

STRATEGIC ADMINISTRATIVE ACCOUNT OF TRANSACTIONAL EXPENSES AT QUALITATIVE CHANGE IN MANUFACTURE

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Key words: transaction expenses, the administrative account, qualitative changes, the responsibility centre, occurrence of expenses, the food enterprises, expenses.

The strategic administrative account transaction expenses is considered at qualitative change of manufacture. From these positions we suggest to consider alternative variants of the organisation of qualitative changes of manufacture within the limits of economic agreements and their influence on the account organisation. For the strategic administrative account economic agreements form the information, opening organisation activity. At the food enterprises in common carried out operations take place in the presence of mutual relations of the various economic agents participating in working out and introduction of new grades of beer. A consequence of agency (joint) relations is occurrence transaction expenses playing not only important the economic a role, but also occupying an important place in the general costs at production program performance.

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Alternative variants of the organization of qualitative changes of manufacture within the limits of economic agreements and their influence on the organization of the account are considered. For the purposes of the strategic administrative account economic agreements form the information opening activity of the organization. For consequence of agency relations is occurrence of transactional expenses playing not only a general important important role, but also taking a significant place in the general common expenses at carrying-out the production program.

The conceptual approach of economic agreements aims at coordination among themselves three segments: characteristics of the agent and its motives, variants of coordination of actions, roles of values and general welfares.

For economists there are concepts of uncertainty and the information, and uncertainty is deduced from asymmetric property of information, or from a special context of a situation. Introduction of the factor of asymmetric property of information in consideration of various economic problems allows to understand process of occurrence of failures in the market. Special interest shows how the theory of stimulus coordinates contracts to the decision of problems of

the coordination caused by existence of the asymmetric information between agents. In the theory of stimulus the stress is making on two kinds of problems: "selection of the worst ones", reflecting the problems of previous interaction, which includes signing the contract, and "moral risk", connected with consequences of interaction which has already occurred.

The theory of transactional expenses makes to contracts more complicated role in comparison with the theory of stimulus. Contracts are considered as the mechanism of structurization of mutual adaptations of participants of the transaction and restriction of the prodigal actions directed on redistribution of a prize from the transaction.

The dominant distinction between administrative structures and institutes consists that an institutional environment is set as a whole of fundamental political, social and legal rules. Administrative structures represent economic agreements between the agents, cooperations determining a mode and interactions between them. And administrative structures and institutes are interconnected among themselves. Thus institutional environment is considered as a set of the parameters influencing comparative expenses of various ways of the organization.

If identification of the prices admits the dominant characteristic of the markets and ability of one agent to provide a prevalence of its decisions over the decisions of other agents the dominant characteristic of the organizations, it

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will be very difficult to lead to two agreements (“market” and “hierarchy”). In the legal form of partnership the relation between partners directly are not adjusted by price system, but also in distribution of resources hardly it is possible to speak about “hierarchy”.

O.I. Williamson suggested to name these agreements “hybrid forms”: “Hybrid forms represent institutional combinations fixed either in long-term or automatically prolonged short-term contracts between partners, keeping autonomy in decision-making and the property right to the actives, remaining competitors in one fields of activity, coordinating actions by means of formal agreements and in others”¹.

As coordination happens without integration that promotes preservation of powerful stimulus and effective work. Therefore hybrid agreements should find special distribution in the environment of the organizations of the food-processing industry.

Hybrid forms develop in a context of repeating transaction, is frequent between the limited number of the participants using or automatically prolonged short-term contracts, or the long-term contracts providing mechanisms of the coordination. Thus the mechanism of adaptation, characteristic for hybrid forms, differs both from price (market), and from hierarchical (organizational). Complexity is connected by that the participating sides remain independent and keep an autonomy in acceptance of the basic economic decisions. This will be especially truly when coordination broaches qualitative changes in the production program. In essence, hybrid forms represent the economic agreements fixed by contract relations between partners, keeping the property right to actives and relative autonomy in decision-making.

From these positions we suggest to consider alternative variants of the organization of qualitative changes in the production program within the limits of economic agreements and their influence on the organization of the account.

The peculiarity of the joint activity formed by contracts is coincidence of participants’ interests. In other contracts (sale and purchase, the loan, etc.) interests of participants can be opposite. Economic agreements should be adjusted constantly in the subsequent additional agreements.

For these purposes of the strategic administrative account economic agreements form the

information opening part of activity of the organization (an accounting segment), carried out with the purpose of extraction of economic gains (or the income) together with other organizations and/or individual businessmen by association of contributions and/or joint actions without education of the juristic person.

Under common carried out operations performance by each participant of the contract of the certain production phase of production (performance of work, rendering of service) with use of own actives is supposed. Thus each participant of the contract carries out a part of charges and obligations, and also receives a share of economic gains or the income according to treaty provisions.

At the food processors collectively carried out operations take place at presence of mutual relations of the various economic agents participating in development and introduction of new grades of production.

In the result of agency (joint) relations will be occurrence of transactional expenses playing not only important role in the economic sphere, but also taking a significant place in the general expenses at performance of the production program.

The contract precisely fixes what is pertains to exchange. “Function of the contract, - says S. Pejovich, - consists in the specification of a set of rights which are pertains to exchange. The finished contracts are expensive to conclude and frequently are expensive to protect”².

According to a contract sight at the theory of the property rights base, transaction admits to it. The category of transaction covers both material, and contract aspects of an exchange. It is understood extremely widely and it is used for a designation of an exchange as by the goods, and various kinds of activity or legal obligations both long-term, and the short-term character, demanding the detailed documentary registration and assuming simple mutual understanding of the sides. Expenses on realization of transaction act as a primary factor determine the structure and the dynamics of various social institutes.

Oliver Williamson has played a dominant role in identification of the characteristics necessary for modelling of the concrete transaction and explaining to a variety in transactional expenses. In his attempts to make the concept of transactional expenses’ more operational, he

has gradually allocated three basic dimensions, significant for an explanation of the expenses' size arising at fulfillment of any concrete transaction. The dimensions are as follows: a degree of an environmental uncertainty, frequency of fulfillment of the transaction and a degree of specificity of the actives involved in it.

The uncertainty accompanying the realization of transaction, results from two potential sources. The internal source of uncertainty consists in participants' behaviour in conditions when it is either impossible or too expensive to check up the reaction of the partner. The external source of the uncertainty is caused by impossibility of an exact prediction of opening opportunities that stimulates opportunism. The important question consists in, whether the interference of various types uncertainty is observed, whether their amplitude amplifies and how often it arises. The basic prediction on the basis of the theory says, that frequent and strengthening each other to uncertainty lead to growth of costs in the market, promoting that to centralization of transaction within the limits of firm.

Another factor influencing the expenses and determining a choice of administrative structure is frequency of realization of transaction or the same types of transactions. The relationship of cause and effect here is as follows: the more often the agent makes the certain transaction, the better he learns its prominent features, and that lower arising of transactional expenses.

The third characteristic of transaction has been defined as a degree of specificity of the actives involved in it. This variable in the modern literature more often was exposed to empirical testing. It is necessary to recognize a degree of specificity of actives especially important factor for an explanation of a choice between alternative administrative structures, and also for understanding of internal characteristics of these structures.

The theory of transactional expenses cannot be recognized a completely settled. On the one hand, identifying transaction as any exchanges in the market, transactional expenses reduce to expenses of using the price mechanism. On the other hand, there is wider interpretation of transaction: these are any forms of the organization of economic activities. In the latter case transactional expenses mean the costs connected with alternative variants of the organization.

It is represented, that in the modern literature the second approach prevails due to the fact that it emphasizes the idea of coexistence the alternative and competing variants of the organization of exchanges as the dominant characteristic of marketing economy. Thus, we suggest to name transaction any transfer of rights of use of the goods and/or services between technologically shared units. It is necessary to notice, that the offered definition is not reduced exclusively to a transfer of the property rights. It would be equivalent to a recognition transaction exclusively transfers in the market. It's emphasis on allowing to expand the concept: now it is taken into consideration transaction inside of the organizations (for example, between divisions of multidivisional firms), and within the limits of economic agreements (for example, the franchise) at which transfer of the rights is not connected with a transfer of the property rights. Thus, the transfer of the property rights represents a special case of wider process.

The nearest consequence formulated above the approach consists that our understanding of the concept extends also. It is appropriate to define "transactional expenses" by O.I. Williamson. According to this definition transactional expenses include "comparative expenses for planning, adaptation and monitoring of performance as a problem, typical for alternative structures"³. In other words, transactional expenses rise at any variants of the organization of transaction, including the markets, and therefore a dominant question concerns a choice of the most effective of accessible alternatives in administrative structure, and also a role of institutional sphere as a determinant of this choice. A good example will be expenses connected with preparation and realization the contract. They consist of preliminary expenses of the development, coordination and inclusion in the text of the contract the guarantees of its realization, and also from the subsequent expenses connected with incompleteness of the contract and necessity of its updating in the process of realization to reveal misses, errors and unforeseen circumstances.

Preliminary expenses are connected with preparation of the conditions which are necessary for realization of transaction. Here four aspects are especially significant. First, there are expenses of the search of the partner in-

interested in fulfillment of the transaction. Secondly, it is necessary to estimate the general conditions of the transaction, not forgetting about probabilities of some unpredictable. Thirdly, even predicted circumstance are sometimes very difficult to estimate, so that precisely to determine the conditions of realization of transaction. That is why a lot of contracts remain incomplete. Fourthly, guarantees (the mortgage, the deposit, etc.) are necessary, especially in cases of transaction which are leading occurrence of interdependence between their participants and/or carried out between partners with unknown or doubtful reputation. The subsequent expenses concern basically applications of positions of the signed contract. First, resources for finishing the transaction up to the end, i.e. for checking fulfillment by its sides of contract obligations usually are required. Secondly, except for completely self-realized agreements fulfillment of transaction can demand intervention of the third party, court or comprehensible to the sides of the transaction of the arbitrator. The expenses arising during the intervention of the third party are especially high, if some characteristics of transaction cannot be observed directly or it is accessible only to its direct participants, instead of the third party. Thirdly, considering incompleteness of the contracts and change of the circumstances, there is a necessity for adaptation to them in ways of the organization of interaction, i.e. the necessity for the procedure of renewal of contracts connected with expenses.

Thus, any variant of the organization of interactions demands resources. The fulfillment of transactions in the market means the utilization of the price mechanism: the search and comparison of the prices, their interpretation, realization of payments, etc. Transferring of transaction inside of the firm turns around growth of administrative expenses. Planning of transaction within the limits of interfirm agreements gives a rise to necessity for attentive elaboration of the contracts and procedures' control and its fulfillment.

Transactional expenses can be defined as expenses of economic influence in what forms it proceeded. Professor R.I. Kapeljushnikov makes a following definition: "Transactional expenses include expenses of decision-making, the

organizations of forthcoming activity, negotiating on its maintenance and conditions when business relations are entered by two or more participants; expenses on changing the plans, revision of conditions of the transaction and the sanction of questions at issue when it is dictated by the changed circumstances; expenses of the maintenance that participants observed the achieved arrangements.

Transactional expenses include also any losses arising owing to an inefficiency of joint decisions, the plans, concluded contracts and the created structures; inefficient reactions to the changed conditions; inefficient protection of agreements. In a word, they include everything, that is anyhow reflected in comparative working capacity of various ways of distribution of resources and the organization of industrial activity "4.

Allocation of a new class of expenses has put at once a number of problems: a definition on the moment, structure and the contents of transaction; an estimation of measurement; accounting reflection and the analysis of their efficiency. From the point of view of transactional approach, various forms of the organization of people is an instrument on economy transactional expenses.

Different institutes possess unequal efficiency from the point of view of economy transactional expenses, as well as they are non-uniform on the structure. Therefore one organizational forms can possess advantages in economy of costs of one type, others - of another one. The variety is caused by set of types of transactional expenses and, accordingly, by the plurality of possible ways of their economy. For each type of transactions special coordinating and protective mechanisms are created. Transactional expenses are inevitable expenses of the organization in conditions of system of market economy. They are diverse under the contents, and their volume and structure in many respects is determined with organizational forms of the enterprises.

Formation and movement of the registration information in technological processes of the enterprises influence not only exterior operated and uncontrollable factors, but also interior. To show the influence of factors on the account of expenses in qualitative changes of the production program in the enterprises, we examine these enterprises in an indissoluble chain

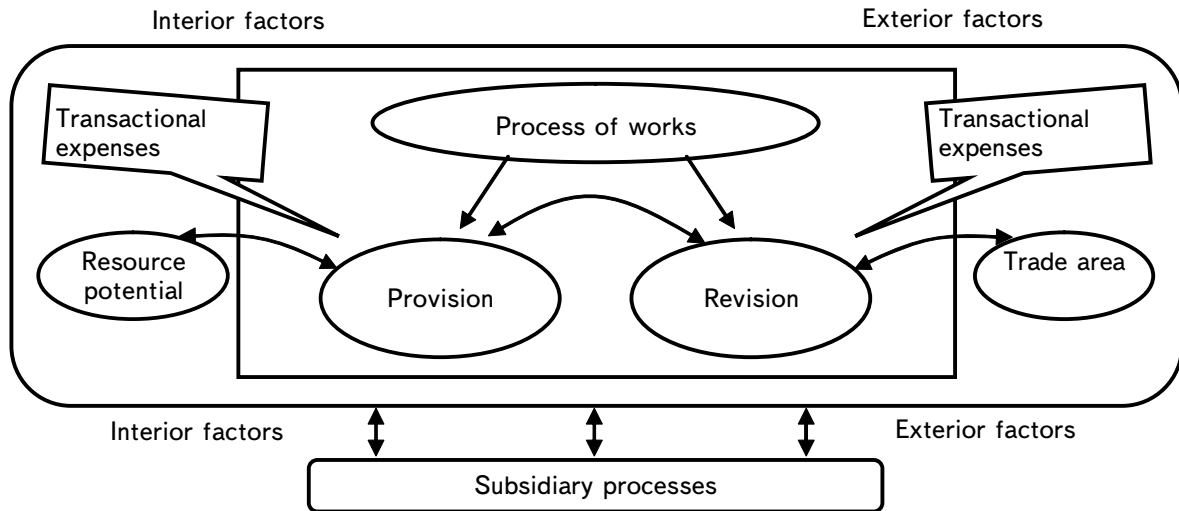


Fig. Registration-information streams of expenses at qualitative changes of the production program

of technological processes and in a cut of stages of the process of manufacture and processing (see the figure).

In this case we carry actions to the basic processes at each stage of each stage of process of manufacture and processing of production. Kinds of auxiliary activity the following: development of strategy, the account and management of the personnel, its development and increase of its role in business processes, the account of information resources, the account of financial and material resources, performance of programs on protection of an environment, external contacts, management of public relations, the account of changes and improvements.

Institutional sphere outlines the general rules of manufacture and an exchange of the goods and services: frameworks of transaction depend

on it and a choice of the way of its organization. In what precisely these ways and the agreements consist of? The question, in essence, predetermines the development of the theory of transactional expenses, that shows a way to the analysis of economic agreements through the allocation of alternative ways of the organization's transaction and determination of economic agreements.

¹ *Williamson O.I.* Economic institutes of capitalism: firms, markets, contracting . SPb., 1996.

² *Pejovich S.* Fundamentals of economics: a property of rights approach. Dallas, 1981.

³ *Williamson O.I.*

⁴ *Kapelyshnikov R.I.* The category of transactional expenses // How to do this: financial, social and information technologies: Book of scientific articles / Institute of commercial engineering. M., 1994.