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Strategic Alliances: Challenges and Limits for Agri-Food Co-operatives

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The development of inter-firm alliances¹ has engendered a wealth of theoretical and empirical studies over the last two decades. Those studies show that partnership strategies are part of a generalised pattern of behaviour by firms serving a range of purposes: lower transaction costs or agency costs, an enhanced portfolio of skills and resources, an improved competitive position, etc.

Although such agreements are an old-established practice, inter-firm co-operation really took off in the 1980s. In contrast with the preceding period they were long-term commitments by firms with major strategic and competitive implications (sharing know-how and skills, search for competitive advantage, etc.) and contributed to a thoroughgoing transformation of organisations. Most studies looked at large multinational firms but some showed that small and medium enterprises (SMEs) were no strangers to this dynamic which affected most sectors of activity.

There are few studies of this issue specific to the agrifood sector. Considerations of partnership arrangements deal mostly with vertical relations and the challenges they involve (relations with retailers, quality and food-chain management). Nevertheless horizontal alliances are recurrent and significant practices in this industry, representing 16 per cent of restructuring operations in the 1990s in France for example (Guillouzo et al., 1999).

Current changes in the agrifood industry (liberalisation of agricultural trade, CAP reform, slow growth or even stagnation of demand, qualitative changes in consumer attitudes, demographic factors, retail-sector concentration, etc.) question the ability of agro-food co-operatives to adapt to new challenges and to define new market strategies for confronting stronger competition on domestic, European and world markets. Strategic alliances are assumed to play an ever greater role in supporting the development of agro-food co-operatives but few in-depth analyses have been conducted to date. This is acknowledged to be a prime way to ensure the continued existence of these organisations when they reach their final stage of development (Cook, 1995). It is also a way to consolidate their financial position, to concentrate supply up-line in the food chain (co-operative federations, joint subsidiaries) or to promote the development of processing activities (commercial subsidiaries) (Nilsson, 1998).

Discussing the Dutch case, Van Dijk and Mackel (1991) argue that partnership strategies among co-operatives and with conventional firms are the way forward in the current economic context particularly in the realms of R&D, product development and production. Hackman and Cook (1998) suggest such strategies are amply warranted when it comes to developing commercial outlets and setting up globalisation strategies. Evidence is also adduced for their value in R&D (King, 1995).

In the French case, Mauget and Hamon (1994) have examined the challenges of partnership arrangements between agricultural co-operatives and investor-owned-firms (IOFs).

¹ An alliance is defined as a cooperation agreement between two or more competing or potentially competing firms which contract to carry out a joint project while maintaining their legal and strategic independence. An alliance is a lasting commitment involving the pooling of certain skills and resources, coordinated behavior by the partners and a share-out of the profits or losses.

Other authors are more critical. Dobson (1992), investigating joint-venture practices in the U.S. dairy industry, argues this is not a viable long-term instrument. He presents alliances as an alternative to merger operations where cultural hurdles are to be overcome. This is a conclusion shared in the case of cereal co-operatives by Fulton et al. (1996), who also emphasise the role of the individuals involved, and by Reynolds (1995) (cited in Fulton et al., 1996), who sees alliances as stepping stones towards mergers.

Federations of co-operatives (second tier co-operative partnerships) also elicit reservations emphasising cultural and economic obstacles (e.g. Foxall, 1981; Nilsson, 1994; Kyriakopoulos and Van Bekkum, 1999).

Lastly, this issue regularly arises in European Commission regulation drafting proceedings to find a legal standing for European co-operative companies (Galle, 1997).

This paper presents a synthesis of the findings of a series of studies analysing the practices of alliances in food processing co-operatives in western France² in the 1990s. An exhaustive collection of more than 130 agreements has been carefully studied on the basis of interviews with management of the co-operatives involved (Ruffio et al., 2001; Perrot et al., 2002; Ruffio, 2004). The aim is to contribute to the debate about the relevance of such strategies in a complex environment.

The paper is subdivided into four sections.

- Section 1 reviews the diversity of theoretical frameworks within which alliances are analysed and shows the need to compare and contrast different approaches.
- Section 2 argues these strategies are more commonly employed by co-operatives than by IOFs. We use the portfolio concept to show they contribute differently to the expansion of co-operatives. Some co-operatives develop through an active and determined partnership policy while others consider alliances to be ancillary tools.
- Section 3 compares the main features of alliances among farming co-operatives with those of food-processing IOFs. It identifies these features as solidarity, proximity, parity and polarity.
- The final section discusses the limitations and consequences of alliance strategies for the design and governance of co-operative organisations.

1. The theoretical framework

Three main strands appear in theoretical analyses of agreements depending on whether they view inter-firm partnerships as:

- a way to make savings on coordination costs,
- a way to exploit assets owned and to tap into new skills or resources,
- a strategic manoeuvre to secure market power.

Agreements and coordination costs

Williamson's (1985) transaction cost theory is doubtless the richest source on the determinants of inter-firm partnerships. It looks into market imperfections and justifies vertical integration operations through the occurrence of high transaction costs.

² France's leading region in animal production and food industry. The bulk of output is delivered to more than 250 co-operatives with over 40,000 employees and turnover in excess of €18 billion.

Agreements are a half-way house between the market and the firm. In this perspective, transaction cost theory is *a priori* a relevant way to justify the emergence of intermediate organisational forms in preference to recourse to the market or to integration of the activity within a hierarchical organisation.

Compared with a purely market relationship, a partnership can reduce uncertainty and can squeeze transaction costs by replacing recurring contracts with a long-term agreement.

Agency theory is complementary to transaction cost theory. It analyses inter-firm relations and seeks to determine what form of organisation will minimise agency costs. The partnership combines both of these theories and emerges as the structure which optimises coordination costs, i.e. transaction costs and agency costs.

These theories propose a relevant framework for explaining why firms should prefer forms of partnership rather than resort to the market or to in-sourcing in a situation of uncertainty and of risks of opportunistic behaviour. However, they are confined to an allocative view of resources on the basis of contractual exchanges and have certain limitations. Cost criteria alone cannot explain the complexity of existing forms of governance.

Agreements and acquisition of skills and resources

The more recent and more innovative studies of skills and resources share the specific asset concept with transaction cost theory but clearly fit into a dynamic perspective. They refer to resources theory, which analyses firms as a collection of physical and immaterial and human resources.

Authors who refer to the skills and resources model to analyse agreements generally work within an evolutionist or neo-Schumpeterian framework where each firm has its own technological heritage and follows its specific pathway. They observe the crucial role of the learning process in acquiring skills and base the firm's growth on making the most of existing resources and developing new ones.

Partnerships provide a suitable framework for combining tacit and complementary resources (Hennart, 1988) and facilitate the acquisition and exchange of skills (Kogut, 1988) insofar as repeated and personalised interaction among partners reinforces their learning capacities. Partnerships also help to create new skills, particularly through R&D agreements.

Agreements are therefore an intelligent way of using available resources (Hamel and Prahalad, 1994) and help to enhance firms' skill portfolios. The skills and resources model is therefore very well suited for explaining the complementarities implemented in inter-industry agreements.

However, it fails to provide an adequate explanation when it comes to patterns of agreements among firms cooperating in segments where they are currently or potentially in competition. Their motivation is then often a matter of market power.

Agreements and market power

While both the preceding approaches refer implicitly to a concern for consolidating or acquiring a competitive advantage based on an attempt to minimise costs or to enhance assets

in hand, they fail to take account of strategies adopted by firms to exert a direct influence on market structure dynamics.

A third category of studies situates partnership agreements quite explicitly in terms of competitive interaction. This research views the firm as a competitor on the market and in a perspective of 'struggle-co-operation' or 'co-ompetition'. This viewpoint is that much more relevant because virtually all studies of inter-firm alliances establish a connection between the development of agreements and the change in the rules and mechanisms of competition, with partnerships constituting a particularly effective instrument in firms' competitive strategies.

Jacquemin (1987) analyses the way rivalry among partners is expressed and draws up a list of aggressive intentions which may show themselves: intention to get hold of maximum information, to poach certain key resources, to benefit from an accelerated learning process so as to catch up with or overtake a partner, blackmail to shift coalitions, etc.

However, agreements may also help to improve the position of all partners as with R&D, say, where partnerships can help to maintain or even consolidate the position of leading firms in the race to innovate.

These approaches clearly show that rivalry among firms does not vanish with the formation of partnerships and they provide insights into the relatively high failure rate of agreements. They are particularly suited to the analysis of alliances between competitors which involve an ongoing trial of strength.

This overview of the main theoretical frameworks for inter-firm agreements shows that the various approaches are complementary rather than contradictory and attests there is not yet a unified framework for interpreting these practices. While each theoretical corpus aspires to explain inter-firm partnerships in their entirety, it can only be observed that no single approach taken in isolation is able to justify all categories of agreements. This is why, in the following analysis, we employ these various tools indiscriminately.

2. A common practice for agricultural co-operatives

The study of western France and the analysis of the historical development of a few large co-operative groups in France (e.g. Sodiaal) show that strategic alliances closely structure the course of development of agricultural co-operatives, which have undeniably acquired experience in this domain. The number of alliances ranged from 3 to 25 for the various co-operatives over the study period.

Whereas 20 per cent of restructuring operations in French industry come within the category of alliances and this figure is of the same order of magnitude (16 per cent) for the food processing industry, it reaches nearly 40% in the specific case of co-operatives in Brittany.³ Moreover, professionals in French co-operative circles have long encouraged such initiatives and regularly proclaim their success in the media.

³ In the 10-year period 1990–1999, 127 restructuring operations were counted in Brittany co-operatives, 54 of which were alliances (43 per cent) (source: Annual reports on business restructuring, Brittany Regional Chamber of Agriculture).

The multiplication of alliances confirms the development of genuine alliance strategies in co-operatives. Agreements entered into by firms are not independent of each other but are the material expression of management decisions which can usefully be viewed as a strategic whole.

Review of the alliance portfolios⁴ of the 20 leading co-operatives in western France shows how alliances contribute differently to the development strategy of co-operatives (Perrot et al., 2002).⁵

1 – For some co-operatives alliances are *an opportunistic and ad hoc practice* and are only a marginal instrument in their strategy. Agreements are a ‘second tier’ strategy and are not evidence of a predetermined approach. They merely provide an *ad hoc* solution to a specific problem (disengagement, optimisation of an industrial tool or brand development). These practices are therefore adopted by firms anxious to retain control of their development potential themselves.

Alliances are not categorically rejected *per se*. They may be strategic opportunities or quick-fix solutions to achieve certain ends. When they do conclude alliances, such co-operatives usually avoid balanced bilateral relations. By promoting a large degree of complementarity of resources, they engage their partners on a course towards asymmetric power relations (reflecting their respective economic positions).

2 – Other co-operatives practise alliances to engage in *strategies of concentration on traditional activities* to maintain a critical size in the face of ever more intense competition. Portfolio composition reflects a concern for clustering and solidarity among co-operatives fighting for their survival. These portfolios are put together as part of a merger rationale and are more to do with the implementation of somewhat defensive strategies concerning all of the co-operative activities involved.

The approach relies on proximity partnerships as part of a logic of a gradual coalescence. Under these circumstances it is hardly surprising to see the portfolios typically contain agreements between geographically close co-operatives and focus on up-stream functions as a first step towards broader and closer co-operation. This type of portfolio may reflect a transitional stage pending subsequent mergers.

3 – For other co-operatives, alliances principally reflect *a movement to reinforce a line of activity*. They seek to achieve a critical mass and to cut costs, with the assets grouped being complementary or similar.

As before, partnerships are forged mainly with other co-operatives and have an essentially regional dimension. The predominant legal form is the joint venture, although there is a non-negligible proportion of second tier co-operatives. However, although the agreements generally cover the entire value chain, unlike the previous category, they only cover one of the co-operative’s activity.

⁴ The alliance portfolio is defined as a set of agreements forged by a firm over a period of time. This concept emerged with the development of modern finance (papers by Markowitz in the 1950s) and has recently been extended to the spheres of technology and skills.

⁵ These studies were based on multivariate analysis (principal components analysis, cluster analysis).

4 – In other cases alliance strategies are aimed at *lateral diversification* developed from a basic business, often with investor-owned firms. The aim is generally to consolidate their core business while seizing any opportunities for synergies on the basis of complementarity partnerships. In almost half of the cases identified these partnerships go along with material investment, reflecting an intention to make a lasting commitment and to extend or update the production tool.

5 – The final group of co-operatives practices a *predetermined and active policy of 'contractual' growth* (core strategy) on the basis of partnerships which are diverse in terms of their activity, geographical dimension and partners.

These businesses have very extensive agreement portfolios which are fully engaged in the development of the firm's industrial activities and become inseparable from it over time. These firms have therefore given precedence to this development lever over other forms of restructuring and conduct a very active policy of alliances, which largely conditions the development potential of their industrial activities. This is generally the means they have chosen to ensure their activities have an impact, as they grow, at local, regional, then national and possibly international level.

Over the course of time these portfolios structure a good part of the firm's industrial and commercial assets (shared industrial tools, collective brands). They then become relatively complex to manage and are increasingly 'integrators' of the different activities of different partners. They inevitably end up raising questions about the control and command of these different partnerships.

These different types of alliance portfolio reflect differences in behaviour between co-operatives but there is the question of whether their partnership practices are not the expression of a course of development that is specific to user oriented organisations.

3. Characteristics and specific features of alliances in co-operatives

Having limited resources of their own, co-operatives resort widely to alliances to adapt to the new competitive context and ensure their development. Alliances allow them to optimise the management of their assets, to avail themselves of additional capacities and competencies and to save on costs by streamlining assets and restructuring some activities.

However, comparison with the food industry generally (Guillouzo et al. 1999) allows us to emphasise certain specific features of co-operative practices which we summarise under the four themes below.

Solidarity

The significance of restructuring agreements compared with other industrial sectors reflects a logic of 'solidarity' expressing the partners' ambition to find collective solutions to save, maintain or protect activities by pooling resources. Many agreements aim to organise certain activities or to structure the food chain out of concern to ensure the future of certain hard-hit local activities but also to set up entry barriers or to effect a gradual disengagement from certain doomed sectors.

Under these circumstances, the partnership approach often seeks to preclude any sudden upheavals in the economic environment.⁶ It shows the ambition to proceed by gradual, negotiated steps safeguarding the interests of the different partners in these activities (farmers, employees, etc.) and of local communities. However, this way of doing things may only retard inevitable change or delay the process of becoming aware of the situation while effecting sub-optimal allocation of resources which may be even more detrimental in the long term.

Proximity

This is certainly one of the most obvious and most explicit characteristics of alliances practised by co-operatives. Agreements are frequent among regional actors whether other co-operatives or non-co-operative firms.

Whereas French firms (of all types) in more than half of cases look for a foreign partner, co-operatives very largely favour local partnerships in that, in our sample, 50 per cent of their allies are based in western France (table 1). The concepts of proximity and territorial competency which are basic to their mission seem to influence co-operatives' alliance-forming behaviour.

The concept of proximity recurs also in the type of partners favoured, as 57 per cent of alliances are exclusively among co-operatives.

Partner nationality (%)	Food industry (except beverages)	Co-operatives in western France
France (including western France)	42.3	79.1 (50.0)
Europe	31.2	17.2
Asia	15.9	0.7
North America	5.3	-
South America	3.7	1.5
Africa	1.6	1.5
Total	100 (n=189)	100 (n=134)

Source: Perrot et al. (2002)

Alliances are largely governed by co-operatives' concern to control their economic environment and organise the concerted development of their activities. The density of co-operatives and SMEs⁷ around them in western France is one of the main factors behind this regional logic.⁸ However, there are also historical and cultural reasons for this and it would be worth examining, on a case by case basis, the impact of the relational networks of leaders, of public institutions involvement, or even the role of financial partners (e.g. the *Crédit Agricole* co-operative bank has been crucial in developing and structuring French agriculture).

⁶ The meat industry (e.g. poultry recently) is a good example in western France where co-operatives have often joined forces to effect drastic industrial restructuring.

⁷ Some 58 per cent of co-operatives' partners in the study sample are SMEs, 72 per cent of which are IOFs.

⁸ French co-operatives are subject to the principle of territoriality, requiring them to operate within a given geographical area.

This proximity, while providing undeniable advantages, is liable to induce somewhat negative effects by limiting partners' scope for freedom and their capacities to adapt to a changing environment.

Parity

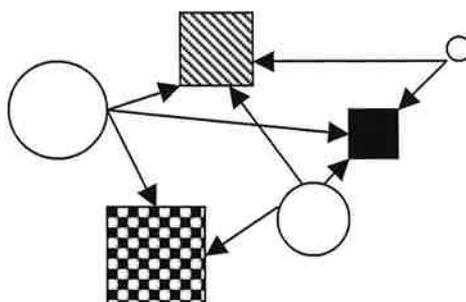
Many bilateral or multilateral alliances⁹ involve relations on an equal footing between partners, which is the sign that co-operative principles have been extended to alliances. While it is accepted that such alliances may pave the way for subsequent mergers of activities, the stability of such capitalistic equilibria may also be a brake on further integration particularly because these evenly-balanced arrangements regularly raise problems of leadership. The difficulties associated with leadership may entail a risk of reaching a strategic dead-end when members hesitate over which way to go, or have not really forged complementary skills, or remain committed to an initial agreement withdrawal from which would entail non-negligible costs.

One of the advantages of balanced partnerships is that they allow extra partners to become involved and give new impetus to development, even if this is not necessarily an easy situation to handle. This has occurred several times in alliances where new partners were progressively brought on board.

Polarity

The renewal and proliferation of agreements among partners invariably lead to the formation of networks (particularly the final category quoted in Section 2). This strategy is generally part of a centrifugal logic of increasing outsourcing of certain functions or activities, the objective being to attain a critical mass or gain market power while avoiding concentration through mergers and acquisitions. It provides a way to manage the multipurposeness of activities and the businesses of multi-purpose co-operatives. Coordination of these activities is outsourced in the framework of different (and sometimes numerous) joint subsidiaries (co-operatives or non-co-operatives) holding operational power. However, in many instances these subsidiaries also tend to progressively concentrate decision-making power for the business or activity in question.

A partnership network



○ farming cooperatives

□ joint ventures (IOF or cooperative) dealing with various activities or products

⁹ Some 76 per cent of the alliances studied were bilateral versus 84 per cent for the French food industry as a whole.

Our studies bring out these mechanisms and also emphasise the incomplete character of this logic of hierarchical and polarised (or structured) networks.

The networks of alliances analysed do not always enjoy and do not always implement all the right conditions for creating a competitive advantage in the market. The wealth of literature on this (Gomes-Casseres, 1994; Hamel and Prahalad, 1994) shows the need to comply with certain conditions, which is not always the case in agricultural co-operatives:

- to associate different types of actors able to perform industrial, financial, service or commercial functions in a complementary way,
- to rely on relationships of trust, solidarity and strategic coordination around a few 'leader firms' in their sphere,
- to identify complementary skills and promote innovation.

4. Limitations and challenges of alliances

Alliances are a way for co-operatives to adapt to the reality of markets and to competitive conditions. However, systematic resort to these practices raises the question of the limitations of these choices and their consequences for the operation of firms.

The inadequately enhanced development potential of alliances

Alliances are an effective lever for making substantial scale economies, for acquiring a critical mass on certain markets, for making big investments in industrial plant or developing commercial infrastructures (logistics, common brands, etc.).

Many alliances are designed, in the directors' minds, as a means of attenuating the brutal effects of more radical integration operations and are intended to prepare the way for subsequent mergers or to check how feasible they might be. This behaviour corresponds to the largely founded concern in this world of strong business cultures of avoiding one of the main sources of failure as evidenced by many studies of acquisitions and mergers. Company managers therefore prepare for changes which they sometimes view as inevitable by going ahead with them gradually.

Consequently alliances concluded by co-operatives often aim to offset handicaps rather than combine strengths and complementarities. Under these circumstances it is not sure that co-operatives use the full potential of this tool as practised in other industrial sectors (or by other food industry actors). In particular, alliances are little used as levers for offensive strategies involving technological innovation or internationalisation and their contribution to the diversification of activities remains very measured.

In these sectors of traditional and broadly mature activities, where there is low potential for growth and entry and exit barriers are high, competitive interplay is well established and competitors are similar. Strategic options are limited. Such contexts mean there is little predisposition to develop strategies that break with the past, that is, strategies designed to provide new solutions as to how to meet traditional needs.

It is even more difficult to draw up original scenarios in partnerships involving co-operatives. Proximity between partners (whether geographical or institutional proximity, see above) with

very similar competencies and reflexes elicits similar reference models and information and leads to imitation of behaviour which is of little use in truly strategic innovation, particularly as such firms are generally risk-averse.

Increasingly complex relations

The partnership ties developed by co-operatives are frequent, strong, lasting and tightly binding and as such are markedly different from practices in the national food industry.

The construction of diversified alliance portfolios has intensified the interpenetration of co-operatives among themselves and with IOFs. Some schemes have reached such a degree of complexity that the resulting contractual and organisational constraints may in some cases prove contradictory. The expansion of alliance portfolios, the interpenetration of different or even divergent logics may lead to strategic dead-ends and cause company managers to rethink.

The culture of co-operative leaders tends to shift away from initial cohesion based on a political or trade-union project centred on the idea of service and towards the assertion of coherence built around an economic and strategic project defined in relation with the constraints of the environment. Historically the co-operative movement has become structured in most countries by union initiatives and conflicts. Leaders often have a very marked union culture and the co-operative's coherence often relies on an identity forged from a history of common struggle and a political project which has survived the changeover of generations. Thus alliance strategies may be given precedence over classical mergers or take-overs because they guarantee a degree of independence, an identity, and limit the irreversibility of commitments among partners.

The managerial consequences of this are important. Strategic decisions integrate the expectations of other partners in a more collective decision-making process. The strategic horizon, which was often confined in the short term, opens up and requires broader formalisation of the project. Coordination and control of activities implies the introduction of new instruments, and more elaborate and more formal delegation of responsibilities or decision making.

Redefinition of co-operative functions

One of the most visible outcomes of the multiplication of alliances by co-operatives is the change in their functions. Whereas in the last 50 years they have given precedence to the vertical integration of processing activities and the acquisition of technological and commercial know-how, now the co-operative's business includes the aptitude to co-ordinate, to lead a project and to supply an original combination of services.

The major challenge facing many co-operatives is to propose a growing range of services without, however, taking them all on directly. While some co-operatives look to maintain a strong industrial vocation in some processing businesses other should promote a service and interface function with varying degrees of technical financial or organisational involvement in certain activities. This strategy is particularly necessary because the industrial orientation favoured in the past is not always the most suitable response to meet the growing and varied needs of all members today.

Two main lines of change are underway in the organisation of co-operatives, with repercussions for relations with members.

The first is part of a logic of technical and economic concentration to construct specialised competitive industrial entities widening their field of action and their area of market influence. The mechanism is articulated around the farmer who makes an adjudication and selects an industrial partner when joining up. This approach transforms the traditional relationship with the member which, in France, was based on a rationale of territorial membership¹⁰ and local proximity into one of economic efficiency criteria applied to co-operatives conducting their activities on a larger geographical scale.

The second is part of a functional redefinition of co-operatives. It commits them to enhancing their interface role to become 'resource agencies' in the service of producers. In this model the co-operative selects, organises, co-ordinates and manages a portfolio of relations, allowing its members access to the services they need on the best terms. This relationship portfolio may take on very varied forms from the straightforward contract to the creation of joint companies with a co-operative status or as public limited companies, possibly with partners from outside co-operative circles. The co-operative no longer has direct functional activities (or less so) (particularly in processing). It is at the centre of a double-hinged network with its members on one side and its economic partners on the other. The special relationship with the territory is maintained with members, while the economic activity is freed from the territorial dimension and operates on a wider scale.

Organisational issues

The development of alliances combined with the frequent diversification of activities and technological change have overturned the traditional organisation pattern of firms. All functions are affected to some extent by these changes.

The pooling or sharing of industrial and commercial assets on a large scale and the diversity of the structures and legal forms employed fuel a natural trend towards looser ties between units on the periphery and at the historical core of the co-operative. This arrangement of decentralised operational units, whose control is by its very nature more difficult to formalise, is resistant to mechanistic and bureaucratic type management. This may be a source of much malfunctioning if more flexible forms of coordination are not put in place. Conversely, decentralisation must not be a factor of looser control and lower efficiency. The complexity and heterogeneity of objectives and interests in a crossed-agreement structure entail new constraints. As the objective is to reach acceptable compromises among the partners, adjudications in terms of fuzzier time horizons for decision-making are more difficult to make.

For all these reasons these new co-operative groups may become the seat of centrifugal forces resulting from the progressive break-down of the boundaries of the original entity and the recomposition of their value chain.

The multiplication of alliances transforms the co-operative's organisational boundaries. The existence of portfolios of highly diversified and largely fragmented relations presupposes a

¹⁰ Historically co-operatives in western France developed through the formation of a territorial monopoly to offer their members all the services required by their activity.

redefinition of the resource allocation, flow planning and control system which the co-operative can no longer provide in the traditional way using the classical mechanisms for hierarchical and centralised management.

Thus we witness an increasing return to contractual forms which tend to set up an 'internal market' within the co-operative group (co-operative and subsidiaries, allies and partners) and the introduction of 'customer/supplier' type relations between operational units and functional services.¹¹ This logic favours criteria of economic efficiency of a purely incentive character which may lead to the selection of the co-operative's members, the re-introduction of individualised risk processing by activity or by asset, and the break-up of mutual support mechanisms constructed over the course of time between the firms different actors.

Conclusion

The development of alliances influences both the management practices of agricultural co-operatives and their organisational principles. It forces co-operative managers to mobilise new managerial skills and to bring in increasingly stringent and constrictive work guidance and control tools.

Involvement in a network of relations committing human, financial and physical assets over the medium and long term makes the agency relation within the co-operative more complex. The heterogeneity of actors (of co-operative origin or otherwise) exacerbates the opposition between cultures and values (including within the co-operative world itself) while divergences in objectives imply little leeway in the decision process (decision-making time horizon, enhancement of capital versus income or right to produce, economic logic/financial logic, etc.). The diversity of structures, financial instruments and legal forms employed does not facilitate the exercise of decision-making power and control, particularly as it becomes necessary to share such power.

Care must be taken that factors of distancing and decentralisation between the co-operative's functional centre and its outlying operational units do not lead to a loosening of the social commitments to its members or employees. The multiplication of statuses for people within an organisation (which is the case in such alliance networks) makes for inequality and destroys ties of solidarity. Conversely, alliance logic may be an opportunity to implement 'social benchmarking' in the sense of a transfer of good practices from one partner to another. Such an approach may provide leverage both for improving the co-operative's overall performance and for facilitating its economic and ethical positioning within the market.

The capacity to implement agreements is therefore a strategic potential for the firm. Some co-operatives have managed to benefit largely from it while others have failed in defining and achieving such policies. It is difficult therefore to establish a strict relationship between the practice of alliances and its translation in terms of competitive advantage and performance, thus reflecting a form of causal ambiguity in the sense of Reed & Filippi (1990). This reality relates to the imperfect character of the managerial learning process and to the questions of governance raised by the systematisation of these practices.

¹¹ Let us quote, by way of illustration, the introduction and alignment of internal transfer prices on 'market price' references for the needs of intra-alliance and intra-group transactions. Remember this is judged an effective way to combat rising management costs of these structures when managers' time is taken up increasingly by adjustment of objectives, distribution of tasks, negotiation and conflict resolution.

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