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New Organizational Designs in the Agribusiness Subsystem of Organic Avocado in La Libertad Region, Peru. Multiple Case Study

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Because of the changes in agrifood systems due to a growing demand for differentiated quality products, the development of organic production has created trading opportunities among small producers registered in cooperatives or associations. The agribusiness subsystem of organic products remains positive not only regionally, but also nationally because of the export market. Considering that all organizations operate under the same formal institutional environment, it is necessary to study the new organizational designs for the supply of organic avocado in La Libertad region to identify the management structure they have adopted, the coordination carried out for transactions and supply of goods, and to understand the scope and limitations of these structures. The methodology used to address the research question was phenomenological epistemology through multiple case studies; theoretically supported by New Institutional Economics applied to agrifood businesses and Organizational Theory. Organization leaders and 38 active members of PROPALTO and COCEPROVASC were interviewed. The results indicate that the producers transitioned from operating with a market governance structure in an environment with high levels of uncertainty and asymmetric information to a hybrid governance structure, reducing transaction costs by doing so. They adopted an organizational design in transactional terms that involves the organizations under study as a link of contracts between the producer and the agro-exporting company. Furthermore, the application of incentives and controls was identified as part of collective strategies to ensure the smooth functioning of the organizations. On the other hand, the organizations have various internal coordination mechanisms that integrate organizational processes, and an organizational structure suited to the context in which they operate; however, they will require organizational innovation to address the future needs of each one.

**Keywords:** Organizational designs, hybrid forms, small producers, differentiated products, organic avocado.

**Introduction**

The changes or disruptions occurring in the market and among consumers as a result of globalization have an impact on production systems, business organization, and the decision-making processes of agricultural producers, agribusinesses, marketers, and consumers; in other words, on the agents or actors that make up a given agri-food system (Belletti, 2021). The new market conditions mentioned above make it necessary to improve coordination among producers, industry, and distribution to meet consumer demands (Kilelu, 2021). The supply of products with differentiated quality can be achieved through various horizontal and vertical organizational designs, which in some cases may be coordinated by institutions considering price incentives and control mechanisms to achieve the expected outcomes. Several authors have conducted research on these organizational designs through case studies. In Argentina, Trebbin (2020) presents the case of Prinex in the beef system, in which it is established that this company created a strictly coordinated supply subsystem, made up of a network of 44 cattle producers, through which it provided security to distributors and consumers by offering meat with traceability, branding, and quality protocols. Prinex defined the incentive and control frameworks to improve commercial and transactional conditions among the different actors.

***Methodology***

The study is framed within a qualitative approach, grounded in phenomenological epistemology, with the aim of understanding the experiences, perceptions, and decisions of small-scale producers regarding organizational designs in the supply of organic avocado (Vagle, 2022). A multiple case study strategy was employed, intentionally selecting two organizations from the La Libertad region: PROPALTO and COCEPROVASC.

Data collection was carried out through semi-structured interviews with organizational leaders and 38 active members, as well as a review of institutional documents. The analysis was conducted using thematic coding, identifying patterns of meaning in the responses and comparing them with theoretical frameworks from New Institutional Economics and Organizational Theory. This process enabled the interpretation of coordination mechanisms, internal structure, incentives, and perceived limitations by the actors involved.

To ensure methodological rigor, criteria of interpretive validity and source triangulation were applied, ensuring a deep understanding of the phenomenon from the participants' own perspectives.

***Analysis of the transaction between COCEPROVASC and local industry***

Approximately 40% of the product sold to the local industry consists of avocados that do not meet export standards, mainly affected by quarantine pests such as scale insects. This transaction is characterized by a market-based governance structure, where price is the primary determining factor. The conditions involve high uncertainty, as they depend on market behavior, low frequency, and limited asset specificity, given that the product has lower added value. These characteristics reflect an alignment between the attributes of the transaction and the governance structure. However, they also highlight the need to strengthen coordination between producers and processors to reduce vulnerabilities and improve the efficiency of the marketing channel

*Table 1: Analysis of the transaction between COCEPROVASC and local industry*

|  |  |  |  |
| --- | --- | --- | --- |
| Transaction | Transaction attributes | Governance structure | Transaction costs |
| Frequency | Uncertainty | Asset specificity |
| CEPROVASC – Ind. Local | Low | High | Low | Market | Low |

***Performance and Limitations of the COCEPROVASC Case***

At the organizational level, several limitations were identified related to a high probability of generating organizational costs due to deficiencies in internal coordination These deficiencies are associated with failures in the integration of the organization's activities and in the relationships among its members. Contributing factors include a lack of awareness of internal regulations by some members, the absence of written procedures for productive activities, a perceived low level of participation in organizational decision-making, and difficulties in the communication of information necessary for decision-making. Each of these aspects is described below.

The information received by members to support their decision-making is mainly related to crop management, financial statements, market conditions, production planning, product delivery, and quality protocols. When evaluating the variable associated with the level of information available for decision-making (see Figure 1), 35% of members consider the information they receive to be “sufficient,” another 38% consider it “moderately sufficient,” 12% believe it is “limited,” and another 12% consider it “very limited.” This suggests that while the Board of Directors makes efforts to provide information, there are still certain limitations in ensuring that it reaches all members effectively

**Figure 1. Level of information that members receive**

The level of trust that producers have in the technical-productive and management-related information provided by the Board of Directors was evaluated. Regarding information on organic farming techniques, Figure 2 shows that 58% of producers have “high trust,” 27% “moderate trust,” 12% “low trust,” and 4% “very low trust.” These results indicate a certain degree of distrust toward the use of modern technologies and agricultural practices in general for organic farming.

***Figure 2: Level of confidence that members have regarding information on cultivation techniques***

Additionally, regarding the level of trust in the information received about administrative management, Figure 3 shows that 54% of associated producers have high trust, 31% have moderate trust, 8% have low trust, and 8% have very low trust. These results also reveal a degree of distrust in the financial statements, reports, and other outputs related to the Board of Directors’ management.

**Figure 3: Level of Trust in the Administrative Management Information Received by Members**

Regarding the information received about sales, Figure 4 indicates that 58% of associated producers have “high trust,” 27% have “moderate trust,” 12% have “low trust,” and another 4% have “very low trust.” In this context, there is a certain level of uncertainty among producers who have little or no confidence in the commercial role of their Board of Directors. These findings highlight the likelihood of organizational costs arising within COCEPROVASC.

***Figure 4: Level of confidence that members have regarding information on sales made by the Board***

On the other hand, regarding the level of member participation in decision-making within COCEPROVASC, Figure 5 shows that 38% of active members consider themselves to be "very" involved; 31% "moderately" involved; 4% "little" involved; and 27% "very little." This indicates that 31% of members feel their opinions are rarely considered.

***Figure 5: Level of participation in the organization's decisions***

Regarding knowledge of the organization's bylaws, and therefore of its internal rules, rights and responsibilities of members, functions, and other organizational aspects, Figure 6 indicates that only 12% of producers have "very good" knowledge; 69% have "good" knowledge; and 19% have "fair" knowledge. Although the members surveyed had been in the organic program for between two and six years, 19% have fair knowledge of the organization's operations. This lack of knowledge could also generate organizational costs.

***Figure 6: Level of knowledge of the organization's internal regulations***

Similarly, the level of satisfaction of producers with respect to the management of their Directors was evaluated in general terms (see Figure 7). 54% of the members say they are "very satisfied" with the management of the directors, 38% are "moderately satisfied", 4% are "slightly satisfied" and 4% are "very little satisfied".

**Figure 7: Level of compliance with management's management**

At the level of internal processes, it was observed that the organization has a documentation system that includes procedures that standardize the development of its activities. While these were initially provided by the agro-export industry, they have since been adapted to the organization. However, limitations were found in the recording of the agricultural activities that each producer should carry out on their plots, given that many of the records were blank and poorly filled out.

Regarding other internal coordination mechanisms, partner incentives are aligned with individual and organizational requirements or motivations. However, when examining the level of training received in more detail, 38% of respondents believe it is "average," 35% believe it is "low," 4% believe it is "very low," and 4% also believe it is "very low" (see Figure 8).

***Figure 8: Level of training that associates receive***

Regarding controls, the functions of the Board of Directors are supervised by the Supervisory Council which, due to the geographical dispersion of the members, faces limitations in effectively detecting non-compliance with the organic production regulations in a timely manner.

The organizational limitations of COCEPROVASC are mainly reflected in the percentage of members dissatisfied with administrative management, the quality of information provided, and the way decisions are made. These situations represent potential agency costs arising from the divergence of interests between cooperative members and those contracted to represent them, as well as from the need for efficient monitoring of management activities.

At the design level, regarding the transaction between COCEPROVASC’s member producers and the agro-exporting industry, certain limitations arise due to producers’ dissatisfaction with the payment conditions for their marketed products. Although there have been favorable improvements in pricing, some producers express dissatisfaction with the prices received. Specifically, 35% of members consider that the Agro-export company pays them a “better price” for their production. Nevertheless, 38% of members believe the price is “moderately fair”, 8% consider it to be "slightly" reasonable compared to other marketing channels; 4% consider it to be "very reasonable," and 4% consider it "not at all" reasonable (see Figure 9).

***Figure 9: Level of perception of the price paid for your product***

Regarding the payment terms, 23% of members are “moderately satisfied,” 27% are “slightly satisfied,” 4% are “very slightly satisfied,” and another 4% are “not satisfied” (see Figure 10). Therefore, this indicates that although the price paid for their product has improved compared to previous situations, the payment timelines continue to cause dissatisfaction among members.

**Figure 10: Compliance with the payment term for your product**

In COCEPROVASC, the organic certification is held by the Cooperative, thereby granting it greater bargaining power and decision-making authority over the members’ production.

**Discussion of Results**

This study analyzed the new organizational designs involved in the supply of organic avocado in La Libertad, Peru, focusing on management structures, coordination mechanisms, and internal limitations. The findings reveal that both organizations—PROPALTO and COCEPROVASC—adopt functional structures grounded in established institutional frameworks (Civil Code and Cooperative Law), which have allowed for a certain degree of specialization, particularly in the Agricultural Operations Area, where qualified agronomists, field technicians, and quality control staff were identified.

In terms of internal coordination, both organizations exhibit a high degree of formalization, evidenced by the presence of statutes, internal regulations, standardized operating procedures (SOPs), and role manuals. These tools regulate both administrative management and productive activities. This supports the argument by Puranam and Håkonsson (2023), who affirm that modern organizational design requires flexible structures along with formal mechanisms that ensure process integration and behavioral control.

Despite having such instruments in place, a gap was identified in members' knowledge of organizational rules. According to the results, only 12% of producers reported having “very good” knowledge of internal regulations, while 69% indicated “good” knowledge and 19% had only a “fair” understanding. This limited regulatory appropriation can generate uncertainty and raise coordination costs, especially in contexts involving larger numbers of members. As Belletti et al. (2021) argue, effective governance in agri-food systems requires not only formal rules, but also their internalization by the actors involved.

In terms of decision-making, COCEPROVASC demonstrates operational decentralization, with the general manager exercising executive functions; however, strategic decision-making remains centralized in the General Assembly, the highest decision-making body. In the case of PROPALTO, which lacks a general manager, the president assumes both operational and strategic responsibilities, thereby concentrating decision-making authority in a single individual.

Regarding internal controls, the geographic dispersion of members presents a challenge—especially for COCEPROVASC, whose members are spread across various rural zones, making it difficult to directly monitor compliance with organic production standards. By contrast, PROPALTO, with less geographical dispersion, faces fewer challenges in this respect.

On the other hand, collective incentives—such as technical training, ongoing advisory support, quality-based bonuses, and access to differentiated markets—have helped align individual interests with organizational goals. This is consistent with Trebbin (2020), who argues that appropriate incentives strengthen the sustainability of small-scale producer organizations in competitive markets.

In summary, although both organizations exhibit designs that are relatively well suited to the current context, there is a clear need for future-oriented organizational redesign. This may include the integration of digital management and communication systems, the creation of new mid-level managerial roles, basic automation of field data registration processes, and the strengthening of leadership and decision-making capacities

Conclusions

In response to the transformations in agri-food systems and the growing demand for high-quality products, small producers organized into cooperatives are finding business opportunities by adapting and reducing transaction costs. This study, grounded in phenomenological epistemology and based on a case analysis of PROPALTO and COCEPROVASC, examined the organizational designs used in the supply of organic avocado in the La Libertad region of Peru.

The organizations analyzed present organizational structures that are suitable for their current operations, although they differ in the degree of professionalization of their management. PROPALTO lacks a formalized functional structure and specialized technical personnel, whereas COCEPROVASC includes a general manager and key operational areas that enhance performance.

Internal coordination mechanisms—such as regulations, procedures, and control bodies—have contributed to regulating relationships among members and standardizing processes. However, there are limitations in members' appropriation of these rules, as well as in their effective participation in decision-making, particularly in larger and more geographically dispersed organizations.

Economic incentives, training programs, and organizational interdependence have been useful in reducing coordination costs. Nevertheless, to meet future challenges, both organizations will need to incorporate organizational, technological, and managerial innovations to strengthen their competitiveness and sustainability.

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