

From Cooperatives to Collective Entrepreneurship: Theoretical Approaches and a Research Agenda

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**Why should anyone be interested
in studying cooperatives?**

Because Cooperative Scholars...

[According to my decade-long observations...]

- Live longer...
- Are happier...
- Are interesting people...

**Less funny reasons
for studying cooperatives....**

Why interested in studying co-ops?

- Important achievements
 - Food and fiber industries
 - Credit

Why interested in studying co-ops?

- Unique institutional arrangement
 - A co-op is not a co-op, is not a co-op, ...
 - Vague definition of property rights
 - Intra and inter-cooperative coordination and motivation issues

Why interested in studying co-ops?

- Collective vs. individual/ corporate entrepreneurship
 - Team issues
 - Heterogeneity of member interests
 - Size

Why interested in studying co-ops?

- Public policy issues
 - Food security
 - Market failures
 - Rural/Urban development

Currently interested in...

- The transition from traditional co-op to collective entrepreneurship

But what is a traditional cooperative?

- A defensive mechanism for safeguarding on-farm rent generation capacity

Evolution of patron-member preferences...

Investment Preference Conflicts...

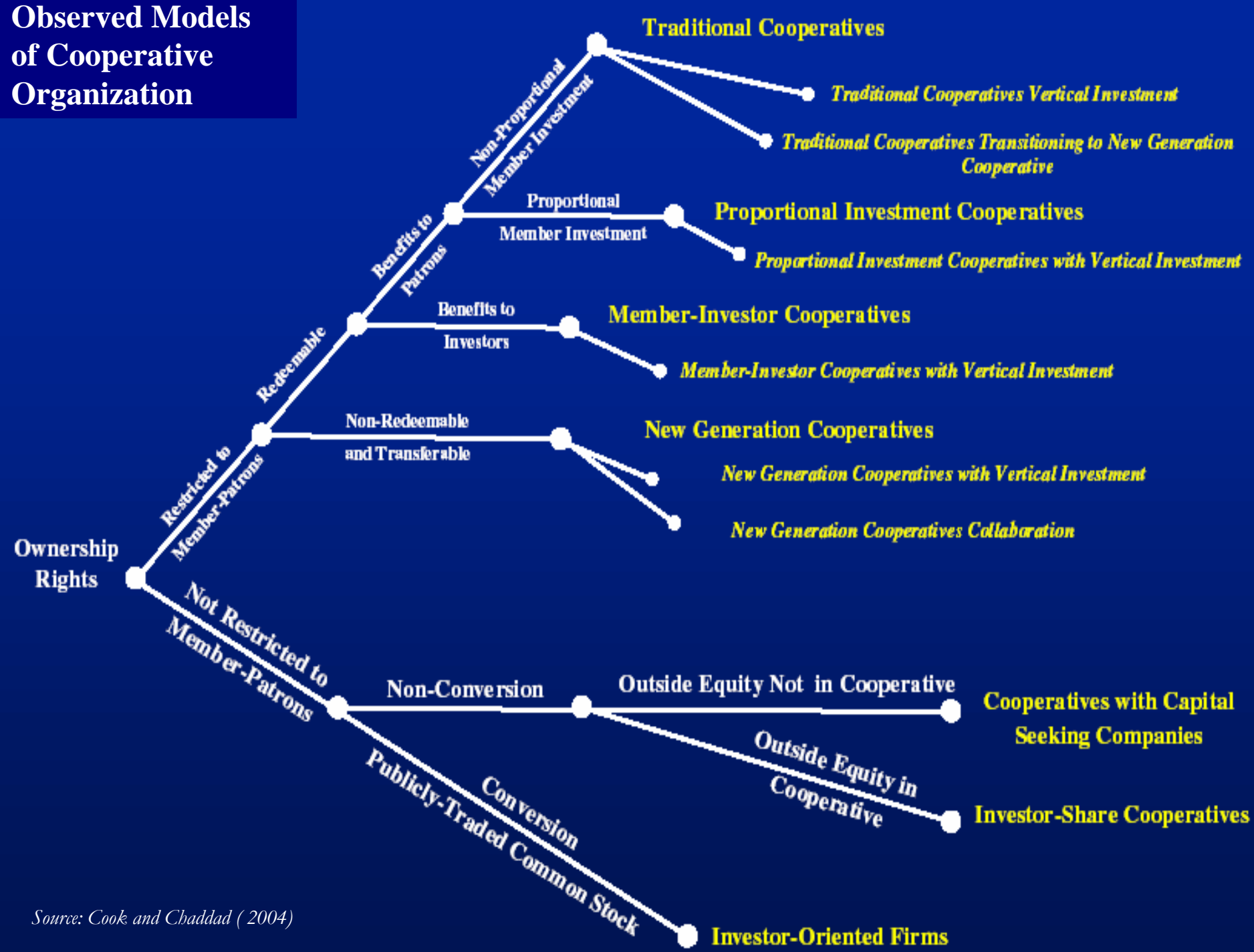
- Free Rider
- Horizon
- Portfolio

Control Constraints...

- Control
- Influence Costs

**New forms of producer-owned
organizations emerged...**

Observed Models of Cooperative Organization



Source: Cook and Chaddad (2004)

What is collective entrepreneurship?

- The joint process by which patron-investors design, finance, and incorporate a path-dependent collective action form of multiple level rent generation

**As this transition from traditional
cooperative to collective
entrepreneurship occurs several
important issues surface...**

Current Research Agenda...

- Introduce Collective Entrepreneurship into the theory of the cooperative firm?
 - e.g., Implications?
- How does Social Capital explain successful *vs.* less successful forms of collective entrepreneurship?
 - e.g., Comparative cross-country analyses
- Incentive-compatible mechanism design at the cooperative-member level?
 - e.g., Free Rider constraints in bargaining cooperatives
- Public Policy Issues?
 - e.g., Market failure *vs.* rural development justifications

Theoretical Frameworks?

Evolution of Cooperative Theory: Approaches

1940-1990	Post-1990
Extension of the farm	Co-op as a firm
Co-op as a firm	Co-op as a coalition
Coalition	Co-op as a nexus of contracts

**Theoretical Frameworks:
From Traditional to Complexity
Economics**

Five “Big Ideas” That Distinguish Complexity from Traditional Economics

	Complexity Economics	Traditional Economics
Dynamics	Open, dynamic, nonlinear systems, far from equilibrium	Closed, static, linear systems in equilibrium
Agents	Modeled individually; use inductive rules of thumb to make decisions; have incomplete information; are subject to errors and biases; learn and adapt over time	Modeled collectively; use complex deductive calculations to make decisions; have complete information; make no errors and have no biases; have no need for learning or adaptation (are already perfect)

Five “Big Ideas” That Distinguish Complexity from Traditional Economics

	Complexity Economics	Traditional Economics
Networks	Explicitly model interactions between individual agents; networks of relationships change over time	Assume agents only interact indirectly through market mechanisms (e.g., auctions)
Emergence	No distinction between micro- and macroeconomics; macro patterns are emergent result of micro-level behaviors and interactions	Micro- and macroeconomics remain separate disciplines
Evolution	The evolutionary process of differentiation, selection, and amplification provides the system with novelty and is responsible for its growth in order and complexity	No mechanism for endogenously creating novelty, or growth in order and complexity

Implications for Research on Cooperatives: *Strategy*

- A Red Queen Race/A Portfolio of Experiments
 - Portfolio constraints
 - VDPRs
 - Membership
 - Declining industries

Implications for Research on Cooperatives: Organization-1

- Co-ops as Complex Adaptive Systems...
- Why cooperatives exist?
 - Wealth Creation
 - Why?
 - Incomplete contracts
 - Hold-ups
 - Structure: Long-term cooperation
 - Collective learning
- Co-op Evolution...

Implications for Research on Cooperatives: Organization-2

- Organizations
 - Execute-today
 - Adapt-tomorrow



CONSTANT
COMPETITION



Influence Costs

Implications for Research on Cooperatives: Measurement of Performance

- What is the goal of a cooperative?
 - Grow and endure?
 - Profit-making: a constraint

Empirical Methodologies

- Case studies
- Small-sample techniques
- Latent-variable models
- Comparative methods (e.g., Boolean Algebra)

“A door like this has cracked open five or six times since we got up on our hind legs. It’s the best possible time to be alive, when everything you thought you knew is wrong.”

Tom Stoppard, *Arcadia*