



Review

Open Team Production, the New Cooperative Firm, and Hybrid Advantage

Journal:	<i>Academy of Management Review</i>
Manuscript ID	AMR-2019-0416-STFNTF.R3
Manuscript Type:	Special Topic Forum New Theoretical Perspectives
Theoretical Perspectives:	Industrial organization/economics, Resource based view, Stakeholder theory
Topic Areas:	Business-level resources/capabilities < Business and Competitive Strategy < Business Policy and Strategy, Cooperative strategy (General) < Cooperative Strategy < Business Policy and Strategy, Corporate Governance < Organization and Management theory, Interorganizational Relations/Networks < Organization and Management theory, Trust and Cooperation < Organization and Management theory
Abstract:	We critically assess the comparative efficiency advantages and disadvantages of capitalist and cooperative firms using team production as a frame of reference. We revisit the debate about such (dis)advantages in the context of open team production (OTP), a situation where team members are both internal and external to the firm. In contrast to the case of traditional (closed) team production, which focuses on the problem of monitoring team members within the firm, open team production, requires incentivizing both internal and external team members to commit to firm-specific cospecialized investments, as well as orchestrating and monitoring these continued investments. We identify some comparative efficiency (dis)advantages of traditional cooperative and capitalist firms in dealing with the novel challenges posed by OTP and we conclude that, in its context, a new type of a hybrid firm can possess comparative efficiency advantages vis-à-vis both types of traditional firms.

Open Team Production, the New Cooperative Firm, and Hybrid Advantage

Marco Berti

University of Technology Sydney

Christos Pitelis

University of Leeds

(Both authors contributed equally to the paper)

Abstract

We critically assess the comparative efficiency advantages and disadvantages of capitalist and cooperative firms using team production as a frame of reference. We revisit the debate about such (dis)advantages in the context of open team production (OTP), a situation where team members are both internal and external to the firm. In contrast to the case of traditional (closed) team production, which focuses on the problem of monitoring team members within the firm, open team production, requires incentivizing both internal and external team members to commit to firm-specific cospecialized investments, as well as orchestrating and monitoring these continued investments. We identify some comparative efficiency (dis)advantages of traditional cooperative and capitalist firms in dealing with the novel challenges posed by OTP and we conclude that, in its context, a new type of a hybrid firm can possess comparative efficiency advantages vis-à-vis both types of traditional firms.

Acknowledgments. We are grateful to two anonymous referees for constructive feedback and the Associate editor Jay Barney for his guidance and editorial support, which was instrumental in defining, refining and strengthening our contribution. We thank Stewart Clegg, Michael Ellman, Anita McGahan, Thomas Clarke, Ian Toms, Hari Tsoukas, David Teece, and participants at the SMS extension conference on “Integrating Performance and Progress: Toward a Better Paradigm for Understanding the Evolution of Capitalism” at INSEAD for discussion, feedback, suggestions and encouragement. Errors are ours.

INTRODUCTION

Many scholars (Alchian & Demsetz, 1972; Furubotn & Pejovich, 1972; Jensen & Meckling, 1979) have argued that firms owned by their shareholders (i.e., capitalist firms) possess comparative efficiency advantages over cooperatives (or “co-ops”), firms owned by a group of stakeholders who share decision rights regardless of their level of investment (Borzaga & Tortia, 2017; Dow, 2001). These scholars also argue that, in the context of multiple cooperating agents (team production), capitalist firms are more efficient in reducing free riding or shirking by individual team members, hence increasing the outcome of the joint team effort (Alchian & Demsetz, 1972). They maintain that financial capital suppliers, who become residual claimants to the surplus generated by the firm, have a stronger incentive to monitor others as well as to self-monitor, compared to members of cooperatives who are not the sole residual claimants (Alchian & Demsetz, 1972). Advocates of cooperatives respond that shirking can be prevented through mutual monitoring as well as through close and trusting social relationships (Adler, 2001; Borzaga & Galera, 2016). Moreover, they argue that co-ops offer advantages in terms of resilience (Cheney, Santa Cruz, Peredo, & Nazareno, 2014), longevity (Tortia, 2018), sustainability (Sacchetti & Tortia, 2020), gender balance (Hernández-Nicolás, Martín-Ugedo, & Mínguez-Vera, 2019), and overall contributions to society (Sabatini, Modena, & Tortia, 2014).

Despite their differences, both parties to this debate focus on the productivity advantages that arise from the efficient monitoring of the contributions of team production members who are internal to the firm (Borzaga & Tortia, 2017; Porter & Scully, 1987). However, this assumption does not capture the reality faced by many contemporary firms (Alvarez, Zander, Barney, & Afuah, 2020), which often entails multiple actors, both internal and external to the firm, involved in “joint value creation” (Bridoux & Stoelhorst, 2015: 229), and where sustained

1
2
3 competitive advantage (SCA) depends on a firm's capacity to leverage resources from both
4 within and without its boundaries (Barney, 2018). We define these conditions as open team
5 production (OTP). In contrast to the traditional case of 'closed' team production in which the
6 focus is on metering and monitoring the contribution of internal team members, in an OTP
7 context it is necessary to incentivize actors who are both internal and external to the firm to
8 commit to firm-specific cospecialized investments (Barney, 2018; Kaufman & Englander,
9 2005). Moreover, it is also necessary to orchestrate and monitor these continued investments
10 (Klein, Mahoney, McGahan, & Pitelis, 2019; Pitelis & Teece, 2018). The need to consider *ex*
11 *ante* incentivizing, *ex post* monitoring and stakeholders' orchestration, greatly complicate the
12 team production problem and it renders the comparative efficiency advantages and
13 disadvantages of capitalist firms and co-ops more nuanced.

14
15 Accordingly, the purpose of this paper is to examine the comparative efficiency advantages of
16 capitalist firms and co-ops under conditions of OTP. Our analysis suggests that the challenge
17 facing management today is not choosing between pure capitalist or cooperative firm
18 governance, but rather to combine elements from both governance structures in a way that
19 permits them to respond effectively to the challenges posed by the new OTP conditions. We
20 submit that firms can become better suited for the opportunities offered by OTP when they
21 adopt hybrid practices that integrate features of co-ops and capitalist firms in a way that
22 increases their overall efficiency. This perspective suggests new possibilities for a more
23 sustainable future for corporations and capitalism.

24
25 We start the paper by outlining the debate on capitalist and cooperative firms. The second
26 section then looks at OTP and the issues it poses. In the third section, we revisit the advantages
27 and disadvantages of co-ops and capitalist firms in an OTP context. In the fourth section, we
28 consider the opportunities offered by hybridity as compared to "traditional" capitalist or
29

1
2
3 cooperative firms. We conclude by examining the theoretical, managerial practice and public
4
5 policy implications of our argument.
6
7

8 9 **CAPITALIST FIRMS, COOPERATIVE FIRMS, AND TEAM PRODUCTION**

10
11
12 Much of economic theory suggests that capitalist firms are comparatively more efficient than
13
14 cooperative firms (Alchian & Demsetz, 1972; Hansmann, 1996; Williamson, 1985). In
15
16 capitalist firms shareholders are typically the sole residual claimants; in other words, they are
17
18 the economic agents who can legitimately appropriate the firm's surplus and have the authority
19
20 to select its top management team (Jensen & Meckling, 1979).
21
22

23
24
25 Important changes in the nature of the firm (Alvarez et al., 2020; Pitelis & Teece, 2018;
26
27 Zingales, 2000), as well as questions raised about the appropriateness of considering
28
29 shareholder value maximization as the only goal of corporations (Battilana, Obloj, Pache, &
30
31 Sengul, 2020), have rekindled a longstanding debate on the viability of co-ops (Birchall, 2011;
32
33 Michie, Blasi, & Borzaga, 2017). Co-ops are firms owned by members who participate, with
34
35 equal voting rights, in the governance and management of the enterprise (Jones & Kalmi, 2012)
36
37 and benefit directly from their activities (Birchall, 2011). Because of the "one member, one
38
39 vote" rule (Borzaga & Tortia, 2017: 64), co-ops are intended to be more democratic than
40
41 capitalist firms (Rothschild, 1979), even if the concentration of decision-making power to a top
42
43 management team can cause this attribute to degenerate (Cornforth, 1995). Co-op members
44
45 can be consumers (as in the case of mutual insurers, consumer co-ops, housing co-ops, etc.),
46
47 producers (e.g., primary producer co-ops, shared services co-ops, and retailer co-ops),
48
49 producers and consumers (e.g., credit unions and cooperative banks), or employees (worker
50
51 co-ops). Worker co-ops, also known as labor-managed firms, have received the most attention
52
53 in the economic literature, partly to answer the question why capital hires labor as opposed to
54
55 labor hiring capital (Dow, 2018; Dow, 2020; Jensen & Meckling, 1979).
56
57
58
59
60

1
2
3 Many scholars view co-ops as “transient compromises that emerge out of necessity” (Boone &
4
5 Özcan, 2014: 991). Nevertheless, co-ops retain a significant economic role, involving one
6
7 billion members and supplying more than 250 million jobs worldwide (Zamagni, 2017). Many
8
9 are larger, rather than small or medium-sized organizations. Over 1150 co-ops have an annual
10
11 turnover exceeding \$100 million (John & Ross, 2021), while some have grown to become
12
13 multinationals (Bretos, Errasti, & Marcuello, 2019; Novkovic & Sena, 2007). The debate on
14
15 the advantages and disadvantages of such firms has been raging for almost a century (for
16
17 extensive reviews see: Cathcart, 2009 ; Michie et al., 2017). To economize on space, in Table
18
19 1, we summarize the principal arguments that have been presented to justify the comparative
20
21 efficiency advantages of traditional capitalist firms and in Table 2 we contrast these arguments
22
23 with those that have been advanced in support of traditional co-ops.
24
25
26
27
28

Insert Table 1 about here

Insert Table 2 about here

29
30
31
32
33
34
35
36
37
38
39
40
41
42
43 Among the arguments against co-ops, the influential team production theory formulated by
44
45 Alchian and Demsetz (1972) half a century ago “is widely held to be the strongest objection
46
47 ever raised against democratic firms” (Jossa, 2009: 687). Team production refers to situations
48
49 in which production requires the collaboration of multiple actors, and it is hard to “estimate
50
51 marginal productivity by observing or specifying input behavior” (Alchian & Demsetz, 1972:
52
53 783). Since individual contributions are difficult to measure, shirking is likely to take place,
54
55 hence threatening production efficiency. To address this challenge, Alchian and Demsetz
56
57 (1972) argued that it is necessary: (a) to treat the majority of individuals involved in team
58
59
60

1
2
3 production (e.g., employees or contractors) as fixed claimants and (b), to assign the task of
4 “metering” (Alchian & Demsetz, 1972: 778) their marginal productivity to a monitor who
5 becomes a residual claimant of any surplus generated and, as such, has a clear incentive to self-
6 monitor while avoiding an infinite regress of “who will monitor the monitor” (Alchian &
7 Demsetz, 1972: 782). Since co-ops lack a residual claimant, they compare unfavorably to
8 traditional capitalist firms. This problem is compounded by the restricted mobility of labor
9 relative to capital: it is easier for financial investors to reallocate their capital than it is for
10 workers to reallocate their labor. These two reasons help explain why co-ops are less prevalent
11 in market economies (Dow, 2003).

12
13
14
15
16
17
18
19
20
21
22
23
24
25 Advocates of co-ops have contested Alchian and Demsetz’s (1972) argument by claiming that
26 cooperation itself can be considered an efficient coordination mechanism (Borzaga & Tortia,
27 2017) in part because trust and altruism can serve as (mutual) monitoring devices (Adler, 2001;
28 Borzaga & Galera, 2016). Proponents of co-ops have also questioned the commensurability of
29 the two models, considering that their purposes differ, since co-ops are “associations that
30 pursue social goals by economic means” (Pestoff, 2017: 80), and that individuals can be
31 intrinsically motivated by the desire to belong to a community (Baldassarri, 2015; Fehr &
32 Schmidt, 1999) rather than by the pursuit of profit.

33
34
35
36
37
38
39
40
41
42
43
44
45 While this theoretical debate has raged for decades, some firms facing real-life competition
46 had had to find ways to combine the strengths of the traditional capitalist model with the
47 strengths of the cooperative model. For many firms today, the idea that firm performance can
48 be measured exclusively in financial terms accruing to a single group alone has been disputed
49 (Freeman, 1984; Freeman, Wicks, & Parmar, 2004; Weizenbaum, 1976). To retain their
50 legitimacy, many capitalist firms seek to balance between their financial, environmental, and
51 societal outcomes and consider wider stakeholder interests (Alvarez et al., 2020; Elkington,
52
53
54
55
56
57
58
59
60

1
2
3 2018). In this sense, many firms are already operating as hybrids. This paper suggests that
4
5 under conditions of open team production hybrid forms of organization can have comparative
6
7 efficiency advantages vis a vis both traditional capitalist and cooperative firms.
8
9

10 **THE NEW COMPETITIVE LANDSCAPE AND OPEN TEAM PRODUCTION**

11
12
13

14 Over the past two decades, we have witnessed a gradual, yet radical, shift in our understanding
15
16 of the competitive landscape and sources of competitive advantage. Today many scholars
17
18 consider human capital (the stock of skills and competences embedded in humans) and
19
20 knowledge assets to be often more important than physical assets as sources of SCA (Campbell,
21
22 Coff, & Kryscynski, 2012; Chadwick, 2017). Knowledge-intensive firms and intangible assets
23
24 are an increasingly significant component of contemporary economies (Haskel & Westlake,
25
26 2018). In addition, many leading firms, owe their success to their capacity to operate within a
27
28 business ecosystem (i.e., an economic community made of interacting stakeholders who
29
30 cocreate value) (John & Ross, 2021; Shipilov & Gawer, 2019). In this context, relationships
31
32 between independent actors outside a firm's boundaries must be taken into account in order to
33
34 understand firm performances (Zingales, 2000). It can be argued that, rather than being stable,
35
36 vertically integrated managerial hierarchies, many modern firms gradually resemble "loose and
37
38 constantly changing affiliations of employees, technologies and other factors of production"
39
40 (Barney & Rangan, 2019: 3). Below, we examine in detail the impact of open team production
41
42 (a situation in which the team players are both internal and external to the firm) on the
43
44 comparative (in)efficiency properties of both the capitalist and cooperative organizational
45
46 governance structures.
47
48
49
50
51
52
53
54
55
56
57
58
59
60

The organizing challenges created by Open Team Production

The idea that organizational survival relies on resources controlled by external parties is not new and constitutes the central tenet of resource dependence theory (Pfeffer & Salancik, 1978; Ulrich & Barney, 1984). The key premise of OTP is that team production requires leveraging interdependent, knowledge-intensive resources and capabilities provided by multiple economic agents (Reypens, Lievens, & Blazevic, 2019; Sison, 2007), not all of whom are internal to the firm. In this context, the term *team member* refers to any actor who contributes firm-specific assets that are essential for the ability of the firm to create and capture value sustainably in the face of competition (Barney, 2018; Battilana et al., 2020; Chadwick, 2017; Klein et al., 2019).

Forms of organizing that transcend traditional organizational boundaries are currently in vogue (Harrison & St. John, 1996; Shipilov & Gawer, 2019), demonstrating that strategic advantage can be acquired by means of interfirm and cross-boundary cooperation (Barney, 2011; Powell, Koput, & Smith-Doerr, 1996). Some perspectives have focused on collaborative interactions among groups of firms, as in the case of industrial districts (Becattini, Bellandi, & De Propris, 2009; Lorenzoni & Lipparini, 1999), clusters and business ecosystems (Moore, 1996; Peltoniemi, 2006; Pitelis, 2012), interorganizational networks (Shipilov & Gawer, 2019; Zaheer, Gözübüyük, & Milanov, 2010) or business ecosystems (Pitelis & Teece, 2010). Others have reconceptualized supply chain relationships by considering the collaborative creation of value and cospecialized resource bundles as value nets (Bovel & Martha, 2000; Nalebuff, Brandenburger, & Maulana, 1996) or value constellations (Normann & Ramirez, 1993, 1998) that can also be used to pursue nonfinancial returns (Isaksson, Johansson, & Fischer, 2010). Firms increasingly rely on interdependencies with other organizations that they do not fully control hierarchically (Jacobides, Cennamo, & Gawer, 2018: 2264). In these setting, the distinction between internal and external agents is more fluid. Attributes, such as influence,

1
2
3 power and legitimacy (Mitchell, Agle, & Wood, 1997) that help incentivize and open team
4
5 members become as, or more, important than the mere monitoring of internal production team
6
7 members.
8
9

10
11 In the context of ecosystems, the focus is no longer exclusively on the acquisition and
12
13 protection of in-house proprietary intellectual property and other assets. Firms can acquire
14
15 advantages by developing open innovation capabilities, stimulating and harnessing the
16
17 knowledge of external stakeholders (Chesbrough, 2006). In some cases, it is even possible to
18
19 decouple team production from a focal organization, as happens in the context of diffused open-
20
21 source collaboration (Forte & Lampe, 2013; Levine & Prietula, 2013; von Hippel & von Krogh,
22
23 2003). Participation in collaborative ecosystems might also require an *open strategy*, which is
24
25 the involvement of multiple team members in providing inputs to value creation and capture
26
27 (Hautz, Seidl, & Whittington, 2017; Hemetsberger & Reinhardt, 2009; Whittington, Cailluet,
28
29 & Yakis-Douglas, 2011).
30
31
32
33

34
35 Traditional production teams entailed the internalization of activities, depending on
36
37 comparative transaction and production cost efficiencies between markets and organizations
38
39 (Coase, 1937; Williamson, 1981). OTP conditions require incentivizing independent firms and
40
41 actors (including local authorities and the government) that are not internal to the firm. This
42
43 includes the case of complementors in a business ecosystem (Jacobides et al., 2018; Pitelis &
44
45 Teece, 2010). Some interorganizational interdependencies can still be managed through formal
46
47 relationships, as in the case of strategic alliances, defined as purposive relationships involving
48
49 the exchange, sharing or co-development of capabilities to achieve mutual benefits (Gulati,
50
51 1995). However, opportunities also derive from the development and leveraging of
52
53 complementarities that are not regulated by formal agreements (Shipilov & Gawer, 2019) and
54
55 result from deliberate experimentation and interfirm coordination activities (Jacobides et al.,
56
57
58
59
60

1
2
3 2018; Pitelis & Teece, 2018). Firms can also engage in “co-opetition”; that is, they can
4 collaborate with competitors in the pursuit of innovation and value cocreation (Czakon,
5
6 Srivastava, Le Roy, & Gnyawali, 2020).
7
8
9

10
11 Managing a firm under OTP conditions is, therefore, not merely about sourcing and monitoring
12 input suppliers. It also requires coaxing and incentivizing other firms to invest in value
13 cocreation by participating in the business ecosystem (John & Ross, 2021). Alchian and
14 Demsetz (1972: 783) assumption that “to alter the membership of the team” is the exclusive
15 remit of the residual claimant is thus challenged. Ecosystem and organizational networks that
16 expand the production team beyond the boundaries of the firm cannot be readily bought or
17 created by executive fiat. Rather than formal contracting, they require incentivizing and the
18 development of trust (Uzzi, 1997). They also require the capacity to act as brokers and
19 orchestrators connecting different actors in the network (Obstfeld, 2005). For example, the
20 large number of failures in digital platforms (Yoffie, Gawer, & Cusumano, 2019) can be
21 attributed to failures to expand the production team rather than to difficulties in monitoring
22 inputs of an existing one.
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39

40 A key implication is that under OTP conditions, the ability to incentivize internal and external
41 team members to commit firm-specific investments that foster the cocreation of value and its
42 capture in a sustained way is at least as important and arguably more important than the
43 capacity to source and monitor extant team players. More specifically, OTP presents firms with
44 three interconnected challenges: first, to incentivize production team members to make
45 cospecialized investments, i.e., investment that leverage assets controlled by other actors and
46 are idiosyncratic to a particular activity (Teece, 1986); second, to orchestrate team members
47 that are not subject to hierarchical or contractual controls and third, to monitor, in addition to
48 their contractual contributions, their discretionary efforts. In the context of OTP and drawing on
49
50
51
52
53
54
55
56
57
58
59
60

1
2
3 the resource-based theory of the firm, nonfinancial resources (capabilities, knowledge,
4 relations, etc.) supplied by production team members are more critical for SCA than financial
5 resources (Barney, 2018). It is essential for a firm to anticipate the value of bundling and
6 leveraging cospecialized resources (Teece, 2007). Accordingly, cospecialized investments
7 become a more important source of SCA than the supply of more general, transferable assets
8 (Barney & Wright, 1998).
9

10
11
12 An implication from OTP is the alteration of the comparative advantage calculus of traditional
13 capitalist and cooperative firms. For instance, an important challenge when shareholders are
14 the sole residual claimants is that they can expose the cospecialized investments of non-
15 shareholder team members to the potential of opportunistic behavior of financial shareholders
16 (Barney, 2018). This poses a particularly significant risk for employees who make significant
17 firm-specific investments but cannot disinvest as readily (Dow, 2003; Klein, Mahoney,
18 McGahan, & Pitelis, 2012). On the other hand, workers with firm-specific skills and
19 capabilities can possess countervailing power deriving from the transferability of their skills to
20 other firms (Teece, 2003), as in the case of knowledge workers (Carleton, 2011). Therefore, it
21 is necessary to incentivize internal team members to commit their firm-specific assets and
22 apply discretionary effort, which requires the right safeguards to be in place (Kaufman &
23 Englander, 2005). Similar considerations apply to external team members who will commit to
24 the collaboration only if the relationship is seen as fair and equitable (Barney, 2018) and if
25 relational partners share both core values and strategic priorities (Bundy, Vogel, & Zachary,
26 2018).
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51

52
53 In addition to the need to incentivize team members to commit to cospecialized investment,
54 there is also the need to coordinate this complex constellation of actors. OTP conditions require
55 the development of orchestration capabilities, namely “the ability to combine selected
56
57
58
59
60

1
2
3 technologies, individuals, and other resources in new products and processes regardless of
4 location and across organizational boundaries” (Lessard, Teece, & Leih, 2016: 214). This
5 includes the capacity to diagnose, upgrade, and integrate the resources and capabilities of a
6 plurality of actors (Pitelis & Teece, 2009). In other words, under OTP conditions, value is not
7 created just by minimizing shirking but especially by innovating, by cocreating, and by
8 orchestrating organizations, new markets and business ecosystems (Jacobides, Knudsen, &
9 Augier, 2006; Kim & Mauborgne, 2005; Pitelis & Teece, 2018).

10
11 Under OTP, the problem of monitoring individual contributions becomes more complex. In
12 traditional team production theory, shirking, which is “a positive incentive to supply less effort”
13 (Jones, 1984: 686), means evading contractual obligations; in practice, this means working
14 with less alacrity and/or imperfectly executing mandated tasks (Alchian & Demsetz, 1972).
15 Yet, the effective functioning of any firm implies the execution of “countless acts of
16 cooperation” (Tirole, 1986: 208), requiring team members to be adaptable and creative in
17 performing those routines in which the firm’s capabilities are embedded (Feldman & Pentland,
18 2003; Parmigiani & Howard-Grenville, 2011; Wenzel, Danner-Schröder, & Spee, 2020). Thus,
19 it is necessary to assess and incentivize discretionary (non-purely contractual) contributions of
20 internal team members. These contributions become particularly hard to monitor in knowledge-
21 intensive firms (von Nordenflycht, 2010). The more specialized and value adding a team
22 member’s contribution, the more difficult it will be for an external monitor to assess whether
23 they are shirking. Especially when the knowledge of the production process is imperfect or it
24 is impossible to measure production outputs accurately, hierarchical controls can fail; when
25 this happens, trust, mutual control and rituals become important (Ouchi, 1979). The
26 aforementioned challenges are much more acute when the team members lie outside the
27 boundaries and the contractual remit of the firm.

Insert Table 3 about here

Table 3 summarizes our comparison of traditional and open team production contexts. Recapitulating, under OTP a firm's capacity to (a) induce production team members to commit to cospecialized investment, (b) orchestrate these contributions and (c), monitor both contractually mandated and discretionary efforts become more important in determining SCA than its capacity to monitor the inputs of individual internal team members. OTP renders the comparative efficiency calculus regarding traditional capitalist firms and co-ops more nuanced. We pursue this observation below.

COMPARING THE EFFICIENCY ADVANTAGES OF CAPITALIST AND COOPERATIVE FIRMS IN AN OPEN TEAM PRODUCTION CONTEXT

Monitoring, safeguarding and inducing cospecialized investments

As mentioned before, the lack of incentives for the top management team to invest in metering and monitoring can undermine a co-op's ability to create and capture value as compared to a capitalist firm (Alchian & Demsetz, 1972). While retaining much of its strength, some of the assumptions upon which Alchian and Demsetz's (1972) argument was based have been challenged. Economists have highlighted the role of nonmonetary incentives (Benabou & Tirole, 2003; Cassar & Meier, 2018). Reciprocal trust, altruism and the desire to belong to a community have been argued to act as motivators and self-monitoring devices (Adler, 2001; Borzaga & Galera, 2016). For example, Putterman and Skillman (1992) have claimed that horizontal peer monitoring can be more accurate and less costly than vertical monitoring.

1
2
3 When reconsidered in an OTP context this debate assumes a new significance. Even if the
4 monitoring disadvantage of co-ops persist, under OTP co-ops can partly offset this handicap
5 thanks to some comparative efficiency advantages relating to inducing and safeguarding
6 cospecialized investment of non-shareholders. This is because nonfinancial stakeholders such
7 as labor (and other) suppliers can be deterred from committing to firm-specific investments in
8 capitalist firms because of the precedence that suppliers of financial capital take over suppliers
9 of other resources (Klein et al., 2012). Moreover, since financial investors have the opportunity
10 to trade their asset, their investments are more mobile than those of nonfinancial investors,
11 whose investments could be lost in the case of the firm's sale (Dow, 2003; Rajan & Zingales,
12 1998). Moreover, shareholders can diversify their portfolios of holdings across multiple firms
13 (Jensen & Meckling, 1979), an opportunity which is not readily available to many other
14 production team members.

15
16 Since specialized investments of nonfinancial team production members can be an important
17 determinant of SCA, various authors have suggested the need and importance of putting in
18 place protection mechanisms to safeguard these investments (Hoskisson, Gambeta, Green, &
19 Li, 2018; Kaufman & Englander, 2005; Wang & Barney, 2006). Such protection devices may
20 include both *ex ante* devices such as property rights allocation and protection against resource
21 depreciation as well as those that are *ex post*, such as monitoring and relational governance
22 systems (Hoskisson et al., 2018). Implementing these devices helps introduce elements that are
23 usually associated with cooperatives to the governance of capitalist firms.

24
25 Capitalist firms may also attempt to coax non-shareholders into committing resources: for
26 example, they may try to "instill a spirit of loyalty" in their employees (Alchian & Demsetz,
27 1972: 791). Yet, since many shareholders in publicly traded companies are perceived as
28 absentee landlords, whose investment is not specific and whose interest in the firm is rather
29
30

1
2
3 instrumental (Alvarez et al., 2020), such attempts to build organizational loyalty can be read as
4
5 indicative of manipulative intent (Alvesson & Willmott, 2002). Conversely, in the case of co-
6
7 ops, the equality and non-tradability of ownership safeguards team members from the risk that
8
9 other actors may act opportunistically and profit from their firm-specific investments. Even if
10
11 the diversity of planning horizons between members causes a divergence of interests between
12
13 new and older members, because the latter cannot recoup their investments (Furubotn &
14
15 Pejovich, 1972; Vanek, 1970), the stock of accumulated resources remains a common good,
16
17 which helps foster intergenerational solidarity (Borzaga & Tortia, 2017).
18
19
20
21

22
23 Going further, co-ops are structurally endowed with devices to protect non-shareholders:
24
25 property rights and some forms of resource depreciation protection (e.g., takeover protections)
26
27 are constitutional attributes of many co-ops. Mergers and acquisitions between co-ops are
28
29 predominantly driven by solidarity, as a means of supporting co-ops in a crisis (Jones & Kalmi,
30
31 2012). Moreover, relational, trust-based governance, the purpose of which is to control the
32
33 perverse effects of property rights allocation under environmental uncertainty and of resource
34
35 depreciation under conditions of behavioral uncertainty (Hoskisson et al., 2018), is part and
36
37 parcel of any co-op's governance system. Rather than having to devise new, often complex,
38
39 systems of contractual and noncontractual protections to provide the necessary guarantees to
40
41 external team production members, co-ops can redeploy their existing systems. Other things
42
43 being equal, this is likely to be less costly than having to devise new ones from scratch.
44
45
46
47
48

49
50 In order to induce nonfinancial investors to commit to firm-specific investments, capitalist
51
52 firms often also need to offer them larger monetary rewards. Such rewards can be costly and
53
54 they may not always be able to compensate for the disadvantage of capitalist firms in inducing
55
56 and safeguarding independent team members' investments. When operating under OTP, this
57
58 situation helps co-ops to offset the monitoring incentive advantage that capitalist firms have.
59
60

1
2
3 This leads to our first proposition.
4
5

6 *Proposition 1. Under OTP conditions, cooperative firms are*
7 *comparatively more efficient than capitalist firms in*
8 *safeguarding and inducing cospecialized, firm-specific*
9 *investments by nonfinancial team production members.*
10
11
12
13
14
15

16
17 Similar to capitalist firms, the majority of co-ops rely on professional managers who act as
18 proxies of the principals in monitoring and coordinating the rest of the team members.
19 Managers must be monitored, too. This situation creates a potential misalignment between the
20 interests of managers and other co-op members that is compounded by information asymmetry
21 between these actors (Eisenhardt, 1989). In the case of capitalist firms, the market for corporate
22 control (i.e., the acquisition of underperforming firms by new investors who can replace the
23 underperforming managers) (Jensen & Meckling, 1976; Manne, 1965) can at least in part offer
24 a mechanism that incentivizes management accountability. At the same time, internal rewards,
25 such as share options, help to align incentives between managers and shareholders (Jensen &
26 Meckling, 1976). The non-tradability of ownership rights deprives co-ops of these two
27 mechanisms to reduce agency problems. Moreover, co-ops can become exposed to the risk that
28 charismatic “diplomats” but technically incompetent managers will emerge and will be difficult
29 to replace as they are impervious to peer monitoring (Williamson, 1973).
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

48 The emergence of an overly powerful cooperative managerial class, a phenomenon defined as
49 “democratic degeneration,” has been a central feature of the debate on co-ops for more than a
50 century (Chaves & Sajardo-Moreno, 2004; see Cornforth, 1995) and it is particularly felt in
51 large co-ops. This leads to:
52
53
54
55
56
57
58
59
60

1
2
3 *Proposition 2. Under OTP conditions, capitalist firms are*
4 *(remain) comparatively more efficient than cooperative firms*
5 *at attracting and retaining managerial talent and replacing*
6 *underperforming managers.*
7
8
9
10
11
12

13
14 The capitalist firms' reliance on financial incentives to induce team members to make
15 cospecialized investments may also offer comparative advantage under OTP conditions since
16 the ability to offer larger economic rewards allows capitalist firms to attract a larger talent pool.
17 Co-ops are often constrained by strong egalitarian principles (Piketty, 2020). Until relatively
18 recently, the average ratio between CEOs' and average employees' salaries in co-ops was a
19 small fraction of the ratio for capitalist firms (Rothschild, 2009). While this gradually changes
20 as co-ops try to compete, capitalist firms remain more attractive to those who are motivated by
21 financial incentives, which gives them a competitive advantage, considering the importance of
22 attracting and retaining high-performing team production members (Kwon & Rupp, 2013).
23 This issue is especially pertinent in labor-managed firms: even if caps on salaries in worker co-
24 ops were removed, paying some team members significantly more than the average (e.g.,
25 highly paid professional managers) could prove problematic because it might conflict with
26 cooperative members' objectives and values (Meek & Woodworth, 1990). Because of the
27 resulting difficulty in attracting highly skilled professionals to work in co-ops, they frequently
28 resort to employing "homegrown talent" that rises through the ranks of the cooperative. This
29 can have positive implications in relation to their commitment and long-term outlook (Bretos
30 & Marcuello, 2017) but it can also imply the lack of external experience and a global outlook.
31 The rigidity caused by equitable ownership models can particularly disincentivize
32 entrepreneurship and intrapreneurship, namely the pursuit of innovative entrepreneurial
33 opportunities without and within organizations (Antoncic & Hisrich, 2001, 2003). Talented
34 team members may expect their superior investments to reap higher rewards than those of other
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

1
2
3 members whose contributions they perceive as less valuable, even irrespective of shirking
4
5 (Piketty, 2020). Motivation factors (Benabou & Tirole, 2003), such as social incentives and
6
7 recognition, are important drivers of entrepreneurial efforts (de Villiers-Scheepers, 2011).
8
9

10
11 Differential economic rewards conventionally are held to incentivize individuals to undertake
12
13 risky investments (Wang & Barney, 2006), such as engaging in intrapreneurial initiatives. The
14
15 impossibility for members to access accumulated assets if they leave the firm is a negative
16
17 incentive for continued intrapreneurial investment in the cooperative (Boone & Özcan, 2014).
18
19 Moreover, even group solidarity could become a disincentive for individuals to undertake risky
20
21 new ventures, as some group cultures tend to knock down ‘over’-achievers, a phenomenon
22
23 known in Australia as “tall poppy syndrome” (Kirkwood, 2007), thus inducing a reverse free
24
25 riding problem in co-ops.
26
27
28

29
30 All these limitations are less applicable in capitalist firms, which can instead reward more
31
32 enterprising team member with bonuses and stock options and offer them access to additional
33
34 financial resources (Neessen, Caniels, Vos, & De Jong, 2019). This leads to:
35
36
37

38
39 *Proposition 3. Under OTP conditions, capitalist firms are*
40
41 *comparatively more efficient than cooperative firms at*
42
43 *inducing innovative intra- and inter-firm entrepreneurial*
44
45 *efforts.*
46
47
48

49 ***Orchestrating cospecialized investments***

50
51
52 Under OTP conditions, the complementarities generated by a business ecosystem are an
53
54 important source of competitive advantage. Especially in open system situations in which no
55
56 firm acts as a central hub with the power to design the network (Giudici, Reinmoeller, &
57
58 Ravasi, 2018), the capacity to manage organizational interdependencies (Klein et al., 2019;
59
60

1
2
3 Pitelis & Teece, 2018) becomes important. Focal actors supporting other members' activities,
4
5 fostering collaborative relationships and helping network members to discover new
6
7 configuration opportunities and complementarities achieve this management (Giudici et al.,
8
9 2018). Moreover, when ecosystems produce positive complementarities (e.g., knowledge and
10
11 innovation spill-overs) that are not internalized, value capture by a leading capitalist firm can
12
13 induce coordination problems that can suffocate the ecosystem. Conversely, the adoption of a
14
15 cooperative governance system can reduce the disincentivizing effects of value capture,
16
17 thereby increasing value creation in ecosystems (John & Ross, 2021).
18
19
20
21

22
23 Co-ops are likely to be better than capitalist firms at developing interorganizational
24
25 collaboration, establishing solid interorganizational relations that offer the opportunity to
26
27 generate "relational rents" (Dyer & Singh, 1998: 663). There are three reasons why co-ops can
28
29 cooperate more readily than capitalist firms. First, they often share stronger values. Co-op
30
31 members view association as inherently valuable, and for many co-ops their main reason for
32
33 existence is the pursuit of social goals (Pestoff, 2017). By contrast, in capitalist firms,
34
35 competition is often seen as the norm (Porter, 1980), while interfirm cooperation and alliances
36
37 often emerge later in their life as a way to generate additional profit opportunities (Pitelis, 2012;
38
39 Shipilov & Gawer, 2019). For capitalist firms, the development of "relational competition"
40
41 (Chen & Miller, 2015: 765), which is a long-term commitment to collaborate with competitors,
42
43 requires navigating tensions between competition and cooperation (Bengtsson & Raza-Ullah,
44
45 2016; Nalebuff et al., 1996). Collaborating with competitors offers opportunities but also risks
46
47 exposure to opportunistic behavior and knowledge leaks (Park, Srivastava, & Gnyawali, 2014).
48
49 Conversely, for co-ops, "networking is not one opportunity among many others, but rather it is
50
51 the normal way of operating" (Menzani & Zamagni, 2010: 122), and their management is
52
53 expected to invest time and resources in liaising and seeking out agreements with other co-ops
54
55 and other stakeholders (Jones & Kalmi, 2012).
56
57
58
59
60

1
2
3 The second reason derives from the different structure of incentives. Capitalist firms' pursuit
4 of profit maximization, can induce opportunistic behavior in inter-organizational cooperation
5 forms such as strategic alliances (Gnyawali, Madhavan, He, & Bengtsson, 2016). Members of
6 a cooperative have a less immediate interest in maximizing profits of which they can only claim
7 a small portion and a stronger interest in ensuring the survival of the firm. Co-ops are typically
8 created with the intent of empowering suppliers and customers in market conditions that would
9 otherwise disadvantage them; thus, the creation of a collaborative network among peers is at
10 the core of the firm, while hierarchical authority is introduced at a later stage as an ancillary
11 coordination and monitoring mechanism (Borzaga & Tortia, 2017).
12
13
14
15
16
17
18
19
20
21
22
23
24

25 Third, cooperative management is more likely to possess the requisite incentives and
26 capabilities for the creation of a collaborative network. While executives in capitalist firms can
27 focus on a small number of key stakeholders, in co-ops, their top managers need to constantly
28 renew their legitimacy in a large constituency of stakeholders. Especially in large co-ops,
29 acquiring a top management position requires an individual to demonstrate a special aptitude
30 at building consensus and managing tensions and interest conflicts among different team
31 production members. Instead, for capitalist firms, political networking skills are typically not
32 listed among the key attributes of top management members (Stashevsky, Burke, Carmeli, &
33 Tishler, 2006). The impact of "political operators" is only acknowledged in relation to the
34 capacity of some executives to leverage their political connections or position (Fisman et al.,
35 2012), such as through lobbying (Zingales, 2017).
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50

51 These theoretical arguments appear to be supported by empirical evidence. Confederations and
52 cooperative districts (Powell, 1990) and other forms of inter-cooperative alliances (Cheney,
53 2002; Etxagibel, Cheney, & Udaondo, 2012) are widespread. For example, Italian cooperative
54 firms do not operate in isolation but participate in a vibrant ecosystem, including "horizontal"
55
56
57
58
59
60

1
2
3 consortia, vertical supply chains, alliances driven by complementarity, financial groupings
4 created for mutual support and networks of networks, umbrella organizations with system
5 governance and representation functions (Menzani & Zamagni, 2010).
6
7
8
9

10
11 This networking capacity can extend to co-ops' capacity to incentivize the participation of
12 various team production members, including not-for-profit organizations and individuals
13 (Birchall, 2011). A new trend that has emerged in the last decade is the institution of
14 multistakeholder co-ops that leverage the technological advances that enabled the "sharing
15 economy" (Cohen, 2017). One example of these so-called "platform cooperatives" (Scholz,
16 2016: 11) is SMART, which is an international organization supporting the operation and
17 growth of freelance creative and cultural entrepreneurs providing a range of accounting,
18 financial, legal, and training services (CICOPA, 2018).
19
20
21
22
23
24
25
26
27
28
29

30
31 Our discussion leads to the following proposition.
32

33
34 *Proposition 4. Cooperative firms have comparative efficiency*
35 *advantages at inducing and orchestrating inter-firm*
36 *cooperation.*
37
38
39
40

41 42 **Summary assessment**

43
44
45 We summarize our comparative assessment of the strengths and weaknesses of capitalist firms
46 and co-ops under OTP conditions in Figure 1. It is important to note that many of the
47 comparative advantages and disadvantages of these two alternative types of firms are
48 interconnected, in that some strengths are also sources of weakness. In particular, self- and peer
49 monitoring in co-ops can moderate the lack of economic incentives for intrapreneurial efforts
50 and also enable talent retention. By contrast, the superior capacity to orchestrate strong
51 interorganizational relationships can exacerbate the difficulty in monitoring co-op managers
52
53
54
55
56
57
58
59
60

1
2
3 because inefficient co-ops can be subsidized by the cooperative ecosystem, thereby concealing
4 the losses caused by inefficient managers. Also, an inferior capacity to attract talent could also
5 be a disincentive for other actors to make cospecialized investments.
6
7
8
9
10
11
12
13

14
15

Insert Figure 1 about here

16
17
18
19
20
21
22 Based on this assessment, neither capitalist firms nor co-ops should be considered as superior
23 to each other under OTP conditions. Indeed, in order to address the challenges posed by the
24 real-life competition, many firms gradually adopt hybrid traits. For example, co-ops tend to
25 incorporate capitalist elements, while capitalist firms become increasingly more open to forms
26 of stakeholder and employee participation. In the next section, we consider this emerging
27 hybridity.
28
29
30
31
32
33
34
35

36 **WHY HYBRIDS?**

37
38
39
40 In the contemporary economy OTP is increasingly becoming the norm. For example, firms can
41 participate in business ecosystems, exploiting complementarities (Ganco, Kapoor, & Lee,
42 2020). Participation in ecosystems can become a source of sustained advantage. Indicatively,
43 five of the six firms with the highest market value in the world are built around platforms
44 (Yoffie et al., 2019) based on a core technology on which complementors can latch their
45 complementary products and services (Gawer & Cusumano, 2002).
46
47
48
49
50
51
52
53

54
55 Business ecosystems are not mere extensions of internal production teams, obtained by
56 outsourcing some functions. They operate as “the alignment structure of the multilateral set of
57 partners that need to interact in order for a focal value proposition to materialize” (Adner, 2017:
58
59
60

1
2
3 40). Thus, they require an “open system” form of orchestration, aimed not only at maximizing
4 the short term profit of a single focal firm but involving a “prosocial, other-oriented”
5 orientation aimed at facilitating cooperation in the network (Giudici et al., 2018: 1371). In order
6 to foster the development of ecosystems, organizations often need to combine capabilities that
7 are associated with a plurality of organizational forms and governance structures, including
8 those usually associated with cooperative firms.
9

17 ***What is a ‘hybrid’ firm?***

10
11
12
13
14
15
16
17
18
19
20
21 Most real organizations do not conform to a ‘pure’ type. In reality, there exist multiple forms,
22 degrees, and ranges of participation in the governance, decision-making and ownership of the
23 firm. Participation is a complex social phenomenon that is driven by different purposes, can
24 manifest in different forms and be assessed with different outcomes (Dachler & Wilpert, 1978).
25

26
27
28
29
30
31
32 Moreover, there is a continuum between involvement and noninvolvement in decision-making
33 or in the influence on decisional outcomes, as well as a variability in the types of decisions and
34 in the range of actors involved in them (Dachler & Wilpert, 1978). For example, in the context
35 of strategy-making, the level of openness and participation can be assessed both in relation to
36 transparency about the strategy and to inclusiveness of the range of actors involved in its
37 formulation (Whittington et al., 2011). Therefore, it is possible to “modulate” forms of
38 stakeholder participation in decision-making and in the distribution of residual benefits
39 according to different circumstances and to different approaches to leadership (Pitelis &
40 Wagner, 2019).
41
42
43
44
45
46
47
48
49
50
51

52
53
54 Another source of hybridity concerns the purpose and governance of the firm. Rather than
55 considering shareholder value and social sustainability as mutually exclusive orientations,
56 21st-century firms are increasingly required to find effective ways to reconcile their social,
57
58
59
60

1
2
3 environmental, and financial obligations as the concepts of ownership rights and stewardship
4 duties evolve (Alvarez et al., 2020). Organizations that place the creation of synergies between
5
6 multiple logics at the core of their mission have emerged in recent decades. Examples of such
7
8 hybrids include community banks (Almandoz, 2012), social enterprises (Battilana & Lee,
9
10 2014), public–private partnerships (Jay, 2013), benefit corporations (Hiller & Shackelford,
11
12 2018), and some healthcare firms (Reay & Hinings, 2009).

13
14
15
16
17
18 Hybridity also plays an important role in the orchestration of multistakeholder networks
19
20 (Reypens et al., 2019). Indeed co-operative networking has led to the development of hybrid
21
22 forms, as in the case of the creation in Italy of large cooperative corporations that are joint
23
24 stock companies owned by co-ops (Menzani & Zamagni, 2010). The acquisition or creation of
25
26 capitalist subsidiaries has also helped overcoming the normative, cultural, and competitive
27
28 barriers to the internationalization of large cooperative firms (Bretos & Marcuello, 2017).

29
30
31
32
33 Hybridity can also refer to transaction coordination forms that transcend markets, hierarchies,
34
35 and clans, such as those that are emerging in the digital economy. Consider for example the
36
37 open-source license, which is a type of contractual agreement that has emerged in the software
38
39 development industry to enable agents to profit from their specific contributions to a common
40
41 asset (the source code) that remains free and public. The governance model at the basis of this
42
43 form of cooperative effort has been described as a “bazaar” model (Demil & Lecocq, 2006:
44
45 1447). It does not require the development of interpersonal relationships to operate and can
46
47 work in the presence of differentiated levels of individual contribution. This new institutional
48
49 form used to manage transactions relies on intertwined user and producer roles and on
50
51 voluntary and differentiated levels of participation and contribution.
52
53
54
55
56
57
58
59
60

Is there a hybrid advantage?

We claim that in the context of OTP, hybrid cooperative–capitalist firms can possess comparative efficiency advantages relative to both traditional capitalist firms or co-ops. This is because hybrid firms can retain the superior capacity of co-ops to induce internal and external team members to commit to co-specialized investments, while removing some of the tensions and costs arising from the confluence between profit-seeking and social responsibility logics. To achieve this result, it is necessary to navigate the tradeoffs and tensions between individual and collective rights, rewards and egalitarian principles, hierarchy and collegiality, and market-enabled controls and market-induced disruptions. Hybridity entails integrating different, potentially divergent logics (Jay, 2013). Attempts to integration can cause conflicts, which intensity depends among others on the degree of compatibility of the logics, on whether one logic is dominant or not (Besharov & Smith, 2014).

Consequently, different hybrids are possible. *Hybrid cooperatives* are firms combining a dominant cooperative logic (a strong focus on solidarity and members' ownership) with some capitalist features. Mondragon, the largest worker cooperative in the world (Bretos et al., 2019; Errasti, Heras, Bakaikoa, & Elgoibar, 2003) offers a good example. Mondragon has a well-developed managerial technostructure, which is aligned with that of most multinational companies (Etxagibel et al., 2012) and its internationalization strategy has been based on the creation and acquisition of private capital affiliated companies (Errasti et al., 2003). The organization has also developed a 'mixed' cooperative model, in which members can have differentiated participation rights in function of their investment (Flecha & Ngai, 2014). The existence of different classes of voting rights relaxes cooperative firms' egalitarian principles: it allows enhancement of the decisional power of key investors while protecting the

1
2
3 fundamental rights of minor stakeholders, giving them voice in case of decisions that could
4 damage them (Piketty, 2020).
5
6

7
8
9 On the other end of the spectrum, *hybrid capitalist firms* maintain their capitalist structure and
10 objectives while incorporating participative elements that are typical of coops. An example is
11 the institute of co-determination, giving employees the right to vote for representatives on
12 the board of directors in a company (Addison, 2009). This corporate governance model,
13 mandated by law for large firms in Germany and other European countries but only
14 sporadically used in US, is based on a form of "conflictual partnership" between business and
15 workers (Silvia, 2013: 51). Similarly, Dutch firms with more than 50 employees are required
16 to have a Workers' Council which has approval rights in respects of company decisions which
17 impact employment (Goodijk, 2018). Changes in corporate governance legislation, such as the
18 separate role between CEO and Chair of the Board and stipulations about Corporate Social
19 Responsibility, can often also help fostering a higher degree of participation and nuance in
20 objectives, hence hybridity (Harjoto & Jo, 2011). Another example is profit sharing, an idea
21 strongly championed by Weitzman (1985).
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39

40 A hybrid firm can soften the excessive power of major investors by capping their voting rights,
41 a solution that has been proposed for some types of not-for-profit firms that rely heavily on
42 donors (Cagé, 2016). This solution could be extended to for-profit firms, thereby addressing
43 the problem of incentivizing forms of active ownership rather than "exercising faceless on-
44 paper-only controlling" (Alvarez et al., 2020: 712). Dual purpose corporations which choose
45 to pursue financial and social goals simultaneously also represent form of capitalist hybrid: in
46 this case, governance arrangements and reward systems are instrumental to manage trade-offs
47 between different stakeholders' expectations (Battilana et al., 2020).
48
49
50
51
52
53
54
55
56
57
58
59
60

1
2
3 Another possibility is combining cooperative and capitalist features in a *'pure' hybrid firm* in
4 which neither logic is dominant: an example is offered by social enterprises, which aim to
5 pursue solidaristic goals while at the same time being financially successful. When the co-
6 existing logics are not well-aligned, conflict emerges (Besharov & Smith, 2014). This implies
7 the need to develop structures, processes and practices to navigate the tensions that derive from
8 the need to combine interdependent but contrasting logics (Gümüşay, Smets, & Morris, 2020;
9 Smith & Besharov, 2019).

10
11
12 Tensions can emerge also in hybrid cooperative and in hybrid capitalist firms. For example, to
13 counterbalance the lack of market incentives for corporate control it is possible to make all
14 shares negotiable, while maintaining governance rules designed to promote employee
15 ownership (Hand, 2008), employee pre-emption rights (Piketty, 2020), and low share
16 denominations (Toms, 2012). This combination of protections and free market principles is
17 bound to generate tensions and trade-offs. For example, should pre-emption rights be curtailed
18 if the very survival of the organization is at stake or, in other words, should a cooperative betray
19 solidarity towards some members in order to safeguard its existence?

20
21
22 The increased likelihood of tensions caused by combination of different logics in hybrid firms
23 constitutes a challenge but it should not be considered a potential disadvantage of hybridity,
24 since all firms, including *'pure forms'* are potentially affected by trade-offs and tensions that
25 need to be balanced (Smith & Lewis, 2011), such as the those between exploration and
26 exploitation, requiring *'ambidexterity'* (Andriopoulos & Lewis, 2009; Papachroni, Heracleous,
27 & Paroutis, 2016).

28
29
30 In sum, developing hybrid advantage implies tensions and costs, does not evade the challenges
31 of implementation and does not equally apply to all firms, activities and sectors. In general,
32 one might expect firms to move towards hybridization in contexts that justify the additional
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

1
2
3 investment. Based on our discussion the more a particular firm and activity conforms to OTP,
4 the more one would anticipate firms to move towards hybridization. By extension as OTP
5 becomes more prevalent, we would expect firms to consider the cost of investment in
6 hybridization and in identifying ways to adopt the right measures in a cost-efficient way worth
7 undertaking. This leads to:
8
9
10
11
12
13

14
15
16 *Proposition 5. Under OTP conditions, hybrid firms can*
17
18 *possess comparative efficiency advantages relative to both*
19
20 *traditional capitalist and cooperative firms.*
21
22
23
24
25
26

27 **DISCUSSION**

28
29
30 We have argued that today team production does not take place only within the boundaries of
31 the firm, nor is the team production problem limited to metering and monitoring internal team
32 members. Instead, team production often involves independent actors who need to be
33 incentivized to participate in a value co-creation process by investing in cospecialized firm
34 specific assets. Succeeding in these new conditions of Open Team Production entails
35 incentivizing and orchestrating, as well as monitoring internal and external team members. This
36 renders the comparative efficiency calculus of capitalist and cooperative firms more nuanced
37 and brings back the old debate about these two governance structures.
38
39
40
41
42
43
44
45
46
47
48

49
50 Under OTP it is necessary to consider the problems of incentivizing, monitoring and
51 orchestrating the team production of both internal and external team members who commit to
52 firm-specific investments. Under OTP conditions co-operative firms have some comparative
53 advantages, notably in inducing firm-specific investments from external and internal team
54 members that can help offset some, albeit not all, of their traditional disadvantages. This raises
55
56
57
58
59
60

1
2
3 the issue of hybridity and hybrid advantage. In particular we have claimed that, under OTP,
4 hybrid firms that seek to integrate suitably and effectively elements from both types of
5 governance structures can possess comparative efficiency advantages vis a vis both types of
6 traditional firms, and may gradually become more common. While such cross-fertilization can
7 be a positive trait, it can also be a challenge in that the process of integration can be costly,
8 offsetting any advantages. In general, one might expect that the more conditions resemble OTP,
9 the more firms will tend to move towards hybridization.

10
11 An implication of this theoretical argument is that, in hybrid firms, the trade-offs between
12 features of capitalist and cooperative firms, such as that offering decision rights to stakeholders
13 can undermine the pursuit of entrepreneurial opportunities, need to be managed in an adaptive,
14 dynamic manner, as opposed to looking for a static optimum solution (Boone & Özcan, 2016;
15 Smith & Besharov, 2019).

16
17 Our analysis points to a wealth of research opportunities and also managerial and policy
18 implications. While our focus was on the comparative assessment of co-ops and capitalist firms
19 under OTP, new theory could be developed to explicate why and under which circumstances
20 OTP is superior (or not) to traditional team production. For example, it is arguable that in
21 sectors where production is based on tangible assets and well-known transformation processes
22 traditional team production theory remains relevant.

23
24 Within an OTP framework, the notions of value creation and SCA could also be expanded.
25 Different stakeholders might have different views on what is sustainable or what constitutes
26 added value. Therefore, in addition to the considerations presented in our paper, forms of
27 organization that empower multiple stakeholders can help fostering system-wide sustainability
28 (Gibson, 2012; Klein et al., 2019; Seuring & Gold, 2013).

1
2
3 The need to consider the alternative governance structures and their comparative efficiency
4 advantages, is bolstered by concerns over economic power by corporations morphing into
5 political power (Zingales, 2017) increasing wealth inequalities (Piketty, 2014, 2020), and
6 environmental challenges (Newell & Paterson, 2010), that have also raised questions about the
7 sustainability of capitalist corporation and of capitalism as a whole. The almost exclusive focus
8 of many capitalist firms on shareholder value maximization has been extensively criticized by
9 friends and foes of capitalism alike (Alvarez et al., 2020; Lazonick, 2014; Piketty, 2020).

10
11
12 While we have so far explicitly focused on comparative economic efficiency advantages, one
13 should not dismiss the importance of factoring social and environmental considerations into
14 the assessment of the ‘superiority’ of any form of firm governance. For example, it is widely
15 agreed that co-ops contribute more to local economies, are more gender-balanced, outsource
16 less, contribute to philanthropic causes more, are more environmentally friendly and
17 sustainable, and give rise to lower inequalities (Rothschild, 2009; Sacchetti & Tortia, 2020).
18 This might suggest moving away from the value created by a single firm, industry or nation. to
19 global sustainable value creation (Mahoney, McGahan, & Pitelis, 2009) as a criterion for
20 comparative systemic efficiency and welfare. As the capacity to demonstrate social
21 sustainability becomes essential for a firm’s legitimacy, it is likely that capitalist firms will be
22 increasingly induced to incorporate features and capabilities typical of co-ops. That said, as co-
23 ops acquire more capitalist features, some of their social value creation advantages may well
24 dissipate.

25
26
27 Our effort to bypass ideological and paradigmatic stumbling blocks should not imply a
28 dismissal of ideology and/or economic and political power relations either (Zingales, 2017).
29 As Piketty (2020: 4) pointed out, “every society, every inequality regime, is characterized by a
30 set of more or less coherent and persistent answers to [...] questions about its political and
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

1
2
3 property regimes.” However, we must endeavor to test some of these answers logically within
4
5 a consistent frame of reference. In our case, this was provided by open team production and
6
7 the resource/capabilities-based view of the firm.
8
9

10
11 It is reasonable to expect that faced with superior capitalist competitors, co-ops have had a
12
13 higher incentive to pursue hybridization. This may help in explaining why hybridization is
14
15 more prevalent in co-ops than in capitalist firms. That said, the increasing diffusion of
16
17 production teams that span across organizational boundaries, along with the shifting locus of
18
19 sustainable advantage from inside to both inside and without the firm, is likely to gradually
20
21 induce more organizations to pursue hybrid governance, ownership and participation structures
22
23 purposefully. That said, the existence of hybrid advantages need not imply a convergence of
24
25 forms. In part, this is because, absent proper integration, picking and choosing can result in the
26
27 worst of all worlds. Rather, we envisage the coexistence of a plurality of governance structures
28
29 each with their own comparative advantages.
30
31
32
33

34
35 Our analysis has revealed the emergence of various tensions that are connected with the
36
37 compresence of multiple divergent but also interdependent logics under OTP. This suggests
38
39 that a “theory of the firm for the 21st century” (Alvarez et al., 2020: 711) should also
40
41 incorporate the idea that problems relating to organizing factors of production may not be
42
43 amenable to “optimizing” solutions, an idea that can be traced back to Cyert and March (1963).
44
45
46
47

48 In conclusion, hybridity is neither easy to achieve nor can it be seen as a panacea to the complex
49
50 challenges of the contemporary world. It is however a reminder of the importance of
51
52 acknowledging and dealing with ambiguities, contradictions and paradoxes (Berti & Simpson,
53
54 2021; Smith & Lewis, 2011), rather than the alleged superiority of pure capitalist governance
55
56 structures and objectives derived from unrealistic and/or dated assumptions such as perfectly
57
58 competitive markets and closed team production. In this context, some musings by Keynes
59
60

1
2
3 appear current: “The decadent international but individualistic capitalist system [...] is not a
4 success. It is not intelligent, it is not beautiful, it is not just, it is not virtuous [...] But when we
5 wonder what to put in its place, we are extremely perplexed” (Keynes, 1933: 765). Keynes
6 (1936 [2018]) went on to claim that, all considered, capitalism was the better system as
7 compared with state socialism, provided that it dealt adequately with involuntary
8 unemployment and unequal distribution. Capitalism’s recent record on these two fronts leaves
9 something to be desired (Stilwell, 2019). It is arguable that hybridity can serve as a partial
10 corrective that helps address some limitations while retaining some of the advantages. In
11 claiming this we hope to have provided a way forward.
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

REFERENCES

- Addison, J. T. 2009. *The Economics of Codetermination: Lessons from the German Experience*. New York: Palgrave Macmillan.
- Adler, P. S. 2001. Market, hierarchy, and trust: The knowledge economy and the future of capitalism. *Organization Science*, 12(2): 215-234.
- Adner, R. 2017. Ecosystem as structure: An actionable construct for strategy. *Journal of Management*, 43(1): 39-58.
- Alchian, A. A., & Demsetz, H. 1972. Production, information costs, and economic organization. *The American Economic Review*: 777-795.
- Almandoz, J. 2012. Arriving at the starting line: The impact of community and financial logics on new banking ventures. *Academy of Management Journal*, 55(6): 1381-1406.
- Alvarez, S. A., Zander, U., Barney, J. B., & Afuah, A. 2020. Developing a Theory of the Firm for the 21st Century. *Academy of Management Review*, 45(4): 711-716.
- Andriopoulos, C., & Lewis, M. W. 2009. Exploitation-Exploration Tensions and Organizational Ambidexterity: Managing Paradoxes of Innovation. *Organization Science*, 20(4): 696-717.
- Antoncic, B., & Hisrich, R. D. 2001. Intrapreneurship: Construct refinement and cross-cultural validation. *Journal of Business Venturing*, 16(5): 495-527.
- Antoncic, B., & Hisrich, R. D. 2003. Clarifying the intrapreneurship concept. *Journal of small Business and enterprise development*, 10(1): 7-24.
- Baldassarri, D. 2015. Cooperative networks: Altruism, group solidarity, reciprocity, and sanctioning in Ugandan producer organizations. *American Journal of sociology*, 121(2): 355-395.
- Barney, J., & Rangan, S. 2019. Editors' Comments: Why Do We Need a Special Issue on New Theoretical Perspectives on Market-Based Economic Systems? *Academy of Management Review*, 44(1): 1-5.
- Barney, J. B. 2011. *Gaining and sustaining competitive advantage* (4th ed. ed.). Upper Saddle River, NJ: Pearson.
- Barney, J. B. 2018. Why resource-based theory's model of profit appropriation must incorporate a stakeholder perspective. *Strategic Management Journal*, 39(13): 3305-3325.
- Barney, J. B., & Wright, P. M. 1998. On becoming a strategic partner: The role of human resources in gaining competitive advantage. *Human Resource Management*, 37(1): 31-46.
- Battilana, J., & Lee, M. 2014. Advancing research on hybrid organizing—Insights from the study of social enterprises. *Academy of Management Annals*, 8(1): 397-441.
- Battilana, J., Obloj, T., Pache, A.-C., & Sengul, M. 2020. Beyond Shareholder Value Maximization: Accounting for Financial/Social Tradeoffs in Dual-Purpose Companies. *Academy of Management Review*.
- Becattini, G., Bellandi, M., & De Propris, L. 2009. *A handbook of industrial districts*: Edward Elgar Publishing.
- Benabou, R., & Tirole, J. 2003. Intrinsic and extrinsic motivation. *The review of economic studies*, 70(3): 489-520.
- Bengtsson, M., & Raza-Ullah, T. 2016. A systematic review of research on coopetition: Toward a multilevel understanding. *Industrial Marketing Management*, 57: 23-39.
- Berti, M., & Simpson, A. V. 2021. The Dark Side of Organizational Paradoxes: The Dynamics of Disempowerment. *Academy of Management Review*, 46(2): 252-274.

- 1
2
3 Besharov, M. L., & Smith, W. K. 2014. Multiple institutional logics in organizations:
4 Explaining their varied nature and implications. *Academy of Management Review*,
5 39(3): 364-381.
- 6 Birchall, J. 2011. *People-centred businesses: co-operatives, mutuals and the idea of*
7 *membership*. Basingstoke, UK: Palgrave Macmillan
- 8 Block, P. 2013. *Stewardship: Choosing service over self-interest* (2nd edition ed.). San
9 Francisco, CA: Berrett-Koehler Publishers.
- 10 Boone, C., & Özcan, S. 2014. Why do Cooperatives emerge in a World dominated by
11 Corporations? The diffusion of Cooperatives in the U.S. Bio-ethanol industry, 1978-
12 2013. *Academy of Management Journal*, 57(4): 990-1012.
- 13 Boone, C., & Özcan, S. 2016. Ideological Purity vs. Hybridization Trade-Off: When Do
14 Islamic Banks Hire Managers from Conventional Banking? *Organization Science*,
15 27(6): 1380-1396.
- 16 Borgen, S. O. 2004. Rethinking incentive problems in cooperative organizations. *The*
17 *Journal of Socio-Economics*, 33(4): 383-393.
- 18 Borzaga, C., & Galera, G. 2016. Innovating the provision of welfare services through
19 collective action: the case of Italian social cooperatives. *International Review of*
20 *Sociology*, 26(1): 31-47.
- 21 Borzaga, C., & Tortia, E. C. 2017. Co-operation as a Co-ordination mechanism. In J. Michie,
22 J. R. Blasi, & C. Borzaga (Eds.), *The Oxford Handbook of Mutual, Co-operative*
23 *and Co-owned Business*: 54-75. Oxford: Oxford University Press.
- 24 Bovel, D., & Martha, J. 2000. From supply chain to value net. *Journal of Business Strategy*,
25 21(4): 25-25.
- 26 Bretos, I., Errasti, A., & Marcuello, C. 2019. Multinational expansion of worker cooperatives
27 and their employment practices: Markets, institutions, and politics in Mondragon. *ILR*
28 *Review*, 72(3): 580-605.
- 29 Bretos, I., & Marcuello, C. 2017. Revisiting Globalization challenges and opportunities in the
30 development of Cooperatives. *Annals of Public and Cooperative Economics*, 88(1):
31 47-73.
- 32 Bridoux, F., & Stoelhorst, J. W. 2015. Stakeholder Relationships and Social Welfare: A
33 Behavioral Theory of Contributions to Joint Value Creation. *Academy of*
34 *Management Review*, 41(2): 229-251.
- 35 Bundy, J., Vogel, R. M., & Zachary, M. A. 2018. Organization–stakeholder fit: A dynamic
36 theory of cooperation, compromise, and conflict between an organization and its
37 stakeholders. *Strategic Management Journal*, 39(2): 476-501.
- 38 Cagé, J. 2016. *Saving the media*. Boston, MS: Harvard University Press.
- 39 Campbell, B. A., Coff, R., & Kryscynski, D. 2012. Rethinking sustained competitive
40 advantage from human capital. *Academy of Management Review*, 37(3): 376-395.
- 41 Carleton, K. 2011. How to Motivate and Retain Knowledge Workers in Organizations: A
42 Review of the Literature. *International Journal of Management*, 28(2): 459.
- 43 Cassar, L., & Meier, S. 2018. Nonmonetary Incentives and the Implications of Work as a
44 Source of Meaning. *Journal of Economic Perspectives*, 32(3): 215-238.
- 45 Cathcart, A. 2009. *Directing democracy: the case of the John Lewis partnership*.
46 Unpublished PhD Thesis, University of Leicester.
- 47 Cathcart, A. 2014. Paradoxes of participation: non-union workplace partnership in John
48 Lewis. *The International Journal of Human Resource Management*, 25(6): 762-
49 780.
- 50 Chadwick, C. 2017. Toward a more comprehensive model of firms' human capital rents.
51 *Academy of Management Review*, 42(3): 499-519.
- 52
53
54
55
56
57
58
59
60

- 1
2
3 Chaves, R., & Sajardo-Moreno, A. 2004. Social economy managers: Between values and
4 entrenchment. *Annals of Public and Cooperative Economics*, 75(1): 139-161.
- 5 Chen, M.-J., & Miller, D. 2015. Reconceptualizing competitive dynamics: A
6 multidimensional framework. *Strategic Management Journal*, 36(5): 758-775.
- 7 Cheney, G. 2002. *Values at work: Employee participation meets market pressure at*
8 *Mondragon*. Ithaca, NY: Cornell University Press.
- 9
10 Cheney, G., Santa Cruz, I., Peredo, A. M., & Nazareno, E. 2014. Worker cooperatives as an
11 organizational alternative: Challenges, achievements and promise in business
12 governance and ownership. *Organization*, 21(5): 591-603.
- 13 Chesbrough, H. W. 2006. *Open innovation: The new imperative for creating and profiting*
14 *from technology*. Watertown, MA: Harvard Business Press.
- 15
16 CICOPA. 2018. The Future of Work. Brussels, BE: International Organization of Industrial
17 and Service Cooperatives.
- 18 Coase, R. H. 1937. The Nature of the Firm. *Economica*, 4(16): 386.
- 19 Cohen, M. J. 2017. Workers - and Consumers - of the World Unite! Opportunities for Hybrid
20 Co-operativism. In J. Michie, J. R. Blasi, & C. Borzaga (Eds.), *The Oxford*
21 *Handbook of Mutual, Co-operative and Co-owned Business*: 374-385. Oxford:
22 Oxford University Press.
- 23
24 Cornforth, C. 1995. Patterns of cooperative management: Beyond the degeneration thesis.
25 *Economic and Industrial Democracy*, 16(4): 487-523.
- 26 Cyert, R. M., & March, J. G. 1963. *Behavioral Theory of the Firm*. New York, NY: Wiley.
- 27 Czakon, W., Srivastava, M. K., Le Roy, F., & Gnyawali, D. 2020. Coopetition strategies:
28 Critical issues and research directions. *Long Range Planning*, 53(1): 101948.
- 29
30 Dachler, H., & Wilpert, B. 1978. Conceptual Dimensions and Boundaries of Participation in
31 Organizations: A Critical Evaluation. *Administrative Science Quarterly*, 23(1): 1.
- 32 Davis, J. H., Schoorman, F. D., & Donaldson, L. 1997. Toward a stewardship theory of
33 management. *Academy of Management Review*, 22(1): 20-47.
- 34 de Villiers-Scheepers, M. J. 2011. Motivating intrapreneurs: the relevance of rewards.
35 *Industry and higher education*, 25(4): 249-263.
- 36 Demil, B., & Lecocq, X. 2006. Neither market nor hierarchy nor network: The emergence of
37 bazaar governance. *Organization Studies*, 27(10): 1447-1466.
- 38
39 Dow, G. K. 2001. Allocating control over firms: Stock markets versus membership markets.
40 *Review of industrial Organization*, 18(2): 201-218.
- 41 Dow, G. K. 2003. *Governing the firm: workers' control in theory and practice*. Cambridge:
42 Cambridge University Press.
- 43
44 Dow, G. K. 2018. The Theory of the Labor-Managed Firm: Past, Present, and Future. *Annals*
45 *of Public & Cooperative Economics*, 89(1): 65-86.
- 46 Dow, G. K. 2020. The labor-managed firm, Jaroslav Vanek and me. *Journal of Participation*
47 *and Employee Ownership*.
- 48 Dyer, J. H., & Singh, H. 1998. The relational view: Cooperative strategy and sources of
49 interorganizational competitive advantage. *Academy of Management Review*, 23(4):
50 660-679.
- 51 Eisenhardt, K. M. 1989. Agency Theory: An Assessment and Review. *Academy of*
52 *Management Review*, 14(1): 57-74.
- 53
54 Elkington, J. 2018. 25 years ago I coined the phrase “triple bottom line.” Here’s why it’s time
55 to rethink it, *Harvard Business Review*, Vol. 25-6-2018: 2-5.
- 56 Errasti, A. M., Heras, I., Bakaikoa, B., & Elgoibar, P. 2003. The internationalisation of
57 cooperatives: the case of the Mondragon Cooperative Corporation. *Annals of Public*
58 *and Cooperative Economics*, 74(4): 553-584.
- 59
60

- 1
2
3 Etxagibel, J. A., Cheney, G., & Udaondo, A. 2012. Workers' participation in a globalized
4 market: reflections on and from Mondragon. In M. Atzeni (Ed.), *Alternative Work*
5 *Organizations*: 76-102. Basingstoke: Palgrave MacMillan.
- 6 Fehr, E., & Schmidt, K. M. 1999. A theory of fairness, competition, and cooperation. *The*
7 *Quarterly Journal of Economics*, 114(3): 817-868.
- 8 Feldman, M. S., & Pentland, B. T. 2003. Reconceptualizing Organizational Routines as a
9 Source of Flexibility and Change. *Administrative Science Quarterly*, 48: 94-118.
- 10 Fisman, D., Fisman, R. J., Galef, J., Khurana, R., & Wang, Y. 2012. Estimating the value of
11 connections to Vice-President Cheney. *The BE Journal of Economic Analysis &*
12 *Policy*, 13(3).
- 13 Flecha, R., & Ngai, P. 2014. The challenge for Mondragon: Searching for the cooperative
14 values in times of internationalization. *Organization*, 21(5): 666-682.
- 15 Forte, A., & Lampe, C. 2013. Defining, understanding, and supporting open collaboration
16 lessons from the literature. *American Behavioral Scientist*, 57(5): 535-547.
- 17 Freeman, R. E. 1984. *Strategic management: A stakeholder approach*. London: Pitman
18 Publishing.
- 19 Freeman, R. E., Wicks, A. C., & Parmar, B. 2004. Stakeholder theory and "the corporate
20 objective revisited". *Organization Science*, 15(3): 364-369.
- 21 Furubotn, E. G., & Pejovich, S. 1972. Property rights and economic theory: a survey of recent
22 literature. *Journal of Economic Literature*, 10(4): 1137-1162.
- 23 Gagné, M., & Deci, E. L. 2005. Self-determination theory and work motivation. *Journal of*
24 *Organizational Behavior*, 26(4): 331-362.
- 25 Ganco, M., Kapoor, R., & Lee, G. K. 2020. From Rugged Landscapes to Rugged
26 Ecosystems: Structure of Interdependencies and Firms' Innovative Search. *Academy*
27 *of Management. The Academy of Management Review*, 45(3): 646.
- 28 Gawer, A., & Cusumano, M. A. 2002. *Platform leadership: How Intel, Microsoft, and Cisco*
29 *drive industry innovation*. Boston, MA: Harvard Business School Press
- 30 Gibson, K. 2012. Stakeholders and Sustainability: An Evolving Theory. *Journal of Business*
31 *Ethics*, 109(1): 15-25.
- 32 Giudici, A., Reinmoeller, P., & Ravasi, D. 2018. Open-system orchestration as a relational
33 source of sensing capabilities: Evidence from a venture association. *Academy of*
34 *Management Journal*, 61(4): 1369-1402.
- 35 Gnyawali, D. R., Madhavan, R., He, J., & Bengtsson, M. 2016. The competition-cooperation
36 paradox in inter-firm relationships: A conceptual framework. *Industrial Marketing*
37 *Management*, 53: 7-18.
- 38 Goodijk, R. 2018. Corporate governance and Workers' Participation in the Netherlands. In R.
39 Markey, P. Gollan, A. Hodgkinson, A. Chouraqi, & U. Veersma (Eds.), *Models of*
40 *Employee Participation in a Changing Global Environment*: 179-192. Abingdon:
41 Routledge.
- 42 Gulati, R. 1995. Does familiarity breed trust? The implications of repeated ties for contractual
43 choice in alliances. *Academy of Management Journal*, 38(1): 85-112.
- 44 Gümüşay, A. A., Smets, M., & Morris, T. 2020. "God at Work": Engaging Central and
45 Incompatible Institutional Logics through Elastic Hybridity. *Academy of*
46 *Management Journal*, 63(1): 124.
- 47 Hand, J. R. M. 2008. Give everyone a prize? Employee stock options in private venture-
48 backed firms. *Journal of Business Venturing*, 23(4): 385.
- 49 Hansmann, H. B. 1996. *The ownership of enterprise*. Cambridge, MS: Harvard University
50 Press.
- 51 Harjoto, M. A., & Jo, H. 2011. Corporate governance and CSR nexus. *Journal of business*
52 *ethics*, 100(1): 45-67.
- 53
54
55
56
57
58
59
60

- 1
2
3 Harrison, J. S., & St. John, C. H. 1996. Managing and partnering with external stakeholders.
4 *Academy of Management Perspectives*, 10(2): 46-60.
- 5 Haskel, J., & Westlake, S. 2018. *Capitalism without capital: The rise of the intangible*
6 *economy*: Princeton University Press.
- 7 Hautz, J., Seidl, D., & Whittington, R. 2017. Open strategy: Dimensions, dilemmas,
8 dynamics. *Long Range Planning*, 50(3): 298-309.
- 9 Hemetsberger, A., & Reinhardt, C. 2009. Collective Development in Open-Source
10 Communities: An Activity Theoretical Perspective on Successful Online
11 Collaboration, *Organization Studies*, Vol. 30.
- 12 Hernández-Nicolás, C. M., Martín-Ugedo, J. F., & Mínguez-Vera, A. 2019. The effect of
13 gender diversity on the board of Spanish agricultural cooperatives on returns and debt:
14 An empirical analysis. *Agribusiness*, 35(4): 639-656.
- 15 Hiller, J. S., & Shackelford, S. J. 2018. The Firm and Common Pool Resource Theory:
16 Understanding the Rise of Benefit Corporations. *American Business Law Journal*,
17 55(1): 5-51.
- 18 Hoskisson, R. E., Gambeta, E., Green, C. D., & Li, T. X. 2018. Is My Firm-Specific
19 Investment Protected? Overcoming the Stakeholder Investment Dilemma in the
20 Resource-Based View. *Academy of Management Review*, 43(2): 284-306.
- 21 Isaksson, R., Johansson, P., & Fischer, K. 2010. Detecting supply chain innovation potential
22 for sustainable development. *Journal of Business Ethics*, 97(3): 425-442.
- 23 Jacobides, M. G., Cennamo, C., & Gawer, A. 2018. Towards a theory of ecosystems.
24 *Strategic Management Journal*, 39(8): 2255-2276.
- 25 Jacobides, M. G., Knudsen, T., & Augier, M. 2006. Benefiting from innovation: Value
26 creation, value appropriation and the role of industry architectures. *Research policy*,
27 35(8): 1200-1221.
- 28 Jay, J. 2013. Navigating Paradox As A Mechanism Of Change And Innovation In Hybrid
29 Organizations. *Academy of Management Journal*, 56(1): 137-159.
- 30 Jensen, M. C., & Meckling, W. H. 1976. Theory of the firm: Managerial behavior, agency
31 costs and ownership structure. *Journal of financial economics*, 3: 305-360.
- 32 Jensen, M. C., & Meckling, W. H. 1979. Rights and production functions: An application to
33 labor-managed firms and codetermination. *Journal of Business*: 469-506.
- 34 John, K., & Ross, D. 2021. How a Firm's Value Capture Affects Value Creation in Its
35 Ecosystem. *Academy of Management Review*.
- 36 Jones, D. C., & Kalmi, P. 2012. Economies of Scale versus Participation: A Co-operative
37 Dilemma? *Journal of Entrepreneurial and Organizational Diversity*, 1(1): 37-64.
- 38 Jones, G. R. 1984. Task Visibility, Free Riding, and Shirking: Explaining the Effect of
39 Structure and Technology on Employee Behavior. *Academy of Management Review*,
40 9(4): 684-695.
- 41 Jossa, B. 2009. Alchian and Demsetz's critique of the cooperative firm thirty-seven years
42 after. *Metroeconomica*, 60(4): 686-714.
- 43 Kahneman, D. 2011. *Thinking, fast and slow*. New York, NY: Farrar, Straus and Giroux.
- 44 Kahneman, D., Knetsch, J. L., & Thaler, R. H. 1990. Experimental tests of the endowment
45 effect and the Coase theorem. *Journal of Political Economy*: 1325-1348.
- 46 Kahneman, D., & Tversky, A. 1979. Prospect theory: An analysis of decision under risk.
47 *Econometrica: Journal of the Econometric Society*: 263-291.
- 48 Kalmi, P. 2007. The disappearance of cooperatives from economics textbooks. *Cambridge*
49 *Journal of Economics*, 31(4): 625-647.
- 50 Kaufman, A., & Englander, E. 2005. A team production model of corporate governance.
51 *Academy of Management Executive*, 19(3): 9-22.
- 52 Keynes, J. M. 1933. National self-sufficiency. *Yale Review*, 22(4): 755-769.

- 1
2
3 Keynes, J. M. 1936 [2018]. *The general theory of employment, interest, and money*.
4 London: Springer.
5
6 Kim, W. C., & Mauborgne, R. 2005. *Blue ocean strategy: how to create uncontested market*
7 *space and make the competition irrelevant*. Boston, MA: Harvard University Press.
8
9 Kirkwood, J. 2007. Tall poppy syndrome: Implications for entrepreneurship in New Zealand.
10 *Journal of Management & Organization*, 13(4): 366-382.
11
12 Klein, P., Mahoney, J., McGahan, A., & Pitelis, C. 2019. Organizational governance
13 adaptation: Who is in, who is out, and who gets what. *Academy of Management*
14 *Review*, 44(1).
15
16 Klein, P. G., Mahoney, J. T., McGahan, A. M., & Pitelis, C. N. 2012. Who is in charge? A
17 property rights perspective on stakeholder governance. *Strategic Organization*, 10(3):
18 304.
19
20 Kwon, K., & Rupp, D. E. 2013. High-performer turnover and firm performance: The
21 moderating role of human capital investment and firm reputation. *Journal of*
22 *Organizational Behavior*, 34(1): 129-150.
23
24 Lado, A. A., Dant, R. R., & Tekleab, A. G. 2008. Trust-opportunism paradox, relationalism,
25 and performance in interfirm relationships: evidence from the retail industry.
26 *Strategic Management Journal*, 29(4): 401-423.
27
28 Lazonick, W. 2014. Profits without prosperity. *Harvard Business Review*, 92(9): 46-55.
29
30 Lessard, D., Teece, D. J., & Leih, S. 2016. The dynamic capabilities of Meta-multinationals.
31 *Global Strategy Journal*, 6(3): 211-224.
32
33 Levine, S. S., & Prietula, M. J. 2013. Open collaboration for innovation: principles and
34 performance. *Organization Science*.
35
36 Li, Z. G., & Dant, R. P. 1997. An exploratory study of exclusive dealing in channel
37 relationships. *Journal of the Academy of Marketing Science*, 25(3): 201-213.
38
39 Lorenzoni, G., & Lipparini, A. 1999. The leveraging of interfirm relationships as a distinctive
40 organizational capability: a longitudinal study. *Strategic Management Journal*,
41 20(4): 317-338.
42
43 Macneil, I. R. 1986. Exchange revisited: Individual utility and social solidarity. *Ethics*, 96(3):
44 567-593.
45
46 Mahoney, J. T., McGahan, A. M., & Pitelis, C. N. 2009. Perspective—The interdependence
47 of private and public interests. *Organization Science*, 20(6): 1034-1052.
48
49 Manne, H. G. 1965. Mergers and the market for corporate control. *Journal of Political*
50 *economy*, 73(2): 110-120.
51
52 Meek, C. B., & Woodworth, W. P. 1990. Technical training and EnterprRse: Mondragon's
53 educational system and its implications for other cooperatives. *Economic and*
54 *Industrial Democracy*, 11(4): 505-528.
55
56 Menzani, T., & Zamagni, V. 2010. Cooperative networks in the Italian economy. *Enterprise*
57 *and Society*, 11(01): 98-127.
58
59 Michie, J., Blasi, J. R., & Borzaga, C. (Eds.). 2017. *The Oxford Handbook of Mutual, Co-*
60 *operative and Co-owned Business*. Oxford: Oxford University Press.
61
62 Mitchell, R. K., Agle, B. R., & Wood, D. J. 1997. Toward a theory of stakeholder
63 identification and salience: Defining the principle of who and what really counts.
64 *Academy of Management Review*, 22(4): 853-886.
65
66 Moore, J. F. 1996. *The death of competition : leadership and strategy in the age of business*
67 *ecosystems* (1st ed. ed.). New York: HarperBusiness.
68
69 Nalebuff, B. J., Brandenburger, A., & Maulana, A. 1996. *Co-opetition*. London: Harper
70 Collins Business

- 1
2
3 Neessen, P. C., Caniëls, M. C., Vos, B., & De Jong, J. P. 2019. The intrapreneurial employee:
4 toward an integrated model of intrapreneurship and research agenda. *International*
5 *Entrepreneurship and Management Journal*, 15(2): 545-571.
- 6 Newell, P., & Paterson, M. 2010. *Climate capitalism: global warming and the*
7 *transformation of the global economy*: Cambridge University Press.
- 8 Nilsson, J. 2001. Organisational principles for co-operative firms. *Scandinavian Journal of*
9 *Management*, 17(3): 329-356.
- 10 Normann, R., & Ramirez, R. 1993. From value chain to value constellation: Designing
11 interactive strategy. *Harvard Business Review*, 71(4): 65.
- 12 Normann, R., & Ramirez, R. 1998. *Designing interactive strategy: From value chain to*
13 *value constellation*: John Wiley & Sons.
- 14 Novkovic, S., & Sena, V. (Eds.). 2007. *Cooperative Firms in Global Markets*. Bingham,
15 UK: Emerald.
- 16 Obstfeld, D. 2005. Social networks, the tertius iungens orientation, and involvement in
17 innovation. *Administrative Science Quarterly*, 50(1): 100-130.
- 18 Ouchi, W. G. 1979. A Conceptual Framework for the Design of Organizational Control
19 Mechanisms. *Management Science*, 25(9): 833-848.
- 20 Ouchi, W. G. 1980. Markets, bureaucracies, and clans. *Administrative Science Quarterly*:
21 129-141.
- 22 Papachroni, A., Heracleous, L., & Paroutis, S. 2016. In pursuit of ambidexterity: Managerial
23 reactions to innovation–efficiency tensions. *Human Relations*, 69(9): 1791-1822.
- 24 Park, B.-J. R., Srivastava, M. K., & Gnyawali, D. R. 2014. Walking the tight rope of
25 coopetition: Impact of competition and cooperation intensities and balance on firm
26 innovation performance. *Industrial Marketing Management*, 43(2): 210-221.
- 27 Parmigiani, A., & Howard-Grenville, J. 2011. Routines revisited: Exploring the capabilities
28 and practice perspectives. *Academy of Management Annals*, 5(1): 413-453.
- 29 Peltoniemi, M. 2006. Preliminary theoretical framework for the study of business
30 ecosystems. *Emergence: Complexity & Organization*, 8(1).
- 31 Pestoff, V. A. 2017. The Social and Political Dimensions of Co-operative Enterprises. In J.
32 Michie, J. R. Blasi, & C. Borzaga (Eds.), *The Oxford Handbook of Mutual, Co-*
33 *operative and Co-owned Business*: 76-94. Oxford: Oxford University Press.
- 34 Pfeffer, J., & Salancik, G. R. 1978. *The external control of organizations: A resource*
35 *dependence approach*. New York, NY: Harper and Row.
- 36 Piketty, T. 2014. *Capital in the twenty-first century : the dynamics of inequality, wealth,*
37 *and growth*. Cambridge, MS: Harvard University Press.
- 38 Piketty, T. 2020. *Capital and ideology*. Cambridge, MS: Harvard University Press.
- 39 Pitelis, C. 2012. Clusters, entrepreneurial ecosystem co-creation, and appropriability: a
40 conceptual framework. *Industrial and Corporate Change*, 21(6): 1359-1388.
- 41 Pitelis, C. N., & Teece, D. J. 2009. The (new) nature and essence of the firm. *European*
42 *Management Review*, 6(1): 5-15.
- 43 Pitelis, C. N., & Teece, D. J. 2010. Cross-border market co-creation, dynamic capabilities and
44 the entrepreneurial theory of the multinational enterprise. *Industrial and corporate*
45 *change*, 19(4): 1247-1270.
- 46 Pitelis, C. N., & Teece, D. J. 2018. The new MNE: ‘Orchestration’ theory as envelope of
47 ‘Internalisation’ theory. *Management International Review*, 58(4): 523-539.
- 48 Pitelis, C. N., & Wagner, J. D. 2019. Strategic shared leadership and organizational dynamic
49 capabilities. *The Leadership Quarterly*, 30(2): 233-242.
- 50 Porter, P. K., & Scully, G. W. 1987. Economic efficiency in cooperatives. *Journal of Law*
51 *and economics*: 489-512.
- 52
53
54
55
56
57
58
59
60

- 1
2
3 Powell, W. W. 1990. Neither market nor hierarchy: network forms of organisation. *Research*
4 *in Organizational Behavior*, 12: 295-336.
- 5 Powell, W. W., Koput, K. W., & Smith-Doerr, L. 1996. Interorganizational collaboration and
6 the locus of innovation: Networks of learning in biotechnology. *Administrative*
7 *Science Quarterly*: 116-145.
- 8 Putterman, L., & Skillman, G. L. 1992. The role of exit costs in the theory of cooperative
9 teams. *Journal of Comparative Economics*, 16(4): 596-618.
- 10 Rajan, R. G., & Zingales, L. 1998. Power in a Theory of the Firm. *The Quarterly Journal of*
11 *Economics*, 113(2): 387-432.
- 12 Reay, T., & Hinings, C. R. 2009. Managing the rivalry of competing institutional logics.
13 *Organization Studies*, 30(6): 629-652.
- 14 Reypens, C., Lievens, A., & Blazevic, V. 2019. Hybrid Orchestration in Multi-stakeholder
15 Innovation Networks: Practices of mobilizing multiple, diverse stakeholders across
16 organizational boundaries. *Organization Studies*: 0170840619868268.
- 17 Rothschild, J. 1979. The Collectivist Organization: An Alternative to Rational-Bureaucratic
18 Models. *American Sociological Review*, 44(4): 509-527.
- 19 Rothschild, J. 2009. Workers' Cooperatives and Social Enterprise: A Forgotten Route to
20 Social Equity and Democracy. *American Behavioral Scientist*, 52(7): 1023-1041.
- 21 Ryan, R. M., & Deci, E. L. 2000. Self-determination theory and the facilitation of intrinsic
22 motivation, social development, and well-being. *American Psychologist*, 55(1): 68.
- 23 Sabatini, F., Modena, F., & Tortia, E. 2014. Do cooperative enterprises create social trust?
24 *Small Business Economics*, 42(3): 621-641.
- 25 Sacchetti, S., & Tortia, E. 2020. Social responsibility in non-investor-owned organisations.
26 *Corporate Governance: The International Journal of Business in Society*.
- 27 Scholz, T. 2016. Platform cooperativism. Challenging the corporate sharing economy. New
28 York: Rosa Luxemburg Stiftung.
- 29 Seuring, S., & Gold, S. 2013. Sustainability management beyond corporate boundaries: from
30 stakeholders to performance. *Journal of Cleaner Production*, 56: 1-6.
- 31 Shipilov, A. V., & Gawer, A. 2019. Integrating Research on Interorganizational Networks
32 and Ecosystems. *Academy of Management Annals*, 14(1): 92-121.
- 33 Silvia, S. J. 2013. *Holding the Shop Together: German Industrial Relations in the Postwar*
34 *Era*. Ithaca, NY: Cornell University Press.
- 35 Simon, H. A. 1991. Organizations and markets. *The Journal of Economic Perspectives*: 25-
36 44.
- 37 Sison, A. J. G. 2007. Toward a common good theory of the firm: The Tasubinsa case.
38 *Journal of Business Ethics*, 74(4): 471-480.
- 39 Smith, W. K., & Besharov, M. L. 2019. Bowing before Dual Gods: How Structured
40 Flexibility Sustains Organizational Hybridity. *Administrative Science Quarterly*,
41 64(1): 1-44.
- 42 Smith, W. K., & Lewis, M. W. 2011. Toward a theory of paradox: A dynamic equilibrium
43 model of organizing. *Academy of Management Review*, 36(2): 381-403.
- 44 Stashevsky, S., Burke, R., Carmeli, A., & Tishler, A. 2006. The relative importance of the top
45 management team's managerial skills. *International Journal of Manpower*.
- 46 Stilwell, F. 2019. *The political economy of inequality*: John Wiley & Sons.
- 47 Teece, D. J. 1986. Profiting from technological innovation: Implications for integration,
48 collaboration, licensing and public policy. *Research policy*, 15(6): 285-305.
- 49 Teece, D. J. 2003. Expert talent and the design of (professional services) firms. *Industrial*
50 *and Corporate Change*, 12(4): 895-916.
- 51
52
53
54
55
56
57
58
59
60

- 1
2
3 Teece, D. J. 2007. Explicating dynamic capabilities: the nature and microfoundations of
4 (sustainable) enterprise performance. *Strategic Management Journal*, 28(13): 1319-
5 1350.
6
7 Tirole, J. 1986. Hierarchies and bureaucracies: On the role of collusion in organizations.
8 *Journal of Law, Economics, & Organization*: 181-214.
9
10 Toms, S. 2012. Producer co-operatives and economic efficiency: Evidence from the
11 nineteenth-century cotton textile industry. *Business History*, 54(6): 855-882.
12
13 Tortia, E. C. 2018. The firm as a common. Non-divided ownership, patrimonial stability and
14 longevity of co-operative enterprises. *Sustainability*, 10(4): 1023.
15
16 Ulrich, D., & Barney, J. B. 1984. Perspectives in organizations: resource dependence,
17 efficiency, and population. *Academy of Management Review*, 9(3): 471-481.
18
19 Uzzi, B. 1997. Social structure and competition in interfirm networks: The paradox of
20 embeddedness. *Administrative Science Quarterly*: 35-67.
21
22 Vanek, J. 1970. *The general theory of labor-managed market economies*: Cornell
23 University Press Ithaca, NY.
24
25 von Hippel, E., & von Krogh, G. 2003. Open source software and the “private-collective”
26 innovation model: Issues for organization science. *Organization Science*, 14(2): 209-
27 223.
28
29 von Nordenflycht, A. 2010. What is a professional service firm? Toward a theory and
30 taxonomy of knowledge-intensive firms. *Academy of Management Review*, 35(1):
31 155-174.
32
33 Wang, H. C., & Barney, J. B. 2006. Employee incentives to make firm-specific investments:
34 Implications for resource-based theories of corporate diversification. *Academy of*
35 *Management Review*, 31(2): 466-476.
36
37 Ward, B. 1958. The firm in Illyria: market syndicalism. *The American Economic Review*:
38 566-589.
39
40 Weitzman, M. L. 1985. The simple macroeconomics of profit sharing. *The American*
41 *Economic Review*, 75(5): 937-953.
42
43 Weizenbaum, J. 1976. *Computer power and human reason: From judgment to calculation*.
44 Oxford: W. H. Freeman & Co.
45
46 Wenzel, M., Danner-Schröder, A., & Spee, A. P. 2020. Dynamic Capabilities? Unleashing
47 Their Dynamics through a Practice Perspective on Organizational Routines. *Journal*
48 *of Management Inquiry*, First Published May 4, 2020
49
50 DOI: 10.1177/1056492620916549.
51
52 Whittington, R., Caillaud, L., & Yakis-Douglas, B. 2011. Opening strategy: Evolution of a
53 precarious profession. *British Journal of Management*, 22(3): 531-544.
54
55 Williamson, O. E. 1973. Markets and hierarchies: some elementary considerations. *The*
56 *American Economic Review*: 316-325.
57
58 Williamson, O. E. 1981. The economics of organization: The transaction cost approach.
59 *American Journal of Sociology*: 548-577.
60
61 Williamson, O. E. 1985. *The economic institutions of capitalism*. New York, NY: Free
62 Press.
63
64 Yoffie, D. B., Gawer, A., & Cusumano, M. A. 2019. A Study of More Than 250 Platforms
65 Reveals Why Most Fail, *Harvard Business Review*.
66
67 Zaheer, A., Gözübüyük, R., & Milanov, H. 2010. It's the connections: The network
68 perspective in interorganizational research. *Academy of Management Perspectives*,
69 24(1): 62-77.
70

- 1
2
3 Zamagni, S. 2005. Per una teoria economico-civile dell'impresa cooperativa. In E. Mazzoli,
4 & S. Zamagni (Eds.), *Verso una nuova teoria economica della cooperazione*: 15-56.
5 Bologna: Il Mulino.
6
7 Zamagni, V. 2017. A Worldwide Historical Perspective on Co-operatives. In J. Michie, J. R.
8 Blasi, & C. Borzaga (Eds.), *The Oxford Handbook of Mutual, Co-operative and Co-*
9 *owned Business*: 97-113. Oxford: Oxford University Press.
10 Zingales, L. 2000. In search of new foundations. *The Journal of Finance*, 55(4): 1623-1653.
11 Zingales, L. 2017. Towards a political theory of the firm. *Journal of Economic Perspectives*,
12 31(3): 113-130.
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

Table 1. Arguments against cooperatives

Problems	Argument
Productive efficiency	<ul style="list-style-type: none"> • Co-operative firms are less efficient at solving team production monitoring problems (Alchian & Demsetz, 1972). • Agency costs (Eisenhardt, 1989) are multiplied by the presence of a multitude of principals (Nilsson, 2001) and by the lack of external information (provided by stock markets) regarding managerial performance (Porter & Scully, 1987). • It is difficult to remove underperforming managers of cooperatives (Chaves & Sajardo-Moreno, 2004; Cornforth, 1995). • It is hard to punish underperforming managers through acquisitions/market for corporate control (Jensen & Meckling, 1979; Manne, 1965; Toms, 2012). • There are intraorganizational coordination costs: democracy causes an increase in the investment (Vanek, 1970; Ward, 1958). • There are inflated decision-making costs due to the costs of democracy and the possibility of giving a “voice” to multiple stakeholders who have heterogeneous preferences (Hansmann, 1996).
Allocative efficiency	<ul style="list-style-type: none"> • Co-operative members have different planning horizons due to their different ages and seniority (Furubotn & Pejovich, 1972), which disincentivizes capital investments. • There is a “portfolio problem” (Jensen & Meckling, 1979: 485): cooperative members cannot use a diversification strategy to insure their investment. • The rigidity of democratic rules (each member has the same voting power) in the presence of different investments can disincentivize investments (Piketty, 2020). • There are tensions between democratic and hierarchical objectives and practices (Cathcart, 2014).
Strategic rigidity	<ul style="list-style-type: none"> • The nontradability of residual claims incentivizes privileging short-term returns over long-term investments (Jensen & Meckling, 1979; Vanek, 1970; Ward, 1958). • The need to negotiate heterogeneous risk preferences of members (Borgen, 2004) causes strategic sluggishness (Nilsson, 2001). • The excessive reliance upon political/charismatic leaders to compensate for strategic rigidity (Williamson, 1973) creates exposure to reckless decisions.
Access to resources	<ul style="list-style-type: none"> • The specificity and nontransferability of nonfinancial inputs (e.g., labor, skills, etc.) makes membership less efficient than stock markets as a control allocation mechanism, which causes undercapitalization (Dow, 2001). • The small size of cooperatives facilitates interpersonal trust and relations but limits economies of scale and access to investments (Borzaga & Tortia, 2017). • It is more difficult to recruit and retain talented managers because of the tendency of cooperatives to distribute their income equitably among all the members and because of the intrinsic lack of an incentive to outperform other team members (Alchian & Demsetz, 1972; Jossa, 2009). • The continuous monitoring to which they are subjected by cooperative members (Bretos & Marcuello, 2017) could also disincentivize management. Indeed, some economic actors might prefer not to belong to a cooperative because they value their autonomy (Boone & Özcan, 2014).

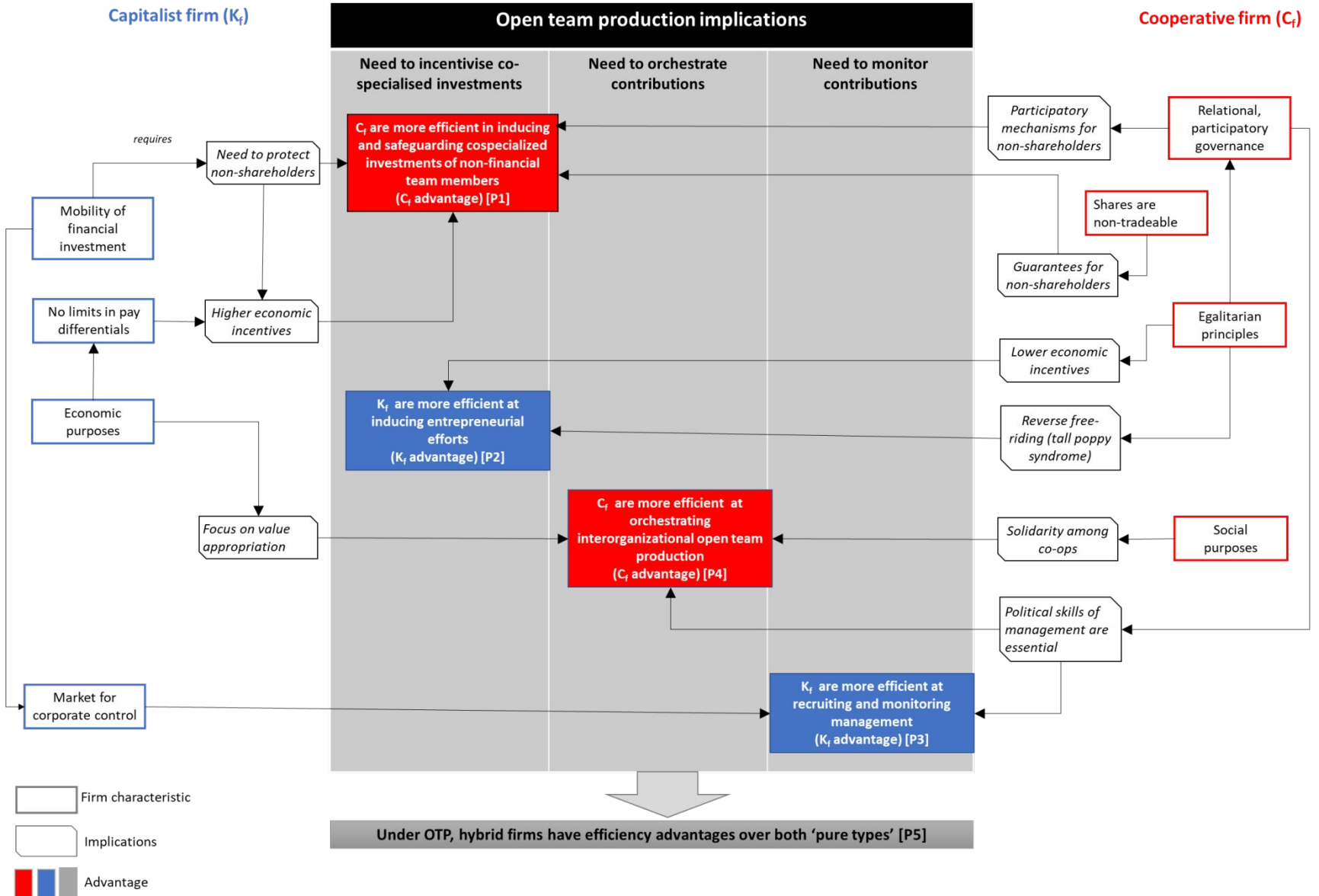
1
2
3 **Table 2. Arguments in favor of cooperatives**
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

Topic	Argument
Motivations	<ul style="list-style-type: none"> • Collective action, a sense of belonging, and compliance with tacit norms of procedural fairness can prevail over opportunism (Borzaga & Tortia, 2017). • The existence of a psychological contract explains why in many organizations employees do more than is strictly required by their formal contracts of employment (Simon, 1991). • There is the presence of intrinsic and work-related motivation, as per cognitive psychology (Kahneman, 2011; Kahneman, Knetsch, & Thaler, 1990; Kahneman & Tversky, 1979) and self-determination motivation theories (Gagné & Deci, 2005; Ryan & Deci, 2000). • Not all exchanges between agents are occasional, and they can be characterized by long-term, reciprocal considerations (Li & Dant, 1997; Macneil, 1986). • Agents can act as stewards for the firm, putting their shared interests ahead of self-interest and greed (Block, 2013; Davis, Schoorman, & Donaldson, 1997). • Co-operative firms promote a distinctive cooperative culture inspired by a multistakeholder perspective (Pestoff, 2017).
Purposes	<ul style="list-style-type: none"> • Co-operatives as “associations that pursue social goals by economic means” (Pestoff, 2017: 80). • Co-operatives are more similar to “peer group associations” (Williamson, 1973: 321) for which productivity losses can be compensated by the intrinsic value of association. • Some types of organizations, such as social enterprises, are not created to benefit their founders principally (Borzaga & Galera, 2016): they produce social value activating new resources from participants, strengthening fairness, and improving worker satisfaction (Sacchetti & Tortia, 2020). • Co-operatives foster the social trust of workers and the accumulation of social capital (Sabatini et al., 2014) and tend to be more accountable to a variety of stakeholders, thereby generating superior <i>social</i> value (Kalmi, 2007).
Proposed solutions to coordination problems	<ul style="list-style-type: none"> • The principles of reciprocity principle (Zamagni, 2005) and trust are complementary factors (additional to price and authority) that facilitate transactions, especially in high uncertainty conditions (Adler, 2001; Ouchi, 1980). • Co-operation allows for peer monitoring, which can be more effective than external monitoring, considering the larger number of monitors (Jossa, 2009). Having a stake in the firm, members have an incentive to monitor their partners mutually, which helps in the construction of reciprocal trust and deters opportunistic behavior (Lado, Dant, & Tekleab, 2008). • Members of cooperatives can appoint professional monitors (managers) no less than capitalist firm shareholders (Jossa, 2009), and cooperative principals (especially those who are directly involved in the operations of the firm) are better positioned than shareholders to control these managers (Dow, 2003). • Intergenerational solidarity mitigates extremes in risk attitude: the concern for the survival of an entity that is infused with values keeps younger members’ predilection for a high-risk/high-reward strategy in check, while the solidarity principle drives older members to accommodate the needs of their younger colleagues (Borzaga & Tortia, 2017). Because of their resulting longevity, cooperative firms achieve better long-term returns (Tortia, 2018). • Differences in risk preferences can become a resource stimulating the emergence of a stratification of members, with the most risk-inclined members rising to managerial and executive roles and avoiding excessive egalitarianism (Rothschild, 1979).

Table 3. Comparing traditional team production and open team production

	Team production perspective	
	CTP (Closed team production)	OTP (Open team production)
Context	<ul style="list-style-type: none"> • Well-known transformation systems; • Stable environment; • Cost savings as key driver of profit 	<ul style="list-style-type: none"> • Knowledge-intensive production; • Fast-changing environment; • Innovation and cocreation as key drivers of profit
Who is included in the production team?	Shareholders/employees/suppliers/contractors/buyers	Shareholders/employees/ suppliers/contractors/buyers + Complementors/coopetitors/other stakeholders (such as local authorities and government)
What is the main team problem?	Metering individual contributions (compliance with formal agreements)	Metering individual contributions + Incentivizing cospecialized investments + Orchestrating contributions (in the absence of formal agreements)
What is the main production problem?	Minimizing shirking	Minimizing shirking + Generating cocreated value + Developing unique capabilities
What does monitoring mean?	Checking contractual compliance	Checking contractual compliance + Assessing discretionary contributions

Figure 1. Comparative advantages of different types of firms in the context of open team production



AUTHORS' BIOS

Marco Berti (Marco.Berti@uts.edu.au) is Senior Lecturer in Management at UTS Business School, University of Technology Sydney. His research focuses on organizational paradox and tensions, critical themes, and the role of power and discourse in organizations. He earned his PhD in organization studies from the University of Technology Sydney.

Christos Pitelis (C.Pitelis@leeds.ac.uk) is Professor of International Business and Sustainable Competitiveness and Head of International Business, University of Leeds, and Life Fellow, Queens' College, University of Cambridge. His research focuses on international business organization and governance and strategy for sustainable value cocreation and capture. He earned his PhD in economics from the University of Warwick.