

Dynamics and stability in growth of
value based food chains:
Understanding organizational
evolution in organic food systems

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Disposition

- Presentation of the cases
- What is Luhmann's systems theory
- How do we use this theory
- Økomælk
- Thise
- Conclusion

The cases I

- These and Økomælk are two of the first Danish organic dairies.
- Danish organic legislation
- These is founded in 1988
- Økomælk founded in 1995
- Both dairies were founded in a period where organic milk production was in a growth period due to a higher demand than supply
- The third case: Gram slot two business strings

The Cases II

- The 1990ties:
- Økomælk was a successful business
- Thise was struggling to maintain its business model
- Today:
- Økomælk was forced to close in 2002
- Thise is a successful dairy expanding its area of business
- The questions:
- Why do two companies developing under the same conditions experience almost opposite development?
- Why could Økomælk not 'see' that there horizon of expectations was much to short?
- → in order to understand this a theoretical framework must developed the can cope with social evolution → with multiple temporalities

Niklas Luhmann's Systems theory

- Three types of social systems
 - Functional systems
 - Organization systems (reproduces themselves through decisions)
 - Interaction systems
- Systems are autopoietic systems. They are reproduced by their own operations
- All observation departs from the basic distinction between the observer and the observed →
- From first order observations to second order observation

Systems theory II

- A system needs both stability and dynamics in order to evolve
- In a organizational system stability is achieved by coupling to different functional systems with different time-binds
- Dynamics are achieved when the system in the present orients its observations and operations towards the future
- Both dynamic and stability can be understood as expectations towards the future
- The unity of an autopoietic system is from a temporal perspective a unity of the difference between dynamics and stability

Økomælk

- Økomælk was founded as a limited company
- The success of Økomælk was founded on a lucrative contract with Danish Supermarket
- Contractual arrangement of the cooperation
- A contract as a first order agreement → it synchronizes different expectations towards a given point of time in the future
- The stability of the contract was observed as static not temporal → when the contract was canceled Økomælk could not reproduce neither stability or dynamic in the system

Thise

- Thise is a cooperative
- The success of Thise was founded on a partnership with supermarket Irma.
- Partnership is a second order contract. A promise about future promises
- The stability of the partnership allowed for a dynamic to develop → the horizon (the limits of the cooperation) of the system could be 'pushed' further into the future

Conclusion

- Rationality is systemic. There is no universal rationality
- Growth is a systemic temporal process
 - Every present are related to a past and a future → Stability is temporal not static
 - Analytical challenges: the doubling of time in time
- A third insight: meaning is stabilized social, factual and *temporal* → every system must be able to stabilize these three types of distinctions