



# **“NON-GM” LABELS AND POULTRY INDUSTRY GOVERNANCE: INSIGHTS FROM COMPETING THEORIES**

**Alghero- Sardinia**

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## Main purpose

- ❑ Test the degree of empirical support of two main approaches dealing with governance modes: TCA vs RCA.
- ❑ Application to the case of “non-GM” labeling within the poultry supply chain in France and Italy :
  - From the beginning of 2000, this labeling was introduced in both countries by some retailers and national brand processors as a response to a negative perception on genetically modified organisms (GMOs) of a large segment of EU population.

# Outline





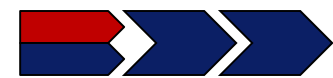
## TCA vs RCA: What about them?

### TCA: Dominating literature since 40 years

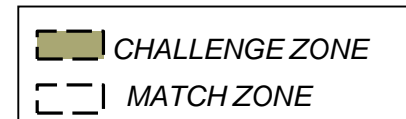
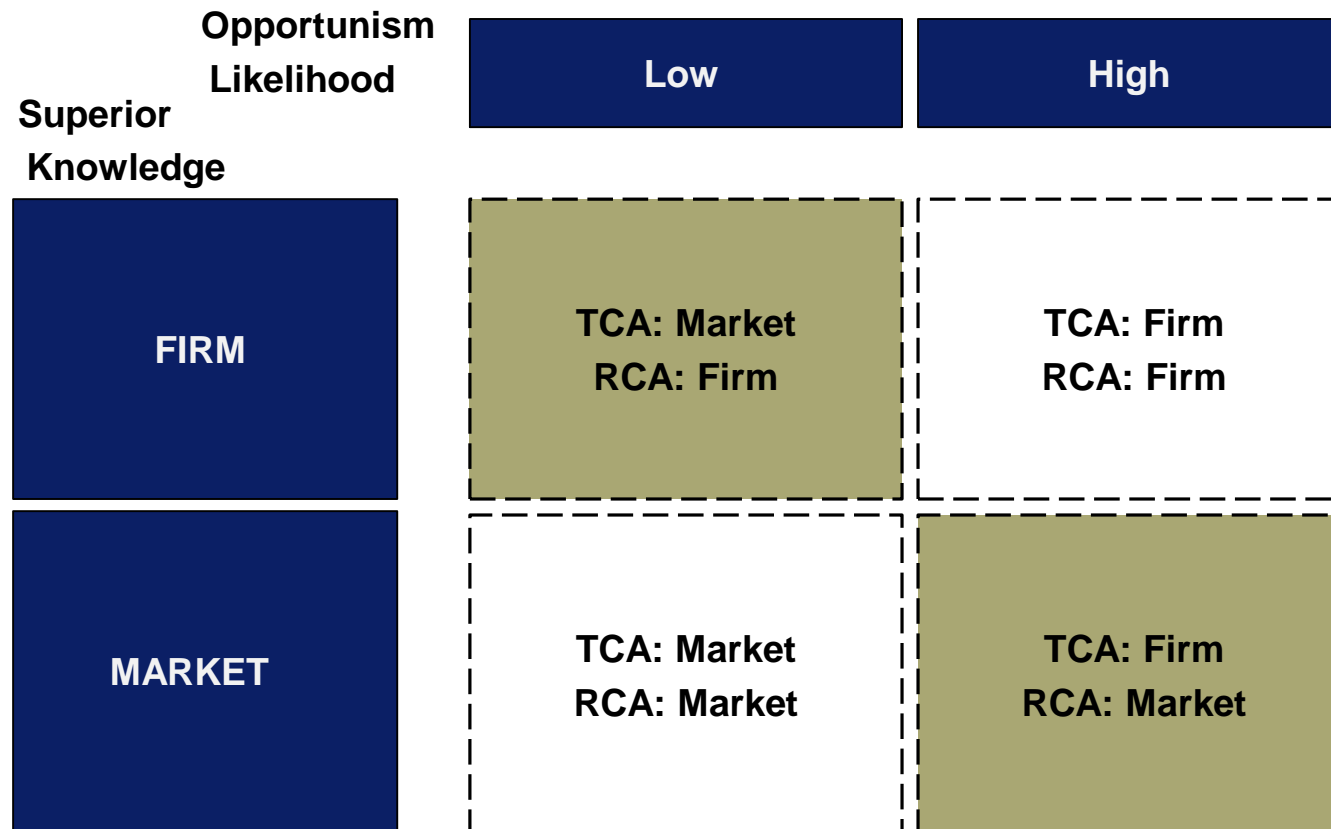
- |   |   |  |
|---|---|--|
| ▶ Governance are correlated to the level of Transaction Costs | ▶ 3 dimensions: <ul style="list-style-type: none"><li>▶ Specificity</li><li>▶ Uncertainty-Opportunism</li><li>▶ Frequency</li></ul> | ▶ « Discrete alignment principle »;<br>▶ « Economizing »;<br>▶ “Avoider of negative”<br>▶ Facing high specificity, uncertainty, and frequency transaction, vertical integration should be adopted; |
|---|---|--|
- ▶ **Tests mainly study correlation between independent variables representing transaction attributes and dependent variables representing the generic form chosen.**

### RCA: A strong challenger

- |  |  |   |
|--|--|---|
| ▶ A theory of competitive advantage, multiplicity of approaches; | ▶ Main dimensions: <ul style="list-style-type: none"><li>▶ Strategic aspect;</li><li>▶ Differential competencies</li><li>▶ Complementarity</li></ul> | ▶ No clear principle<br>▶ “Strategizing”<br>▶ “Creator of Positive” |
|--|--|---|
- ▶ **No unified framework and predictions, variety of dimensions tested (i.e Differential capabilities...)**



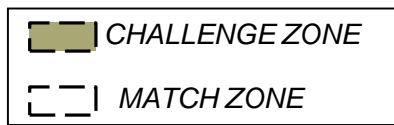
# Conner & Prahalad (1999) offer a comparative model that has often been used through empirical literature





# Our Model is an Extended Frame that brings further insights to the two approaches

		Specificity/ Opportunism		Low		Intermediate		High	
				TCA	RCA	TCA	RCA	TCA	RCA
<b>Potential</b> Superior Knowledge	<b>FIRM</b>	YES	Market	VI VI (if the supplier is really unifficient)	Tighter Contractual Agreement	VI VI (if the supplier is really unifficient)	VI		
		NO							
<b>SUPPLIER</b>	<b>Strategic</b>	NO	Market	Supplier	Tighter Contractual Agreement	Supplier	VI	Supplier	
		YES							
		Very	Market	Acquisition or Internal Development	Tighter Contractual Agreement	Acquisition or Internal Development	VI	Acquisition or Internal Development	



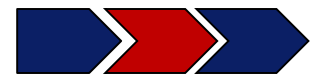


# Trade-off between Market and Firm is insufficient. Various contractual properties can classify governance modes

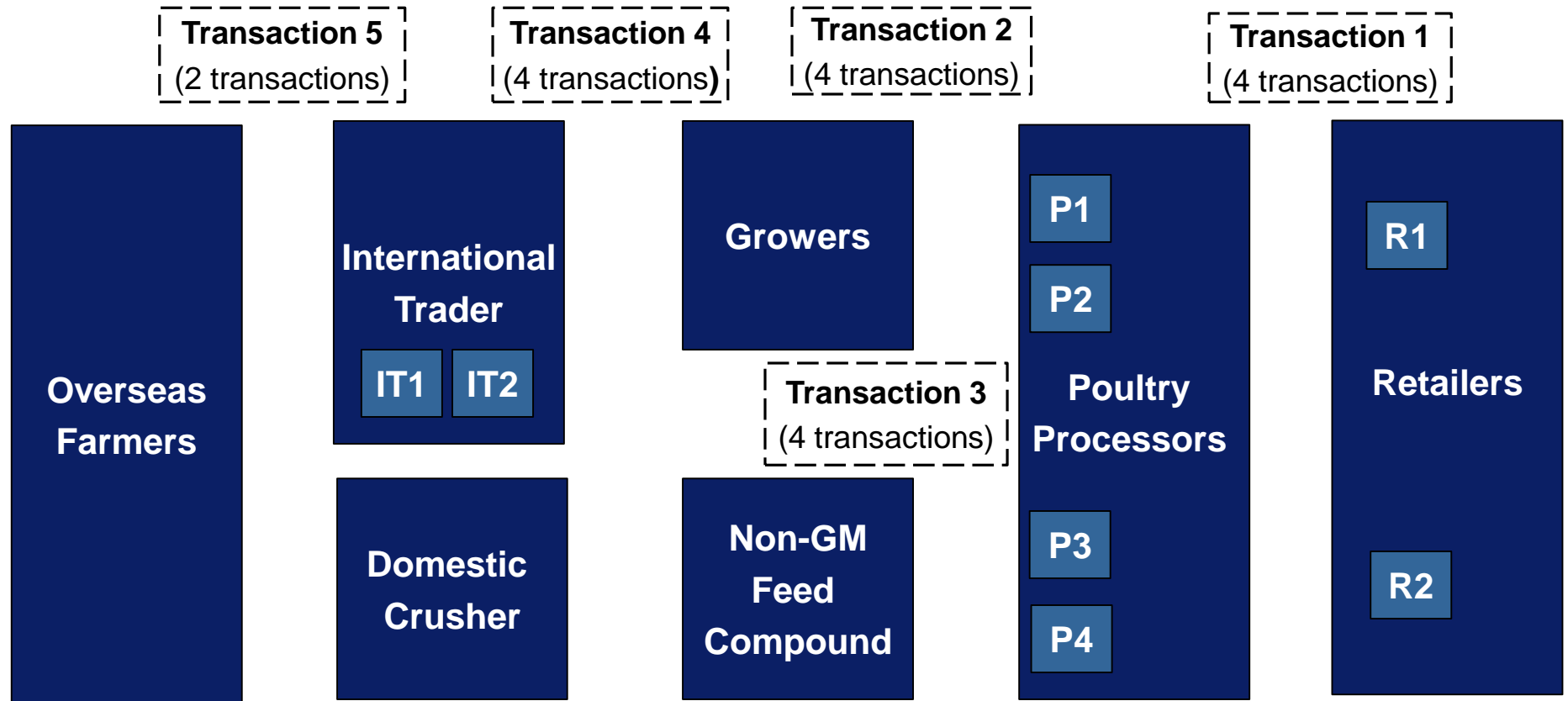
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<b>Formation</b>	<b>Ownership</b> Equity
	<b>Temporal adhesion mode</b> <ul style="list-style-type: none"><li>- Duration</li><li>- Frequency</li><li>- Renewal mode</li></ul>
<b>Functioning</b>	<b>Collaboration</b> <ul style="list-style-type: none"><li>- Strategical</li><li>- Organizational</li><li>- Operational</li><li>- Contract clause adjustment</li></ul>
<b>Supervision</b>	<b>Monitoring and conflict resolution</b> <ul style="list-style-type: none"><li>- Monitoring</li><li>- Conflict resolution</li></ul>

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# Supply Chain & Research Protocol



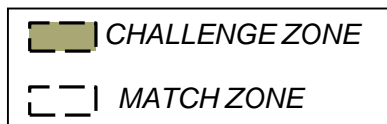
- ▶ A total of 5 transactions studied in France and Italy. 8 entities have been interviewed in France and Italy, focusing on 18 transactional situations that represent a large part of the non-GM market
- ▶ In-depth qualitative interviews with supply chain managers or CEO to understand the drivers of boundary changes.

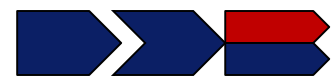




For the 18 transactional situations: 9 are located in “Match Zones”, 4 show stronger transactional drivers and 5 stronger RCA drivers

Potential Superior Knowledge		Specificity/ Opportunism	Low		Intermediate		High	
			TCA	RCA	TCA	RCA	TCA	RCA
FIRM	Strategic	YES	Market	VI	T2 Contractual Agreement	T3 VI (if the supplier is really unifficient)	VI	
		NO		VI (if the supplier is really unifficient)				
SUPPLIER	Strategic	NO	Market	Supplier	Tighter Contractual Agreement	Supplier	VI	Supplier
		YES			T1 T5 T4(P1,P2,P4)			
		Very	Market	Acquisition or Internal Development	Tighter Contractual Agreement	Acquisition or Development T4(P2)	VI	Acquisition or Internal Development





## Illustrations

### Transaction 1: Retailers/Processors

- ▶ Retailers usually got more involved with the processors when launching non-GM and then went back into a less close relationship (particularly for those that co-built the supply chain)
- ▶ Situation shows an increase in specificity related to technical requirements and a greater need for evaluation
- ▶ Non-GM was considered strategic and retailers considered processors could help them put in place the required knowledge

**Match Zone**

### Transaction 3: Processor/FeedCompound

- ▶ Feed compound was already vertically integrated at the moment non-GM was introduced (except for P3)
- ▶ Specificity is intermediate, tighter contractual agreements would have been sufficient
- ▶ Feed compound is considered strategic, all considered having the possibility to develop superior knowledge except P3 that decided to acquire a company possessing that know-how.

**Challenge Zone**

## Conclusions

- ❑ In Italy and France, non-GM labeling impacted all the supply chain, resulting into more « vertical integration like » forms that tend to decrease once the know-how stabilizes
- ❑ Theories compete in some areas and there is a need for both approaches to better cover the drivers of governance forms
- ❑ Theoretical conceptualization is still to be improved

# Transaction 1: Retailer//Processors



	R1 - P1		R1 - P2		R3 - P3		R3 - P4	
	Non GM launch	Actually	Non GM launch	Actually	Non GM launch	Actually	Non GM launch	Actually
<b>Contract</b>								
<i>Market like =&gt; Vertical Integration like</i>								
Equity (No => Yes)								
<b>Temporal adhesion mode</b>								
- Duration (short term => Long term)	*****	**	*****	*****	*****	*****	*****	*****
- Frequency (spot => recurrent)	*****	**	*****	*****	*****	*****	*****	*****
- Renewal mode (renegotiate)	***	***	**	**	***	***	***	***
<b>Collaboration</b>								
- Strategic (No => Yes)	*		*		*			
- Organizational (No => Yes)	*****		**		*****			
- Operational (No => Yes)	*****	*****	*****	*****	*****	*****	**	**
- Contract clause adjustment	***		*	*	***	***	***	***
<b>Monitoring and conflict resolution</b>								
- Monitoring (No => Yes)	*****	*****	*****	*****	*****	*****	*****	*****
- Conflict resolution (court)	*****	*****	*****	*****	*****	*****	*****	*****
<b>TCA</b>								
<b>Specificity</b>								
- Physical								
- Human	=>				=>			
- Intangible	=>	=>			=>	=>	=>	=>
<b>Opportunism</b>								
- Evaluation	=>	=>	=>	=>	=>	=>	=>	=>
- Replaceability	=>		=>		=>		=>	
- Misbehavior	=>	=>	=>	=>	=>	=>	=>	=>
<b>Uncertainty</b>								
- Demand		=>		=>		=>		=>
- Volume	=>	=>	=>	=>	=>	=>	=>	=>
- Price		=>		=>		=>		=>
<b>RCA</b>								
- Strategic	=>	=>	=>	=>	=>	=>		
- Superior knowledge								
- Knowledge accelerator	=>		=>	=>	=>			
- Complementarity								

# Transaction 2: Processors//Growers



	P1/P3/P4 - G		P2 - G	
	Launch	Actual	Launch	Actual
<b>Market like =&gt; Vertical Integration li</b>				
Equity (No => Yes)	(*P3)	(*P3)		
<b>Temporal adhesion mode</b>				
- Duration (short term => Long term)	*****	*****	*****	*****
- Frequency (spot => recurrent)	*****	*****	*****	*****
- Renewal mode (renegotiated => ta	*****	*****	*****	*****
<b>Collaboration</b>				
- Strategic (No => Yes)			*****	*****
- Organizational (No => Yes)	*	*	*****	*****
- Operational (No => Yes)	*****	*****	*****	*****
- Contract clause adjustment (No =>	*	*	*	*
<b>Monitoring and conflict resolution</b>				
- Monitoring (No => Yes)	*****	*****	*****	*****
- Conflict resolution (court => intern	*****	*****	*****	*****
<b>TCA</b>				
<b>Specificity</b>				
- Physical				
- Human	=>		=>	
- Intangible	=> (P3)	=> (P3)	=>	=>
<b>Opportunism</b>				
- Evaluation	=>	=>	=>	=>
- Replaceability				
- Misbehavior	=>	=>	=>	=>
<b>Uncertainty</b>				
- Demand				
- Volume	=>	=>	=>	=>
- Price		=>		=>
<b>RCA</b>				
- Strategic	=>	=>	=>	=>
- Superior knowledge	=>	=>	=>	=>
- Knowledge accelerator				
- Complementarity				

# Transaction 3: Processors/Feed Compound



Contract	Launch	Actual	Launch	Actual	Launch	Actual	Launch	Actual	
<b>Market like =&gt; Vertical Integration like</b>									
Equity (No => Yes)	****	****		****	*	****	****	****	
<b>Temporal adhesion mode</b>	FULLY INTEGRATED	FULLY INTEGRATED							
- Duration (short term => Long term)			** ** *						
- Frequency (spot => recurrent)			** ** *						
- Renewal mode (renegotiated => t			** *						
<b>Collaboration</b>	FULLY INTEGRATED	FULLY INTEGRATED							
- Strategical (No => Yes)			** *						
- Organizational (No => Yes)			** *						
- Operational (No => Yes)			** ** *						
- Contract clause adjustment (No =>			* ** ** *						
<b>Monitoring and conflict resolution</b>	FULLY INTEGRATED	FULLY INTEGRATED							
- Monitoring (No => Yes)			** ** *						
- Conflict resolution (court => intern			** ** *						
<b>TCA</b>									
<b>Specificity</b>									
- Physical									
- Human									
- Intangible									
<b>Opportunism</b>									
- Evaluation	=>	=>	=>	=>	=>	=>	=>	=>	
- Replaceability					=>				
- Misbehavior			=>	=>	=>	=>			
<b>Uncertainty</b>									
- Demand		=>				=>		=>	
- Volume		=>				=>		=>	
- Price		=>				=>		=>	
<b>RCA</b>									
- Strategic	=>	=>	=>	=>	=>	=>	=>	=>	
- Superior knowledge	=>	=>		=>			=>	=>	
- Knowledge accelerator	=>		=>		=>		=>		
- Complementarity	=>	=>	=>	=>			=>	=>	

# Transaction 4: International Traders//Processors



	R1 - P1		R1 - P2		R3 - P3		R3 - P4	
	Non GM launch	Actually	Non GM launch	Actually	Non GM launch	Actually	Non GM launch	Actually
<b>Contract</b>								
<i>Market like =&gt; Vertical Integration like</i>								
Equity (No => Yes)								
<b>Temporal adhesion mode</b>								
- Duration (short term => Long	*****	**	*****	*****	*****	*****	*****	*****
- Frequency (spot => recurrent	*****	**	*****	*****	*****	*****	*****	*****
- Renewal mode (renegotiate	***	***	**	**	***	***	***	***
<b>Collaboration</b>								
- Strategic (No => Yes)	*		*		*			
- Organizational (No => Yes)	*****		**		*****			
- Operational (No => Yes)	*****	*****	*****	*****	*****	*****	**	**
- Contract clause adjustment	***		*	*	***	***	***	***
<b>Monitoring and conflict resolution</b>								
- Monitoring (No => Yes)	*****	*****	*****	*****	*****	*****	*****	*****
- Conflict resolution (court =	*****	*****	*****	*****	*****	*****	*****	*****
<b>TCA</b>								
<b>Specificity</b>								
- Physical								
- Human	=>				=>			
- Intangible	=>	=>			=>	=>	=>	=>
<b>Opportunism</b>								
- Evaluation	=>	=>	=>	=>	=>	=>	=>	=>
- Replaceability	=>		=>		=>		=>	
- Misbehavior	=>	=>	=>	=>	=>	=>	=>	=>
<b>Uncertainty</b>								
- Demand		=>		=>		=>		=>
- Volume	=>	=>	=>	=>	=>	=>	=>	=>
- Price		=>		=>		=>		=>
<b>RCA</b>								
- Strategic	=>	=>	=>	=>	=>	=>		
- Superior knowledge								
- Knowledge accelerator	=>		=>	=>	=>			
- Complementarity								