

THE ROLE OF SECRECY IN MEETING

BUSINESS COMPETITION

by

HUANG HUA CHAI

B.A. (Hons.), University of Malaya, 1967

A THESIS SUBMITTED IN PARTIAL FULFILMENT OF

THE REQUIREMENTS FOR THE DEGREE OF

MASTER OF BUSINESS ADMINISTRATION

In The Faculty

of

Graduate Studies

We accept this thesis as conforming to the  
required standard

THE UNIVERSITY OF BRITISH COLUMBIA

April, 1969

In presenting this thesis in partial fulfilment of the requirements for an advanced degree at the University of British Columbia, I agree that the Library shall make it freely available for reference and Study.

I further agree that permission for extensive copying of this thesis for scholarly purposes may be granted by the Head of my Department or by his representatives. It is understood that copying or publication of this thesis for financial gain shall not be allowed without my written permission.

Department of Commerce and Business Administration

The University of British Columbia  
Vancouver 8, Canada

Date April 23, 1969

## ABSTRACT

Information and data are essentially the basic ingredients for the formulation of informed judgments and the making of rational decisions. In recent years, the inadequacy of business information and data available to the various segments of the economy has led them to advocate that business enterprises should disclose all their relevant and material information fully and comprehensively. Seldom, however, have they, who are outside the corporate management, given adequate consideration to the role that secrecy of business information can play in enabling competition among rival business enterprises. In this thesis, it is suggested that secrecy of some information, not full disclosure, is necessary if business enterprises are to be competitive against rivals.

This study has found that the business enterprises interviewed in the field study are strongly opposed to disclosing fully and comprehensively all their information. In the views of some of the executives who are in the selected enterprises, secrecy of certain information is required not only in the maintenance of the competitive positions of their enterprises, but also as a necessary part of their competitive weaponry against rivals. Secrecy is also desired in the interests of their enterprises.

Apparently, therefore, the exigencies of the various segments of the economy for business information and data cannot be met by voluntary full disclosure of information by business enterprises; certainly it is not attainable without opposition from the business community.

## TABLE OF CONTENTS

CHAPTER	PAGE
I     INTRODUCTION	1
Present Tendency Toward Disclosure Of	
Business Information	5
The Hypothesis Of The Study	6
Significance Of The Study	8
Plan Of The Study	9
Limitations Of The Study	10
II    WHAT IS FULL DISCLOSURE?	11
Brief Outline	11
Introduction	12
The Current Trends In Financial Disclosure	12
Why Must Business Information Be Disclosed	
By Business Enterprises?	15
A Meaning Of Full Disclosure	20
Summary	25
III   COMPETITION AND THE NEED FOR SECRECY OF	
INFORMATION	27
Brief Outline	27
Introduction	28
The Environment Of Competition In Business	29
What Is Competition In Business?	32
Business Objectives: Their Accomplishment	
Through Competition	34
Martin-Senour Company: An Illustration	36
The Incompatibility Of Full Disclosure With	
The Maintenance Of Competitiveness Of	
Business Enterprises	38
A Need For Some Degree Of Secrecy Of	
Information	40
Summary	41
IV    FIELD STUDY — QUESTIONNAIRE AND METHODOLOGY	43
Brief Outline	43
Introduction	44
The Practical Purpose Of Conducting The	
Field Study	44
The Pilot Questionnaire	45
The Questionnaire	47
The Structure Of The Questionnaire	50
Methodology Of The Field Study	51
Selection Of Business Enterprises	52
Executives Interviewed In The Selected	
Enterprises	53

V	ANALYSIS OF THE RESPONSES OF THE SELECTED ENTERPRISES IN THE FIELD STUDY	56
	Brief Outline	56
	Introduction	58
	Present Disclosure Of Information	58
	1. Status Of Incorporation	58
	2. Size	59
	3. Classes Of Information Disclosed And Methods Of Disclosure	61
	4. Target Users/Readers Of Disclosed Information	62
	5. Disclosure Of Future Expectations And Current Economic Situation	62
	6. Some Observations Regarding The Present Disclosure Of Information	65
	The Rationale For The Need For Information Secrecy	68
	1. Information Necessary To Be Kept Secret By The Selected In The Maintenance Of Their Competitiveness	69
	2. The Need For Secrecy Of Some Information: An Enterprise-By-Enterprise Study	69
	3. Some Generalisations On The Rationale For Secrecy	80
	Information And Data Of Competitive Value	82
	1. Goals, Objectives And Policies	83
	2. Marketing	84
	3. Production	86
	4. Finance And Accounting	87
	5. Personnel And Industrial Relations	88
	6. Research And Developmeny	88
	Incompatibility Of Full Disclosure With Competition In Business	89
	Summary	91
VI	SUMMARY OF THE MAIN FINDINGS OF THE STUDY	92
	APPENDIXES	97
	BIBLIOGRAPHY	118

# LIST OF TABLES

TABLE		PAGE
I	Trends In Disclosure By Canadian Companies	13
II	Trends In Disclosure By U. S. Companies	14
III	The Selected Business Enterprises, Industries And Operational Functions	53
IV	Positions Of The Interviewed Executives And Managers	54
V	Years Of Experience Of The Interviewed Executives And Managers	54
VI	Total Number Of Times And Hours Of Interviews	55
VII	Status Of Incorporation Of The Selected Business Enterprises	59
VIII	Size In Terms Of Assets, Sales And Employed Personnel Of The Selected Enterprises	60
IX	Classes Of Information Disclosed And Methods Of Disclosure	61
X	Target Users/Readers Of Disclosed Information Of The Selected Enterprises	63
XI	Classes And Items Of Information Considered Necessary To Be Kept Secret By The Selected Enterprises In The Maintenance Of Their Competitiveness	70

## ACKNOWLEDGEMENTS

The author would like to express his profound gratitude to the following:

Dr. Brian E. Burke, his thesis supervisor, for the kind words of encouragement and the invaluable suggestions and assistance throughout the course of this thesis;

Dr. Whata Winiata for his advice and helpful criticisms, particularly in the preparation of the questionnaire for use in the field study;

the business executives in the interviewed firms who have so generously given the author their precious time and information about their firms without which the field study would have been impossible, but whose names unfortunately cannot be mentioned here; and

all those who have assisted the author in one way or another.

## CHAPTER I

### INTRODUCTION

Full disclosure of business information has been the focus of considerable interest in recent years. Though this interest may be differently motivated, discussion on this subject, however, does indicate that full disclosure, or at least adequate disclosure, of business information by business enterprises is desirable. In fact, full disclosure is strongly advocated.

Several reasons have been advanced in support. Firstly, the far-reaching influence of the work of Berle and Means, The Modern Corporation and Private Property,<sup>1</sup> has spawned the belief that, with the extreme imbalance of economic power and the domination of economic activities by the large corporate enterprises, competition is no longer able to function effectively. Competition is weakening, and cannot be relied upon to serve as the regulator of the market when control of market power lies in the hands of a few corporate giants. Full disclosure is desired for the maintenance of competition because by subjecting business enterprises to full disclosure, particularly the large and dominant ones, some form of checks and balances at least is obtained.

Full disclosure is also advocated to serve as a safeguard against abuse of economic power.<sup>2</sup> This line of thinking is deeply

---

<sup>1</sup>Adolf A. Berle, Jr., and Gardiner C. Means, (New York: Macmillan Co., 1932).

<sup>2</sup>See A. D. H. Kaplan, Big Enterprise In A Competitive System



rooted in the societal disfavour and disapproval of bigness of size as well as concentration of power of the large corporations.<sup>3</sup> It has, moreover, been strengthened by the evidence of numerous investigations and litigations in the past in which the giant corporations have been defendants against public charges of use of unfair and unethical practices and abuse of their economic superiority to gain advantages for their own interests.<sup>4</sup>

Secondly, economic data and information of business operations and activities are the essential ingredients of economic analysis and for the formulation of sound economic policy. Much of these data, however, have been obscured by the complexity of activities of business enterprises, corporate interlockings, and an inadequate revelation of information and data in general in the corporate reports. The aggregative form in which they are presented has also greatly reduced their usefulness. Business enterprises are, therefore, urged to disclose fully and comprehensively such information in order to facilitate the accomplishment of this important task.<sup>5</sup>

Thirdly, the widespread growth of the corporate form of business organisations has significantly changed the corporate structure. The fusion of ownership with control and management of corporate business has disappeared as corporations developed into entities with thousands — even hundreds of thousands — of 'owners'. Aided by the rise of professionalism of executive managers of corporations, the divorce or

---

(Washington, D. C.: The Brookings Institution, 1964, re. ed.), pp. 12-13.

<sup>3</sup>See Andrew Hacker, *The Corporation Take-Over* (New York: Harper & Row, 1964).

<sup>4</sup>A. D. H. Kaplan, *op. cit.*, p. 1.

<sup>5</sup>See Melville H. Watkins, et al, Foreign Ownership and The Structure of Canadian Industry (Ottawa: Queen's Printer, 1968), pp. 166-186.

separation of ownership and control is complete.<sup>6</sup> On the other hand, it is recognised that there must be adequate protection of the interests of the stockholders, and that the stewardship function of the corporate management, meaning by this term the directors and the top officials of corporations who administer the corporate affairs, is deemed to be appropriately necessary.

Fourthly, the emergence of numerous pension funds, investment trusts and other institutional investors, together with myriads of employees, creditors, and millions of stockholders, has certainly increased the demand for more and varied corporate information. The conventional reports released and published annually or periodically are no longer capable of meeting the needs of these heterogeneous interest segments for information.<sup>7</sup> Full disclosure or greater disclosure is imperative.

Apart from these convincing views for establishing full disclosure as an appropriate and ideal standard of reporting, the advantage or wisdom of withholding information by the business enterprises has also been doubted. One point of view holds that deliberate withholding and suppression of information may be inimical to the reporting business enterprises themselves:

.... A high standard of corporate financial and accounting reporting is .... a safeguard of the health of corporations. Confidence in the corporations is engendered by full and fair disclosure; and that confidence could be shattered, with serious consequences to

---

<sup>7</sup>See Robert K. Mautz, Financial Reporting by Diversified Companies (New York: Financial Executives Research Foundation, 1968), Chapter IV; Charles T. Horngren, "Disclosure: 1957", Accounting Review, Vol. XXXII, No. 4, Oct. 1957, pp. 598-604.

For the items of business information needed by financial analysts, see Corliss D. Anderson, Corporate Reporting For The Professional Investor (Auburndale, Mass.: The Financial Analyst Federation, 1962).

the freedom of corporations to operate,  
by any widespread deliberate suppression  
of information about the corporations.<sup>8</sup>

Moreover, it is believed that any purposive effort to withhold vital information for competitive advantage that may accrue is unrewarding and pointless. L. K. Goodrich remarks that

... most companies can go a great deal further than they do (in the disclosure of business information) with no fear of hurting themselves competitively. ... Competitors can find ways and means of ferreting out what they want to know,<sup>9</sup> (for) most companies are living pretty much in a fish bowl in this day and age.<sup>10</sup>

The precariousness of withholding information and the significance of full disclosure must, on the basis of these views and arguments, be recognised. But has proper recognition been accorded to them by the business enterprises? Have business enterprises been responsive, in terms of information disclosure, to the urge for full disclosure in the last few years? While the answer to full disclosure is apparently 'no', there is clearly a tendency towards fuller or greater disclosure of information.

---

<sup>8</sup> Herman W. Bevis, Corporate Reporting In A Competitive Economy (New York: Macmillan Co., 1965), p. 1.

<sup>9</sup> For an interesting account of business espionage and the methods, both normal and controversial and unethical, that are employed to spy for competitors' information, see Burton H. Alden, et al, Competitive Intelligence: Information, Espionage, and Decision-Making (Massachusetts: C. I. Associates, 1959); Worth Wade, Industrial Espionage and Mis-Use of Trade Secrets (Ardmore: Advance House, 1964); and Edward E. Furash, "Industrial Espionage", Harvard Business Review, Vol. 37, No. 6, Nov-Dec. 1959, pp. 6-12 and 148-174.

<sup>10</sup> L. Keith Goodrich, "Executive's View of Corporate Reporting Responsibilities", Financial Executive, Dec. 1966, p. 16.

## Present Tendency Toward Disclosure of Business Information

The annual reports of the various business enterprises published in recent years are indicative that there is a tendency toward increased divulgence of business information. They compare favourably not only in the attractiveness of design and readership attraction,<sup>11</sup> but also in information content as well as readability. In Canada and the United States, the extensiveness of corporate financial and accounting information and data disclosed in these reports can be readily observed in such authoritative references as Financial Reporting In Canada<sup>12</sup> and Accounting Trends & Techniques<sup>13</sup> respectively.

In Canada, the present tendency of business enterprises to disclose more and varied information is evidently indicated by the increased use of more informative comparative financial statements, notes, supplementary schedules and statements and other additional items.<sup>14</sup> In the United States, this same tendency of industrial corporations toward increasing disclosure of information in their published annual reports is equally obvious.<sup>15</sup>

Two recent studies have also found increased disclosure of information through the use of notes and supplementary data to

---

<sup>11</sup>See Carter F. Henderson and Albert C. Lasher, 20 Million Careless Capitalists (New York: Doubleday, 1967), Chapter 8.

<sup>12</sup>Published by the Canadian Institute of Chartered Accountants, it is a series of biannual studies providing current information on accounting practices and financial and accounting information of the survey Canadian public companies as presented in their annual reports.

<sup>13</sup>An annual publication of the American Institute of Certified Public Accountants, it shows the accounting aspects of the financial reports of the 600 selected American industrial corporations.

<sup>14</sup>CICA, op. cit.

<sup>15</sup>AICPA, op. cit.

financial statements by Canadian public companies within the period of 1938 to 1963.<sup>16</sup>

Disclosure of sales or revenue profit break-down, which is generally resisted by business enterprises because of its probable damaging effect to competitive position, has also been noted in the annual reports of several business enterprises. A survey conducted by the Financial Executive Research Foundation in 1966 reveals that eighteen such reports out of sixty-three show break-down of sales or revenue profits by listing percentages of sales by product grouping or industry market, or by relating profit percentages to products or operating divisions.<sup>17</sup> Another survey of the 1967 annual reports of 457 publicly-owned companies in the United States shows these following observations:<sup>18</sup>

(a) 48% of the companies provided break-downs of gross revenues by two or more categories;

(b) 9% provided additional break-downs of net earnings or profits; and

(c) break-downs of sales and earnings were provided by companies of all sizes and from all industry groups.

#### The Hypothesis Of The Study

The tendency of business enterprises to disclose more and more information and data has significantly brought out several hypotheses

---

<sup>16</sup>Goh S. Siah, A Descriptive Study of the Notes to Financial Statements In The Annual Reports Of 75 Selected Canadian Public Companies, 1938 - 1963; and Tan Y. Pin, An Analysis Of Supplementary Data In The Annual Reports Of Selected Canadian Public Companies, 1938 - 1963. Both of the studies are unpublished master theses, University of British Columbia, 1965.

<sup>17</sup>"New Disclosures Noted In Annual Reports", Financial Executive, June 1967, pp. 68-77.

<sup>18</sup>See George Hobgood, "Voluntary Disclosure in 1967 Annual Reports", Financial Executive, June 1968, pp. 81-89.

about full disclosure of business information:

(a) Full disclosure of information is not feasible. This is because complete information of all the operations and activities cannot be obtained by the reporting business enterprises themselves. It may be due, for instance, to the lack of a system of information collection in the business enterprises that is capable of handling the large volume of information generated.

(b) Full disclosure is uneconomical. Full disclosure first necessitates that all the information be obtainable. Assuming that complete information may be obtained, the cost of getting the data and information may eventually be so excessive that it becomes too uneconomical for business enterprises to do so. Full disclosure, ipso facto, may not be possible.

(c) Full disclosure of information is detrimental to the competitiveness of business enterprises. Certain classes and items of information may be considered to be secret, the dissemination of which would hurt their competitive positions. Thus, full disclosure is impracticable, even if complete information is available.

Insofar as the first two hypotheses are concerned, the difficulties encountered may not be insurmountable. With the growing application of electronic data processing these difficulties could be overcome.

The same may not be said about the third hypothesis, however. Secrecy of some information may be a necessary requisite for business enterprises to be competitive with their rivals. It may be argued, therefore, that full disclosure of business information is not compatible with the maintenance of the competitive positions of business enterprises. This will be investigated in this study from

the standpoint of the businessmen, meaning by this term the management group of a business enterprise.

### Significance Of The Study

The desirability of information disclosure by business enterprises to fulfil the exigency of information has been noted in the previous paragraphs, but, as the hypothesis of this study might suggest, the acceptance of full disclosure as an ideal reporting standard may be as strongly resisted as it is advocated. The fact is that if secrecy of some information is a necessary competitive weaponry of business enterprises, full disclosure then would not only burden them with the onus of having to supply the information required, but also affect to a substantial extent the success of their performances. If this is so, will the implementation of full disclosure be justifiable when business enterprises are so 'penalised'? If not, what other alternatives will have to be devised in order that the information gap may be filled?

If full disclosure of business information is to materialise, it seems fair that the views of businessmen who are so immediately related to the issue of full disclosure, should be represented.

This study does not purport to examine and come out with solutions for these problems, nor to justify the retention of information by business enterprises. Rather, it is hoped that through an examination of the relevance of secrecy of some information to the maintenance of the competitive positions of business enterprises, this study may shed some light on whether or not the tendency of economists and others to recommend full disclosure of business information is in harmony with the establishment, maintenance, and purposes of competition.

### Plan Of The Study

It is proposed to approach this study first by a discussion of the terms 'full disclosure' and 'competition'. This would provide the foundation for a field study which is to be conducted later in order to gain an insight of whether or not some degree of secrecy of information is a necessary condition for business enterprises to be competitive against their rivals.

In terms of the plan of this study, Chapter II is devoted to finding out what is meant by the term 'full disclosure'. Two aspects related to disclosure of business information will also be examined, namely, the trends in information disclosure, and why business enterprises are required to disclose their information and data.

Chapter III then examines what is competition to business enterprises or the businessmen, as they envisage it to be. In the light of what competition means to the business enterprises, an attempt is then made to determine whether full disclosure of their information will or will not affect their competitiveness. A tentative conclusion is then drawn as to whether or not a degree of secrecy of information is necessary in order that the enterprises may remain competitive with their rivals.

The field study is then conducted to supplement this tentative conclusion by means of interviews with business executives of a few selected business enterprises. More significant in this field study is, however, to find out from these business executives who have to practise competition whether a need for secrecy of some information is necessary in the maintenance of the competitive positions of their enterprises, and if so, the rationale for their thinking.

Chapter IV is concerned with the discussion of the various



aspects of the preparation of the field study: the questionnaire to be used in the interviews, the business enterprises which are selected for interviewing, and the methodology of the field study.

Chapter V is devoted to an analysis of the responses of the selected business enterprises. This will be attempted in terms of what the questionnaire intends to find out.

Chapter VI presents the main findings of this study.

#### Limitations Of The Study

Limitations are inevitable, owing to the standpoint this study has adopted and in the methodology of the field study. The following limitations are recognised:

(a) Owing to the standpoint adopted by this study, its findings may not be representative of others except the viewpoints of the business executives; in fact, only of those who are interviewed.

(b) Ideally, business enterprises from the various industries, a sizeable representation of each, should be selected if representativeness of businessmen's views about the need for business secrecy may be obtained. No attempt to obtain an elaborate sample for this study is made, however, because of the lengthiness of the questionnaire and the time required for the interview. Also, it is felt that not too many enterprises need be interviewed. For the purpose of this study, it is far more important and desirable to have good responses from even a few enterprises than to have little or unenthusiastic responses from many. Financial considerations also pose a constraint on the possibility of having more business enterprises to be interviewed in the field study.

(c) The enterprises selected are those from the City of Vancouver only.

## CHAPTER II

### WHAT IS FULL DISCLOSURE?

#### Brief Outline:

In this chapter, the trend in disclosure of financial information is briefly examined first. The data used to ascertain the trends in disclosure are obtained from Financial Reporting In Canada and Accounting Trends & Techniques.

The next section then seeks to find out why business enterprises have to disclose their financial data and information. By an examination of the historical events that led to the legislation of the 'disclosure' statutes, an attempt is also made to ascertain whether the enactment of these statutes thereby making the disclosure of certain classes of business information mandatory, was intended with a view to facilitate the competitive process.

Finally, a meaning of 'full disclosure' of business information is attempted with reference to the objectives of reporting of business information to outsiders. Having so defined the term 'full disclosure', the major classifications of information and data of business enterprises that might reasonably be incorporated within its scope are specified.

## Introduction

In the previous chapter, brief mention has been made of the tendency of increasing disclosure of information and data by business enterprises. In the present chapter, various aspects of business disclosure are discussed.

## The Current Trends In Financial Disclosure

At the outset, it must be mentioned that a determination in any precise manner of the distinct trends in disclosure of financial information is not easy, for such an attempt would necessitate that original business reports are available. Recognising that this is quite infeasible, secondary sources of the data required are, therefore, relied upon. They are Financial Reporting In Canada and Accounting Trends & Techniques.

Some of the distinct trends in financial disclosure by Canadian public companies are clearly indicated in Table I. In Table II are shown the trends in disclosure of financial data and information by the American companies.

These broad discernible trends in the disclosure of financial data and information by the Canadian and American companies are clearly indicative that an increasing amount of information is divulged by the reporting business enterprises. Apart from the provision of the customary financial statements — the balance sheet, the income statement, and the statement of retained earnings (or surplus), more and more information and data are disclosed through the use of such devices as the more informative comparative financial statements, notes to financial statements, supplementary statements and schedules. A significant trend in disclosure is also noted in the growing use of the statement of sources and application of funds, which has as its

**TABLE I**  
**TRENDS IN DISCLOSURE BY CANADIAN COMPANIES**

Figures represent numbers of companies.

The number of survey companies is 300 for the years 1955, 1960, and 1962;  
and from 1964 onward, the number of survey companies is 325.

	1955	%	1960	%	1962	%	1964	%	1966	%
<b>I. Comparative Financial Statements</b>										
All Statements In Comparative Form . . . . .	128	43	175	59	204	68	255	78	283	87
Some Statements In Comparative Form . . . . .	22	7	34	11	34	11	39	12	26	8
No Statement In Comparative Form . . . . .	150	50	91	30	62	12	31	10	17	5
<b>II. Supplementary Statements &amp; Schedules</b>										
To Disclose Supplementary Financial Data . . .	120	40	135	45	144	48	179	55	190	58
No Supplementary Data Presented . . . . .	180	60	165	55	156	52	146	45	135	42
<b>III. Notes To Financial Statements</b>										
Statements With Notes . . . . .	n.a.	n.a. <sup>(b)</sup>	256	85	257	86	291	90	309	95
Statements With No Notes . . . . .	n.a.	n.a.	44	15	43	14	34	10	16	5
<b>IV. Sales<sup>(a)</sup></b>										
Statements With Sales . . . . .	n.a.	n.a.	256	85	257	86	291	90	309	95
Statements With No Sales . . . . .	n.a.	n.a.	44	15	43	14	34	10	16	5
<b>V. Statement of Sources &amp; Application of Funds</b>										
Provided . . . . .	n.a.	n.a.	86	29	93	31	154	47	231	71
Not Provided . . . . .	n.a.	n.a.	214	71	207	69	171	53	94	29
<b>VI. Highlights Of The Year's Operations</b>										
Provided . . . . .	n.a.	n.a.	80	27	84	28	104	32	118	36
Not Provided . . . . .	n.a.	n.a.	220	73	216	72	221	68	107	64

Notes: (a) 'Sales' refers to the total amount of sales net of trade discounts, sales and excise taxes, returns and allowances, or of gross revenue from which the profits from operations is derived.

(b) n. a. represents not available.

Source: Canadian Institute of Chartered Accountants, Financial Reporting In Canada, 4th Edition (1961), 5th Edition (1963), 6th Edition (1965), and 7th Edition (1967).

TABLE II  
TRENDS IN DISCLOSURE BY U. S. COMPANIES

Figures represent number of companies, unless otherwise stated.

Total number of survey companies in each year is 600.

		1955	%	1960	%	1961	%	1962	%	1963	%	1964	%
I.	<u>Comparative Customary Statements (a)</u>												
	All Statements In Comparative Form . . . . .	375	63	437	73	447	75	460	77	477	80	496	83
	Some Statements In Comparative Form . . . . .	90	15	83	14	81	14	80	13	72	12	68	11
	No Statement In Comparative Form . . . . .	135	22	80	13	72	11	60	10	51	8	36	6
II.	<u>Additional Statements Covered By Auditor's Report</u>												
	Provided . . . . .	71	12	129	22	125	22	139	23	140	23	254	42
	Not Provided . . . . .	529	88	471	78	475	78	461	77	460	77	346	58
III.	<u>Supplementary Schedules Covered By Auditor's Report</u>												
	Provided . . . . .	227	38	316	53	314	52	344	57	350	58	413	69
	Not Provided . . . . .	373	62	284	47	286	48	256	43	250	42	187	31
IV.	<u>Statements, Summaries &amp; Highlights Not Covered By Auditor's Report</u>												
	Provided . . . . .	495	83	523	87	532	89	542	91	550	92	558	93
	Not Provided . . . . .	105	17	77	13	68	11	58	9	50	8	42	7
V.	<u>Supplementary Charts, Schedules, Etc. Not Covered By Auditor's Report</u>												
	Provided . . . . .	65	11	120	20	189	32	194	32	349	58	362	60
	Not Provided . . . . .	535	89	480	80	411	68	406	68	251	42	238	40
VI.	<u>Notes To Financial Statements</u>												
	Statements With Notes . . . . .	372	62	578	96	581	97	580	97	579	97	582	97
	Statements With No Notes . . . . .	228	38	22	4	19	3	20	3	21	3	18	3
VII.	<u>Statement of Sources &amp; Applications of Funds</u>												
	Provided . . . . .	24	4	31	5	41	7	50	8	90	15	177	30
	Not Provided . . . . .	576	96	569	95	559	93	550	92	510	85	423	70
VIII.	<u>Sales</u>												
	Statements Showing Sales Figure . . . . .	573	96	589	98	591	99	591	99	594	99	599	99
	Statements With No Sales Figure . . . . .	27	4	11	2	9	1	9	1	6	1	1	1

Notes: (a) Comparative Customary Statements include Balance Sheet, Income Statement, Retained Earnings Statement, Combined Income & Ret. Earnings Statement, Capital Surplus Statement, Combined Capital Surplus & Ret. Earnings Statement, Surplus (Unclassified) Statement, and Stock Equity Statement.

(b) n.a. represents not available.

Source: American Institute of Certified Public Accountants, Accounting Trends & Techniques, 14th Edition (1960), 16th Edition (1962), 17th Edition (1963), 18th Edition (1964), and 19th Edition (1965).

primary purpose to complement the customary financial statements by showing how the activities of the reporting enterprises have been financed, and how the financial resources have been employed — information which cannot be easily obtained from the other financial statements.<sup>1</sup>

#### Why Must Business Information Be Disclosed By Business Enterprises?

The trend toward increasing divulgence of information by business enterprises gives rise to a point of significance, that is, if disclosure of information may exert a negative influence on the competitive positions of the enterprises, on the basis that their competitiveness might be damaged, why must business enterprises disclose so much of their information and data?

A complete and satisfactory answer to this question, admittedly, cannot be provided. A partial answer is, however, given by the existence of what may be described as the 'disclosure' statutes in many countries. In Canada, for instance, mandatory requirements of disclosure of certain business information and data are clearly stipulated in the Canadian Corporations Act, 1968. Under Section 116 of the Act, the following types of disclosure are mandatory:

- (a) a financial statement made up of
  - (1) a statement of profit and loss;
  - (2) a statement of surplus; and
  - (3) a balance sheet;
- (b) a report of the auditor to the shareholders; and
- (c) further information respecting the financial position of the company as the charter or by-law of the company requires.<sup>2</sup>

---

<sup>1</sup>AICPA, "Cash Flow" Analysis And The Funds Statement, Accounting Research Study No. 2, (New York: AICPA, 1962).

<sup>2</sup>Canadian Corporations Act, 1968 (Don Mills, Ontario: CCH Canadian Limited, 1968), pp. 91-99.

The items of information and data required to be incorporated in these financial statements are also clearly specified in Sections 117, 118 and 119 of the same Act. Section 121 further stipulates that consolidated financial statements be provided in the case of holding companies.<sup>3</sup>

In the United States, the 'disclosure' statutes are the Securities Act of 1933, and the Securities Exchange Act of 1934. Of particular importance with respect to disclosure of information and data of the reporting business enterprises are Regulation S-X (under the 1933 Act),<sup>4</sup> Regulation 13A — Reports of Issuers of Listed Securities, Regulation 14, Schedule 14A — Information Required in Proxy Statement, and Schedule 14B — Information to be Included in Statements Filed by or on behalf of a Participant (other than the Issuer) in a Proxy Statement, all of which come under the 1934 Act.<sup>5</sup> The items of information and data to be reported are clearly stipulated therein. The objectives of these mandatory disclosures under the 1933 and 1934 Acts are typically described by Robert Mundheim:

... The theory of the Securities Act is that if investors are provided with sufficient information to permit them to make a reasoned decision concerning the investment merits of securities offered to them, investor interests can be adequately protected without unduly restricting the ability of business ventures to raise capital.<sup>6</sup>

The necessity of business enterprises to disclose their inform-

---

<sup>3</sup>Ibid.

<sup>4</sup>United States Securities & Exchange Commission, Regulation S-X Under The Securities Act of 1933 (Washington, D. C.: U. S. Government Printing Office, 1962).

<sup>5</sup>United States Securities & Exchange Commission, General Rules and Regulations Under The Securities Exchange Act of 1934 (Washington, D. C.: U. S. Government Printing Office, 1962).

ation and data may also be explained partly by the influential role of the stock exchanges. Enterprises seeking listing of their stocks at the exchanges are required to furnish information and data specified by the exchanges. Companies already listed are subject to the same requirements also.

It is not our concern here to consider the economic justification of the disclosure requirements here; what is of concern, however, is whether these disclosure requirements do intend to facilitate the competitive process. While views advocating disclosure of information and data are not uncommon, there is a paucity of treatises which attest that the competitive process can be effectively enhanced by these disclosure statutes. Are these disclosure statutes intended to facilitate competition? In this regard, it seems necessary that the historical events leading to the legislation of these statutes be examined in order to provide an answer to it.

An over-riding impression from the available literature is that the legislation of these 'disclosure' statutes was passed with a set of objectives that was differently conceived. The objectives of these statutes were to secure the benefits of the limited liability system of the corporate form of business,<sup>7</sup> and to provide adequate protection to the investing public at a time when the corporate form of business organisation was most suitable and desired.<sup>8</sup> The purpose of the first mandatory requirements of disclosure (which applied only to a

---

<sup>6</sup>Robert Mundheim, "Foreword, Symposium on Securities Regulation", Law and Contemporary Problems, No. 29, Summer 1964, p. 648, as quoted by George J. Benston, "The Impact of The SEC's Accounting Disclosure Requirements", a paper presented at the 52nd Meeting, American Accounting Association, Aug. 27, 1968, p. 2.

<sup>7</sup>Bishop C. Hunt, "Recent English Company Law Reform", Harvard Business Review, Vol. VIII, No. 2, Jan. 1930, pp. 170-183.



prospectus for the sales of shares) in the English Companies Act of 1867 was that 'to give subscribers to shares notice of contract into which the promoters of a company and the company had entered', and by requiring that 'the date and names of the parties to every material contract to be stated, a prudent subscriber would be able to decide whether he would subscribe for the shares.'<sup>9</sup> The primary objective of the British Companies Act is very evidently illustrated by De Bedts:

... Before the issuance of shares was common, large commercial undertakings were generally carried out by guilds, rich merchants, or through partnerships. With the development of joint-stock companies to finance expanding, privateering and colonizing activities, their capital wealth grew amazingly. ... With the dispersion of ownership into numerous hands, the joint-stock company revealed itself as not only a valuable instrument for financing new industries and colonization but as an ingeniously irresponsible device for defrauding that portion of the public eager to invest its surplus wealth.

The chartering of the Bank of England in 1694 and the forming of the London Stock Exchange two years later inaugurated a period of financial experimentation and credit expansion. The Wars of the Spanish Succession aided in a general development of trade and industry, marked by a number of increasingly hazardous trading ventures in the opening decades of the eighteenth century. These wildly speculative promotions had their apex in the meteoric career of the South Sea Company, chartered in 1711 for ventures that included everything from lending funds to government to the pursuit of whale fishing and the slave trade. Its scheme to assume the national debt in return for unlimited trade privileges in the seas south of America resulted in an

---

<sup>8</sup>Ralph F. De Bedts, The New Deal's SEC (New York: Columbia University Press, 1964).

<sup>9</sup>George E. Barnett, "The Securities Act of 1933 and The British Companies Act", Harvard Business Review, Vol. XIII, No. 1, Oct. 1934, p. 3.

immediate subscription of 10 million pounds. ... The company directors manipulated its share prices from about £100 in January, 1720, to over £1,000 in August. The directors and a few wise speculators made fortunes before the stock was permitted to slip back to its formal price. Other "bubbles", as similar projects were called, took ready advantages of the mania exhibited by those who could not accommodate themselves to the price of the South Sea shares. A thousand persons flocked in one summer's morning of 1720 to pay two guineas each as an instalment for shares in a company for carrying on an undertaking of great importance, but nobody knows what it is.

The "Bubble Act" of 1720, passed by a Parliament exceedingly aware of the contemporary wave of suicides, ruination, and imprisonment of high officials, caused a setback in corporate development overcome only by the industrial growth of the following century. Additional protection for the investors through the principle of disclosure and the imposition of penalties against violators was included in the Companies Act of 1844. Various amendments to the Companies Act, which became the English corporation code as well, continually expanded the prospectus requirements and liability provisions into the twentieth-century version of the Act.<sup>10</sup>

The mandatory disclosure of business information and data in the British Companies Act is implemented solely for the purpose of correcting a faulty financial system characterised by frauds, misrepresentation of facts and other malpractices, and of providing adequate security of invested funds to the investing public.

The pattern of development of the American Acts of 1933 and 1934 is almost similar. They were enacted following investigations by the Congress of the United States which uncovered the existence of a number of undesirable practices which had developed in the

---

<sup>10</sup> Ralph F. De Bedts, op. cit., pp. 2-3.

securities market, the most obvious of which were frauds, presentation of false and misleading facts by many business enterprises, lack of adequate information concerning the issuer of securities and the securities issued, manipulative practices and consequential excessive speculation, etc.<sup>11</sup> Partly, the nation's discontent with the hegemony of business and finance after the stock market crash of 1929 and the subsequent years of depression also aided in the legislation of the disclosure requirements. The 'disclosure' statutes of the United States are thus not purported to promote competition, but to devise protection for the investors through measures aimed at eliminating and reducing the prevalence of frauds, manipulation and rigging of the stock market, and the evils of excessive speculation.

It is apparent that, although business enterprises are required to reveal certain classes of their information and data, these 'disclosure' statutes do not lend support to the proposition that the process of competition could be facilitated by the implementation of full disclosure of business information.

#### A Meaning Of Full Disclosure

In order to ascertain whether full disclosure of business information is detrimental and damaging to the competitive positions of the reporting business enterprises, it is apparently necessary to have an understanding of what full disclosure is about.

Any attempt to search for a definition of full disclosure, despite its frequent use in the accounting and financial literature,

---

<sup>11</sup> See United States Senate, 84th Congress, 1st Session, Senate Report No. 1280, Factors Affecting The Stock Market, Report of the Committee on Banking and Currency (Washington, D. C. : U. S. Government Printing Office, 1955); Ralph F. De Bedts, op. cit.

must inevitably end in frustration. This is not surprising because its meaning has not been properly defined, or imprecisely implied; there seems to be a lack of agreed terms of reference also for full disclosure. The situation is very aptly described by Michael N. Chetkovich who, in discussing the standards of disclosure, writes that

the subject matter (of disclosure) is so broad in implication and so philosophical (that) hours could be devoted to this topic without hope of adequately covering all of its aspects.<sup>12</sup>

Any attempt to define full disclosure is often plagued by the problems of delimiting the boundaries of information and data to be incorporated in the business disclosure.

Many accountants have concerned themselves with the problem of the boundaries of disclosure — the question of what constitutes in any given situation, adequate disclosure. ... These boundaries may never be final, however, for the economic conditions which affect the stewardship relationships are in a constant state of flux, thus requiring a constant revaluation of the extent which the formalized reporting structure actually discloses the appropriate economic data.<sup>13</sup>

Disclosure is not a one-time-only situation for a single item on the financial statements. It is a concept which permeates the statements. It must be considered again for every item each time the financial statements are prepared. Each presentation is a new situation of that time; each presentation has a new set of circumstances.<sup>14</sup>

---

<sup>12</sup>Michael N. Chetkovich, "Standards of Disclosure and Their Development", Journal of Accountancy, Dec. 1955, p. 48.

<sup>13</sup>Jacob G. Birnberg and Nicholas Dupoch, "A Conceptual Approach To The Framework Of Disclosure", Journal of Accounting, Feb. 1963, p. 56.

<sup>14</sup>Dalbert E. Williamson, Concept of Disclosure On Financial Statements (Unpublished Doctoral Dissertation, Stanford University, 1960), p. 26.

A possible meaning of full disclosure need not be precluded as such, however. What is full disclosure? Its meaning may, perhaps, be established if the objectives of business reporting to outsiders could be determined, for disclosure of business information and data must be intimately associated with these objectives. In this regard, Alfred Rappaport has very succinctly stated that

- (a) the managements of business organisations should have a reporting obligation to those segments of society affected by their decisions, that is, investors, employees, consumers, suppliers, local communities and the public at large;
- (b) those groups with a legitimate interest in the corporations should be provided with information essential to arriving at rational judgment;
- (c) in the interest of economic progress, those groups which are responsible for allocating resources in the economy should be provided with information which will promote efficient allocation; and
- (d) in the interest of sustaining the basic values, information which is likely to influence socially desirable behaviour and discourage undesirable behaviour should be reported.<sup>15</sup>

The primary objective of external corporate reporting is, therefore, to make available the relevant information and data to the interested parties to facilitate the making of informed judgments and rational decisions. Further, information and data should be disclosed on a fair basis in order that the needs of the information users, who are variously motivated in the planned use of the information and data, can be met. The principle of fairness of reporting

---

<sup>15</sup> Alfred Rappaport, "Establishing Objectives For Published Corporate Accounting Reports", Accounting Review, Vol. XXXIX, No. 4, Oct. 1964, pp. 951-962.

is eloquently emphasised by William J. Patillo:

... If one enterprise may be pictured as a pool of rights and interests, at any one time there is a certain structure of rights and interests claimed by the various segments of the economy. Over time, this picture is constantly changing as the result of judgments formulated, decisions made, and actions taken with respect to each segment's respective position in the pool.

For accounting reports and statements to misstate the size of the pool would be misleading and unfair to all parties. Likewise, to misstate the size of any one segment would necessarily distort the other segment's shares, that is, an unfair reporting to one (either favourably or unfavourably) will cause an unfair reporting to the other.<sup>16</sup>

The main sources of business information and data have been the conventional annual reports comprising the statements which reflect the financial positions, results of operations, and other schedules and supplements, and occasional releases through the media of press, trade journals, magazines and the like. It is no longer safe to presume that these sources of information can readily meet the needs of the vast complex of information users. The presence of uncertainty, the undertaking of long-term projects by business enterprises, and the scope and extent of business activities, as well as the varying conditions of the economic environment within which business enterprises operate lead to the belief that the required information and data cannot be readily obtained from these sources of business reports. It is essential that reporting of business

---

<sup>16</sup>William J. Patillo, The Foundation Of Financial Accounting (Baton Rouge: Louisiana State University Press, 1965), pp. 63-64.

information and data should incorporate all the relevant and material information and data pertaining to these conditions outlined. Full disclosure as a standard of reporting to meet these varied needs and to facilitate the making of informed judgments and rational decisions must, therefore, include the following:

1. A section in the reports to describe the goals and policies of the business enterprise, and, in terms of these goals and policies, the relevant changes which have occurred during the fiscal or accounting period;

2. A section in the reports to describe the expectations of the business enterprise in the future which is necessary for a better understanding of the enterprise's future operations; and

3. A section in the reports which describes in both financial and economic terms the current store of service potentials available to the enterprise.

This would then constitute the framework of full disclosure of business information, for it recognises the need to include, as elements of an evaluative framework in an uncertain and risky environment, the nature of the economic situation, the contemplated actions of the enterprise, and the various changes which have occurred.

It is also recognised that if the business information and data disclosed within this framework of full disclosure are to be of use, they should possess the following attributes:

1. Timeliness — It can hardly be denied that timely disclosure is a necessary requisite in reporting of business information and data to the external information users. Unless information is disclosed at an appropriate point in time, the decision of, say, an investor to buy or sell stocks will be affected.

2. Accuracy — Unless information and data disclosed are accurate, no informed judgment or rational decision can be possibly made without a certain degree of error. Hence, it is vitally important that disclosed information and data should be accurate.

3. Disaggregativeness — For the purpose of making informed and rational decisions, it is necessary for information and data disclosed to be clearly segregated and non-aggregative in order that these information and data could be meaningfully utilised. Sales performance of, for instance, a conglomerate designated by 'net sales for the year' could hardly be informative at all to its investors in comprehending the performances in sales of the individual operating divisions or the various operating areas of the enterprise.

4. Comprehensibility — Since business information and data are required by a wide variety of information users, the scope of disclosure should adequately cover the various interests and needs of these diverse groups. Information and data disclosed should be comprehensive.

#### Summary

Certain broad discernible trends in the increasing disclosure of information are observed. Devices employed by the reporting business enterprises to provide increasing disclosure are the notes to financial statements, supplementary schedules and statements, comparative form of statements, and the fund statement (or the statement of sources and application of funds).

Although the 'disclosure' statutes which are in existence in many financially advanced countries require that certain classes and items of information be disclosed by the business enterprises,



it is doubtful whether disclosure of information under these statutes is intended to promote and to facilitate competition. The finding, in fact, is that these statutes are implemented generally to help check any undesirable tendency or development of the stock market.

Full disclosure, in its relation to the purpose of business external reporting, is to make available business information and data to meet the diverse needs of the information users as well as to facilitate the making of rational decisions. The term 'full disclosure' should be so defined to include in the business reports relevant information pertaining to past operations and activities in both financial and economic terms; to future expectations; and to the goals and policies of the reporting enterprise. To aid the usefulness of the information disclosed, it is necessary for the information to be timely disclosed, accurate, disaggregative, and comprehensive.

### CHAPTER III

#### COMPETITION AND THE NEED FOR SECRECY OF INFORMATION

##### Brief Outline:

It is hypothesized that full disclosure of business information by enterprises is detrimental to their competitive positions. Having studied the various aspects of full disclosure of information, this study proceeds in this chapter to an examination of what might be broadly described as the case of competition vis-a-vis full disclosure of information.

The focus of attention is on the following:

- (1) An examination of what competition is in the field of business, as envisaged by the businessmen;
- (2) What businessmen or business enterprises expect to accomplish through competition in business; and
- (3) To show, by way of illustration, how the competitive position of a business enterprise may be affected by full disclosure of its information.

Following the discussion, a conclusion is drawn tentatively at this stage of the study as to whether or not full disclosure of information is compatible with the maintenance of the competitive positions of business enterprises, hence, whether or not there is a need for secrecy of some information in order for them to be competitive.

## Introduction

Competition has always been the mainspring of the free-enterprise economic system. The conviction in certain countries about its desirability is evident beyond any shadow of doubt. The principles of competition are enshrined in the laws of these countries, and determined efforts are constantly made to ensure its maintenance or its preservation. While much as it is desired, it is a strange fact that the understanding of the term 'competition' is still dubious and confused. Competition is, in fact, so many things to so many different people.<sup>1</sup> Even among the two people who ought to know best about competition, the economist, whose profession it is to study it, and the businessman, whose job it is to practise it, there is still a considerable discrepancy of understanding over what competition is.<sup>2</sup>

Here is a nation that is the home and sanctuary of free competitive enterprise, distinguished from all other nations for such determined adherence to the principles of competition that it has written them into law with constitutional force. Virtually every American businessman, manager or owner, big or small, producers and distributors, uses the word "competition" habitually and usually sincerely in describing American capitalism. So do his employees, and so do editors, journalists, and even labour leaders.

But here is also a nation about whose competitiveness many "objective" and professional observers are very dubious. Certainly the country's economists, the men whose job it is to describe, analyse, and interpret the economy, do not talk of competition as businessmen do.<sup>3</sup>

Apart from these apparent differences of opinions, an understanding

---

<sup>1</sup>See John M. Clark, Competition As A Dynamic Process (Washington, D. C.: The Brookings Institution, 1961), Chapter 1.

<sup>2</sup>Joel Dean, "Competition Inside and Out", Harvard Business Review, Nov-Dec., 1954, pp. 63-71.

<sup>3</sup>"The New Competition", Fortune, June 1952, p.99.

of what competition is has also been beclouded by many changes in the economic and business scenario, and the different character competition has assumed as a consequence. Clark, for instance, remarks:

..... Competition cannot be thought of, as our predecessors used to think of it, as a simple and self-regulator, maintaining itself as a part of the "obvious and simple system of natural liberty".<sup>4</sup>

According to Harold Brayman, the retired director of public relations at Du Pont,

..... many of the problems of present-day business result from a time-lag in public understanding, so that the thinking is frequently based on the situation as it existed many years before rather than on the situation as it exists today. .... Nowhere is this more apparent than in the attitudes of many people toward competition in today's market.<sup>5</sup>

In the midst of the general miscomprehension of what competition is, one has, therefore, to be prepared to acknowledge what is competition to the businessmen who have to practise it. Otherwise, of what avail will the advocacy of full disclosure of business information be when competition, which is to be so facilitated, is not conceived of in the reality that it is? On this count alone, the importance of a proper understanding of competition, as encountered by the businessmen who have to practise it, cannot be over-emphasised.

#### The Environment of Competition In Business

An understanding of what is competition to the businessmen should, perhaps, be preceded first by a discussion of the competitive

---

<sup>4</sup>John M. Clark, op. cit., p. 1.

<sup>5</sup>Harold Brayman, Corporate Management In A World Of Politics (New York: McGraw-Hill, 1967), p. 209.

environment in which businessmen and their enterprises operate.

It is indeed a rarity to find in the world of business today a market which is singularly dominated by one firm alone. Even if a firm is alone in its field, 'the businessman always feels himself in a competitive situation.'<sup>6</sup> At all times, there is or tends to be some form of rival force against it, for no product, good, or service which the firm offers for sale is void of substitutes. With the tremendous improvements and progress in scientific know-how, this is no more apparent. Milk, for instance, which we once thought to come only from cows, has to compete with imitation milk whose protein is derived from a chemical, fat from palm trees, sugar from corn syrup, colour, vitamins, and minerals from other chemicals.<sup>7</sup> The presence of competitive forces to an enterprise is ubiquitous.

The impact of scientific and technological advance has also been significantly felt in the business world. Firms in the plastic and aluminium industries, in chemical and textile industries, which were formerly considered non-competing, are by this transcendence of technology as keenly competitive as Ford and General Motors in the automobile industry, or Avon and Max Factor in the business of cosmetics. The critical importance of the effect of technological changes on business enterprises is well emphasised by James R. Bright:

In this technological ferment, one of the first requirements for the competing business enterprises is a keen sensitivity, awareness, and receptivity to technological changes as a major environmental force to which they must respond.<sup>8</sup>

---

<sup>6</sup> Joseph A. Schumpeter, "Capitalism And Economic Progress", Paul A. Samuelson, Robert L. Bishop, and John R. Coleman, (ed), Readings In Economics (New York: McGraw-Hill, Inc., 1958), p. 260.

<sup>7</sup> Richard C. Davids, "Soon That May Not Be Milk You're Drinking", Reader's Digest, Sept. 1968, pp. 32-35.

The break up of many international trade barriers has expanded vastly the arena of contest among business enterprises from all over the world. It is not realistic to rule out, for instance, the necessity of British Columbia apples having to compete with those from California and Japan, or Canadian plywood with those from Malaysia and the Scandinavian countries in the Japanese market. The expansion of trade beyond national boundaries inevitably broadens the vistas of competition, and no business enterprise whose interest may be so affected could afford to be blind to this dimension of competition.

Business enterprises also operate within an environment that is, to a substantial extent, characterised by prescribed rules and impositions spelling out in pretty specific manner the "dos" and "don'ts", and to which they have to comply, especially the public corporations which have to furnish considerable amount of their financial information to outsiders. In complying to these regulatory rules and requirements, business enterprises are, however, open to a new form of threat. It does not arise from rivals who are competing for the sales of goods or services, but from such danger as take-over, acquisition, and the like. This form of threat is so great that "hardly any corporation, no matter how large, seems wholly safe" from its being grasped by others.<sup>9</sup> Needless to say, to most business enterprises, this presents to them a new kind of environment which they can least afford to ignore.

Finally, there are the buyers, individual and institutional, who are the focal point of competition among the business enterprises. It needs only to emphasise here that while 'ignorant' buyers may still

---

<sup>8</sup>James R. Bright, Research Development and Technological Innovation (Homewood, Illinois: Richard D. Irwin, Inc., 1964), pp. 10-11.

<sup>9</sup>See Time Magazine, Canadian Edition, March 7, 1969, pp. 73-73A.

exist, they are, by and large, more enlightened and better informed buyers now. Business enterprises who covet their patronage, will have to convince them that their dollars are wisely consumed. The need for sound plans and effective strategies to be employed by the business enterprises against those by their rival counterparts cannot be too strongly stressed.

### What Is Competition In Business?

Joel Dean has a terse description of competition in the field of business. This is

... whatever he (a businessman) has to do to get sales away from his rivals and whatever they do to take sales away from him.<sup>10</sup>

It encompasses all aspects of his struggle for the patronage (of the buyers). ... The intensity of competition is gauged by how hard his rivals press him. For him, the goal of competition is the welfare of the competitor — himself.<sup>11</sup>

A significant point worthy of emphasis is that competition among business enterprises is oriented toward the pursuits of their own which J. Dean has expressed by the term 'welfare'.<sup>12</sup> Realisation of sales of the goods or services which are offered by the enterprises may be viewed as the culminating point of the whole competitive process, which involves whatever the enterprise or the businessman has to do in terms of efforts and actions necessary to be undertaken for sales to be attained. A manufacturing concern, for example, may have to undertake all the necessary actions, as against those of its rivals, to obtain secured supplies of materials for the manufacture of its product, to maintain stable and cordial relationships with its customers, or to plan for an expansion of its plant facilities. A financing institution may

---

<sup>10</sup> op. cit., p. 64.

<sup>11</sup> ibid., p. 68.

<sup>12</sup> This will be discussed in the later part of this chapter.

have to vie for depositors' savings, and to do so, may have to offer more attractive terms such as higher interest rate, unrestrictive withdrawals on savings or deposits by the depositors, and better service. As another example, a supermarket store may have to strive very hard for a preferred location against the other stores, given other factors being equal. It might even have to compete with a gas service station dealer, or an apartment developer, for that same location.

With the precedent actions successfully undertaken, further actions are then required for getting sales. Using the manufacturing concern as an example again, it may have to offer his product at competitive prices against those of the other manufacturers, or in an attractive deal such as reasonable prices, provision of guarantee, warranty, and other services. It might have to compete with other more distant substitutes, and to compete with these substitutes, it might have to provide such other things as arrangement for financing the purchase of its product by its customers, and so on.

Suffice to say here that competition to businessmen is manifested generally as an omnipresent struggle. With rare exception, it is to struggle for the patronage of the buyers for the products or services of the enterprises who are competing among each other. The modes of this struggle for buyers' patronage are multifarious; and may manifest as

(1) competition on price;

(2) competition on non-price elements like services, credit terms, quality, product design, advertising and promotions, research and development, etc.

The rivalry may be inter-industry, or intra-industry; or it may be against foreign competition. No one business enterprise, existing in the highly competitive environment and facing the omnipresent rivalry in the



business world, is absolutely impregnable because no one enterprise is completely insulated from competitive forces.

#### Business Objectives: Their Accomplishment Through Competition

Competition to a businessman or his enterprise, as noted in the preceding discussion, is a struggle for the patronage of buyers for his products or services. This struggle is omnipresent and calls for the undertaking of a variety of actions and activities necessary to obtain sales or to enhance saleability of his products or services. Of great significance to the business enterprise in this struggle is that these activities are oriented toward the 'welfare' or the pursuit of the enterprise. What is an enterprise's welfare? What are the constituents of its welfare? These are necessarily difficult questions to answer, but the struggle for buyers' patronage must ultimately be oriented toward the attainment of the objectives of the enterprise.

Two objectives, at least, are basic to all business enterprises. The first and primary objective is to make profit, which is the sole reason for which business enterprises exist. The need for business enterprises to make profit is well comprehended by all businessmen; it is, indeed, an absolute requirement for survival. To most business enterprises, however, profit making is not just the attainment of a surplus of revenue arising from the sales of products or services and from other operations over the expenses incurred therein. Profit making carries a more meaningful and far-reaching connotation: it represents a certain rate of return on the invested capital, or a certain minimum dollar amount of profit, or a certain percentage point increase in profit over and above the previous year's, and so on.

The significance of the profit-making need to business enterprises, particularly the forward looking ones, is beyond doubt. Frederick R. Kappel, the President of American Telephone & Telegraph Company, in describing profit as the energiser of future actions, says that

... it is today's profit that enables a business to do the things today that are needed tomorrow.<sup>13</sup>

In the same vein, Earnest J. Little of Texaco Canada declares that

... management is not fulfilling its fundamental responsibility, even to shareholders, by making a profit if it does not preserve the opportunity to make a profit tomorrow.<sup>14</sup>

It is the desire of the enterprises to make profit that many enterprises undertake research and development activities.<sup>15</sup>

In terms of business operations, profit is viewed as a margin of protection against errors and misjudgments, a foundation for raising additional capital resources, a yardstick by which management efficiency is evaluated. It is interesting to note also that profit is a symbol of success, status, and prestige to the business executives.<sup>16</sup>

The other basic objective is necessarily related to the profit making objective; it is the objective of perpetuation, or of continuity

---

<sup>13</sup>"Management Problems As Seen By The Head Of The World's Largest Business", C. Lowell Hariss, (ed), Selected Readings In Economics (Englewood Cliffs, New Jersey: Prentice-Hall, 1962), p. 42.

<sup>14</sup>As quoted in Harold Brayman, op. cit., p. 199.

<sup>15</sup>John D. Lockton, "The Creative Power Of Profits", Clarence Walton and Richard Eells, (ed), The Business System (New York; Macmillan Co., 1967), Vol. 1, pp. 452-461.

<sup>16</sup>Beardsley Rumml, "Profits - The Spark Of The Enterprise System", Paul A. Samuelson, et al, (ed), op. cit., pp. 300-304; see also Tibor Scitovsky, "A Note On Profit Maximization And Its Implications", T. Scitovsky, Papers On Welfare And Growth (Stanford, California: Stanford University Press, 1964), pp. 167-173.

of existence. The struggle of the business enterprises requires that all necessary actions are undertaken to ward off the threatening moves of their rivals, and to strengthen themselves as well. In short, they have to act offensively or defensively against their rivals' actions which, by taking away sales, will threaten the continued existence of the enterprises.

Evolving from these basic objectives of profit making and perpetuation of existence are a variety of other objectives of the enterprises, such as the control of market share of their products, expansion of their operations through integration vertically or horizontally, or by means of acquisitions, mergers and take-overs, or just the maintenance of the enterprises' status quo, and so on.

In the context of the competitive environment, the attainment of the objectives which the business enterprises set for themselves necessitates that an integrated programme for the struggle for sales of their products or services be developed.<sup>17</sup> This calls for the development of the strategic plans of and policy guidelines for competitive actions, an analysis of the enterprises' "profiles" which includes an inventory of available resources, plans for additions and changes to the existing resources and the deployment of these resources, as well as an estimate of the probable reactions and responses of the competitors.

#### Martin-Senour Company: An Illustration<sup>18</sup>

By way of illustration, Martin-Senour Company adopts as one

---

<sup>17</sup> For an account of the development of an integrated competitive programme, see Seymour Tilles, "Developing A Statement of Corporate Strategy", John S. Wright, and Jac L. Goldstucker, (ed), New Ideas For Successful Marketing (Chicago: American Marketing Association, 1966), pp. 71-75.

of its objectives colour leadership in paint, which its management considers highly desirable to the sales of its paint products.

Having decided on this, it sets up a plan to find the right people, colourist and colour physicist, to help launch the programme. In conjunction with this, a plan is also designed to create "the company image" so that the users of its products would identify colour and quality with the company's name and paint products. This part of the campaign calls for a substantial amount of publicity: direct mail and national advertising directed at the potential users of the company's products, while professional public relations are maintained with 'home' magazines and with 'home fashions' industry whose co-operations are sought in order to promote and propagate colour. Also, as a necessary follow-up, tremendous amount of activities in research and development in paint products is undertaken to maintain better colour standards in its paint, including the development of better colourants with greater permanence, inside and outside, better washability, and all the other important actions in maintaining high quality of the products. There is also to be continued research into the use of new chemicals such as acrylics, latex, vinyls, etc., with a view towards product improvement.

On the marketing side of this colour leadership programme, the company expends a good deal of efforts in order to secure a network of wholesalers. This involves the beneficial market research on the specific markets of the wholesalers, as well as the provision of assistance to wholesalers to plan for a better co-ordinated sale

---

<sup>18</sup> Adapted from William M. Stuart, "Integrated Marketing", Lynn H. Stockman, (ed), Advancing Marketing Efficiency (Chicago: American Marketing Association, 1959), pp. 11-16.

plans for their immediate markets.

The entire programme thus requires planning for all the necessary actions that have to be undertaken in order to fulfill this objective of colour leadership in paint products. It might be difficult to imagine how this objective of the Martin-Senour Company could be achieved without the development of an elaborate programme of activities. This illustration also serves to show what competition as a struggle for the patronage of buyers is to the business enterprises or the businessmen.

#### The Incompatibility Of Full Disclosure With The Maintenance Of Competitiveness Of Business Enterprises

It is, perhaps, appropriate to examine, at this stage of the study, whether or not full disclosure of business information is compatible with the maintenance of competitiveness of the enterprises in the light of competition in business as envisioned by the businessmen.

A comparison of what a business enterprise has to disclose in terms of information and data about its operations and activities within the meaning of full disclosure with what it has to do in its competition with its rivals seems to suggest that in several respects full disclosure and the maintenance of the competitiveness of a business enterprise are not compatible. Martin-Senour Company may be a suitable case to illustrate their incompatibility. When it launches its colour leadership campaign in order to boost sales of its paint products, the company has to incur a tremendous amount of its resources, both financial and physical, in product planning and development as well as in the marketing of the products. The campaign does not bring about profitable results until several years later

when these plans have been effectively executed. If this objective of the company is disclosed soon after the launching of the project the company will inevitably experience counteractions such as price cut and a tighter control over the existing wholesalers by its competitors, as well as many other actions the competitors consider to be necessary to undertake. The effectiveness of its competitive efforts to boost its sales will be substantially reduced. The fact that this colour leadership project should be disclosed because it is a relevant piece of information to, for instance, its shareholders is evident; but by its disclosure the company will actually be 'broadcasting' its business strategy. This may provoke its competitors to take counter-measures which might seriously defeat what is otherwise good planning of the company. The company might be so badly hurt by the disclosure that it may not be able to compete again effectively with its rivals.

The incompatibility may arise in another way. A firm may be carrying several lines of products in order to utilise its plant capacity more fully. There may be only one or two of these product lines which are profitable and well-developed. If the firm is required to report disaggregatively the performances of these product lines, such as their sales, product costs, selling expenses, their profitability and so on, the disclosure in such disaggregative form would amount to laying bare to its competitors the strengths and weaknesses of the firm. Confronted with aggressive actions of rivals against the lines of products which are less defensible, such as those with marginal profits, the competitive posture of the firm becomes vulnerable. A greater threat to the competitiveness of the

firm lies, perhaps, in the possibility that competitors are invited to enter the markets of those profitable lines, and the competitors need not be rivals in the same industry producing the same products, but also those from the other industries which have the capability to produce substitutes to the profitable lines of products. Rivals producing aluminium foil or paper products might be lured, for instance, to enter into competition with firms in the cellophane wrapper market, if cellophane wrapper market is a lucrative one. The competitive position of the reporting enterprise might, therefore, be invariably damaged by the disclosure of the break-down of its product lines' performances.

Many other examples may be used to show that full disclosure of business information may not be compatible with the maintenance of the competitive positions of the reporting enterprises. Suffice to say that full disclosure, depending on the competitive situations that the reporting enterprises are facing, may be detrimental to them in that secrecy of certain information which the reporting enterprises consider necessary to be kept undisclosed in order to protect their competitiveness against their rivals, cannot be maintained, if full disclosure is made mandatory.

#### A Need For Some Degree Of Secrecy Of Information

It is submitted that, if the analysis is correct, full disclosure of business information is, in some respects, not compatible with the maintenance of the competitive positions of business enterprises. Although information and data about business enterprises may aid greatly to those who require these information and data in making

rational decisions, business enterprises certainly cannot afford to disclose fully the information and data about their affairs. Certain items of information may be disclosed, particularly those that are required by the statutory law; some particular items of information, however, are of such vital importance to the enterprises, owing to the competitive positions they are faced with, that the enterprises have to keep the information secret, or should disclose the information in such a way that the disclosure will not affect the competitiveness of the enterprises.

It may be true that businessmen are as much interested in the existence of competition as the economists and the other advocates of full disclosure. Competition is undeniably still the bulwark of the free private-enterprise economy, and few businessmen are really interested in the elimination of competition. It seems doubtful, however, that full disclosure of information can be feasible as a means to promote competition, since business enterprises themselves require some degree of information secrecy. If competition is weakening, it should be promoted as a matter of course. And, it is equally doubtful that the exigency of the information users can be met.

#### Summary

The environment in which business enterprises operate is keenly competitive; and no business enterprise cannot be impregnable as such.

Faced with such an environment, business enterprises have to undertake all actions necessary in order to achieve sales of their products or services. With rare exceptions, competition often



to the competing business enterprises is thus envisaged to be a struggle for buyers' patronage.

Competition is also oriented toward the attainment of the objectives of the enterprises. Efforts undertaken by the business enterprises are calculated toward the achievement of these objectives. In the competitive environment, it is necessary that some information about the enterprises be kept secret in order that the objectives may be attained through a successful competition in the sales of their products and services.

In view of the need for at least a degree of information secrecy by business enterprises, it seems doubtful that the demand for information and data about business enterprises can be met. It is also doubtful if competition can be promoted by means of full business disclosure since secrecy is required by enterprises in the maintenance of their competitiveness.

## CHAPTER IV

### FIELD STUDY — QUESTIONNAIRE AND METHODOLOGY

#### Brief Outline:

To gain an insight of the need for secrecy of information in the competitive business environment, a field study by means of questionnaire and answers and interviews with business executives in some selected business enterprises is utilised.

This chapter is devoted to a discussion of the methodology of the field study and the questionnaire that is employed in this field study. The various aspects under discussion are:

- (1) the practical purpose of conducting the field study;
- (2) the questionnaire to be used in the field study, its set-up in sections which are intended to find out the various matters relevant to the disclosure of information by the selected enterprises;
- (3) the method in the selection of the business enterprises and their executives and managers who are suitable to answer the questions; and
- (4) the method used in carrying out the interviews and discussions with the selected executives and managers.

## Introduction

A tentative conclusion has been drawn in the previous chapter that there seems to be a need for at least a degree of secrecy of information and data of an enterprise so that it may be competitive against its rivals. The stage is set now for a field study by means of questionnaire and answers and interviews with business executives in business concerns to be made to ascertain their rationale for thinking that such a need for information secrecy is necessary.

## The Practical Purpose Of Conducting The Field Study

At the risk of over repetition, it is undeniable that the most practical purpose in undertaking this field study is that through the interviews with the selected business executives and discussion on the need for information secrecy, in the light of the real business competitive situation that they are faced with, a realistic insight might be gained. First-hand discussions with business executives on this seemingly vital question of the need for information secrecy, it is felt, can surely be very much more enlightening than any amount of abstract thinking and arm-chair discussion by the author.

Through the questionnaire and interviews that are to be conducted in the field study, it is hoped that whether or not a need for secrecy of information does exist may be ascertained. If it may be shown that such a need does exist, and that its existence is necessary for business enterprises to be or to remain competitive with their rivals, it is certainly interesting also to know and understand the rationales of the business executives in the light of the competitive situation they are faced with. In this regard, perhaps, no more important and useful purpose may be served by this field study in that the expressed views

and opinions of the business executives may shed light as to whether full disclosure of business information by enterprises is or is not harmonious with the maintenance of the competitive system of the free private-enterprise economy.

### The Pilot Questionnaire

In order that the field study can be facilitated and conducted in an appropriate and meaningful manner, a pilot questionnaire was first used. It was constructed in a way that would enable the author to test whether the hypothesis of this research thesis — full disclosure of business information by business enterprises is detrimental to their competitive postures, and to remain competitive with rivals, business enterprises require at least a degree of information secrecy — may be established. The questions in this pilot questionnaire are directed towards the finding out of:

(1) whether the meaning of full disclosure, as defined in Chapter II,<sup>1</sup> is acceptable to the businessmen; (2) whether the disclosure of such information as goals, objectives and policies of a business enterprise, its future expectations, and its current economic situation — information which is generally not revealed in the annual reports of business enterprises — would be objectionable, and if so, whether the objection is based on competitive reasons; and (3) the attitude of business executives with respect to full disclosure of information.

The pilot questionnaire is as shown in Appendix I.

An appointment with the president of a concern in the business of pest control was then arranged. The interview took place on Dec. 21, 1968.

---

<sup>1</sup>See supra, pp. 20-25.

The answers from the respondent are evidently and strongly in support of the hypothesis of this research thesis.

(1) In reply to Questions 19 and 20 which ask the respondent about his attitude toward full disclosure and the reason or thinking for the attitude adopted, he was "strongly opposed" to full disclosure because he felt that in a free-enterprising economy

"full disclosure of business information  
is not in the best interests of a  
company."

(2) Replying to Questions 9, 10 and 11, whether or not the disclosure of goals, objectives and policies; future expectations; and the current economic situation of a business enterprise is detrimental to its competitive position, the respondent asserted that

"such disclosure would provide competitors  
with information which would be valuable  
to them.

Such disclosure could easily 'broadcast'  
one's plans to one's own detriment. For  
example: if consideration were being given  
to new products, additional branches,  
expansion of physical facilities, the fact  
that one's plans were so and so might  
influence the plans of the competitors."

However, he had some reservation as to the competitive value of the disclosure of future expectations of a business enterprise.

(3) When asked about the probable detriment which disaggregative disclosure might cause, that is, Questions 12 through 16, the respondent reasoned that

"by supplying of disaggregative information  
competitors would be able to follow any  
development (of the reporting enterprise)  
by area, by product, and by group. This is  
more so when plans and future expectations  
are disclosed also in a detailed manner.

Most companies in a free-enterprising society  
could be affected by disaggregative  
disclosure."

(4) While the respondent objected to the disclosure of most of the items of information which were incorporated within the term and the meaning of 'full disclosure', he agreed that these information and data were certainly useful for the purpose of rational decision-making by the users of information.

Although it may be established that there is a need for information secrecy for a business enterprise to remain competitive, there is still no substantial evidence from the respondent in this interview to ascertain the rationale behind his thinking. Despite this deficiency, the pilot questionnaire and the interview have, nevertheless, brought to the surface several considerations which deserve greater attention in the construction of the questionnaire eventually to be used in later interviews.

#### The Questionnaire

In the light of the knowledge gained in this preliminary interview and through the pilot questionnaire, several considerations relevant to the preparation of the questionnaire to be used in the field study become evident; adequate attention must be given to them in order to ensure that the field study can be successfully conducted.

First, in the preparation of the questionnaire, the question arose of whether it is suitably necessary to ask questions which would require the respondents to reveal in their answers information which may be properly considered business secrets, such as "how much is the cost per unit of a product?", "what is the mark-up margin in pricing the product?", "what are the terms of sales, and are they the same or different in the various marketing districts or areas?", etc.

After having given much thought to it, it was decided questions of such a nature have to be excluded in the questionnaire for the following reasons: (1) there is no way of finding out which are "secret information" and "non-secret information" without having at least a fore-knowledge of the respondent's enterprise. Such information about the respondent's enterprise as its nature of operations, the classes of information and data it usually discloses, the media by which the information and data are disseminated and the target readers, and so on, are considered to be vitally relevant to an analysis of the rationale in regard to the need for information secrecy; and (2) the avoidance of such questions is necessary if an assurance of co-operation and honest expression of the respondent's views with regard to the need for information secrecy is to be obtained. Also, if such questions concerning "business intelligence" are asked, the respondent might balk at the amount of the secret information and data he has to provide. Even if he is persuaded to answer such questions, there is no assurance still that the answers given are genuine. The reliability of the answers in reflecting the rationale of the respondent will be definitely impaired.

The questionnaire, therefore, is to be constructed with questions which are worded in a general manner. In being general, their relevance to the purpose of this field study is not sacrificed, however.

Second, in order to ascertain the rationale of the respondent for the need for information secrecy, it is deemed necessary that certain background information about the respondent's enterprise be made available first. The information to be obtained relates to (1) the nature of the operations of the respondent's enterprise, as

mentioned earlier; (2) the size of the enterprise in terms of sales revenue, total assets and employed personnel; (3) the number of products or product groups carried or manufactured by the enterprise; and (4) the competitive situation that is faced by the enterprise.

Third, to ascertain the respondent's rationale for the need for secrecy in the light of his view of his enterprise's operations and its competitive situation, the questionnaire must include questions which would probe into the basis for the existence of the need for secrecy of information. These questions are posed in the following sequence:

- (1) the items of information which have to be kept secret;
- (2) why they should be kept secret, through an illustration of the possible consequences which might result if they are divulged;
- (3) the criteria by which a distinction may be made as to whether an item of information may or may not be disclosed.

Since competitive forces may be present in each phase of the operations and activities of an enterprise,<sup>2</sup> and at all times, it may be of interest to find out also which are the items of information and data in the functional areas of operations of an enterprise, which the respondent considers necessary to be kept secret for competitive reasons. The questionnaire includes, therefore, some questions which are separated according to these broadly defined functional areas of operations, namely, goals, objectives and policies at the top management level; marketing; production; finance and accounting; personnel and industrial relations; and research and development.

---

<sup>2</sup>See supra, pp. 32-36.



### The Structure Of The Questionnaire

These various considerations constitute the rudiments for the construction of the questionnaire which is employed eventually in the field study. This final version of the questionnaire is adopted only after several attempts were made. As shown in Appendix II, it consists of the following:

Section I - Questions which attempt to find out the nature of the respondent business enterprise;

Section II - Questions which are intended to find out the various aspects of the competitive situation faced by the respondent enterprise;

Section III - Questions which relate to the various aspects of reporting and disseminating of information and data generally disclosed by the respondent enterprise;

Section IV - Questions which require the respondent to indicate whether or not there is a need for information secrecy in the light of its competitive situation, and his opinions as to how full disclosure is or is not consonant with the maintenance of his enterprise's competitive position; and

Section V - Questions which attempt to find out that if a need for information secrecy exists, what the items of information and data under the various functional areas of operations which the respondent considers necessary to be kept secret for competitive reasons.

The questionnaire also includes a preamble which explains the nature of the research thesis and the use of the questionnaire in interviews.

There is also included a section, Section VI, which requires the

respondent business executives and managers interviewed to provide some personal data about themselves which might be useful for purpose of reference.

### Methodology Of The Field Study

While it is hoped that through the questions contained in the questionnaire sufficient significant materials can be obtained to provide a sound basis for the ascertainment of the rationale of business executives in respect to the need for information secrecy in order to maintain the competitiveness of their enterprises, it is also felt that the interviews should not adhere strictly to the area as defined by the questionnaire only. Discussions are also to be used so as to cover all relevant aspects of the operations and activities of the respondent enterprises. This will surely provide a much broader basis of the understanding of the rationale underlying the need or otherwise of information secrecy.

There remains one more consideration in connection with the field study, that is, who should be selected to answer these questions? In view of the many and different facets of operations which business enterprises perform, and the wide coverage of the questionnaire, it is apparently inevitable that the business executives selected to answer these questions should be the ones in the enterprises who have a good over-all knowledge of the operations and activities of the enterprises. Executives from the top management of the selected business enterprises are thus considered to be appropriate to answer the questions. For the questions which are related to the specific functional areas of the selected enterprises, however, the executives or the chief managers in charge of these specific areas are more suitable to answer such questions.

### Selection Of Business Enterprises

No elaborate sample design in the selection of the enterprises for the field study is used. The lengthiness of the questionnaire and the time which business executives who are selected will have to spend in going through it are the main reasons for not having too many interviews. An elaborate sample is thus considered to be not essentially necessary. Partly, it is the difficulty in getting business enterprises to co-operate willingly in the field study which rules out the possibility of having many interviews. This willingness to co-operate of the selected business enterprises is undoubtedly the most important criterion in the selection of enterprises for interviews since this is a sure way of getting genuine responses. The business enterprises are thus selected on a non-random basis.

The method of selection of the business enterprises in the field study is as follows:

(1) Industries are categorically classified as production and distribution industries first. From each of these broad categories, several particular industries are then chosen;

(2) From the industries so chosen, one enterprise in each is then selected. The enterprise is then contacted, and informed of the nature of the research thesis, and finally selected for interview if it agrees in the participation of the field study. A replacement is chosen only when the enterprise first selected indicates its inability to participate in the field study.

Excluded in the selection are industries and enterprises which operate under any franchise or special right; examples of such exclusion are crown corporations, telephone companies, oil pipe-line companies, air-lines, etc.

Altogether eight enterprises are selected, inclusive of the one with which the pilot questionnaire was used in the preliminary interview. Table III below is a list of the industries and the enterprises which are selected. The operational functions of the selected enterprises are also indicated therein.

TABLE III  
THE SELECTED BUSINESS ENTERPRISES, INDUSTRIES  
AND OPERATIONAL FUNCTIONS

Industry/Nature of Business	Functions of Operations		
	Manufacturing	Wholesaling	Retailing
1. Pest Control			x
2. Marine Transportation			x
3. Refrigeration/Air- Conditioning		x	x
4. Bakery Products	x	x	x
5. Forest Products	x	x	
6. Department Store			x
7. Cement & Construction Products	x	x	x
8. Diversified - Conglomerate	x	x	x

#### Executives Interviewed In The Selected Enterprises

Altogether nineteen executives and managers from the eight selected enterprises were interviewed. A distribution of the positions held by these executives and managers in the selected enterprises at the time of interview is as indicated in Table IV below.

The number of years of experience in business management and with the interviewed enterprises of the interviewed executives and managers is shown in Table V.

TABLE IV  
POSITIONS OF THE INTERVIEWED EXECUTIVES  
AND MANAGERS

Position	Number Interviewed
President	2
Vice-President	6
Secretary-Treasurer	3
Manager In Charge Of Specific Functional Area <sup>±</sup>	8
Total	19

\*A few of these managers were not exactly in charge of the specific functional areas, but they were considered by the top executives of the enterprises interviewed to be best suited to answer the questions related to the specific areas.

TABLE V  
YEARS OF EXPERIENCE OF THE INTERVIEWED  
EXECUTIVES & MANAGERS

Years of Experience	Number of Executives	
	In Business Management	With Present Company
Less than 1 year	-	1
1 to 5 years	-	2
6 to 10 years	4	6
10 to 20 years	2	5
More than 20 years	13	5
Total	19	19

The total time in hours taken to complete the interviews with the executives and managers in the selected enterprises are as shown in Table VI. The number of times of interviews with each enterprise

in carrying out the field study is also indicated.

TABLE VI  
TOTAL NUMBER OF TIMES & HOURS  
OF INTERVIEW

Company	No. of Interviews	No. of Hours Taken*
1. Pest Control	1	4
2. Marine Transportation	1	3
3. Refrigeration/Air- Conditioning	1	4
4. Bakery Products	1	3
5. Forest Products	3	8
6. Department Store	1	2
7. Cement & Construction Products	3	7
8. Diversified - Conglomerate	1	4
Total	12	34

\*In approximate whole number

## CHAPTER V

### ANALYSIS OF THE RESPONSES OF THE SELECTED ENTERPRISES IN THE FIELD STUDY

#### Brief Outline:

In this chapter, an analysis of the responses of the selected business executives and managers in the selected business enterprises is presented.

The analysis is preceded first by an examination of the various aspects of disclosure of information by the selected enterprises. This may provide an impression of the classes of information and data which they generally disclose, the media by which the information and data are disseminated and to whom. Such background information may be useful to the ascertainment of whether or not there exists a need for information secrecy.

Then the nature of operations of the selected enterprises, the competitive situations they face, and the secret information related to their competition are examined. This would help to indicate why the selected enterprises consider necessary to keep secret certain information in order to maintain their competitive positions.

The next section in this analysis then presents the various items of information and data related to the various functional areas of operations of the selected enterprises which the executives and managers consider to be of competitive value and, as such, necessary to be kept secret.

In the last section, the thinking of some of the interviewed executives and managers in respect to whether or not full disclosure of business information is compatible with the competitive system of the free private-enterprise economy is presented.



## Introduction

The responses to the questionnaire and the information gathered during the interviews with the nineteen business executives and managers of the eight selected enterprises form the basis of the analysis with respect to the question of the need for secrecy of some information in the maintenance of business competitiveness.

Because of the many and varied facets of business operations and activities which the selected enterprises undertake, and the different situations of competition they encounter, there is consequently a diversity of views expressed by the interviewed executives and managers. Tabulation of data is thus made difficult. In the analysis throughout this chapter, data will be tabulated only to aid in its presentation; otherwise, an enterprise-by-enterprise approach to the analysis will be used.

## Present Disclosure Of Information

Disclosure of information by the eight selected enterprises, based on the replies given to Questions 2 and 3 of Section I, and Questions 10 through 18 of Section III, is presented below.

### (1) Status Of Incorporation

The status of incorporation of an enterprise is one of the primary factors influencing the disclosure of information by an enterprise. In Canada, a private corporation<sup>1</sup> generally is not

---

<sup>1</sup>The legal distinction of a private corporation from a public corporation is based on the following:

- (a) the right to transfer its shares is restricted;
- (b) the number of its shareholders is limited to 50; and
- (c) any invitation to the public to subscribe for any share or debentures of the company is prohibited.

See J. L. Stewart, Handbook on Canadian Company Law (Toronto: Carswell Co., 1960, 5th ed.), p. 31.

required to disclose to the public very much of its information and data, except to governmental agencies such as the income-tax authority and the Dominion Bureau of Statistics which are empowered by statutory laws to obtain information from enterprises.

The status of incorporation of the eight selected enterprises is shown in Table VII below:

TABLE VII  
STATUS OF INCORPORATION OF THE SELECTED ENTERPRISES

Company	Incorporated	Private	Public
1. Pest Control	x	x	
2. Marine Transportation	x	x	
3. Refrigeration/Air- Conditioning	x	x	
4. Bakery Products	x	x	
5. Forest Products	x	x	
6. Department Store	x	x	
7. Cement & Construction Products	x		x
8. Diversified - Conglomerate	x		x

## (2) Size

The sizes of the selected enterprises in terms of their respective total sales, assets and employed personnel (hourly-employed and salaried) are indicated in Table VIII. The companies are listed in the same order as in Table VII. This order is used in subsequent tables also.

Whether or not the size of an enterprise is a determinant of the strength of its competitiveness and a factor underlying its disclosure of information is difficult to ascertain. The data

TABLE VIII  
SIZE IN TERMS OF ASSETS, SALES AND EMPLOYED  
PERSONNEL OF THE SELECTED ENTERPRISES

Company	Assets (\$) <sup>xx</sup>	Sales (\$) <sup>xx</sup>	Employed Personnel
1	n.a.	n.a.	n.a.
2	not disclosed	5,000,000	200- 250
3	100,000	360,000	11- 16
4	not disclosed	2,000,000	1,500
5	100,000,000 <sup>xxx</sup>	50,000,000 <sup>xxx</sup>	3,200
6	200,000,000	700,000,000	30,000-44,000
7	34,000,000 <sup>xxx</sup>	32,000,000 <sup>xxx</sup>	1,200
8	56,000,000	125,000,000	3,100

<sup>xx</sup>As per 1967 financial statements of the company, in approximate round figures.

<sup>xxx</sup>Figures as at time of interview, in approximate round figures.

n. a. = not available.

relating to the size of the selected enterprises are collected just in case some comment on the relationship between disclosure and size of the enterprise may seem possible.

It is interesting to note that the assets of two of the selected companies were not obtained, as the figures were not disclosed by the respondents. The author was initially give to understand that such information was confidential. On further inquiry, however, the respondents seemed to imply that it would not be desirable to disclose this information for either one of the following reasons: (a) no undesirable financial situation of the company should be disclosed; and (b) disclosure of such information to people outside the company might lead to interested parties contemplating the possibility of take-over or acquisition.

### (3) Classes Of Information Disclosed and Methods Of Disclosure

The classes of information and data generally disclosed by the selected enterprises are financial and economic information. Other information, as exemplified by industrial dispute settlements, negotiations of union contracts, etc., is also disclosed. These classes of information and data which are generally disclosed by the selected enterprises are presented in Table IX.

TABLE IX  
CLASSES OF INFORMATION DISCLOSED AND  
THE METHODS OF DISCLOSURE

Company	Classes of Information Disclosed			Media of Disclosure		
	Financial	Economic	Others	Financial Statements/ Annual Reports	Press	Trade Journals, Magazines, Etc.
1	x			x		
2	x	x	x	x	x	
3	x	x	x	x	x	
4	x	x	x	x	x	
5	x	x	x	x	x	x
6	x	x	x	x	x	
7	x	x	x	x	x	
8	x	x	x	x	x	

The financial information was generally disclosed through the financial statements which included the balance sheet, the income statement, and the statement of retained earnings. Other statements, such as sources and application of funds and cash flows, schedules, supplements and charts were also commonly employed in the disclosure of financial data of the companies. These statements and schedules, etc., formed a part of the annual reports of the companies.

Economic and other information which is generally disclosed through the media of press, trade journals and magazines, is presented in greater detail as follows:

Company	Managerial Appointments	Plant Expansion	Acquisitions Take-Overs	Earnings	Industrial Dispute Settlements
1	n.a.	n.a.	n.a.	n.a.	n.a.
2		x			
3		x	n.app.		
4	x	x			
5	x	x	x		
6	x				
7	x	x		x	x
8	x	x	x	x	x

n.a. = not available

n.app. = not applicable

#### (4) Target Users/Readers Of Disclosed Information

The target groups of users and readers of the disclosed information of the selected enterprises are as shown in Table X.

#### (5) Disclosure Of Future Expectations And Current Economic Situation

In reply to Question 15(a), whether or not information such as future expectations and the current economic situation of the company had been included in its annual reports in the past, three companies - No. 4, 7 and 8, replied "yes", and the other five companies - No. 1, 2, 3, 5 and 6, gave the answer "no". However, all the selected companies agreed that such information should be included when they were asked to answer Question 15(b) of the questionnaire.

TABLE X  
 TARGET USERS/READERS OF DISCLOSED  
 INFORMATION OF THE SELECTED ENTERPRISES

x - financial statements and annual reports

XX - economic and other information

(x) or (XX) represents the group of users/readers who are  
 of greatest interest to the company

Company	Investors	Creditors	Financial Analysts	Customers	Employees	Govt. & Other Agencies <sup>xx</sup>
1		(x)				x
2		(x)		XX		x
3				(XX)		x
4				(XX)		x
5		x		(XX)	XX	x
6				(XX)		x
7	x	x	(x)	x (XX)	x XX	x
8	(x) (XX)	x	x			x

<sup>xx</sup>Income-tax authority, Dominion Bureau of Statistics, and Stock  
 Exchanges ( in the case of public corporations )

Companies No. 2 and 7 qualified their answers to Question 15(b)  
 by indicating that there had to be a distinction between 'generality'  
 and 'specificity' of such information when disclosed. Examples of  
 'specificity' as given in the words of two executives are:

(a) "The demand for transportation services is expected to  
 increase by X% from the 1967 level, in view of the steadily expanding  
 trade between British Columbia and Japan and the Pacific region of  
 the United States. The company will continue to contribute to this  
 progress, as it did in the past, by expanding its present fleet of  
 barges and tugs through the addition of three more barges which  
 are equipped with the latest handling equipment and facilities by

the end of 1970. This will enable the company to increase its share of the market for transportation services by Y%"; and

(b) "We expect to serve our customers in Areas A, B and C with the completion of our new plant in the following year".

Company 2 reasoned that if the information was specific, meaning that the information was too detailed, it would certainly not disclose it, because "our competitors would be provoked into taking counter-actions which would affect us, and which could have been easily avoided."

The advantages of the disclosure of information such as future expectations and the current economic situation of the company, as expressed by the executives and managers interviewed, are generally in the nature of publicity value which the disclosure carries. Typical of the advantages which they anticipated of such disclosure are: "to improve the image of the company"; "to give customers and the public an idea of what the company is doing"; and "to ensure confidence of the investing public and customers in the company".

The disadvantages of such disclosure are more eloquently expressed by the respondents. The undesirability of the disclosure of such information as future expectations and the current economic situations of their companies is evident from their arguments quoted below:

"Disclosure of such information, particularly when it is specific, permits competitors to copy our ideas in order to counter-act our strategy, or even to take-over our company";

"When our future expectations are disclosed, we might reveal our future expansion plans and what we are contemplating to do. Counter-measures might be taken first by our rivals before our plans and expectations can be materialised. As a result of the disclosure, even our present

position might be affected because of the actions our rivals have taken";

"The specificity of the disclosure of such information, that is, the degree of detailed information in the disclosure, is certainly very undesirable. We not only broadcast our plans and moves in the future, but invites competition unnecessarily"; and

"If the company's economic situation is 'bad', the disclosure of it will surely reduce the company's ability to raise funds or loans, and the ability to grow must inevitably suffer."

Another consideration in the disclosure of future expectations and the current economic situation of an enterprise is the timing of the disclosure. The importance of timing of disclosure is well explained by the reasoning given by a respondent in Company No. 7:

"If actions and plans are to be effective, we do not want to disclose them too prematurely, even if we have already decided to take the actions or to go ahead with the plans. The reason is very simple; competitors will be stimulated by the premature disclosure of the information about our plans and expectations to take any actions necessary to foil them, to block us from doing anything to realise our plans.

"Timing of disclosure is, therefore, very important, and we will disclose this information only when we expect that there is no adverse effect on us, which might be caused by competitors' actions, or counter-actions.

"In the disclosure of this information, there is a need for secrecy in the sense of non-specificity or not-too-detailed disclosure of the information, as well as timing of disclosure."

#### (6) Some Observations Regarding The Present Disclosure Of Information

Several observations may be made about the present disclosure of information by the selected business enterprises:



(1) Business information, particularly financial information, is disclosed to the governmental bodies; this is mandatory. No one company, however, shows any notable interest in this direction of disclosure.

(2) While the eight selected enterprises disclosed more or less the same kinds of information, the private corporations and the public corporations do differ in the target groups of information users or readers. The private corporations are generally interested in the customers, and their economic and other information is particularly directed at this group of information users. The principal reason for the interest in the customers is from the standpoint of the publicity value inherent in this information, which is thought useful to improve the images of the companies.

The two public corporations, however, are more interested in their investors because, as Company No. 8 asserted, "we want to be sure of public confidence in our company by informing them, both current and potential investors." Company No. 7 deviates from Company No. 8 because of the target group of information users or readers in which it is most interested. It is more interested in the customer group than the investing public because "information to customers is the best way to expose our company to the customers, and to strengthen our image. This is an effective way to start soliciting sales." However, there is also an explanation in this deviation; it is that although the company has over a thousand shareholders, 51% of the shares of the company is held by a company in the United Kingdom, while the majority of the remaining shares is held by a few large shareholders in Canada. Its shares

are not actively traded on the exchanges as such.

Two factors may thus be of significance in the disclosure of business information, namely, the status of incorporation and the ownership structure of the company.

(3) With regard to the information disclosed by the selected enterprises, it seems apparent that the information generally disclosed by the enterprises is of a nature which does not or is not anticipated to endanger their competitive postures; and, as this information carries publicity value, the companies, if affected at all by the disclosure, will only be favourably affected. Their competitive positions will be strengthened rather than weakened as a result of disclosure of these kinds of information.

(4) While the enterprises make no secret about the information which they generally disclose through the financial statements and the other media such as newspapers, trade journals and magazines, they are nevertheless very conscious of the probable effect of the disclosure. This is evidently indicated in the case of disclosure of such information as future expectations and the current economic situations of their companies. If disclosure of such information is thought to be disadvantageous, then the information will be withheld.

(5) The selected enterprises implicitly recognise the need for secrecy of information. Non-specificity or not-too-detailed disclosure, as opposed to detailed and specific disclosure, implies secrecy. Again, the need for secrecy is implied in respect to the timing of disclosure. Secrecy of information is, in the view of the selected enterprises, maintained at least by not disclosing any information prematurely.

### The Rationale For The Need For Information Secrecy

The analysis in this section focuses on the rationalisation by the interviewed executives and managers on the need for at least a degree of information secrecy in the milieu of competition experienced by their enterprises.

Owing to the many and varied facets of operations and activities engaged by the enterprises and the differences in the competitive actions and situations faced by them, the analysis is presented on an enterprise-by-enterprise basis.

To ascertain the rationale for the need for secrecy of information, the sequence of the analysis is as follows:

- (1) the nature of operations of the enterprise in question;
- (2) its present position as evidenced by the sources of earnings and the relative successes of its products or services;
- (3) its competitive situation as indicated by the number of rivals and the presence of competitive products or services;
- (4) the actions of rivals which the enterprise consider threatening to its competitiveness; and
- (5) thereby the need for keeping secret certain information about the enterprise, as evidenced by the probable consequences upon its competitive position, if such secrecy were not maintained.

The analysis is based on the replies given to Questions 1 and 4 of Section I, Questions 5 through 9 of Section II, and Questions 19 through 25 of Section IV.

The present analysis does not include Company No. 1, the pest control company, as information pertaining to these questions was not available when the pilot questionnaire was used in the preliminary interview with the company.

(1) Information Necessary To Be Kept Secret By The Selected Enterprises In The Maintenance Of Their Competitiveness

The need for at least a degree of secrecy of some information in the maintenance of the competitiveness of a business enterprise is evident, to judge from the affirmative replies of the business executives and managers interviewed in the field study. Many of them did not take long to express their conviction that a business enterprise requires secrecy, not full disclosure, of information in order to remain competitive.

Table XI shows a list of the classes and items of information which the interviewed executives and managers considered necessary to be kept secret, in the light of the competitive situations faced by their enterprises, in order that their respective enterprises' competitive positions may be maintained.

(2) The Need For Secrecy Of Some Information - An Enterprise-By-Enterprise Study

An enterprise-by-enterprise analysis is presented below to show why the selected enterprises consider that there is the need for secrecy of their information as presented in Table XI, in order that their competitive positions may be maintained.

Company No. 2 - Marine Transportation Company

The subject company is engaged in the provision of marine transportation services for lumber, pulp, petroleum products, logs, chemicals, limestone, gravel and railway cars. It operates along the West Coast of Canada and the United States - from the mouth of the Columbia River to the Alaskan ports, including the major off-shore islands within the area - by the use of barges and tugs.

It is about the third largest in British Columbia in a field

TABLE XI  
CLASSES AND ITEMS OF INFORMATION CONSIDERED NECESSARY  
TO BE KEPT SECRET BY THE SELECTED ENTERPRISES IN THE  
MAINTENANCE OF THEIR COMPETITIVENESS

Classes And Items Of Information	Company						
	2	3	4	5	6	7	8 <sup>#</sup>
<u>Sales:</u>							
Volume in physical units/quantity		x					
Volume in dollars & physical units		x	x	x		x	
Break-down by product/product group	x	x	x	x		x	
by method/category of sales			x		x		
by subsidiary			n.a.				x
by branch/store	n.a.	n.a.			x		
<u>Cost:</u>							
Cost of Sales - disaggregative	x		x			x	
Unit cost	x	x					
<u>Product:</u>							
Specialty product/product line	n.a.				x		
Product-mix	n.a.		x			x	
<u>Pricing:</u>							
Policy and method		x		x			
Terms of sales	x			x			
Profit margin		x					
<u>Other:</u>							
Preliminary negotiations on take- overs and acquisitions		n.a.		x			x
Financing plans and methods							x
Financial reports for each subsidiary		n.a.					x
Customers' list	x						
Reciprocity of sales				x			

<sup>#</sup>From the standpoint of holding company only

n.a. = not applicable

of about seven, and is only medium-sized when related to the entire field of marine transportation companies along the West Coast of North America. Presently, it enjoys a fair share of this marine transportation market - "proportionate to the company's ability to handle the volume of services available". If the services are segregated on the basis of the items of goods transported, the company is about 80% successful; the reason is that competition is extremely keen in the transportation of forest products such as pulp, logs and lumber.

Keen competition is experienced by the company not only with its rivals in marine transportation, but from land transportation services by trucks and rail. Potential competition is also anticipated from unit trains and hovercrafts. Competition largely takes the form of price and quality of services, although personal selling efforts by the company and the promotion of 'public relations' with its clients and potential customers are important elements in its competitive actions to meet competition.

Any actions of its rivals which might lead to price competition are considered to be threatening to the company because "a difference of  $1/8$  of 1% in price can control large sales of transportation services." Any efforts by rivals to "infiltrate the clients of the company may possibly result in the loss of clients."

Hence, the company feels that in its present competitive situation, information such as the cost of transportation services provided, especially the unit cost - that is, cost per ton-mile - of services provided, has to be kept very secret. Other data which should not be revealed are sales volume by items of goods transported, the list of customers and the terms of sales. Even the methods of

handling transported goods and the equipment used are generally not disclosed by the company, as they are the determinants of the quality of services; but they cannot be retained for long as rivals can easily find out this information.

The respondent asserts very strongly that the need for secrecy of some information in order to maintain the competitiveness of his company is definitely necessary because "disclosure of such information as costs of services will invariably uncover the vulnerable area of transportation and will allow competitors directly to attack it. In consequence, a price war tends to develop which could cause elimination of part or all of the company's operations."

Company No. 3 - Refrigeration/Air-Conditioning Company

The main operations of the company are wholesaling of air-conditioning, refrigeration and heating equipment, and installation of such facilities on a contractual basis of price bids to hotels, offices and restaurants.

Competition arises not only from many rivals in the same line of business, but also from the unlicensed 'back-door' dealers. In the competition for business, cut-throat competitive situations often develop because the manufacturers of these facilities make no secret about their prices and because of the unlicensed dealers who are operating at low costs and are unrestricted by any union contractual obligations.

The respondent reasons that with so much of the information already known to others, the necessity of keeping secret the information whose secrecy may still be maintained cannot be too stressed. Hence, he has to keep secret such information as pricing

policy and method and costs of sales, the information which is of vital importance in the competition for contractual work. Other information which he feels should be kept secret in order to protect his business includes the volume of sales in monetary and physical terms and segregation of sales by product group.

The need for such information secrecy, the respondent asserts, is not only vital to the maintenance of his enterprise's competitive position, but possibly to its survival.

Company No. 4 - Bakery Products Company

The subject company, one of the largest in Western Canada, manufactures, wholesales and distributes a wide variety of bakery products, namely, bread, rolls, cakes, sweetgoods, etc. The target customers are generally the retail outlets like food stores (mini-marts), restaurants, hotels and supermarkets. It also supplies bakery products on a contractual basis to hostels and other institutions which consume these products in bulk.

While few people might expect that the company, on the basis of its size and its product lines, and with its fleet of trucks and its plants scattered throughout the western provinces, will not be able to compete successfully against its rivals, the reverse is surprisingly true. The company presently faces one of the most difficult problems in the marketing of bakery products, that is, the adequacy of product exposure to buyers. It stems from the fact that most of the supermarkets - the most effective channels of sales for bakery products - are owned by a large supermarket chain organisation which operates also in the western provinces. This supermarket chain organisation owns a bakery subsidiary also. The



subject company is thus cut off in its access to the best marketing channel for its products.

The lack of adequate product exposure consequently leads to slow turnover; and most of its product lines are about breaking even in terms of profitability. Another factor contributing to the aggravation of the problem of low profitability is the relative high costs of distribution: delivery costs and salesmen's commission which the company has to pay under the existing union contract, irrespective of whether its salesmen are responsible for the sales or not.

Under these circumstances, a range of information and data to be kept secret becomes necessary: (1) the company cannot reveal through any kind of disclosure its information on sales in dollar and physical terms, nor any break-down of sales by product or category of sales; (2) competitors must not be informed of the profitability or otherwise of the company's lines of products; and (3) cost information which is of great significance in bidding for contractual sales.

Secrecy of the aforementioned information is necessary, according to the respondent, if the company is not to lose to its rivals, by their more competitive and attractive offers in price, its present contractual sales as well as its feeble and insecure hold of the present retail outlets.

The company does not see fit either to disclose its financial position. Its assets were not revealed during the interview, the reason given seems to be that a 'bad' situation should not be disclosed.

Company No. 5 - Forest Products Company

This is an integrated company in the forest products industry; its operations span from logging and lumbering to the manufacture of pulp, plywood, hardboard and shingles, and from shipping container services and transportation by trucks to sales of its products by its various subsidiaries.

Competitor-wise, it faces (1) local and foreign rivals in pulp exports to the United Kingdom, Germany, France, Italy, Japan, the South American countries, etc.; (2) largely local competitors in the plywood market in Japan; and (3) the same rivals in the sales of shingles and hardboard in the local market. Sales are mainly solicited through the personal selling efforts by the company's sales force or agents located throughout these markets. Price dominates as the most important mode of competitive actions, although it is partly dependent upon the qualities of these products.

Most of its products are profitable, measured on the basis of the return on investment, especially hardboard for which the company is the only producer in British Columbia, and shingles. Compared to its local rivals which number about seven, the relative market positions of its classes of products in terms of market share are roughly as follows:

Hardboard	- first
Shingles	- second
Plywood	- third
Lumber	- third
Pulp	- fifth

Pulp does not fare as well as the other products because of the high costs of operations of the pulp mills resulting from relative 'agedness'.

Competition is fierce, and is extremely so in pulp sales in

the foreign markets. The greatest threat, according to the respondent, would be "any unwise actions of rivals to increase outputs of their products through plant expansion and increased logging operations," because these actions would definitely bring about depressed prices for the forest products. This is somewhat obviated by the existence of regulatory restrictions imposed by the government. Other threatening actions are the research activities of the rivals which might lead to cost reduction that would give them an attendant competitive edge over the company. Price competition is still, therefore, the most important form of contest.

In the present circumstances, secrecy of pricing information - terms of sales, net or actual selling prices, reciprocity of sales, is unquestionably desirable. Cost information is not much of a secret, according to the respondent, because of the fact that the industry is pretty much standardised throughout in terms of costs of operations. Also, in the interest of the company, no disaggregative form of disclosure of sales information such as the volume of sales in monetary and physical units and by product group should be revealed.

With respect to the need for secrecy to maintain the competitive position of the company, the respondent rationalises that "the revelation of the highly profitable sales in hardboard and shingles will attract competitors to enter the markets for these products, making the operations of our company in these areas more difficult relative to when the company is the main producer." Secrecy of some information is, therefore, required in the maintenance of its competitive position.

Company No. 6 - Department Store

The department store interviewed belongs to one of the largest trans-Canada department store organisations. It engages in retail merchandising of clothings, household furnishings, sports goods and other merchandise generally carried by a department store. Supplies of merchandise are secured on a contractual basis from Canadian and foreign manufacturers, the latter supply about 10% of the purchases of the company as a whole.

In Vancouver, this department store faces two major rivals, one of which belongs to another trans-Canada department store organisation and the other to a Western Canada organisation. There are also many other smaller stores in men's and women's clothings and footwear, in sports goods and in home furnishings with which the subject company has to contend with.

Insofar as the three big stores are concerned, all of them carry more or less identical lines of merchandise. Price differentials are not very significant as a mode of competition; rather the determinants of sales are largely quality, design, services and the convenience of shopping, that is, the place utility created by the location of the store, to shoppers. In terms of competitive actions, the most threatening action of rivals is in the addition of their new stores because shoppers will definitely be attracted by the convenience of shopping afforded by these new stores.

The need for secrecy of information, viewed in this light of department store business, arises, therefore, in the following ways:

- (1) specialty products which are not carried by rivals and their cost information; and
- (2) sales data relating to any individual store of the company because of their usefulness to rivals who are contemplating

the addition of new stores or expansion of the existing stores, especially in the making of the necessary studies such as feasibility study, site location analysis and so on.

Company No. 7 - Cement & Construction Products Company

The subject company manufactures cement and construction products such as cement, ready-mix concrete, concrete pipes and blocks, masonry products, etc. Sales of these products are made to contractors and dealers in construction supplies and to the municipalities and the provincial government in the construction of public projects. Of these products, cement, ready-mix concrete and sand and gravel are very successful in terms of profitability and market share; the other products are less profitable, judged by the company's standards.

In competition, it meets only "respectable competition" from the only other major competitor in the same line of business in British Columbia, although opposition is also faced in the interior of British Columbia from rivals which operate mainly in Alberta. Inter-industry-wise, keener competition arises from manufacturers of steel pipes, plastic pipes and the like which are effective substitutes.

The most threatening competitive actions does not, therefore, arise from rivals in the same industry, but from rivals who are the manufacturers of the alternate products as well as their research activities which might lead to the development of more substitutes for the cement products for use in construction projects, or of new building and construction technology which might result in using substitute products to replace cement and construction products currently being used in construction projects.

Owing to the presence of inter-industry and intra-industry

rivals, the respondent remarks strongly that any information whose disclosure may be detrimental to his company's competitiveness should not be disclosed, particularly information about the product-mix and the product-line profitability data. The need for secrecy of this information, according to the respondent, is necessary because of potential rivals from outside the cement industry. "Why should the company reveal to them its profitability and invite them to compete in the market of the company?"

#### Company No. 8 - Diversified Conglomerate<sup>2</sup>

This company has about thirty subsidiaries which are mostly private corporations operating in the areas of graphics and communications, food services, discount sales (retail store with wholesale services) and household improvements (paints and wood finishes).

As a holding company, it is interested in diversification through acquisition and internal expansion. The company is presently contemplating the acquisition of any business establishments with good earning prospects in the field of consumers' leisure time, such as household equipment, household improvements, camping equipment, trailers, etc.

Although there are a few 'rivals' who operate on the same

---

<sup>2</sup>Discussion on the need for secrecy of information is from the standpoint of the subject company as a holding company only. It is difficult, according to the respondent, to look at all the activities of the company and its subsidiaries as a whole. Besides, the respondent explains that at the level of the parent company, it is not possible to have all the information and data required for this discussion, especially those which relate to its subsidiaries.

basis as a conglomerate, competition per se does not exist amongst them. If there is any competition at all, it is that the company has to compete with financial institutions for the funds of the investors; but this is considered to be not serious.

As a company intending to diversify through acquisition, there might be a need to keep secret any information about preliminary investigations or negotiations which might lead to later take-overs. In this respect, any premature disclosure is not desirable since it would affect the company through the effect of the disclosure on the market prices of the stocks of the company. The company might be affected favourably or unfavourably eventually in terms of the cost of future financing, depending upon the reaction of the money market to the premature disclosure. Also, there is a need to keep secret the plans of financing in this connection.

Again, from the standpoint of a holding company, the respondent explains that there would be no disclosure in any disaggregative form about the subsidiaries, nor any financial reports to be presented on the individual subsidiary basis. There is no necessity to do that; on the other hand, any disaggregative disclosure about subsidiaries might give their competitors some competitive advantages. The need to keep information about secret is necessary if the holding company is not to be affected eventually.

### (3) Some Generalisations On The Rationale For Secrecy

Based on this study of the eight selected enterprises, it may be established that secrecy of some information is required by business enterprises in order to maintain their competitive positions. The information which needs to be withheld is not similar in most

instances, but is dependent upon the competitive situations faced by the business enterprises. This may be summarily stated as follows:

(a) In a very keenly competitive situation, information secrecy may constitute a vital and necessary part of the competitive weaponry of an enterprise. The effectiveness of the competitive actions of the enterprise may depend on the ability of the enterprise to withhold information that might be of competitive value to rivals. The rationale which underlies the thinking of the need for secrecy of information may be exemplified by the marine transportation company. It needs to maintain secrecy of its cost information and to withhold information about its equipment and methods of providing transportation services. The needs of the refrigeration/air-conditioning company to keep secret its pricing policy and method, and of the forest products company to maintain secrecy of its terms of sales are very much based on the same rationale.

(b) Secrecy of information is necessary in the maintenance of the competitive position of a business enterprise vis-a-vis its rivals, existing and potential. The need for secrecy of product-mix and product costs by the bakery products company is inevitable, if its present competitive weaknesses are not to be exploited by rivals. Its competitive posture will be undoubtedly aggravated if secrecy of its aforementioned information is not maintained. On the other hand, the need of the cement and construction products company to withhold information about its product-line profitability arises because of potential rivalry from the other industries. This potential competition might be activated if potential rivals from the other industries are attracted by the profitability of the cement products, and enter into the market of the cement and construction products company.



Its competitive position will invariably be affected with the entry of new substitutes. Secrecy of information is desirable even though its competitive position is relatively very strong vis-avis its rivals in the same trade or industry. This same rationale is found also in the case of the forest products company which consider that its product-line information should be kept secret.

(c) Secrecy of information is desired in the general interest of a business enterprise. This is apparent in the case of the diversified conglomerate; it does not wish to have its subsidiaries' financial reports presented separately because, it says, such disclosure might benefit their rivals. The need of the department store to withhold information relating to its individual stores is rationalised on the same basis. Thus, disclosure of information is not desirable even though the nature of the threat to an enterprise's competitive position is not certain.

#### Information And Data Of Competitive Value

The previous section has presented some of the classes and items of information which the selected business enterprises consider necessary to be kept secret in order to ensure the maintenance of their competitive positions against their rivals. This information, as it is easily noticeable, is largely related to their sales, costs and products or services. The significance which the selected business enterprises attached to this information is not altogether unexpected since sale of products or services is the main lifeblood of an enterprise, and it is towards the achievement of sales that most competitive efforts of an enterprise are oriented.

Forces of competition are ubiquitous, however. The need for

secrecy of information may arise in all phases of operations and activities of an enterprise. In this section, there is, therefore, presented the various classes of information which the selected enterprises consider to be of competitive value and, as such, are to be maintained secret. This information is classified according to the broadly defined major functional areas of a business enterprise, viz: goals, objectives and policies; marketing; production; finance and accounting; personnel and industrial relations; and research and development. The presentation here certainly serves to show further that competition in business requires secrecy of some information, not full disclosure.

The data in this section are based on the replies of the respondents in the selected enterprises to Questions 27 through 32 of Section V of the Questionnaire, and are presented mostly in tabulated form, with some of the reasons for the need for their secrecy following.

#### (1) Goals, Objectives And Policies

While all the selected enterprises recognise that goals and objectives of an enterprise are useful information to users and readers for the purpose of rational decision-making, and should be incorporated in the annual reports of the reporting enterprise, most of them, however, are opposed to the information being disclosed in specific detail. In other words, if the information is described in general terms, the enterprises would not object to the disclosure at all. What is meant by the disclosure of goals and objectives in general terms may be illustrated by the following:

"We are planning to further diversify through entrance into new markets that have an ultimate interest in servicing and fulfilling the needs of our growing

Canadian consumer population. This consumer is becoming more and more interested in improving his standard of living and enjoying the increasing leisure time available. Your management is currently reviewing the various opportunities to increase the company's investments in these consumer related areas ...."

(From the Annual Report for the Fiscal Year 1967-8 of the Diversified Conglomerate)

The reasons advanced in opposing specific or detailed disclosure of an enterprise's goals and objectives are:

"If they (goals and objectives) are too specific, they are also too revealing";

"Unless such goals and objectives can be realised, it does no good to disclose them".

On the disclosure of policies, most of the selected enterprises are firmly in the belief that "this is the company's business, nobody else's". Policies of the reporting enterprise need not be disclosed at all.

One company which opposes the disclosure of goals and objectives in specific terms also opposes its policies being disclosed because "its goals and objectives are based on long-term plans, and if its policies are disclosed, its goals and objectives would also be revealed and pinpointed by rivals. Competition would thus be provoked."

## (2) Marketing

All the selected enterprises, except the diversified conglomerate, replied that certain items of marketing information need to be kept secret owing to competitive reasons.

Following is a list of the marketing information which the

selected enterprises consider to be preferably kept secret. Much of this information has already been given in the previous section when the rationale for secrecy of information by these enterprises was discussed.

#### MARKETING INFORMATION OF COMPETITIVE VALUE

	Company						
	2	3	4	5	6	7	8
<u>Sales:</u>							n
In various disaggregative forms	x	x	x	x	x	x	o
<u>Costs:</u>							t
Product or service costs	x	x	x	x	x	x	a
Selling costs such as							v
(a) advertising					x		a
(b) salesmen's commission				x			i
<u>Product or Services:</u>							l
Product-mix			x			x	a
Product quality				x			b
Specialty product					x		l
<u>Pricing:</u>							e
Methods of pricing	x	x		x			
Terms of sales	x	x		x		x	
<u>Market Information:</u>							
Customers' list	x			x			
Market survey & research information	x						

Some of the reasons given for opposing the disclosure of this information are as follows:

"By disclosing the volume of sales in disaggregative forms, the strengths and weaknesses of the company would be exposed; and this would enable rivals to plan actions which directly attack the weak spots";

"Sale and cost information is the most important in any kind of competition for sales. If this information falls into the hands of our rivals, they will be able to compete more aggressively against us";

"In competition for contractual work, the company has to keep its information such as product quality, terms of sales and other information secret. Price biddings are based on such information, there is no question, therefore, that the company can afford to have its competitors know these"; and

"When the market conditions are poor and bad, we won't even let our competitors know who our customers are".

### (3) Production

Information relating to the area of production which some of the selected enterprises would like to keep secret is as follows:

PRODUCTION INFORMATION OF COMPETITIVE VALUE

	Company							
	2	3	4	5	6	7	8	
Production method or technique	n.a.	n.a.	x		n.a.		n.a.	
Production costs in disaggregative form	n.a.	n.a.	x	x	n.a.	x	n.a.	

n.a. = not applicable

The enterprises oppose the disclosure of this production information because:

"Competitors would be able to produce and market identical products or commodities without any development costs";

"There will be no revelation of our production technique until our products have obtained a good market position"; and

"Production costs are a basis for making price bids. No disaggregative form of disclosure about production costs would be made in order not to allow 'price fiddling' by rivals, especially in tender bids."

(4) Finance And Accounting

'Secret' information in the area of finance and accounting which is not disclosable for competitive reasons is as shown below:

FINANCE AND ACCOUNTING INFORMATION OF  
COMPETITIVE VALUE

	Company						
	2	3	4	5	6	7	8
<u>Finance:</u>							
Future financing and methods							x
Premature disclosure of capital expenditure and financing	x			x			x
<u>Accounting:</u>							
Product-line profitability	x	x	x		x	x	
Individual branch/subsidiary financial reports				x	x	x	x

The need to keep such information and data secret arises because of the following reasons:

"Future financing must usually be secret until completed, due to the situations inherent in the financial community where competitors could confuse the reporting company's financial market maliciously"; and

"Each category of company's products has special groups watching it. Any disaggregative product-line information would be dangerous because of them."

### (5) Personnel And Industrial Relations

The selected business enterprises feel that there is not much information in the area of personnel and industrial relations which may be considered trade secrets; however, much of the information is not disclosed because it is a confidential matter.

Most enterprises believe that information such as unionization, workers' wages, and company's employee relations policy is openly known, particularly when an industry is unionized. However, according to one respondent, there might be a need to keep secret certain information in this area if, for instance, a company could establish any secret deal with its workers to increase productivity without union objection. "It would pay not to publicize it because any publicity of this sort would surely result in objections being made by its competitors and the loss of such competitive edge."

Data relating to executives' remuneration and other supplemental compensations are generally not disclosed because they are confidential matters. Their non-disclosure has nothing to do with competitive reasons.

### (6) Research And Development

Only two of the selected enterprises - Company No. 2 and Company No. 5 - replied to the questions pertaining to the need for secrecy in the area of research and development; the others did not respond because they did not engage in such activities.

The need for secrecy of information in research and development is necessary under the following circumstances:

(a) Secrecy of research activities of a competitive nature, for example, new product development, needs to be maintained. It

is necessary in order to ensure that the company undertaking the research will obtain a comfortable 'head-start' in these new product areas. Once a good 'head-start' in these new products has been obtained, and these new products have secured a hold of market, the disclosure of such information is not objectionable, if it is expected that the disclosure of such information is not damaging to the company.

(b) Secrecy of information in the area of research and development is desired if competitors are not to be informed of a company's possible future courses of operations. Research and development expenditure has thus to be non-disaggregative. The information related to specific projects or specific areas of research cannot be disclosed as such. Secrecy is thus maintained in the non-disaggregative form of disclosure, although disclosure of the total research and development expenditure is not objected to.

#### Incompatibility Of Full Disclosure With Competition In Business

The presentation in this chapter of some executives' views suggests that secrecy of some information is required by business enterprises. Secrecy is not only desired by enterprises to maintain their competitiveness, but is also desired in the interest of maintaining the free private-enterprise economic system. In their views, it is the presence of some secrecy of information which enlivens competition.

It has been shown that some degree of secrecy of information could enhance the competitive effectiveness of an enterprise vis-a-vis its rivals. Full disclosure, a priori, would necessarily



reduce the ability to compete among rival enterprises. The incompatibility of full disclosure in a competitive milieu is well articulated by a respondent. His argument is quoted below:

"If, by full disclosure, everyone knows all about the competitors, then presumably one 'best' way of financing, selling, etc., would develop. ... It is in the searching efforts to try to find out and to imagine what might be done and what might exist that we innovate and learn. If all was laid bare before us, all that remains is for us to accept and use."

Another respondent supported the view that rather than the promotion of competition, full disclosure of information might result in the elimination of competition among rival enterprises. He was strongly critical of full disclosure. He reasons that

".... with prices of merchandise as well as costs of supplies known to all, each and everyone in the same retail merchandising business will be driven to the extent that there will be no leeway eventually for any one of us to operate. All will end up in a situation of 'equal-nothingness'. It is the secrecy of some information and of something that makes one take a certain action believed to be beneficial that gives life to competition."

A third respondent remarks that it is the entrepreneurial spirit in the presence of uncertainty and risk that brings about progress and development in the free private-enterprise competitive economy. Full disclosure of information would eliminate or slow down the progress achieved so far by removing the uncertainty which exists partly due to secrecy about something.

Summary

The analysis of the responses of the selected business enterprises in the field study has shown that they do not judge the information they are presently disclosing endangers their competitive positions. While apparently no objective criterion has been scientifically developed and put into practice, nevertheless, the enterprises use subjective criteria by which to determine and decide whether certain information and data may or may not be revealed.

The field study indicates that the executives interviewed judge they need secrecy of some information to operate in a competitive situation. Secrecy is required not merely in the general interests of the enterprises, but is also necessary if their competitive actions are to be effective in the struggle for sales. Although the need for secrecy of sale information is greatest, secrecy is needed also in the other functional areas of business operations, with the exception of only personnel and industrial relations, perhaps.

Finally, the interviewed executives doubt that full disclosure of information is compatible with the competitive system of the free-enterprise economy. Full disclosure is not only strongly opposed, but is, in their views, considered to be contrary to the role of competition upon which proper functioning of the free-enterprise economy relies. Full disclosure, they believe, might eliminate competition instead of promoting it.

## CHAPTER VI

### SUMMARY OF THE MAIN FINDINGS OF THE STUDY

The subject of disclosure of business information has attracted considerable interest in recent years, owing to the increasing demand for it. Business enterprises are urged by many quarters in the economy to disclose their information fully and comprehensively; full disclosure of information by business enterprises is, indeed, advocated. However, full disclosure as a standard of business reporting to outsiders might be as strongly opposed by business enterprises as it is urged by its advocates because extensive disclosure, in the view of businesses, would weaken their competitive postures.

Secrecy of information is necessarily the antithesis of full disclosure of information. This study has as its premise that secrecy of certain information is necessary for a business enterprise to maintain its competitiveness against its rivals. In order to ascertain whether or not the need for information secrecy is necessary, and to find out the classes of information business enterprises would oppose disclosing, this study has attempted first to examine what is meant by full disclosure of information and, in addition, what business enterprises mean by competition - which are undoubtedly two very important subjects in the disclosure dispute.

It is submitted that business enterprises have a reporting obligation to all the segments of the economy which have a legitimate

interest in the enterprises - the government, investors, employees, creditors, suppliers, consumers, etc. The primary purpose of business reporting is thus to make available all the relevant and material information about the reporting enterprises in order to facilitate rational decision-making. The argument, on one hand, is that if exigencies of these diverse interest groups for information are to be satisfactorily fulfilled, business enterprises should disclose their data and information on the principle of fairness to all parties, and should incorporate, in addition to the traditional financial statements, such relevant and material information as the goals, objectives and policies, the future expectations, and the current economic position and situations of the enterprises. Furthermore, to enhance the usefulness of the information, disclosure must possess the attributes of timeliness, accuracy and disaggregativeness.

Competition, on the other hand, to business enterprises operating in the free private-enterprise economy is characterised by an omnipresence of rivalry among the competing enterprises. The forces of rivalry emanate from an environment subject to not only the influence of the competitors in the same trade or industry, but as well as the influences of real and potential rivals across the inter-industrial and international boundaries. The likelihood of complete immunity from the threat of rival forces is, to a business enterprise, entirely out of the question.

Operations and activities of a business enterprise are oriented toward the accomplishment of its objectives, of which profit making and continuity of existence are the most important. Because of the competitive environment under which it operates, the

forces of competition actually transcend the entire fabric of operations and activities of the enterprise, although they are most manifest in the struggle for the patronage of buyers of goods or services which the enterprise offers for sale. The enterprise's goals and objectives of operations, plans and strategies which detail the current and planned deployment of its economic resources, and the competitive actions which ensue are necessarily some of its vital matters. Quite apparently, therefore, the enterprise finds full disclosure of such matters objectionable because its competitive efforts will be impaired if secrecy of such information cannot be maintained.

The field study in which eight business enterprises located in the City of Vancouver were interviewed lends support to the thesis that secrecy of certain items of information is necessary for an enterprise to maintain its competitiveness vis-a-vis its rivals. The executives and managers of the selected enterprises who were interviewed have, in unequivocal terms, expressed their opposition to full disclosure of their enterprises' information. Some secrecy of information, they have shown, is indeed necessary not only in the interest of their enterprises, but is also undeniably required to ensure the effectiveness of their competitive actions against their rivals'. Due to the overwhelming importance of the elements comprised in a business's sales, the need to keep secret information relating to these elements of sales seems to be of prime concern, although the need for secrecy arises in the other areas of operations as well.

In terms of the form of business information disclosure, the

field study has found that the business enterprises interviewed are opposed to any disclosure, inclusive of the information they presently disclose, which is too detailed, specific or disaggregative; or any premature timing of disclosure. In agreeing that such information as goals, objectives and policies, future expectations, and the current economic position and situation of their enterprises should be disclosed in aggregative form, they have nonetheless disapproved of such information being divulged in specific, detailed or disaggregative form, since secrecy cannot then be maintained.

This field study has also brought out the thinking of some of the interviewed executives that full disclosure of information by business enterprises is not compatible with the competitive free private-enterprise economy. According to them, if there was full disclosure of all the relevant and material information about all the competing enterprises, then one 'best' way of marketing, production, financing, etc., would probably develop and the entrepreneurial spirit of free private enterprising would probably be smothered because the incentive to innovate in the hope for greater profits would be lost. Full disclosure of information might thus eliminate whatever benefits have accrued or are expected to arise from the competitive system of the free-enterprising economy.

The fear of severely adverse consequences of full disclosure of information is a real one, and so long as business enterprises believe or actually require secrecy of information to be employed as a part of their competitive weaponry and to protect their enterprises' interests, then voluntary full disclosure of information cannot yet be judged a feasibility in spite of the growing need for information; it certainly is not attainable without opposition

from the business community.

## APPENDIX I

### THE PILOT QUESTIONNAIRE

This study is directed toward the proposition that some degree of secrecy of information is necessary for a business enterprise to remain competitive with its rivals.

In order that this study may be properly pursued, it seems sensible to have interviews with business executives to ascertain their thoughts regarding whether or not some degree of information secrecy is a necessary part of their competitive weaponry against rival business firms, as well as the rationale, if any, for such thinking.

To facilitate your understanding of my terms of reference, I have provided below what I consider to be the meaning of full disclosure of business information and the meaning of competition.

#### Meaning of Full Disclosure

The primary purpose of business reporting is to make available information required by all the interest segments of the economy so as to facilitate the making of informed judgments and rational decisions. As such, information disclosed by business enterprises would have to be full, comprehensive, disaggregative, and accurate, and incorporate at least the following:

(1) goals, objectives, and policies of the reporting business enterprise, and in terms of these goals, objectives and policies the relevant changes which have occurred during a year or period of the reporting enterprise;

(2) expectations of the reporting business enterprise in the future; and

(3) the current position and situation of the reporting business enterprise in both financial and economic terms.

#### Meaning of Competition

Competition is oriented toward the fulfillment of the goals of the business enterprise. With rare exceptions, it is generally manifested as a struggle for the patronage of buyers, and necessitates whatever a business enterprise has to do to get sales from its rivals or to react to whatever its rivals do to take its sales away.

The process of struggle for patronage is multifarious in dimensions, such as price competition, non-price competition which includes advertising and sales promotions, terms of payments, credit terms, services, research and development, and a host of other non-price elements of competition.



Having given my understanding of the meaning of full disclosure and the meaning of competition, there is now outlined below a set of questions to facilitate our discussion. They are intended to help to find out your views regarding my proposition that some degree of secrecy of information is necessary for a business enterprise to remain competitive with its rivals.

### QUESTIONS

1. Does your company publish financial statements or annual reports at the end of its fiscal year or period?

No ..... \_\_\_\_\_

Financial statements only ..... \_\_\_\_\_

Annual Report with financial statements .... \_\_\_\_\_

2. What does the company hope to achieve in publishing the financial statements or the annual report?

3. Does it disclose other additional classes of information, apart from the financial statements?

Yes \_\_\_\_\_

No \_\_\_\_\_

4. Are these additional classes of information related to any of the following?

(a) Goals, objectives and policies of company .... \_\_\_\_\_

(b) Future expectations of the company ..... \_\_\_\_\_

(c) Current economic position and situation ..... \_\_\_\_\_

(d) Others (please indicate) ..... \_\_\_\_\_

5. Why does the company provide these additional classes of information? Is there any competitive advantage to be derived from such additional disclosure?

6. Have you any objection to the disclosure of the following?

- (a) goals, objectives and policies of the reporting company;
- (b) future expectation of the reporting company; and
- (c) the current economic position and situation of the reporting company.

Yes \_\_\_\_\_

No \_\_\_\_\_ (If 'No', skip to Question 11)

7. Indicate in which area(s) your objection lies:

- (a) in the disclosure of goals, objectives and policies \_\_\_\_\_
- (b) in the disclosure of future expectations \_\_\_\_\_
- (c) in the disclosure of current economic position and situation \_\_\_\_\_

8. Is your objection based on any reason(s) that such disclosure may affect your competitive position?

Yes \_\_\_\_\_

No \_\_\_\_\_

9. If 'Yes', (i) how would the disclosure of goals, objectives and policies affect your competitive position?

(ii) how would the disclosure of your future expectations affect your competitive position?

(iii) how would the disclosure of the current economic position and situation affect your competitive position?

10. Does the disclosure of goals and policies and/or the future expectations of your company help to 'broadcast' your future plans and strategies of your company's operations and activities? If so, please elaborate and give examples to illustrate.

11. If you have no objection to the disclosure of the goals, objectives and policies, your future expectations, and your current economic position and situation, could you explain why?

Note: Questions 12 through 18 deal with disaggregative disclosure of business information.

The term 'disaggregative disclosure' may, perhaps, be made clear by a few examples below:

- (i) break-down of sales revenue by product, product group, or geographical area or market;
- (ii) selling expenses shown separately as advertising expense, personal selling expense, and other sales promotional expense;
- (iii) costs of goods sold segregated into amounts for labour, materials, and manufacturing expense.

12. Do you think disaggregative disclosure presents a hazard to the interests of your company?

Yes \_\_\_\_\_

No \_\_\_\_\_

(If 'No', go to Question 18.)

13. If your answer to Question 12 is 'Yes', could you indicate which of the following it is?

- (a) danger in revealing confidential information  
to competitors ..... \_\_\_\_\_
- (b) cost of such reporting ..... \_\_\_\_\_
- (c) incurrence of legal responsibilities .. \_\_\_\_\_
- (d) others (please indicate) ..... \_\_\_\_\_

14. If your answer is (a) above, could you give some examples to show HOW your competitive position may be affected or endangered?

15. If your competitive position may be affected by such disaggregative disclosure, is it due to the economic situation of your company?

16. If your competitive position may be affected by such disaggregative disclosure, is it due to the nature of the industry in which your company is in?

17. Assuming your company is in a strong position, would you allow disclosure of any information about your company in a disaggregative form?

18. If disaggregative disclosure does not represent any kind of hazard to the interests of your company, please explain why.

19. What is your attitude toward full disclosure of business information as outlined in the previous pages?

- Favourable \_\_\_\_\_
- Neutral \_\_\_\_\_
- Opposed \_\_\_\_\_
- Strongly opposed \_\_\_\_\_

20. Could you elaborate on it?

21. In your opinion, is at least some degree of information secrecy necessary for a business enterprise to remain competitive?

COMPETITION REQUIRES A DEGREE OF SECRECYNOT FULL DISCLOSURE OF BUSINESS INFORMATION

This booklet contains an explanation of the research plan for an M. B. A. thesis and the questionnaire to be used in interviews with business executives.

- (1) Sections I, II, III, IV, and the first part of Section V, i.e., Question 27, would be questions to be answered by an executive in the top management only.
- (2) The other parts of Section V would be questions relating to Marketing, Production, Finance and Accounting, Personnel and Industrial Relations, and Research and Development. These questions should, preferably, be answered by the heads or chief executives in charge of these respective functional areas of the company.
- (3) Section VI will be answered by all.

NAME OF COMPANY IN FULL:

ADDRESS:

DATE OF INTERVIEW:

PROPOSITION

"FULL DISCLOSURE OF INFORMATION BY BUSINESS UNITS HAS BEEN ADVOCATED AS AN AID TO COMPETITION. IT MAY BE ARGUED, HOWEVER, THAT FULL DISCLOSURE OF INFORMATION AND COMPETITION ARE, IN SOME RESPECTS, NOT COMPATIBLE; AND THAT DIVULGENCE CAN ONLY SERVE TO WEAKEN THE COMPETITIVE INCENTIVES OF THE BUSINESS UNITS. SOME DEGREE OF SECRECY OF BUSINESS INFORMATION IS NECESSARY FOR COMPETITION TO BE EFFECTIVE.

IT IS FURTHER PROPOSED THAT A FIELD STUDY BY MEANS OF A QUESTIONNAIRE AND ANSWERS AND INTERVIEWS BE MADE WITH SELECTED FIRMS IN SELECTED PRODUCTION AND DISTRIBUTION INDUSTRIES TO ASCERTAIN THE NATURE OF BUSINESS INFORMATION WHICH A FEW SELECTED BUSINESSMEN DEEM TO BE SECRET, AND THE RATIONALE, IF ANY, FOR THE THINKING OF EACH OF THEM INDIVIDUALLY."

This proposition will be investigated from the viewpoint of the businessman or corporate management group.

- 2 -

This study is directed toward the proposition that some degree of secrecy of information is necessary for a business enterprise to remain competitive with its rivals. (Please see the previous page.) An investigation of this proposition is appropriate and necessary in view of the growing needs for business information by the various segments of the economy. Business enterprises have been urged to make greater and fuller disclosure of information; the general feeling, in fact, is that full disclosure of information by business enterprises is desirable.

In order that this study may be properly pursued, it seems sensible to have interviews with business executives to ascertain their thoughts regarding whether or not some degree of information secrecy is a necessary part of their competitive weaponry against rival business firms, as well as the rationale, if any, of such thinking. I would therefore like to request your kind co-operation in this regard by permitting me to have an interview with you, and to ask you to answer some questions in connection with this study.

To facilitate your understanding of my terms of reference, I have provided below what I consider to be the meaning of full disclosure of business information and the meaning of competition.

#### Full Disclosure

The primary purpose of business reporting is to make available information required by interested segments of the economy so as to facilitate the making of informed judgements and rational decisions. As such, information disclosed by the reporting business enterprise should be full, meaning that all relevant material information is revealed, including not only financial data and information about operations already undertaken in the past, but also the following:

- (i) goals and policies of the reporting business enterprise, and in terms of these goals and policies the relevant changes which have occurred during a fiscal year or period;
- (ii) expectations of the reporting business enterprise in the future; and
- (iii) the current position and situation of the reporting business enterprise in both financial and economic terms.

Further, the information disclosed, if it is to be useful to the users, should be timely, accurate, disaggregative and comprehensive.

#### COMPETITION

Competition is oriented toward the fulfilment of the goals of the business enterprise. With rare exception, it is generally manifested as a struggle for the patronage of buyers, and necessitates whatever a business enterprise has to do to get sales from its rivals or to react to whatever its rivals do to take its sales away. This process of struggle for patronage is multifarious in dimensions, and involves not only competition on price, but such non-price elements as advertising and sales promotions,

- 3 -

services, credit terms, research and development, and a host of other non-price variables of competition.

Having given my understanding of the meaning of full disclosure and the meaning of competition, there is now outlined below a set of questions to facilitate our discussion. The questions are intended to help to find out your views regarding my proposition that some degree of secrecy of information is necessary for a business enterprise to remain competitive with its rivals.

Lastly, before proceeding to the questions, let me assure you that the information you provide will be treated confidentially, and the set of questions will be destroyed or returned to you, if you wish.

## THE QUESTIONNAIRE

SECTION I --- IN THIS SECTION, I WOULD LIKE TO GAIN AN IMPRESSION OF YOUR COMPANY AND ITS CURRENT OPERATIONS.

1. Would you describe in a few sentences the nature of operations of your company? (Industry, geographical areas of operation, etc.)
2. Is your company incorporated?  
yes / no
- 2a. If yes, is it a public company?  
yes / no
- 2b. Is it a subsidiary of another company?  
yes / no
- 2c. Has it any subsidiary company or companies?  
yes / no
- 3a. What is the size of the company, as per its latest financial statements?  
in terms of its total assets \_\_\_\_\_  
in terms of its sales \_\_\_\_\_
- 3b. What is its size to-day, in terms of the number of its hourly employed workers plus its salaried personnel?  
\_\_\_\_\_
4. How many lines of products does the company carry or manufacture?  
Would you name them?

- 5 -

SECTION II --- IN THIS SECTION, I WOULD LIKE TO OBTAIN A GLIMPSE OF  
THE COMPETITION THE COMPANY FACES.

5. What kinds or forms of competition are faced by the company? What are the measures of the seriousness or keenness of competition?
6. Which competitive action by your rivals do you find most threatening to your company?
7. How many of the company's product lines are successful in terms of profitability, market share, or the measures of success used by the company (please indicate these measures) ?
8. How are these lines of products doing in comparison to the company's competitors?
9. What is the company's over-all competitive position?



- 6 -

SECTION III --- IN THIS SECTION, I WOULD LIKE TO DISCUSS WITH YOU MATTERS  
RELATING TO THE REPORTING OF BUSINESS INFORMATION BY  
YOUR COMPANY.

10. What kinds of information does the company generally publish? (For instance, accounting and financial data, economic information, etc.)
11. What are the means by which the information is disclosed? (For instance, newspapers, magazines, trade journals, etc).
12. What class or classes of readers is your company primarily interested in when it publishes its information in (a) the annual report or other financial statements, and (b) other publications?

.Annual Report and Other Financial Statements:

Other Publications:

13. Which of these classes of readers is of greatest interest or importance to your company? Why?
14. What does your company hope to achieve when the information disclosed is aimed at the particular class of readers as indicated in Question 13?

- 7 -

15. Meaningful and relevant information -- such as future expectations, and the current economic situation of a reporting company, is usually not included in the annual report.

(a) Have these kinds of information been included in the annual reports of your company in the past?

(b) Do you agree that this information might reasonably be included in your company's annual reports?

16. What competitive advantage(s) or disadvantage(s) might be experienced from the disclosure of (a) the future expectations of your company, and (b) the current economic position and situation of your company?

(a) Future Expectations

(b) Current Economic Position and Situation

17. Do you think that the information usually disclosed in the company's annual report or financial statements is adequate for the interested parties to make rational decisions or informed judgements about your company?

18. If not, will it be necessary for the company to make additional disclosures? And, if the additional disclosures happen to be information of value to your competitors, what would you do then?

- 8 -

SECTION IV --- IN THIS SECTION, I WOULD LIKE TO DISCUSS WITH YOU WHETHER OR NOT FULL DISCLOSURE OF INFORMATION IS COMPATIBLE WITH COMPETITION.

19. What, in your opinion, is the most important information about your company that must be kept secret? Why?
  
  
  
  
  
  
  
  
  
  
20. What other classes of information about your company is also non-disclosable?
  
  
  
  
  
  
  
  
  
  
21. Assuming that the kinds of information which you have indicated in Question 19 or 20 are disclosed, how would they affect your company, and what would the consequences be like?
  
  
  
  
  
  
  
  
  
  
22. Turning now to your competitors, what is the information about your competitors that you would consider most valuable to have?
  
  
  
  
  
  
  
  
  
  
23. Of what particular significance would this information be to your company?

- 9 -

24. What other information would you like to have about your competitors?

25. Can you find this information in their business reports?

26. To conclude this part of our discussion, do you think full disclosure of business information is compatible with competition? I would appreciate it if you elaborate. For the meaning of full disclosure, please see preamble. (pages 1 - 2).

- 10 -

SECTION V --- IN THIS SECTION, I WOULD LIKE TO FIND OUT THE ITEMS OF INFORMATION AND DATA ABOUT YOUR COMPANY WHICH NEED TO BE KEPT SECRET, AND THE DISCLOSURE OF WHICH MIGHT BE OPPOSED ON THE GROUNDS THAT THE COMPETITIVE POSTURE OF THE COMPANY WOULD BE AFFECTED. THE QUESTIONS ARE CLASSIFIED UNDER THE FOLLOWING AREAS: GOALS, POLICIES AND OBJECTIVES; MARKETING; PRODUCTION; FINANCE AND ACCOUNTING; AND RESEARCH AND DEVELOPMENT.

27. Goals, Policies and Objectives

- a. Would you say that it is necessary to keep such information as your company's goals and objectives secret due to competitive reasons?
- b. What advantage (s) or disadvantage(s) do you anticipate by the disclosure of such information insofar as your company's competitive position is concerned?
- c. What about the basic policies which underlie your company's actions and decisions? Should they be revealed or kept secret?
- d. How do you decide whether such information - goals, objectives and policies, may or may not be revealed? What are the criteria used in making such a distinction for purposes of disclosure?

- 11 -

28. Marketing

- a. Do you think there is a need for some kinds of marketing information and data to be kept secret because of competitive reasons?
- b. What are the classes of marketing information and data which, in your opinion, should be kept secret?
- c. Would you please illustrate how the disclosure of such data and information might affect your competitive position?
- d. Is the need for secrecy of these data and information always necessary if you are to remain competitive, or is the need to keep such information and data secret based on some other considerations?
- e. What criteria do you use to determine whether or not certain information and data may be detrimental to your company's competitive posture and, as such, may not be revealed?

- 12 -

29. Production

- a. In your opinion, what classes of information and data in the area of production which, when they are disclosed, might affect the competitive position of your company?
  
  
  
  
  
  
  
  
  
  
- b. How would they affect the competitive position of your company?
  
  
  
  
  
  
  
  
  
  
- c. Would you be opposed to disclosing certain production data in a disaggregative form? (Example: production costs of goods segregated into materials, labor, and other manufacturing costs.)

- a. Are there any particular classes of financial and accounting data and information, other than those items generally presented in the financial statements, which should not be revealed in order that the competitive position of your company may not be affected?
- b. What about plans for capital expenditures? Future financing?
- c. On what bases do you distinguish between items of information and data which are disclosable and non-disclosable?



- 14 -

### 31. Personnel and Industrial Relations

- a. What are the classes of information and data in the area of personnel and industrial relations which, in your opinion, may not be revealed?
- b. In what ways would the disclosure of these classes of information and data be damaging to your company's competitive position?



- 16 -

SECTION VI --- FINALLY, I WOULD LIKE, IF I MAY, TO OBTAIN SOME PERSONAL DATA ABOUT YOU.

1. Your Name: \_\_\_\_\_

Number of Years of Business Experience: \_\_\_\_\_ years

Number of Years with the present Company: \_\_\_\_\_ years.

Current Position in the Company: \_\_\_\_\_

2. (For the Marketing Executive)

Your Name: \_\_\_\_\_

Number of Years of Business Experience: \_\_\_\_\_ years

Number of Years with the Present Company: \_\_\_\_\_ years

Current Position in the Company: \_\_\_\_\_

3. (For the Production Executive)

Your Name: \_\_\_\_\_

Number of Years of Business Experience: \_\_\_\_\_ years

Number of Years with the Present Company: \_\_\_\_\_ years

Current Position in the Company: \_\_\_\_\_

4. (For the Executive in Finance and Accounting)

Your Name: \_\_\_\_\_

Number of Years of Business Experience: \_\_\_\_\_ years

Number of Years with the Present Company: \_\_\_\_\_ years

Current Position in the Company: \_\_\_\_\_

- 17 -

## 5. (For the Personnel and Industrial relations Executive)

Your Name: \_\_\_\_\_

Number of Years of Business Experience: \_\_\_\_\_ years

Number of Years with the Present Company: \_\_\_\_\_ years

Current Position in the Company: \_\_\_\_\_

## 6. (For the Executive in Research and Development)

Your Name: \_\_\_\_\_

Number of Years of Business Experience: \_\_\_\_\_ years

Number of Years with the Present Company: \_\_\_\_\_ years

Current Position in the Company: \_\_\_\_\_

## BIBLIOGRAPHY

## I. BOOKS

- Alden, Burton H., et al, Competitive Intelligence: Information, Espionage and Decision-Making (Massachusetts: C. I. Associates, 1959).
- American Institute of Certified Public Accountants, Accounting Trends & Techniques, various volumes.
- , "Cash Flow" Analysis and The Fund Statement, Accounting Research No. 2 (New York: AICPA, 1962).
- , A Tentative Set of Broad Accounting Principles For Business Enterprises, Accounting Research No. 3 (New York: AICPA, 1962).
- Anderson, Corliss D., Corporate Reporting For The Professional Investor - What The Financial Analyst Wants To Know (Auburnale: The Financial Analyst Federation, 1962).
- Berle, Adolf A., Jr., and Means, Gardiner, C., The Modern Corporation and Private Property (New York: Macmillan, 1932).
- Bevis, Herman W., Corporate Reporting In A Competitive Economy (New York: Macmillan, 1965).
- Brayman, Harold, Corporate Management In A World Of Politics (New York: McGraw-Hill, 1967).
- Bright, James R., Research Development and Technological Innovations (Homewood, Ill.: Richard D. Irwin, 1964).
- Canadian Corporations Act, 1968 (Don Mills: CCH Canadian Limited, 1968).
- Canadian Institute of Chartered Accountants, Financial Reporting In Canada (Toronto: CICA), various volumes.
- Cheit, Earl F., (ed) The Business Establishment (New York: John Wiley & Sons, 1964).
- Clark, John M., Competition As A Dynamic Process (Washington: The Brookings Institution, 1961).
- De Bedts, Ralph F., The New Deal's SEC (New York: Columbia University Press, 1964).
- Dennison, Henry S., and Galbraith, John K., Modern Competition and Business Policy (New York: Oxford University Press, 1938).
- Dolva, Wenzil K., (ed) Marketing Key To Profits In The 1960's (Chicago: American Marketing Association, 1960).
- Edwards, Corwin D., Big Business and The Policy of Competition (Cleveland: Western Reserve University Press, 1956).

- Galbraith, John K., The New Industrial State (Boston: Houghton Mifflin, 1967).
- Gosse, Richard, The Law on Competition In Canada (Toronto: Carswell, 1962).
- Hacker, Andrew A., (ed) The Corporation Take-Over (New York: Harper & Row, 1964).
- Hariss, C. Lowell, (ed) Selected Readings In Economics (Englewood Cliffs, New Jersey: Prentice-Hall, 1962).
- Henderson, Carter F., and Lasher, Albert C., 20 Million Careless Capitalists (New York: Doubleday, 1967).
- Kaplan, A. D. H., Big Enterprise In A Competitive System (Washington: The Brookings Institution, 1964, rev. ed.).
- Marcus, Sumner, Competition and The Law (Belmont: Wadsworth, 1967)
- Mason, Edwards S., (ed) The Corporation In Modern Society (Cambridge: Harvard University Press, 1959).
- Mautz, Robert K., Financial Reporting By Diversified Companies (New York: Financial Executives Research Foundation, 1968).
- Patillo, William J., The Foundation of Financial Accounting (Baton Rouge: Louisiana State University Press, 1965).
- Reagan, Michael D., The Managed Economy (New York: Oxford University Press, 1963).
- Samuelson, Paul A., Bishop, Robert L., and Coleman, John R., (ed) Readings In Economics (New York: McGraw-Hill, 1958).
- Stockman, Lynn H., (ed) Advancing Marketing Efficiency (Chicago: American Marketing Association, 1959).
- United States Securities & Exchange Commission, Regulation S-X Under The Securities Act of 1933 (Washington: U. S. Government Printing Office, 1962).
- , General Rules and Regulations Under The Securities Exchange Act of 1934 (Washington: U.S. Government Printing Office, 1962).
- United States Senate, 84th Congress, 1st Session, Senate Report No. 1280, Factors Affecting The Stock Market, Report of the Committee on Banking and Currency (Washington: U. S. Government Printing Office, 1955).
- Wade, Worth, Industrial Espionage and Mis-Use of Trade Secrets (Ardmore: Advance House, 1964).
- Walton, Clarence, and Eells, Richard, (ed) The Business System (New York: Macmillan, 1967).
- Watkins, Melville H., et al, Foreign Ownership and The Structure Of Canadian Industry (Ottawa: Queen's Printer, 1968).
- Wright, John S., and Goldstucker, Jac L., (ed) New Ideas For Successful Marketing (Chicago: American Marketing Association, 1966).

Ziegel, Jacob S., Studies In Canadian Company Law (Toronto: Butterworths, 1967).

## II. ARTICLES

Bankmann, Joerg, "Financial Reporting Under The New German Company Law", Canadian Chartered Accountants, Vol. 89, No. 1, July 1966.

Barnett, George E., "The Securities Act of 1933 and The English Companies Act", Harvard Business Review, Vol. XIII, No. 1, Oct. 1934.

Birnberg, Jacob G., and Dupoch, Nicholas, "A Conceptual Approach To The Framework Of Disclosure", Journal of Accountancy, Feb. 1963.

Broad, Samuel J., "The Development of Accounting Standards To Meet Changing Economic Conditions", Journal of Accounting, May 1949.

Chetkovich, Michael N., "Standards of Disclosure and Their Development", Journal of Accounting, Dec. 1955.

Dauids, Richard C., "Soon That May Not Be Milk You're Drinking", Reader's Digest, Sept. 1968.

Dean, Joel, "Competition Inside and Out", Harvard Business Review, Vol. XXXII, No. 6, Nov-Dec. 1954.

Drucker, Peter F., "Business Objectives and Survival Needs", Journal of Business, Vol. XXXI, No. 2, April 1953.

Eaton, Marquis G., "Financial Reporting In A Changing Economy", Journal of Accounting, August 1957.

Financial Executive, "New Disclosures Noted In Annual Reports", Financial Executive, June 1967.

Flowers, W. Baker, "Some Criteria For Post Statement Disclosure", Journal of Accounting, Jan. 1961.

Fortune, "The New Competition", Fortune, June 1952.

Fox, Mortimer J., Jr., "The Annual Report: An Objective Appraisal", Financial Executives, Jan. 1965.

Furash, Edward E., "Industrial Espionage", Harvard Business Review, Vol. XXXVII, No. 6, Nov-Dec. 1959.

Goodrich, L. Keith, "Executive's View of Corporate Reporting Responsibilities", Financial Executive, Dec. 1966.

Griffin, Charles H., and Williams, Thomas H., "Measuring Adequate Disclosure", Journal of Accounting, April 1960.

Hobgood, George, "Voluntary Disclosure In 1967 Annual Reports", Financial Executive, June, 1968.

- Hornsgren, Charles T., "Disclosure: 1957", Accounting Review, Vol. XXXII, No. 4, Oct. 1957.
- , "Disclosure: What Next?", Accounting Review, Vol. XXXIII, No. 1, Jan. 1958.
- Hunt, Bishop C., "Recent English Company Law Reform", Harvard Business Review, Vol. VIII, No. 2, Jan. 1930.
- Journal of Accounting, "Disclosure of Supplemental Financial Information By Diversified Companies", Journal of Accounting, Oct. 1967.
- Klan, Spencer, "The Soap Wars: A Strategic Analysis", Barksdale, Hiran C., (ed) Change and Exchange (New York: Holt, Rinehart and Winston, 1964).
- Lanternman, Joseph B., "How To Resolve The Financial Reporting Controversy", Financial Executive, Dec. 1966.
- Mautz, Robert K., "Full Disclosure Of Financial Transactions", The Controller, Vol. XXI, Jan. 1953.
- McLean, John G., and Haigh, Robert W., "How Business Corporations Grow", Harvard Business Review, Vol. XXXII, No. 6, Nov-Dec. 1954.
- Morgan, Robert T., "The Financial Analysts and The Financial Statements", Canadian Chartered Accountants, Vol. 82, No. 3, March 1963.
- Murray, Angus F., "What Investors Want From Company Accounts", The Accountant, Vol. CLIII, No. 4724 and 4725, July 1965.
- Penny, Louis H., "Financial Statements For Credit Purposes", Journal of Accounting, Sept. 1957.
- Rappaport, Alfred, "Establishing Objectives For Published Corporate Accounting Reports", Accounting Review, Vol. XXXIX, No. 4, Oct. 1964.
- Scitovsky, Tibor, "A Note On Profit Maximisation and Its Implications", Tibor Scitovsky, Papers On Welfare and Growth (Stanford, California: Stanford University Press, 1964).
- Trumbull, Wendell P., "Disclosure As A Standard Of Income Reporting", Accounting Review, Vol. XXVIII, No. 4, Oct. 1953.
- van Vlerken, J. H. M., "Financial Reporting In Holland", Canadian Chartered Accountants, Vol. 87, No. 5, Nov. 1965.



## III. UNPUBLISHED MATERIALS

- Benston, George J., "The Impact of The SEC's Accounting Disclosure Requirements", a paper presented at the 52nd Meeting of the American Accounting Association, Aug, 27, 1968, Working Paper Series 1968, No. 68-09.
- Devji, Razahussein, Effective Competition and Corporate Disclosure (unpublished Master Thesis, University of British Columbia, Aug. 1968).
- Goh, S. Siah, A Descriptive Study Of The Notes To Financial Statements In The Annual Reports Of 75 Selected Canadian Public Companies, 1938 - 1963 (Unpublished Master Thesis, University of British Columbia, April 1965).
- Tan, Y. Pin, An Analysis Of Supplementary Data In The Annual Reports Of Selected Canadian Public Companies, 1938-1963 (Unpublished Master Thesis, University of British Columbia, April, 1965).
- Williamson, Dalbert E., Concept Of Disclosure On Financial Statements (Unpublished Doctoral Dissertation, Stanford University, 1960).