



KATHOLIEKE UNIVERSITEIT
LEUVEN

Alliances and the excess baggage of Transaction Cost Economics (TCE)

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EIASM Workshop on International Strategy and Cross-Cultural Management

Groupe TOULOUSE Business School France

39-30 September 2006





Structure of the presentation

- Conflicting Assumptions
- Distinct Realities
- Relational/institutional approach



Conflicting Assumptions

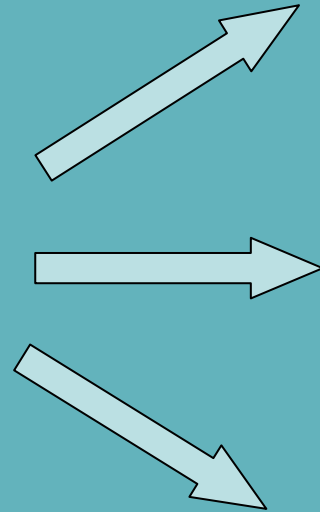
- TCE is a contractual theory:
 - organization is a firm and a firm is a bundle of contracts
- Institutional theory is a relational theory
 - a firm is an organization and an organization is an assembly of actors



Opportunism in TCE



Opportunism



- Market

- Hybrid

- Hierarchy



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Distinct realities

- Alliances are worth considering when the benefits of a partnership exceed the additional coordination costs
 - (added value minus transactions costs = positive)
- Certain / predictable – Low => transact!
 - Contractual governance to minimize costs
- Uncertain / attractive – high => hierarchy/ abandon
 - Relational governance to optimize cooperation



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- Distinct Realities
- Relational institutional approach



Relational/institutional approach

- Cross-cultural interorganizational arrangements: the contract explains little.
- What matters is how organizations develop a modus operandi, a way to organize mutual exchange.



5 variables on institutionalization

- Societal Infrastructure
- Codification
- Operational competences
- Social Boundedness
- Legitimacy



Thank you.