires a sense of *scarcity* and that, at least to some extent, this scarcity is viewed as caused or strengthened by the desire of others.

In earlier treatments of scarcity in competition, it has often been unclear who controls the scarce good. There is widespread confusion regarding this issue, and it is often said that firms compete for each other's market shares, or that two states compete for the territory of one. We prefer to reserve the term 'competition' for instances in which the desires concern something that *none of the competitors already* has. This is obviously the case when the object of competition is under the control of a third party and none of the competitors already has that object. Accordingly, firms do not compete for the money that the customer has already given to one of them, but for the money still in the pockets of the customer. The market shares that are of interest to a firm are those that can be won tomorrow—not those of yesterday. Lovers do not compete for the time already spent with another, but for the time yet to share with the loved one. In an election, it is not the votes of the last election but those who are yet to be cast that the parties desire. Thus, competition is about the future, an important aspect that is seldom made explicit in the competition literature (cf. Emirbayer and Mische 1998).

### Implications: asymmetries, fourth actors, and behavioural effects

Conceptualizing competition as a construction accentuates the question of who constructs a situation as competition, and it also implies that there can be several constructions at the same time. Social constructions do not need to be symmetric; one actor may construct a situation as competition with respect to another actor who does not share this construction. The potential for asymmetric constructions increases by expanding the scope of those who can construct competition to include observers. Not only can people see themselves as competing with others, they can also act as observers of others and judge their relationships as competitive or not. A biologist studying minnows may see the pike as competing with each other because they desire the same scarce minnows. And an economist observing many firms selling similar products may view them as competing, even assuming that the more firms there are, the more competition. The observers' view may, however, not coincide with the view of the allegedly competing actors—they may have no idea that they are competing. Therefore, scholars who act as observers need to clarify their analytical viewpoint and recognize that they define competition from their omniscient perspective—which also means that they should not infer competitive awareness among those they consider competitors.

Other observers are those who often, but not under all circumstances, adjudicate the outcome of competition—voters in politics and customers in markets, for example. Such ‘third parties’ (Simmel 1903/2008) may think that several actors compete for their votes or their money; yet one or more of those actors may not see themselves as competitors. Conversely, third parties may believe that they cannot choose among offers from several competitors, whereas one or several of the alleged competitors do believe that there is competition.

Further asymmetries need to be considered if we consider actors that are not competing or adjudicating, but whose decisions have an impact on the competition on others. Extending Simmel’s conceptualization which has emphasized the role of third parties, we label these actors *fourth parties*. Fourth parties contribute to the establishment and maintenance of the construction of a situation as competition. Many individuals and organizations can act as fourth parties. Among these are regulators, prize givers, contest organizers, and experts who make comparisons, evaluations, or rankings. In many cases, these fourth parties are crucial for the construction of competition, but sometimes they are the only ones who believe that they have launched a competition; what they see as competition may not be seen as competition by those they consider as competitors or as third parties.

Our definition also allows the analytical distinction between competition and the specific actions that it may give rise to. This distinction is significant for two reasons. First, it clarifies our position that competition is not, as many think, specific actions—innovating more or lowering prices, for instance (cf. Miller and Chen 1996)—actions that can be caused by many circumstances and ideas other than competition. Competition is a relationship that can give rise to actions; it is not the action in itself. Second, competition can lead to many types of action, and we cannot merely presume that any one type will materialize. Seeing a situation as competitive may even discourage action. Even if a situation is understood to be competitive, one common reaction is that it will not matter much one way or the other what one chooses to do. Experimental studies at the individual level have demonstrated that having won earlier competitions can motivate further action, but having lost tends to induce passivity (Murayama and Elliot 2012; Reeve and Deci 1996).

Competition may or may not induce interaction among competitors. Most of the hopes pinned on competition rely on the idea that competition induces action—but not interaction—that it motivates a competitor to ‘shape up’ and improve performance (Hirschman 1970), or in the words of Simmel, that the competitor strives to divine the ‘innermost wishes’ of the third party (1903/2008). But competition may also lead to interaction with competitors, an outcome that is often seen as negative. It can motivate attempts to undermine the capacity of a competitor to compete or even to destroy them—through a hostile take-over of a firm, for instance. Or competition leads to cooperation among competitors, which is a common outcome.

By distinguishing between competition and its behavioural effects, we see that competition is *not* the opposite of collaboration or cooperation as is commonly assumed in some of the literature (see, for instance, Brandenburger and Nalebuff 1997; Chen and Miller 2012; Fehr and Schmidt 1999). Collaboration or

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cooperation are examples of interactive responses to competition; they do not define away a situation as competitive. Cooperation as a response to competition does not eliminate the competitive relationship; it simply means that those involved in the relationship have decided on a particular response. Take the example of a cartel. Firms in a cartel are still in a competitive relationship with each other over the customer's money, but they have agreed to act in a certain manner in order to handle their competitive relationship—by determining maximum production volumes or minimum prices, for instance. As with all forms of cooperation, rather than reducing competition, cartels may focus, increase, and stabilize competition, because they make it clear that there are competitors and identify who those competitors are—something that may not be as clear without cooperation.

## Investigating competition

We miss the lively debate that should be taking place among social scientists about the implications of competition in societies—not only in terms of market competition but also in other domains. We believe that a social science contribution to the public debate about competition has been hindered by a lack of an inclusive and coherent way to define competition. As a consequence, we are overwhelmed by disparate definitions of competition, most of which do not lend themselves to a deeper social science analysis of competition, its origins, or its consequences.

In this book, we begin the task of addressing questions of competition from a broader social science perspective through chapters that variously discuss and investigate how competition is introduced, managed, and removed in different social settings. Compared to earlier work, we provide a highly encompassing, yet precise, definition of competition. The following chapters reflect this inclusiveness in their different analytical stands, breadth of empirical settings, and variation in type of good the competitors desire.

Conceptualizing competition as the social construction of four constitutive elements opens up for new questions and new lines of research. Although the significance of relationships and the existence and institutionalization of scarcity, desire, and actorhood have been extensively and separately dealt with in the social science literature, little effort has been made to relate these developments to the rise of competition.

It is important to consider the elements of competition not only in the analysis of existing competition, but more crucially when seeking to understand the introduction of competition. In that case, all elements of competition are required. Analogously, the removal of competition requires the deconstruction of any one of these elements. There is no competition without actors, or where the actors lack desire, or if they desire only what is not scarce, or where actors are not aware that there are other actors with the same desire to which they relate themselves. There are three types of actor relevant for the construction of competition and these parties may neither



share each other's ideas whether there is competition nor the ideas of external observers. Competition, one may conclude, then, is a fragile social arrangement whose emergence and maintenance cannot be taken for granted.

Another topic regards the direct and indirect impact of competition on society. Durkheim began this line of questioning at the turn of the nineteenth century. He argued that competition resulted in a division of labour that eroded established forms of solidarity. His perspective is as relevant today as it was over a century ago, but now competition exists on a global scale with off-shoring and global value chains. Furthermore, more and more status orders have become global. What are the effects of an increasing part of the relationships in a (world) society being seen as competitive? Georg Simmel suggested that we should see competition in the positive light of increasingly orienting persons towards each other, thus contributing to social inclusion (Simmel 1903/2008). Others have argued that the consideration of other social norms of behaviour are pushed to the side when a situation is constructed as competition (Kilduff et al. 2016; Schreck 2015), suggesting that a more competitive society is colder and more antagonistic.

Chapter 2 presents a theorization of competition from the perspective of managers, using the case of restaurants in New York. It shows the often-underestimated complexities of analysing competition even in a relatively simple market setting—illustrating the differences in perceptions of competition by competitors and by the scholars who work with different theoretical, omniscient, research perspectives. That chapter follows the tradition of economic science by beginning with a setting that is already assumed to be competitive, but Chapter 3 investigates how competition can emerge, specifically by processes of mutual adjustment. Christmas decorators and producers and consumers of fashion can all create competition without necessarily wanting or meaning to. Thus, competition can originate beyond the intention of individual actors. Chapter 4 brings together and systematizes our theorizing, arguing that the origins of most competition lie in institutions and organization. Several aspects of modern institutions facilitate the construction of competition, but competition is usually the intentional or unintentional result of various forms of organization. These initial four chapters lay the foundation for the empirical studies in the rest of the book.

Chapters 5–9 examine the construction of the different elements of competition in a number of settings and with a broad selection of 'fourth parties'. Competition is not merely a matter of the promulgation of a reform; it is also hard work, fraught with uncertainty. Chapter 5 details the intensive and varied organizational efforts of a Swedish municipality that worked with different levels of success over two decades, in order to introduce competition among its upper secondary schools. One key challenge was to construct the schools into actors that viewed themselves and each other as legitimate competitors for students. Whereas the object of competition in Chapter 5 was, indirectly, money, Chapter 6 discusses competition for status, using public sports and higher education as the main examples. The allocation of status may be organized through the use of meta-organizations, ratings, rankings, or

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prizes, but it is far from certain that these forms of organization oblige individuals or organizations to construct competition. Chapter 6 details the complexities of the relationship between organization and competition.

One specific challenge is to ensure the desirability of the object of competition—a place in a ranking table, for instance. Chapter 7 demonstrates that the attempts of rankers of waste-management organizations at creating desire are not always successful—particularly when there are alternative rankings towards which desires can be directed. It is not only what is to be desired that can be constructed differently; Chapter 8 details the history of how Swedish auditors began to compete with each other. In this process, they constructed the firms to be audited as the relevant third party rather than the investors and others who required the audit information. One key implication is that studies that take the prevailing construction of competition as a given miss the other ways in which competition could have been constructed, thereby tending to accept the negative but avoidable effects of the prevailing constructions. Moreover, this perspective ignores the efforts and costs required to introduce competition in the first place.

A central challenge across these studies has been to motivate those who are supposed to compete to see themselves and their peers as competitors. In some cases, however, other actors and institutional conditions help to construct competition. Chapter 9 conceptualizes competition as a social drama and demonstrates how researchers and financial actors can be funnelled and lured into competition through contests and prizes and journalists are fond of describing what they see as contests at the expense of other, perhaps more important processes.

Once competition is introduced into a setting, it may need to be maintained, and its effects may need to be managed. The effects of competition are often not those imagined by the fourth parties that introduced it. The management of competition is analysed in Chapters 10–12. The goal of competition can be ambiguous, as in the case of schools, where it is seen as a promise and incentive on the one hand and a possible threat to the ideals of equality on the other hand. Balancing the different expectations of competition in a classroom of children is a delicate managerial task, as illustrated in Chapter 10. A similar ambiguity is common within complex organizations that act in an economic setting. Multinational corporations often stimulate competition among its subsidiary units as a way of allocating resources and encouraging initiatives, but they do not want the competition that is constructed to quell cooperation among its units. Chapter 11 shows how headquarters, in the role of a third and fourth party, can circumvent competition and use a variety of managerial tools in order to guide subsidiaries to react to the competition by cooperating. Sometimes managers want to revoke competition. Chapter 12 addresses the post-merger organizational efforts of a private equity firm that sought to encourage former competing firms to construct their situation as less competitive. That chapter provides a good illustration of the forward-looking aspect of competition: although the personnel in the merged units could see that they were not competing today, they did not trust that they would not compete tomorrow, and they were reluctant to cooperate with each other in a way that could weaken their future positions.

Chapter 13 takes a step back from the empirical work to argue, from a more philosophical standpoint, that the consequences of competition need to be radically rethought. The holy trinity of competition, individualism, and meritocracy needs to be reconsidered, as neither the sense of deserving associated with winning or the blame associated with losing a competition can and should be attributed to individuals. Competition is far too relational for that. Chapter 14 closes the book with conclusions, reflections, and pointers for future research concerning how, when, and why competition is constructed; the many possible consequences of competition; and how competition can be removed.

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