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# Transaction Costs and Their Influence on Institutional Arrangements in the Swedish Printing Industry

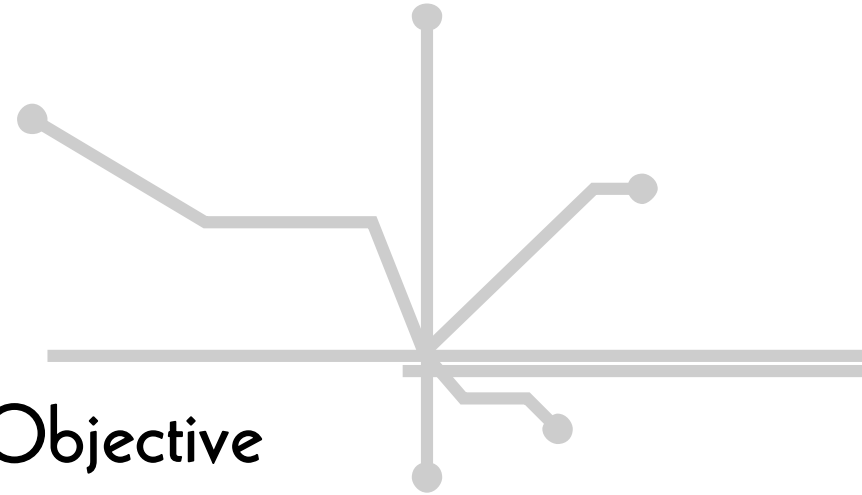
Presentation at the 8<sup>th</sup> World Media Economics and Management Conference, Lisbon, Portugal.



# Background to the Printing Industry

- Commercial printing industry
  - » Low margin industry
  - » High Competition  
(e.g. Birkenshaw, 2004; Mejtoft & Viström, 2007; Smyth, 2006)
  - » Adding value to the product is important  
(e.g. Mejtoft, 2006; PODi, 2006; Romano, 2004)
- Changes
  - » New production technologies like digital printing or electronic publishing  
=> change in production costs
  - » Modern information and communication technologies  
=> change in transaction costs





## Research Objective

*The purpose of this paper is to investigate the institutional arrangements in the Swedish Printing Industry by regarding the importance of lowering transaction costs and increasing competitive advantages and whether different arrangements are influenced by the means of production, transaction costs and/or other factors.*

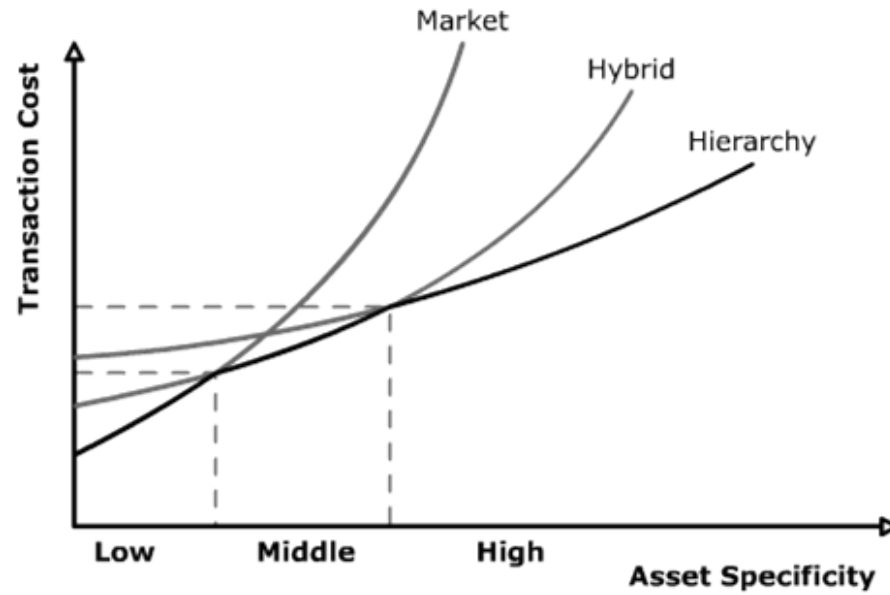


# Theoretical Framework

- Transaction costs (e.g. Coase, 1937; Williamson, 1975)
  - » Neo-Institutional Theories: Define ways to manage organizations and to structure relations
  - » Transaction costs (TAC) are costs for information and agreement both before and after contracting
  - » Total costs are production costs (PC) plus transaction cost (TAC)
    - » Specialization: Lower PC and higher TAC
    - » Integration: Higher PC and lower TAC



# Theoretical Framework



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(Williamson, 1991)

# Methodology

- Qualitative multiple case study
  - » 4 Swedish printing houses
  - » Top management (CEO or founder) as respondent
  - » Data collection by personal interviews or telephone
  - » Interviews carried out fall 2007



# Results and Discussion

- A high integration in terms of number of integrated steps in the value chain
- Taper integration is the most common structure
- Alliance partners are more common than market transfers for the non-integrated parts
- Pure market transactions are uncommon



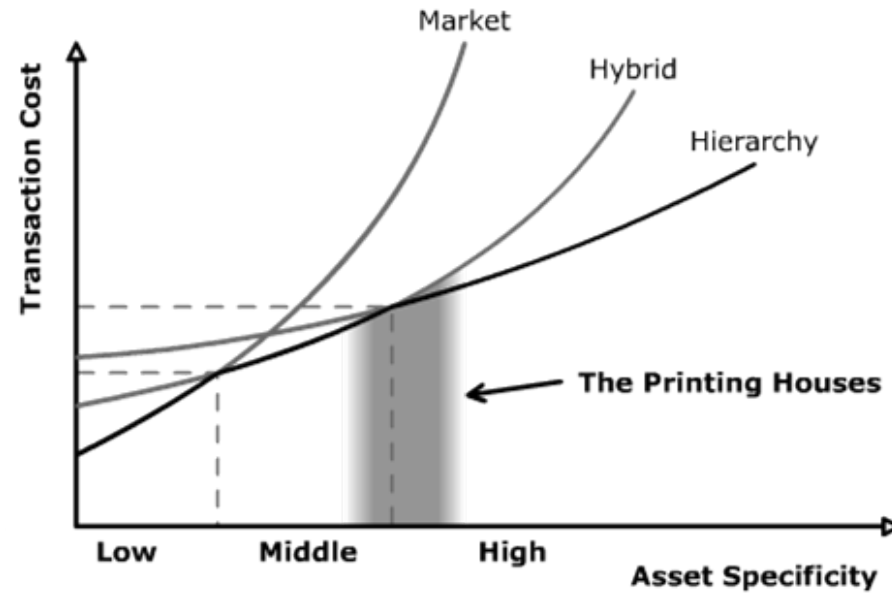
# Results and Discussion

- High flexibility in production equipment
  - » Market transactions are preferred
- Short delivery lead times are very important
  - » Need for vertical integration
- » Hierarchical institutional arrangement with a hybrid character





# Results and Discussion



# Conclusions

- Companies have a high level of integration
- Increase competitive advantages by decreased lead times and offer full service solutions
- Combining integration with alliances
- Hierarchical institutional arrangement with a hybrid character to level the competitive advantages and transaction costs



# Further Research

- The study is right now being extended to include German printing houses
- Purpose of future study is to compare Swedish and German printing industry



# Acknowledgement

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Thank You for Your Attention!

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