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**From individual competitiveness to collective effectiveness in PDO systems
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Introduction

The goal of this article is to contribute in enlarging the notion of competitiveness beginning with a classical approach in terms of economic efficiency towards an approach centered on the notion of economic effectiveness, defined by the capacity of an organization to define pertinent objectives. To approach competition from the point of view of effectiveness, essentially two questions will be treated. The first concerns the plurality of possible objectives, while considering, with Simon (1976), that for an organization and in a given context, several objectives are possible as well as several means of reaching them. The second refers to the nature of the actors who formulate these objectives, in the case where the actor is no long an enterprise, strictly speaking, but a group of enterprises in cooperation with one another³. The question of the actors' nature takes on a particular importance in the case of delicate sectors which are most often situated in difficult zones and opt for collective promotional strategies for products differentiated by their origin.

We illustrate our subject matter by the analysis of PDO (Protected Designation of Origin) products, which are products of reserved collective designation of origin and where the use is controlled by a European regulation (ECE 2081/92). Despite the fact that it was only recently adopted, regulation 2081/92⁴ has been intensively applied during the last five years because of the interest which it represents to the concerned sectors. In France, Italy and Spain, this text is applied on the base of sometimes very dated legislation and professional practices, founded on the establishment of a link between the product and its region of origin. That's to say between the specificity of a product, local production conditions, the tradition of its practice (loyal and constant) and its reputation. The goal of this legislation is to protect the producers against deceitful use of the name by competitors outside the zone who could take advantage of the reputation of the product and its true geographical origin without having the technical and financial constraints of the original product.

The first part of this paper examines the notion of effectiveness in distinguishing it from efficiency on the level of the individual firm (§ 1.1) then on the collective level of a set of actors (§ 1.2). This first analysis allows us to show that a plurality of objectives for the organizations as well as a plurality of means to reach them can exist. The last point leads us to link together the notion of collective effectiveness to the internal resources of a set of actors, which turn out as likely to transform an environment considered, for a long time, as an exogenous given. Later on, we will present the results

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³ We use the very general notion of "set of actors"

⁴ The PDOs are defined as (***** reprendre la version anglaise du texte).

of empirical research in the case of the PDO set of actors. After showing how their internal collective resources can have a strong influence on their specific environment, and specifying the possible coordination functions that the actors can share (§ 2.1), we will distinguish four types of cooperation within the PDO set of actors. The effectiveness of these four types varies according to their capacity to formulate common objectives, according to the coherence of these objectives with the internal resources and finally according to the implementation of the coordination functions (§ 2.2).

1. From individual effectiveness to collective effectiveness

1.1 Effectiveness/Efficiency: a useful distinction in measuring the performance of firms

The notion of competitiveness was developed in industrial economy based on the concept of economic efficiency, which confronts the allocation of resources to the chosen objectives. Optimizing this efficiency allows assuring the competitiveness of enterprises on the markets. The authors⁵ distinguish the *firm* level and the *market* level. The level of the firm is analyzed by the notion of operational efficiency (which concerns the reducing of costs without effecting the gains). The "market" level is approached by *pricing efficiency*, that's to say the degree according to which the free market allocates resources and coordinates the production and commercialization according to the wishes of the consumers while optimizing the social well-being.

The question of the firms' capacity to formulate objectives is classically not approached by economy, founded on the hypothesis that the enterprises situate themselves on the same market with the same products. The firms are thus considered as having the same principal objective (maximization of profit).

In developing the *Structure-Conduct-Performance* paradigm, *organizational economics* of the 1950's had as their goal defining conditions of economic optimum and social welfare, by detecting and preventing anti-competitiveness practices such as the barriers to entry or monopolistic power. However, numerous researchers in management and organizational economics have tried to help the enterprises get around anti-trust policies in order to give to the managers' means of increasing their profits⁶. From this point of view, the strategy of the enterprise precisely consists in using its own internal resources to place itself in a favorable condition in comparison to competitors. This principle ends up in the formulation of a multiplicity of possible objectives on differentiated products and markets.

The idea of a plurality of objectives has a more fundamental origin. Economic theory has, for some decades now, acknowledged the existence of the firm, instead of treating it as a function of production and is trying to explain its appearance. We would like to insist upon the fact that this

⁵ For example, Caves R. E., 1987 and Scherer F.M., 1990

⁶ Barney (1996), in his commentary of the Structure-Conduct-Performance paradigm, considers that they upset the analytic logic as well : “Recall that the original purpose of the SCP paradigm was to isolate industries that were not maximizing social welfare, and to correct this problem. Strategy researchers have turned this objective upside down, by trying to help firms discover settings that are less than fully competitive ”

phenomenon is strongly linked to the question of the formulation of objectives. Coase's (1937) basic postulate has repercussions on the manner of considering the firm, which is studied as an organization. The firm is defined as an organism where the internal structure and the forms of relations with the exterior change with time. Considering the organization as a group of agents which have different and opposed objectives, the principle of the unique goal of the agents is implicitly questioned.

Admitting that the enterprises themselves have different objectives, it becomes legitimate to judge the performance in relation to the objectives, in addition to a cost/gain approach. This result joins two dimensions familiar to management science authors (Bouquin, 1991, Martinet, 1983): effectiveness (are the goals pertinent?) and efficiency (are the objectives achieved with a maximum economy of means?). The first corresponds to the capacity of an organization (or system) to formulate pertinent objectives, and the second is the capacity to manage the resources in a manner which minimizes the *costs* for a given output (or maximizes the output for a given cost) (Le Moigne, 1990).

If we make the assertion that the reality of the states of the world is complex and uncertain and that the capacities of information treatment of agents are limited (Simon and March, 1958), the most adequate formulation of the objectives may be considered as a component of the enterprises' performance and of their competitiveness.

This idea joins Simon's (1976) procedural rationality concept. Effectively, since there is a plurality of objectives and of combination of means to attain them, the rationality of the method of decision elaboration becomes crucial: the notion of the best solution is superceded by those of satisfying or acceptable solutions and the procedure for researching solutions takes on a large importance.

Stressing the importance of the capacities of enterprises to make a decision, Simon refocuses on the importance of the firm's internal resources. In the same sense, Barney (1996 :133) points out that the SCP paradigm has given too much weight to the environment of the enterprise : “ *However, the attractiveness of an industry cannot be evaluated independently of the unique skills and abilities that a firm brings to that industry* ”.

This position joins that of Teece (1988), who places an accent on the specific competencies of enterprises and more generally that of evolutionists (Dosi G., Teece D.J. Winter S.G., 1990), who attempt to reconcile, in a perspective of coherence, the taking into account of the internal components of competitiveness (inherited skills, path dependence, learning) and that of external components (market opportunities and selection by the environment). Otherwise, in accepting the hypothesis of procedural rationality and **satisficing**, they admit implicitly that not only a maximization profit is important, but also defining an objective and a valid manner of achieving it.

The principle of coherence, put in the foreground by the evolutionists, is commonly applied in management: consistency within each function of the enterprise (marketing mixed variables with each other, appropriate adaptation of marketing policy to the pertinent market) and between the functions of the enterprise. It corresponds to the observations of the comportment of managers, whose genuine conduct matches better the hypothesis of procedural rationality of Simon (1976) than the one of profit maximization rate.

Joining the evolutionist approach makes us specify more precisely the notion of effectiveness on two dimensions:

?? The existence of objectives following a possible plurality

?? The consistency of these objectives with mobilized internal resources.

It is advisable, in all austerity, to add here the notion of pertinence of the objectives, which rests not only on the specificity of the organization but as well on as on these particular environmental conditions, as noted by F. Philippe and L. Sauvée (1997, p. 5): “ A given organization can set varied objectives, in relation to its track-record, its socio-economic context or to competition conditions on the market place. But it should select only these objectives which can make sense and limit the uncertainty on a complex environment ”. We limit ourselves here to the first two facets.

In the PDO set of actors more particularly, one can commonly observe the coexistence of numerous small craft enterprises or industrial agricultural cooperatives, even private industry where the objective is not to maximize the rate of profit. A plurality of objectives is possible: survival, development of specific existing quality products already existing or to be created and diffused, the preservation of rural activities and the upkeep of terrain, regional development, optimization of production rights, etc.

1.2 Collective nature of the actors which formulate objectives / Collective effectiveness: the inter-firm cooperation

The idea exposed in the first part, transposed to a collective level, would be to know if several companies are able to formulate common objectives and to set up coherent actions with those objectives. We will first examine the question on a general level, and will then, in the second part, illustrate it with case studies of several PDOs.

Enterprises can have numerous interests in cooperating with each other on complementary activities (Richardson, 1972). Strategic alliances are made concrete either by agreements, rendered formal or not by commercial contracts between independent companies, or by interweaving shareholders (*Joint Venture*, acquisition of holdings, mergers-acquisitions). Barney (1996) identifies seven possible reasons to cooperate : *exploiting economies of scale, low-cost entry into new markets, low-cost entry into new industry segments and new industries, learning from competition, managing strategic uncertainty, managing costs and sharing risks, facilitating tacit collusion.*

The working out and managing of these cooperation agreements normally take place in what the neo-institutionalists have called *hybrid forms*. Those namely have the function of fighting opportunist behavior by endangering the agreement (**selection opposing**, *moral hazard, hold-up*). However, the expected decrease of transaction costs can be counterbalanced by the *governance costs*. This makes it possible to compare the different *hybrid forms* with each other. It is difficult in practice to evaluate the *assets specificity* or the *transaction and governance costs*. Barney (1996), however, points out that the creating of trust between actors allows to partially economize these *governance costs*⁷.

⁷ The emergence of trust, of course, raises an importance in literature (in particular in the game theory) which isn't the objective of this article.

This question is approached in a completely different manner by the economy of conventions. *Lewis (1969) defines conventions as behavior regularities for all the members of a population compared to a specific problem⁸. The convention can be defined as a group of information in coherence together, intended to give compatibility to the behavior of agents, in the aim of reaching the same objective for all the agents. The convention theory is a good way of explaining exchange mechanisms not exclusively competitive. The beginning point is the solution of a coordination problem. The convention supposes a choice. It exists because agents choose at the same moment and they must calculate with the choice of the others. Uncertainty limits their capacity to anticipate other agents' actions, so they prefer to adopt a procedure or a rule. Individuals agree that the convention is a framework for the action and that it's a good-way to maintain the coherence of the convention. Also, the convention evolves according to agents' choices. Most importantly is that there exists shared information on a recursive generalization of behavior in an uncertain situation to permit the existence of a convention.*

This hypothesis is interesting because it comes about to understand how the actors are driven to apply rules which are likely to bring them a common advantage. Otherwise, the question emerging from the convention remains posed. It is understood, indeed, that numerous reasons could explain why the actors have an interest in cooperating. In the case of the PDO set of actors, for example, this cooperation could be misled by harsh constraints, often linked to their environment:

- ?? Increased production costs, notably linked to geographical condition of disadvantaged and enclosed regions.
- ?? Defense against imitations.
- ?? Increased barriers to exit (strong specificity of technological and human strengths).
- ?? Irreversibility.
- ?? Very strong recurrence of transactions (daily in many cases).

Nonetheless, even if the reasons for which the enterprises are interested in cooperating are identified, the reality often contradicts the analysis. In certain cases, for example, we noticed that cooperation might not happen, even if the **discounted economy of means** is strong: the necessary conditions for the agreement to work out are not always united, often for internal reasons in the affiliate. On the contrary, in other cases, a cooperation is produced, even if the economy of means is shown to be marginal. A complete and convincing explanation of the dynamism of conventions (birth, develop, rejection) still remains to be given.

Having admitted in the hypothesis that the objectives and conduct of the actors are practicable, we must, in the rest of the text,

1. Show in what the internal collective resources influence the environment. Just as, for an enterprise individually taken, our analysis of effectiveness has allowed to place, following the example of the evolutionists, an accent on these resources and internal competencies, we will

⁸ Agents comply with five conditions: each one refers to convention, each one anticipates that others comply with it, each one prefers a general agreement, there exists at least another alternative regularity, these four conditions are “common knowledge”.

apply the same procedures in that which concerns the analysis of the effectiveness of the set of actors, in examining the manner where the internal resources mobilized by cooperation allow them to have an influence on their environment.

2. Show that the effectiveness of the PDO set of actors will be able to vary as well in function of a formulation of different types of objectives, as well as the coherence between equally different means and objectives.