Institutional Innovation and Design in Evolving Integrated and Efficient Food Chains

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Abstract

The designing of integrated and efficient food chains is a major challenge in all countries, and particularly in developing economies which have huge numbers of unorganized small producers, poor infrastructure, and rising/transforming food consumption demand. Inefficiency, wastage, and market and business failures are very common. However, a number of fairly successful institutional models are emerging in India to address the major challenges. They include cooperative, government, and private sector led business models of various designs and combinations. The paper examines information collected on several of these models and analyzes them through the lenses of new institutional economics, efficiency, stakeholder profitability, and sustainability. The results, among other things, indicate a great need for transaction cost reduction (such as through IT), professionalization, and partnering approaches. This can be successfully built through cooperatives in some sectors, but more widely through private enterprises which focus on building meaningful and mutually beneficial long-term relationships. The paper finds that one design does not fit all and it is critical that experimentation and alternative food chain models are encouraged by government policy to allow for the crystallization of lessons and best business practices and models over time.