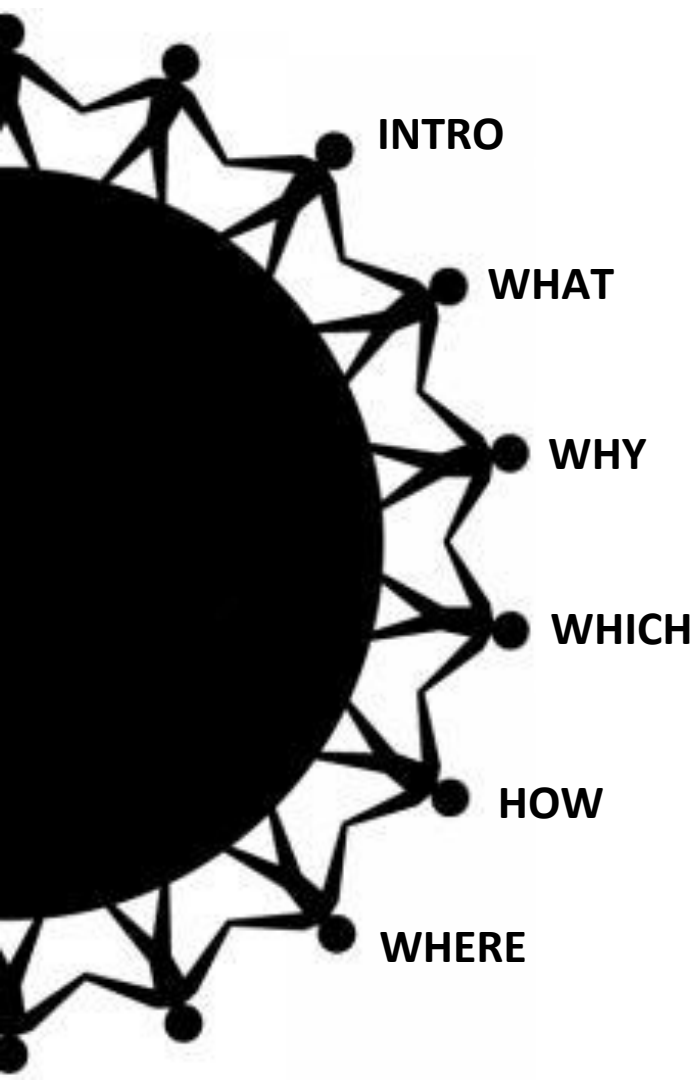




# PRODUCER COOPERATIVES:

**A TRANSACTION COST ECONOMIC APPROACH**



**INTRO**

**WHAT**

**WHY**

**WHICH**

**HOW**

**WHERE**

**AGENDA**

# why transaction cost economics?

“fertile economic theory”

Gibbons, 2005

## INTRO

WHAT

WHY

WHICH

HOW

WHERE

1  
Appropriate -  
existence,  
boundaries and  
internal  
organization of  
governance  
structures

(Foss, 1996);

2  
Used to study a  
variety of  
organizational  
phenomena

(Baker, Gibbons and  
Murphy, 2008; Oxley,  
1997; Kogut, 1988;  
Demil and Lecocq,  
2006);

3  
Focus on  
contractual  
frameworks that  
regulates  
transactions  
between buyers  
and supplier

(Williamson, 1985;  
1991).

# What is a cooperative?

## “hybrid organizational form”

Menard, 2007; Ilioupolos, 2002; Chaddad, 2012

INTRO

**WHAT**

Autonomous association

JOINTLY OWNED

Voluntarily united

*COMMON GOALS*

Democratically governed

**WHY**

**WHICH**

**HOW**

**WHERE**

## TRANSACTION COST ECONOMICS

MARKETS  
PRICE MECHANISMS

FIRMS  
AUTHORITY

HYBRIDS

BILATERAL

MULTILATERAL  
COOPERATIVES

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# Why do cooperatives exist?

“because firms are also costly”

INTRO

WHAT

**WHY**

WHICH

HOW

WHERE

## WHY DO FIRMS EXIST?

Cost in using market mechanism:

- relevant prices,
- haggling over prices,
- separate contracts for each exchange transaction.

Coase (1937)

## WHY DO CO-OPS EXIST?

Cost also in using firms (drawbacks of integration)

Centralization of activities in the POF



Decrease on individual costs

# Which transactions should cooperatives regulate?

“governance structures are tailored to meet transaction attributes”

Williamson, 1981

INTRO

WHAT

WHY

**WHICH**

HOW

WHERE

## Transaction attributes

	<b>Frequency</b> (long short)	<b>Uncertainty</b> (coordination)	<b>Asset specificity</b> (investment)
Markets	low	low	low
Firms	high	high	high
Hybrids	medium	medium	medium
Co-ops	High (no end term)	Medium-Low (size)	Medium-high (two sides)



# How are cooperatives internally organized?

“The governance mechanisms shape governance structure, and consequently their comparative costs and competencies”

Williamson, 1981



## COOPERATIVES

CONTRACTS	<p>more elastic than markets' one, but more legalistic than firms' one</p> <ul style="list-style-type: none"><li>- Vertical and horizontal relationships</li><li>- Adaptive clauses (procedures)<ul style="list-style-type: none"><li>- Delegation</li></ul></li><li>- Homogeneity (standardization- efficiency)</li></ul>
ADAPTATION Autonomous coordinated	<p>adaptations are neither strict autonomous nor coordinated</p> <p>self-interested bargaining; time to coordinate -&gt; costly</p>
INSTRUMENTS Incentives & Controls	<ul style="list-style-type: none"><li>- trade-off between the gains obtained through coordination, and the costs incurred to suppress incentives through additional controls.</li><li>- Informal controls (trust, socialization, culture, reputation).</li></ul>



# Where are cooperatives boundaries?

“a firm becomes larger as additional transactions are organized by the entrepreneurs”

Coase, 1937

INTRO

WHAT

WHY

WHICH

HOW

WHERE

## FIRM'S BOUNDARIES

costs of organizing an extra transaction within the firm

=

Costs of carrying out the same transaction through markets

(Coase, 1937)

## CO-OPS' BOUNDARIES

costs of coordinating an extra transaction **within the POF and between the members**

=

equal to the costs of carrying out the same transaction through markets or firms.

# DISCUSSION

INTRO

WHAT

WHY

WHICH

HOW

WHERE

## THEORETICAL

- Pure TCE approach to Co-ops
- Differences between bilateral and multilateral hybrids
- Make-or-buy to make-or-buy-or-cooperate

## PRACTICAL

- Elucidation of economic rational behind co-ops (enhance total market efficiency);
- Design better incentives (YC 2012)