

**Scrutinizing an Alternative Form of Market Organization:
The Case of Cut Flower Exchange in Turkey**

**Özlem Öz,
Boğaziçi Üniversitesi**

**Koray Çalışkan
Boğaziçi Üniversitesi**

Abstract

Markets have frequently been criticized for their structural bias towards producing inequality. Yet the cut-flower market in Turkey provides the literature, the peasants and consumers with an alternative form of designing markets that introduces democratic participation to the organization of exchange relations. This paper scrutinizes the structure and functioning of the cut-flowers market in Turkey with the purpose of contributing towards a better understanding of how more sustainable and less asymmetrical forms of market exchange can be designed and maintained. Introducing a conversation between new social studies of markets and organization theory, the article calls for going beyond seeing markets as universal institutions of exchange that produce either negative or positive results simply by the virtue of their presence. Markets can foster or impede justice, depending on the form of their organization. Cut flower markets in Turkey present a unique case that illustrates not only the possibility of market design from below but also rethinking the findings of new social studies of markets and organization theory.

Keywords: cut flowers, cooperatives, auctioning, organization theory, social studies of markets

**Scrutinizing an Alternative Form of Market Organization:
The Case of Cut Flower Exchange in Turkey**

The cult movie *The Little Shop of Horrors* (Roger Corman, 1960) stars a man-eating plant that craves and thus needs to be fed by human blood. Though intended to be a comedy, this movie, with its merciless plant, serves as a metaphor for the rather elusive state of markets currently observed for many commodities, let alone flowers. Indeed, markets have frequently been criticized for their structural bias towards producing inequality. Yet the cut-flower market in Turkey provides the literature, the peasants and buyers with an alternative form of market design.

In this paper, we scrutinize the structure and functioning of the cut-flowers market in Turkey with the ultimate purpose of contributing towards a better understanding of how alternative forms of markets can be designed and maintained. The paper is organized as follows. Section I sets the theoretical background, focusing on the recent contributions to the study of markets from organization theory to economic anthropology. Section II zooms into the first steps in the functioning of the cut-flowers market in Turkey, focusing on the analysis of growers as well as the operations and working of the cooperatives that

they established to ensure the safe arrival and subsequent presentation and sale of flowers at the auction halls. An in depth analysis of the auction process, which is central in price setting for cut-flowers, constitutes the main focus of Section III, followed in the next section by an examination of the remaining part of the chain involving distribution as well as the arrival of flowers in the shelves of florists. Both published and unpublished documents on and about the cut flower markets have been analyzed within the context of the present study, and these analyses are supported by an ongoing ethnographic research, which started in February 2008. The authors conducted 31 in-depth interviews with growers, buyers as well as cooperative administrators in İstanbul, Ankara and İzmir.

Recent Contributions to the Study of Markets

An Overview

The most striking outcome revealed by an overview of market studies is that the market mechanism itself is seen as an essentially ‘universal’ and ‘uniform’ institution. Accordingly, this mechanism can produce either positive or negative results depending on the particular setting that surrounds it, which includes the part played by the state and/or institutions. The structuralist and statist development theories of the 1950s and 60s, for instance, saw markets as inherently failure-driven institutions and called for the state to assume the task of regulating the market, not only to steer economies out from depression but also to lead economic development and welfare measures. The debates of the late 1970s reversed the terms of this ‘Keynesian Consensus.’ The weaknesses of the market mechanism were instead argued to be related to the direct involvement of the state in economic affairs.

Such an arresting divergence between the two strands of thought, however, masks a perplexing irony in that these opposing perspectives do in fact see the market in the same way, as a ‘universal’ and ‘uniform’ institution (Dilley, 1992). Accordingly, this universal institution, unless impeded by non-market forces, has a natural tendency to evolve into a self-regulating form, in which resources are distributed efficiently, if not justly (Balassa, 1986; De Soto, 1989). The institutionalist perspective, on the other hand, underlines the need to take into account the fact that these ‘universal’ market practices take place in particular institutional settings. However, this rather uneasy coming together of ‘the universal’ and ‘the particular’ falls short of providing a satisfactory account of actual market practices and the relevant non-institutional relations of power, which might assume key roles as regards how agents make a market.

Since the late 1990s, a different approach to markets, which prefigured by the old debate between the formalist and substantivist schools, has emerged under the discipline of anthropology. Taking their inspiration from Polanyi (1957), substantivists argue that the study of markets in non-Western contexts require a study of local relations of exchange which are ‘embedded’ in various socio-cultural settings, whereas in the West the market has become ‘disembedded’ (Kaplan, 1968; Fried, 1979). Formalists, on the other hand, borrow a framework from conventional economics and apply it to the non-West under the assumption that when it comes to economics, individuals in all social contexts behave in similar ways (Schneider, 1974).

Starting from the 1980s and 90s, a new strand of inter-disciplinary field research (Granovetter, 1985; Mintz, 1985; Callon, 1998) have begun to challenge both the terms of the formalist-substantivist debate and the main arguments of neo-classical economics as well as those of the institutionalists, and underlined that the assumed characteristics of markets such as information or rationality are highly relative and contextual (Dilley, 1992; Çalışkan, forthcoming).

Accordingly, markets are not necessarily universal forms of interaction among anonymous buyers and sellers, but should rather be considered as geographically and socially specific encounters that bring relations of exchange and production together in politically produced contexts. Drawing upon the methods from the social study of science and technology, and the studies of markets developed in economics, anthropology, political science and economic sociology, this literature shows that markets are better understood as political relations of economization that take shape in socio-technical processes (Çalışkan and Callon, 2009, 2010; Mackenzie and Muniesa, 2007; Harriss-White, 2008). This approach calls for a closer look at how markets work on the ground, and opens up new avenues for imagining and organizing alternative forms of markets.

New Market Studies Meet Organization Theory

As Williamson (2003: 938) argues “orthodoxy is largely dismissive of organization (and organization theory)”, which can in fact help us better understand organization of economic life in general and that of markets in particular. New market studies summarized above, on the other hand, share some noteworthy commonalities with organization theory in their approach to markets. Most importantly perhaps, they both emphasize the need for a detailed, micro-analysis of markets in order to be able to fully grasp how they actually function. The recognition that organization is susceptible to analysis and that it matters (Williamson, 2003: 938) also points towards another key commonality of these two strands of literature: we need to problematize the distinction between ‘organization’ and ‘spontaneity’ in the emergence and subsequent development of a market. All this in turn paves the way for ‘designing’ alternative forms of markets, a possibility that marks yet another commonality between new market studies and organization theory. To better understand these commonalities as well as the unique perspective of organization theory with regard to markets, we need to take a look at the concept from the vantage point of organization studies.

The organization theory literature theorizes markets around the fundamental question of why organizations exist. A sub-stream of this literature focusing on organizational boundaries details the demarcation between the organization and its environment and defines four distinct conceptions of boundaries: power, competence, identity, and efficiency (Santos and Eisenhardt, 2005).

The theoretical roots of the power conception (based mainly on resource dependence and industrial organization perspectives, see Pfeffer and Salancik, 1978; Porter, 1980) revolve around the notion of ‘control’. Accordingly, the organization needs to maximize power over critical relationships by controlling key dependencies, which in turn implies that organizational boundaries should be set at the point that maximizes strategic control over critical external forces.

Borrowing from both contingency theory and the resource based view (Aldrich, 1999), the competence conception takes a different position and argues that organizational boundaries should be set at the point that maximizes the value of the firm's resource portfolio. In this light, organizational boundaries are seen as evolving "along the predictable, path-dependent trajectories that are guided by these stable, difficult-to-reverse resource configurations" (Santos and Eisenhardt, 2005: 497).

The central argument of the identity perspective, which relies on the growing literatures on managerial cognition and organizational identity (Fiol, 2001), is that organizational boundaries should be set to achieve consistency between the identity of the organization and its activities since by shaping how members perceive what is appropriate for the organization, identity in a way guides decisions as to which activities to incorporate and/or which product/market domains to enter (Santos and Eisenhardt, 2005).

Finally, according to the efficiency concept, which is arguably the dominant view in this literature, organizational boundaries are shaped by the underlying drive of reducing the governance cost of activities (Coase, 1937), which in turn requires minimizing the costs of exchange (i.e. transaction, measurement, or coordination costs). The boundary decision then becomes a question of whether to conduct a particular transaction inside the organization or outside through a market exchange. The related concept of 'vertical architecture', which heavily relies on the notion of transaction costs, defines the scope of an organization and the extent to which it is open to final and intermediate markets (Jacobides and Billinger, 2006: 249). Indeed, the research agenda on organizational boundaries has been significantly influenced by transaction cost economics (TCE), which defines the conditions (namely, bounded rationality, exchange uncertainty, asset specificity and small numbers), under which hierarchical governance has advantages over market governance (Williamson, 1981). In a similar vein, this literature also takes 'measurement costs' caused by information problems (arguing that bringing transactions inside the organization may reduce information related costs), and 'coordination costs' (arguing that organizations have the advantage of reducing coordination costs through authority relations) into account when trying to understand how and when to draw the line between markets and hierarchies.

Networks propose a hybrid form –in a way, a middle ground- in between these two supposedly discrete structural alternatives (i.e. markets and hierarchies), since networks allow cooperation, collaboration and sharing of information. Additionally, the behavior of people and their organizations are constrained and influenced by social relationships that generate, among other things, norms of trust and reciprocity, which might shape market behavior. The very same reasons make hierarchies incapable of exerting complete control, leaving embedded networks as an alternative in between.

It is clear from the above review of the organization theory literature as regards the concept of market that, resembling the perspective of new market studies, organization theory literature also puts an emphasis on the specificity of different markets as well as the path dependent nature of their emergence and development. It is possible to investigate the 'cooperative' in this regard, given that the cooperative, as an understudied organizational form and a device for market making, not only calls for a revised social scientific attention, but also serves as a bridge between the new directions in market research and recent developments in organization theory literature.

The Cooperative Form of Organization

Little has been published in the field of organization theory on the subject of cooperatives, although it has been several decades since it was acknowledged that a more comprehensive organization theory of cooperatives is needed (Vitaliano, 1983). The work there has been mostly concentrates on the characteristics of successful vs. unsuccessful cooperatives (Carr et al., 2008: 80) rather than theorizing them as an emergent organizational form, despite the fact that by forming cooperatives, organizations do blur the lines between external constituents and the focal organization. We leave the discussion on how the cooperative form of organization might serve to diminish transaction costs as well as the particularities of this form within the context of agriculture to the next section. In this section, we briefly summarize the rationales for forming cooperatives as well as their key features, which are of special importance for the purposes of this paper given that cooperatives shape the organization of the cut flower market in Turkey.

Depressed prices or market failure (asymmetric information in particular) are the most frequently stated economic incentives for producers to react collectively and create cooperatives (Cook, 1995: 1155). Cooperatives also serve to avoid opportunism (Cook and Plunkett, 2006: 425) and to disseminate pre-trading and post-trading information (e.g. on trading partners, on recent transactions, on prices, etc.) (Lee and Clark, 1997).

The available evidence suggests that cooperatives typically go through a five stage life cycle: genesis, growth, emergence of internal conflicts, recognition and analysis, and options choice. Different approaches to the evolution of cooperatives include the wave theory (waves of cooperative organization, especially in depressed times, followed by waves of cooperative failures); the wind-it-up theory (over time, competitors may adjust their prices or improve their services such that the cooperative becomes redundant); the pacemaker theory (even if competitors adjust their prices and services, pacemaker role of the cooperative continues); and the mop up theory (in static and declining markets, firms may prefer to act opportunistically creating incentives for producers to integrate forward via cooperatives) (Cook, 1995: 1155). Moreover, the type of the cooperative organization in a particular setting might also evolve in time. Most single-commodity cooperatives, for instance, typically start as bargaining cooperatives and then evolve into marketing/processing cooperatives (Cook and Plunkett, 2006: 425).¹

The empirical evidence, however, also suggests that cooperatives tend to be less stable than investor-oriented firms, the main reasons for which are associated with their limited access to capital and their limited ability to attract capable managers (Vladislav, 2007: 66). These constraints might necessitate organizational redesign (Chaddad and Cook, 2004: 359), and some nontraditional cooperative organizational models (e.g. the new generation cooperative)² have emerged to solve such problems.

¹ It should be noted that bargaining cooperatives aim to enhance margins, whereas marketing cooperatives serve to by-pass the investor-owned firm (Cook, 1995: 1156).

² For the new generation cooperative (NGC), property rights structure is different than that of the traditional cooperative. In traditional cooperatives, property rights structure is characterized by open membership, capital generated through earnings from patronage, and illiquid ownership rights, whereas the NGC has a secondary market for members' residual claims (Cook and Plunkett, 2006: 424).

We take the reader into a nontraditional setting in the following pages and analyze the architecture of the cut-flowers market in Turkey, which is mainly organized around cooperatives and gives us a chance to explore how alternative forms of markets can be designed and maintained.

From Growers to Auction Halls

Three main trading systems are available for growers of cut flowers in Turkey targeting the domestic market: auction sales via cooperatives, contract sales via companies/wholesalers, and self-trading. Resembling the world leader Holland, cooperatives shape the organization of production in the domestic market to a large extent. Most growers that target the domestic market are members of either one of the two strong cooperatives; namely, S.S. Flora Çiçekçilik Üretim ve Pazarlama Kooperatifi (Flora Flower Production and Marketing Cooperative - Flora thereafter), and S.S. Çiçek Üretim ve Pazarlama Kooperatifi (Flower Production and Marketing Cooperative - Çiçek thereafter). Flora is the larger cooperative and enjoys a leadership position in the domestic market (DPT, 2000b: 33).

Flora has 2,500 and Çiçek has 1,000 active members. Established in 1945, the Flora cooperative now controls more than 50 per cent of the national market, and it owns and operates 15 auction halls in different provinces; namely, three in İstanbul, and one each in Çorlu, Ankara, İzmir, Antalya, Yalova, Adana, Bursa, Kocaeli, Eskişehir, Konya, Samsun and Mersin. The second largest one, the Çiçek cooperative, on the other hand, operates 10 auctions: two in İstanbul, two in İzmir, one each in Ankara, Antalya, Kayseri, Gaziantep, Adana and Adapazarı (Erdoğan, 2008). Besides, growers have the flexibility to choose among the 15 different auction halls owned by the Flora cooperative (among 10, in case they are members of the Çiçek). Currently Çiçek has been going through serious financial problems as a result of a bad investment decision in İzmir. Specifically, the cooperative built an expensive auction hall with cool storages and handling units in a district that was away from the main roads. Despite the cooperative members' and buyers' objections, the then president of the cooperative executed the moving plan, bringing his institution to a near collapse. One member of the cooperative we interviewed stated that they did not have enough say to prevent such a drastic move from happening. "Once the president is elected, he can do anything," he complained.

The cooperatives coordinate shipping and handling of merchandise from growers via a wide network of contracted trucks, organize auctions to sell the products at the best possible price, offer loading and unloading ramps as well as cold storage, and facilitate trans-shipments to the purchasers, charging a commission of 11 per cent on sales and another two per cent for the other services provided such as transportation (DPT, 2000b: 37). They also set the strategy for the cooperative, manage daily operations (e.g. book-keeping), and assume an information dissemination function (growers are, for instance, continuously informed by the cooperative as regards the latest price levels secured by frequently traded flowers – see the next section for more details).

The membership rights of inactive growers (those not sending flowers for auctioning for more than a year) or of those selling their produce via other organizations can be cancelled by the cooperative. (We should note that members can sell their products only via the cooperative; other means -including sales via private firms- are not

allowed once you are a member.) Despite such restrictions, there are instances in which growers exhibit ‘calculative behavior’ (Callon and Muniesa, 2003). Some growers, for instance, send a few boxes of flowers to the cooperative just to ensure that they remain as members but get engaged in self-marketing of their products, risking their membership to the cooperative. Another example for the calculative behavior of growers is the fact that in some special days (e.g. Mothers’ Day) they may prefer to send fewer flowers to the auctions than they would otherwise do, just to manipulate and increase prices.

It is necessary at this juncture to elaborate on the benefits of the cooperative form of organization, which entail some sector specific attributes as well. Vladislav (2007: 55-58), for instance, argues that it is possible to trace the benefits of cooperative organization back to the organizational attributes of agricultural production, given that we need to explain why cooperatives are more important in agriculture than in most industrial sectors. (The category agriculture of course includes cut flower production.) Accordingly, cooperatives take account of the sector specific characteristics of agriculture, which are high asset specificity, high uncertainty, and the existence of externalities.

Specifically, farmers have weak market power when compared to their up- and downstream trading partners, and they may be confronted with information asymmetries *vis a vis* these partners. On the part of farmers, developing ‘countervailing power’ by establishing a cooperative is a form of protection from the possibility for opportunism. An additional benefit of agricultural cooperatives is linked to the riskiness inherent in agricultural markets. High dependence on nature means that farmers have low control over production. The cooperative form of organization internalizes transactions characterized by high uncertainty, offering members some degree of revenue insurance. Finally, quality of agricultural products is maintained when cooperative form is used since quality control becomes less costly (Vladislav, 2007: 58).

Yet another dimension of the issue is the fact that the dominant organizational form in agriculture (i.e. family farms) is very compatible with the cooperative form of organization. Difficulty of monitoring and supervising workers in this sector is seen as the prime reason why family farm dominates as an organizational form. But family dominance at the same time introduces a disadvantage by imposing a limit on the size of the enterprise, which in turn represents a major motive for the creation of cooperatives in order to cut production costs and improve access to markets. Moreover, “firms occupying up- and downstream positions with respect to farmers do not experience the monitoring and supervision difficulties characteristic of agriculture and are therefore hierarchically organized” (Vladislav, 2007: 62) and have larger sizes. This reduces the bargaining power of family farms. Thus, the hierarchical organization is not feasible because of supervision and monitoring problems, and market organization is also suboptimal due to the power asymmetries between farmers and their trading partners. In other words, it can be argued that structural characteristics of agriculture favors family farms and that disadvantages of family farms are overcome by cooperatives, which manage to capture the economies of large scale organizations but retain the independence of their members (Vladislav, 2007: 63).

Price Setting for Cut Flowers: The Auction Process

The origins of the cut flower sector in Turkey are traced back to the 1940s when growing flowers for sale reached a significant scale in Istanbul and its environs (in the Prince's Isles and Yalova in particular), which would gradually spread to the other regions of the country. Indeed, growing flowers began to be popular in other parts of the country in the forthcoming decades, notably in the İzmir region starting from the 1970s and in Antalya, with an export drive, from the 1980s onwards (DPT, 2000a; Taşcıoğlu and Sayın, 2005).

We know that the very first flower auctions in Turkey were conducted in Mısır Çarşısı (located in Eminönü in the historical peninsula) and later in Çiçek Pasajı (The Flower Arcade), a long covered alley located in İstanbul's historical district of Pera, where potential buyers and sellers used to meet for flower trade, and the trader that run the auction simply used to hold the flower on sale in his hands. Over time, this way of running the auction has become obsolete with the advances in technology. The very first 'technological breakthrough' was the introduction of 'light bulbs'. In this system, potential buyers were seated on chairs into which buttons were inserted to turn these bulbs on. Buyers interested in the auctioned item pressed these buttons, and the auction continued until when only one of the buyers has a bulb whose light was on. Although a lot changed since then, the underlying logic of these now nostalgic auction styles has been carried to the current system used in the auctions of the Flora and Çiçek cooperatives, which now use computerized auction systems. To better understand the functioning of the current system, we will below go through a typical day in the İstanbul Karanfilköy Flower Auction (run by the Flora cooperative), the largest flower auction operating in Turkey.³

A typical day in the Karanfilköy flower auction hall begins when flowers transported from growers' fields (via contracted trucks) arrive at the auction hall early in the morning. Buyers (ranging from the representatives of up market retail florists to individual street vendors, mostly of Roman origin) are also present at the place before the auction starts at 9:00 a.m. (The auctions are held every Monday, Wednesday and Friday, all beginning at 9:00 a.m.).⁴ The auction hall has a storage room which is a truly beautiful site, full of boxes and buckets of fresh flowers of different kinds and color. Flowers are placed in boxes, with a label upon them indicating the type of flower as well as the name and code of the grower that supplied the item. The boxes are then sorted (their rank being organized by the computer program in a random fashion) and loaded on a conveyor belt for presentation before the potential buyers. Only registered buyers can participate in the auction. Every buyer has an identification number, assigned to the buyer by the computer program to trace his/her bidding history. These buyers should also specify the maximum amount of money they will spend during the auction.

Insert Figure 1 about here

The auction process itself proceeds as follows. Flowers loaded on the conveyor belt for presentation arrive at the room where the auction takes place and auctioned in

³ The whole operation will be moved to a new site in İstanbul (Ayazağa), where there will be more space for both products and client needs.

⁴ The days of the week that auctions take place may be different in other auction locations. The auctions in Ankara, for instance, are held on every Monday, Thursday, Friday and Saturday.

front of an audience of buyers.⁵ The auction manager then announces the item that will be bid for and enters a base price for it. The salesroom is equipped with a computerized clock with bidding stations connected to the auctioneer's computer. Potential buyers sitting in the room use the buttons in front of them to bid for the item. If interested, buyers begin pressing the button located on arm of the seat they occupy in the market. The client who removes his/her finger the latest from the button sets the price and buys the item. If nobody presses the button, the price falls down automatically until it is attractive to potential buyers. Depending on the flower, the auctioneer sets the speed and amount of the price fall.

This is repeated until all flowers are sold. The bidding itself (for one item) typically takes no more than 15 seconds. When a buyer wins an auction, the sold item is transferred to another room in the auction premises, which contains pigeon holes belonging to each buyer for the delivery of flowers that s/he bought. Flowers are then collected by the clients from these pigeon holes at their convenience.

As evident from the above description of the process, transparency at the auction is essential and determined by the quality of communication. To make sure that growers have the necessary information to adjust their decision regarding where to send flowers for auctioning, emerging price levels at all auctions operated by the cooperative are faxed to them every auction day, around noon.⁶ Needless to say, less formal information dissemination mechanisms such as phone calls, face-to-face communication and even gossip are also at work. Related and supporting businesses to the cut flower sector (such as those selling packaging materials, baskets etc.), which tend to cluster around the auction premises -as predicted by theory (Porter, 1998)-, also contribute towards better flow of information among the industry participants. It is therefore clear that the cooperative as a way of organizing economic activities enables its members to diminish both 'coordination' and 'information' related costs.

The buyers are made up of wholesalers, full service retail florists, flower sellers, and garden centers, retailer florists being the primary buyers at the auction. It is interesting to note that some seats are equipped with telephones as well as multiple buttons, used by those buyers who represent more than one client. It has been hinted by one of our interviewees that some privileged clients with a good profile may secure better seats, adding however that the sitting arrangements in the auction room are organized in such a way that each and every person in the room can see the products clearly (This can be seen as an initial sign for the stated plans by the cooperative to introduce a system that differentiates buyers on the basis of their trading history -see the next section).

Since the auction process is very central in price setting for the cut flower sector as described above, it is necessary at this point to discuss auctions in more detail. We know that an auction is an allocative mechanism, and the ways to think about auctions benefited most from contributions afforded by game theory and decision theory (Rothkopf and Park, 2001). We also know that the choice for the most suitable auction format in a particular setting depends on the specific item being auctioned as well as the institutional arrangements prevailing in the country (Feldman and Mehra, 1993: 509). Two commonly used formats in cut flower auctions are the Dutch auction and the English

⁵ All flowers physically there for sale are presented, unlike the case of the Dutch auctions where samples are shown to the potential customers during the auction.

⁶ There are attempts to computerize this information dissemination task.

auction. The distinguishing feature of a Dutch auction is that the auctioneer begins with a high asking price, which is then lowered until some participant is willing to accept the auctioneer's price, or the seller's minimum acceptable price is reached. This type of an auction, also known as a 'clock auction', is convenient when a quick auction is preferred, since a sale only requires one bid (Van den Berg et al., 2001). The English auction (the type of auction used by the cut flower cooperatives in Turkey), on the other hand, is also known as an ascending price auction. In this case, the auction starts with a low first bid or a specified reservation price (i.e., a price below which the item will not be sold), and the auctioneer solicits increasingly higher bids (Feldman and Mehra, 1993: 488).

Auctions have been found to be functioning efficiently since resources accrue to those that value them most highly, enabling sellers to achieve the maximum value for the auctioned item (Feldman and Mehra, 1993: 498). Available evidence also indicates that with regard to efficiency, the auction of choice is the English auction and that "an English auction is truth revealing whereas a Dutch auction requires strategic behavior" (Van den Berg et al., 2001: 1055).

Auctions are particularly advantageous in situations where fairness is important, in addition to the fact that they serve to hold down transaction costs (Rothkopf and Park, 2001: 84). An auction organization can be seen as a market-making entity (Lee and Clark, 1997: 115), and we have stated above that cut flower auction organizations are cooperatives of growers. When we check how transaction costs in the form of costs of obtaining relevant information, of bargaining and making decisions, and of policing and enforcing contracts, are affected by this organizational form (i.e. cooperatives running auctions), we first of all see that the cost of obtaining relevant information is reduced considerably since the cooperative help publicize prices as well as other relevant information. Bargaining costs can be reduced substantially too as the cooperative help establish procedures and conventions for reaching a bargain. Finally, policing and enforcement costs can also be reduced because cooperatives establish norms of conduct both for buyers or sellers (Lee and Clark, 1997: 116).

Distribution and Sale of Flowers

There are examples of cooperatives (e.g. in Holland) that get engaged in the post-sale activities such as classification, packaging and transportation of flowers sold to retailers and/or the final customers (Taşçıoğlu and Sayın, 2005: 353). The Flora Cooperative's services, however, do not extend to such post-sale activities. This does not of course mean that these services are less important. Opposite in fact, given that the points that require attention while securing the safe and timely arrival of flowers to the auction halls are similar to those that must be considered while transferring flowers to their final destination (e.g. during transportation). Issues such as cool chain supply and fast delivery, in other words, are equally, if not more, important at the final delivery part of the chain as well.

Channels of distribution and sale for cut flowers are rather diverse in Turkey, sellers ranging from large-scale chain stores to street vendors, as mentioned above. One can talk of a social network of retailer florists without much hesitation, given that even direct competitors do have personal relationships and ties. Furthermore, it can be argued that florists are characterized by both social and territorial embeddedness, for their

economic relations cannot be thought separately from the social and geographical environment surrounding them. One of our interviewees, for instance, mentioned how buyer preferences and thus the demand structure differ when one moves from one district of Istanbul to another.

Florists complain about the strong position of the Flora cooperative; hence, the high bargaining power of growers over cut flower prices. This is an interesting observation for our purposes since it reveals that the market mechanism does not necessarily generate results against the interests of the producers. In other words, the long-term impact of markets on the nature of peasant or underprivileged people's income should not be assumed to be negative. In the case of cut-flower markets in Turkey, the entire relationship of economization is organized by the co-operation of peasants who are aware of their bargaining power, yet only use it to make sure that they are also a part of price realization processes.

One should not however idealize the Turkish cut-flower farmers' contribution to market for it would be misleading to treat each peasant as having an equal power in the cooperative. Just like markets, cooperatives as organizations also draw on many various forms of coalitions and non-institutional ways of deploying power. Asymmetries exist, yet not structured in cooperatives. Besides, we know that cooperatives themselves may have to evolve over time, and change their organizational structure in order to adapt to the changing circumstances.⁷

As regards the recent developments shaping that latter part of the value chain, we should first of all acknowledge that the tradition of presenting products before the clock is gradually superseded by electronic communication and commerce (Evans, 2007). A related practice called 'image auctioning' is also becoming widespread. Accordingly, flowers no longer appear in front of the clock but are sold on the basis of photographs and information provided. A major concern here is to establish trust between buyers and sellers. To ensure unproblematic functioning of this system, some auctions developed a 'reliability index' rating quality inspectors' judgment about the accuracy of the information provided by growers. This is similar to the system the Flora cooperative is planning to introduce in Turkey, whereby the identity as well as the associated trading history for each grower will be made publicly known. This practice is expected to provide advantages for the best growers. Though without doubt such a system will contribute to better quality and variety in the products and services supplied by the growers, there are concerns about whether or not the transition into this system can be achieved smoothly, given that the concept of quality in such a system will inevitably be relative, leaving those growers whose performance levels are lower at unease.

If a smooth transition can be achieved, however, the system is capable of facilitating the sector's adaptation to the emerging advances in technology such as the above mentioned practice of image auctioning. A significant theoretical implication of the proposed system is, on the other hand, related to its capacity to allow 'reputation building' (Brusco, 1996) by making it possible to observe and monitor the behavior of growers.

⁷ Some cooperatives in the Netherlands have, for instance, faced problems with increasing differentiation in demand. The responses of some cooperatives have been to merge auctions and centralize pricing functions, whereas others have experimented more federated systems (Cook and Plunkett, 2006: 423).

We think that the community building function of the cooperative form could further develop markets by not only formalizing relations of exchange but also socializing their platforms of emergence. This feature of market making can only be seen and developed if one gives a theoretical and practical chance to alternative forms of designing markets. A discussion of this issue, together with other key implications of our analysis of the cut flower market in Turkey, is of special interest when attempting to understand markets, and it is to those that we turn to in the final section of this paper.

Conclusions

Inspired by the way the cut flower sector in Turkey is organized, we have set to explore if there can be alternative forms of designing markets. As demonstrated in the paper, growers of cut flowers in Turkey have formed a strong cooperative that organizes the shipment and sale of locally grown produce via a fair system of auctioning, promoting economic justice for farmers. This form of organization provides benefits for both buyers and sellers of flowers. Specifically, the grower uses the auction system to offer his/her flowers and plants for sale at reasonable terms while the buyer uses it to source products at speed and convenience. Furthermore, the auction system allows growers to make their own decisions over quantity and timing while marketing their products. In this way, the growers are also relieved of any responsibility for organizing delivery to numerous destinations. Above all, however, the spirit of working together is really what has given them the greatest strength in this otherwise rather potentially merciless economic environment.

We should, in other words, keep in mind that the kind of market making that we described and analyzed in this paper is only possible when actors join forces for a win-win solution and build enough bargaining strength and control as suggested by the power conception, and when they continuously adjust the resources and capabilities of the cooperative to be able to sustain their position as the external circumstances evolve, echoing the competence conception. With the help of the identity conception, on the other hand, we understand how and why members of the cooperative prefer to draw lines as to which services to provide (Santos and Eisenhardt, 2005). Additionally, cooperatives point to the possibility of imagining and designing an alternative form of organizing economic affairs by offering a form that enables coordination, facilitates information dissemination, and diminishes search, negotiation and other transaction costs. Specifically, we have shown that grower cooperatives of cut flowers act as market making entities and serve to decrease transaction costs thanks to the benefits associated with the preferred organizational form (i.e. cooperatives) and those associated with the preferred form of market making mechanism (i.e. auctions), as detailed in the text.

Yet another issue raised by our discussion of the cut flowers sector in Turkey concerns the question of whether or not the cooperative form is more efficient *vis a vis* the market form. Although there is evidence indicating that greater use of networks and partnerships (including the cooperative form) is favored thanks to the market process innovation enabled by information technology, which reduces transaction costs and increases efficiency (Lee and Clark, 1997: 113), we argue that the essence of the issue goes beyond a simple comparison of different forms of market organization as regards their levels of efficiency. In fact, an over-reliance on economic efficiency can jeopardize

our understanding of the concept of market, missing any real opportunities for imagining alternative forms of markets. We need to question the notion that efficiency is the privileged concern in the organization of economic activity given that it inaccurately assumes that there has to be an efficient equilibrium that we should reach at all costs.⁸ It follows that non-economic rationales for forming cooperatives (such as health benefits, community benefits and ecological benefits) should not be taken lightly (Cook, 1995: 1158). Most fair trade coffee cooperatives have, for instance, leveraged additional resources for their social programs from government agencies and NGOs, apart from providing economic security for poor communities in terms of prices and markets (Raynolds et al., 2004: 1117).

As suggested by the new social studies of markets, markets are neither a formal institution that works outside of social relations, nor a mere place of encounter embedded in the social. Markets can foster or impede justice, depending on the form of their organization and the market's democratic capacity to incorporate the will of those whose produce is exchanged in the marketplace. We need to find ways to better organize not only markets but also possible forms of economic justice that they can produce. This is exactly where market studies might benefit from contributions afforded by organization studies. We have seen in this paper that organization studies not only help us understand how markets work on the ground but also point to some ways of devising better alternatives for organizing them.

Bibliography

- Aldrich, H. E. (1999), *Organizations Evolving*, London: Sage.
Balassa, B. A. (1986), *Toward Renewed Economic Growth in Latin America*, Washington, D.C.: Institute for International Economics.

⁸ This obsession with economic efficiency generates rather hard to control and not so desirable consequences not only for humanity but also for the planet. Much effort is then needed to correct at least some part of the resulting hazard and damage, as regards, for instance, CO2 emissions.

- Brusco, S. (1996), "Global Systems and Local Systems", in F. Cossentino, F. Pyke and W. Sengenberger (eds.), *Local and Regional Response to Global Pressure: The Case of Italy and its Industrial Districts* (pp.145-158), Geneva: ILO.
- Çalışkan, K. (forthcoming), *Market Threads: How Farmers and Traders Create a Global Commodity*, Princeton: Princeton University Press.
- Çalışkan, K., and Callon, M. (2010), "Marketization, Part 2: A Research Programme for the Study of Markets", *Economy and Society*, Vol. 39, No. 1, pp. 1-32.
- Çalışkan, K., and Callon, M. (2009), "Economization, Part 1: Shifting Attention from the Economy towards Processes of Economization", *Economy and Society*, Vol. 38, No. 3, pp. 369-398.
- Callon, M., and Muniesa, F. (2003), "Economic Markets as Collective Calculating Devices", *Reseaux*, 21(122), pp. 189-233.
- Carr, A., Kariyawasam, A., and Casil, M. (2008), "A Study of the Organizational Characteristics of Successful Cooperatives", *Organization Development Journal*, 26(1), pp. 79-87.
- Chaddad, F. R., and Cook, M. L. (2004), "Understanding New Cooperative Models: An Ownership-Control Rights Typology", *Review of Agricultural Economics*, 26(3), pp. 348-360.
- Coase, R. H. (1937), "The Nature of the Firm", *Economica*, 4, pp. 386-405.
- Cook, M. L. (1995), "The Future of U.S. Agricultural Cooperatives: A Neo-Institutional Approach", *American Journal of Agricultural Economics*, 77, pp. 1153-1159.
- Cook, M. L., and Plunkett, B. (2006), "Collective Entrepreneurship: An Emerging Phenomenon in Producer-Owned Organizations", *Journal of Agricultural and Applied Economics*, 38(2), pp. 421-428.
- De Soto, H. (1989), *The Other Path: The Invisible Revolution in the Third World*, New York: Harper & Row.
- Dilley, R. (1992), *Contesting Markets: Analyses of Ideology, Discourse and Practice*, Edinburgh: Edinburgh University Press.
- DPT (2000a), "Süs Bitkileri", *Sekizinci Bes Yillik Kalkinma Planı Bitkisel Üretim Özel İhtisas Komisyonu Sus Bitkileri Alt Komisyonu Raporu*, Ankara: DPT.
- DPT (2000b), "Süs Bitkileri", *Sekizinci Bes Yillik Kalkinma Planı Bitkisel Üretim Özel İhtisas Komisyonu Sus Bitkileri Alt Komisyonu Kesme Cicekler Raporu*, Ankara: DPT.
- Erdogan, A. (2008), "Romantik Mezat", *Fortune Türkiye*, March, pp. 66-70.
- Evans, A. (2007), "Disconnecting the Product from the Process – Only the Beginning", *FloraCulture International*, May.
- Feldman, R. A. and Mehra, R. (1993), "Auctions: Theory and Applications", *International Monetary Fund Staff Papers*, 40(3), pp. 485-511.
- Fiol, C. M. (2001), "Revisiting an Identity Based View of Sustainable Competitive Advantage", *Journal of Management*, 27(6), pp. 691-699.
- Fried, M. H. (1979), "Economic Theory and First Contact", in M. B. Leons and F. Rothstein (eds.), *New Directions in Political Economy*, Westport: Greenwood Press.
- Harriss-White, B. (2008), *Rural Commercial Capital: Agricultural Markets in West Bengal*, New Delhi: Oxford University Press.
- Jacobides, M. G., and Billinger, S. (2006), "Designing the Boundaries of the Firm: From

- “Make, Buy, or Ally” to the Dynamic Benefit of Vertical Architecture”, *Organization Science*, 17(2), pp. 249-261.
- Kaplan, D. (1968), “The Formal-Substantivist Controversy in Economic Anthropology: Some Reflections on its Wider Implications”, *Southwestern Journal of Anthropology*, 24, pp. 228-47.
- Lee, H. G. and Clark, T. H. (1997), “Market Process Reengineering Through Electronic Market Systems: Opportunities and Challenges”, *Journal of Management Information Systems*, 13(3), pp. 113-136.
- Mackenzie, D., and Muniesa, F. (2007), *Do Economists Make Markets?: On the Performativity of Economics*, Princeton: Princeton University Press.
- Mintz, S. W. (1985), *Sweetness and Power: The Place of Sugar in Modern History*, New York, N.Y.: Viking.
- Pfeffer, J. and Salancik, G. R. (1978), *The External Control of Organizations*, New York: Harper and Row.
- Polanyi, K. (1957), *The Great Transformation*, Boston: Beacon Press.
- Porter, M. E. (1998), *On Competition*, Boston: Harvard Business School.
- Porter, M. E. (1980), *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, New York: Free Press.
- Raynolds, L. T., Murray, D. and Taylor, P. L. (2004), “Fair Trade Coffee: Building Producer Capacity via Global Networks”, *Journal of International Development*, 16(8), pp. 1109-1121.
- Rothkopf, M. H. and Park, S. (2001), “An Elementary Introduction to Auctions”, *Interfaces*, 31(6), pp. 83-97.
- Santos, F. M., and Eisenhardt, K. M. (2005), “Organizational Boundaries and Theories of Organization”, *Organization Science*, 16(5), pp. 491-508.
- Schneider, H. K. (1974), *Economic Man: The Anthropology of Economics*, New York: Free Press.
- Tascioglu, Y., and Sayin, C. (2005), “Turkiye’de Kesme Cicek Uretim ve Ihracat Yapisi”, *Akdeniz Universitesi Ziraat Fakultesi Dergisi*, 18(3), pp. 343-354.
- Van den Berg, G. J., Van Ours, J. C. and Pradhan, P. M. (2001), “The Declining Price Anomaly in Dutch Dutch Rose Auctions”, *The American Economic Review*, 91(4), pp. 1055-1062.
- Vitaliano, P. (1983), “Cooperative Enterprise: An Alternative Conceptual Basis for Analyzing a Complex Institution”, *American Journal of Agricultural Economics*, 65, pp. 1078-1083.
- Vladislav, V. (2007), “Why Are Cooperatives Important in Agriculture? An Organizational Economics Perspective”, *Journal of Institutional Economics*, 3(1), pp. 55-69.
- Williamson, O. E. (2003), “Examining Economic Organization through the Lens of Contract”, *Industrial and Corporate Change*, 12(4), pp. 917-942.
- Williamson, O. E. (1981), “The Economics of Organizations: The Transaction Costs Approach”, *American Journal of Sociology*, 87, pp. 548-577.

Figure 1 Buyers waiting for the auction to start at Karanfilkoy Flower Auction

