

Improvement of the Approaches to Quality Evaluation of Transaction Cost Management

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Abstract: *The aim of the study is to develop approaches to evaluation of the quality of transaction costs management. The theoretical and methodological basis of the research is the abstract-logical method, methods of induction, deduction, analysis, synthesis, and systematization. The result of the study is the developed approaches to evaluation of the quality of transaction costs management, activities aimed to coordinate the actions of the main participants in the production process, as well as provisions for managing the sustainable development of enterprises at various levels of transaction costs. Based on the assessment of the real state of transactional costs, the following has been identified: existing deficiencies in the management system related to the excess of transaction costs growth rates over revenue and profit growth rates, low compliance of actual transaction costs with optimal values ensuring profit maximization, and poor quality of management functions and specific stages of their implementation.*

Index Terms: *quality, management, transaction costs, enterprise, information, production and economic activity, efficiency.*

I. INTRODUCTION

Recently, along with the most important elements that form the cost of production, the transaction costs of an enterprise have increasingly become the object of research and cost management. With a high degree of coordination of the various structures of the business system, transaction costs tend to be minimized. However, modern economic relations, on the contrary, are characterized by a high degree of specialization and localization of business connections. With the development of the institutional environment, which is characterized by the increasing complexity of business entities' contracting, the increase in the volume of

information, the growth of competition, there is an increase in the proportion, diversity of the composition and structure of transaction costs. Therefore, the problem of efficient transaction cost management becomes increasingly important. The costs that ensure the implementation of relationships with the subjects of the external and internal institutional environment have significant impact on the development level of the enterprises, and hence on the efficiency of the national economy. However, the imperfection of the theoretical foundations and insufficient practical experience in transaction cost management limit the efficiency of the production and economic activities of enterprises. Transaction cost management should timely ensure the identification and evaluation of productive and nonproductive costs, which can often be hidden, and be aimed at optimizing them, that is, ensuring the volumes and directions of use that would facilitate the establishment of profitable relationships with the partners in order to maximize the financial results and create the conditions for the sustainable development of the enterprise in the future. The study of the problems of quality evaluation of transactional cost management has been reflected in the scientific works by Kokhno [1], Kuzovkova [2], Nekrasov [3], Pogoreltsev [4], Sazykina [5], Surovitskaya [6] and others. However, despite the significant amount of work on the subject under study, there are a number of unresolved issues related to the definition of the essence of the category "transaction costs", the methods of evaluation and the definition of performance. These problems cause difficulties in making managerial decisions to determine the ways to optimize transaction costs, which, in turn, impedes the improvement of the management efficiency.

II. METHODS

The theoretical and methodological basis of the research is: the abstract-logical method, the methods of induction, deduction, analysis, synthesis, systematization – to substantiate the approach to transaction cost identification; the statistical-economic and graphical methods – to study the level and trends in the transaction costs of enterprises and their visualization; the weighing technique – to determine the rating of enterprises according to the criterion of the efficiency of transaction cost management; the correlation and regression analysis, the economic and mathematical simulation,

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the simplex method – to study



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the influence of the factors on the transaction cost management. In addition, the methods of structural-functional and structural-logical analysis were used to develop conceptual provisions for assessing the quality of the transaction cost management process, as well as the method of economic analysis and multidimensional comparative analysis – for evaluating the results of managing transaction costs in enterprises.

The information basis of the article is the statistical data provided by the state bodies, legislative and regulatory documents governing the evaluation of the efficiency of transaction cost management, and the results of research conducted [7-9].

In the course of research, it is planned to improve the approaches to quality evaluation of the transaction cost management procedure, to develop the measures on the coordination of the activities among the main market participants, to substantiate the provision for managing the sustainable development of the enterprises at various levels of the transaction costs.

III. RESULTS

The main goal of transaction cost management is optimization of transaction costs. And in order to achieve cost optimization, it is necessary to increase the efficiency of the processes occurring at the enterprise in transaction cost management through ensuring a clear and continuous implementation of the main managerial functions. At the same time, the transaction cost management at the enterprise should be viewed as a process involving all responsibility centers.

In this regard, the creation of conditions for making rational managerial decisions on the coordinated operation of all departments and the successful management process aimed at optimization of transaction costs predetermines the need for continuous comprehensive research on its efficiency with maximum consideration for the existing aspects of this process. The evaluation of the efficiency of such management to ensure its objectivity should combine both static and dynamic indicators of development. Such an approach will allow more adequate analysis of the existing state of management and will ensure rationality when making management decisions (Figure 1).

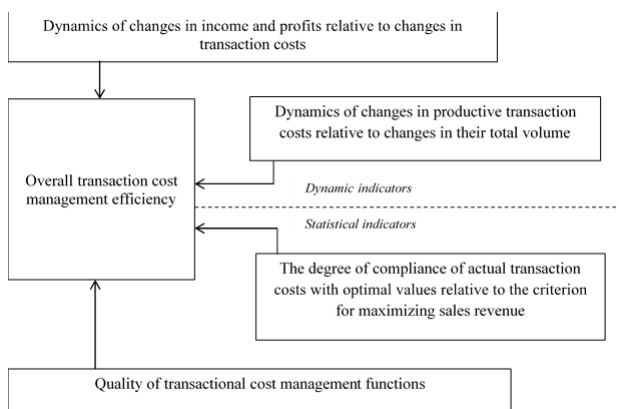


Fig. 1. The components of the final evaluation of the quality of the process of managing the transaction costs of the enterprise

Considering the components of the final evaluation, the authors propose to evaluate the efficiency of transaction cost management of enterprises in several stages.

Stage 1. The determination of the dynamics of change in income and profits relative to changes in transaction costs. The first stage can be implemented through the use of the efficiency coefficient for transaction cost management. This ratio shows that the trend towards an increase in the financial results of operations at the enterprise is implemented at faster rate than the increase in expenses.

Stage 2. The determination of the dynamics of change in productive transaction costs relative to the changes in their total volume. To implement this stage, the authors suggest using the productive advance coefficient, i.e. the indicator characterizing the intensity of changes in the dynamic series for the same periods of time. It is worth noting that the composition of production transaction costs is individual for each enterprise and is determined on the basis of positiveness or negativeness of the return from the implementation of a particular type of cost.

Stage 3. The determination of the degree of compliance of actual transaction costs with the optimal values. This indicator should take into account the reserve for each type of cost. To assess the degree of compliance, the authors offer the coefficient of transaction costs optimality, which can be determined by the formula:

$$K_{opt} = 1 - \frac{\sum_{i=1}^n \left| \frac{TCa_i - TC_{opt_i}}{TC_{opt_i}} \right|}{n}, \quad (1)$$

where K_{opt} is the coefficient of transaction costs optimality; TC_{opt_i} is the optimal value for the i -th type of transaction costs by the criterion of income maximization, rub.; TCa_i is the optimal value for the i -th type of transaction costs, rub.; n is the number of types of transaction costs.

Thus, the proposed coefficient characterizes the degree of optimality of the transaction costs existing at the enterprise in the direction of achieving maximum income. The coefficient values are within $(-\infty; 1]$. The higher the indicator values are, the more the actual transaction costs correspond to the optimal values: $(-\infty; 0]$ – the absolute discrepancy between the actual transaction costs and the optimum one ($\geq 100\%$); $(0; 0, 24]$ – very low degree of optimality; $[0, 25; 0, 49]$ – low degree of optimality; $[0, 5; 0, 79]$ – medium degree of optimality; $[0, 8; 1]$ – high degree of optimality of the enterprise transaction costs.

Stage 4. The evaluation of the quality of implementation of the transaction cost management functions. The quality of implementation of the managerial functions depends on the efficiency of specific tasks that should ensure the transformation of financial resources attracted to implement relationships with the subjects of the institutional environment and service production and economic activities. Quality management is one of the main factors affecting efficiency. It determines the degree of achievement of the goal in relation to the resources expended for this purpose.

That is why the evaluation of the quality of the process of transaction cost management in an enterprise is an



important task, the timely solution of which makes it possible to identify the existing deficiencies in the system and develop the measures to eliminate them by taking the appropriate managerial decisions. Let us consider in more detail the functions of managing the transaction costs of the enterprises, the tasks that they include, and the implementers of the specific tasks to ensure the possibility of further evaluation of their quality.

The primary management function is planning, which determines the prospects and the future state of the organization. Planning of transaction costs should be aimed at determining the economically reasonable amount of expenses that are required for the implementation of the economic activities of the organization in the planning period.

It should be noted that any planning, including transaction costs planning, begins with the information support, that is, collection and processing of the information base, including accounting, financial, statistical reporting of the company, reports of sales and supply departments, information about the state of the market and potential partners. The information gathered should provide a complete and objective description of the factors of the internal and external environment that affect the company's transaction costs, the information on the formation of a system of planned indicators, the choice of measures required to achieve the planned parameters, the implementation of the budget planning process and the formation of current plans.

According to practice, the emergence of transaction costs is influenced by a combination of the factors of the external and internal environment of the enterprise. The evaluation and analysis of this impact are a necessary stage in the planning process, since they ensure the establishment of a quantitative relationship between the individual factors and costs, the assessment of its direction, and ultimately they allow making an accurate prediction of the required transaction costs. At this stage, such research methods as factor analysis, system analysis, expert estimation method, and comparison should be used.

The next stage is the prediction of planned parameters that determine the efficiency of the production and economic activity of the enterprise. Sales revenue, net profit, return on sales, basic profitability can be used as such indicators. This planning stage is one of the most important stages, since the further determination of the required transaction costs value directly depends on the final result, which the company wants to achieve.

The forecasting allows forming with a certain probability a judgment about the future state of the object, based on the analysis of retrospective data and trends of their change in the period under study. The study of the relationship between the final performance indicator and transaction costs is proposed to be carried out using the methods of economic and mathematical simulation, statistical and expert estimates. After forecasting the planned parameters, it is required to perform the calculations on the structure and uses of transaction costs. The basis of this stage is the availability of qualified employees, a well-prepared methodological base and relevant information support.

At the same time, the budget formation is a key stage in transaction cost planning. In drawing up the budget, it is

necessary to adhere to certain principles: consistency – provides for the consideration of budget planning objects as a system consisting of structurally interrelated elements; balance – the part of the cost and the part of the income must match each other; coordination – budget planning should take into account the existing vertical and horizontal relationships in the enterprise and the effect of various changes in the budget on the activities of the enterprise as a whole and its individual subdivisions.

The next important transaction cost management function is the organization. During the organization, the enterprise is divided into separate divisions in accordance with the goals and objectives, as well as the distribution of the powers among the management levels. The organization of transaction cost management is carried out with the aim of determining the points of costs formation, monitoring the reasons for their occurrence and ensuring the optimal use.

At the same time, the planning and economic department is one of the most important in managing the transaction costs of an enterprise. It performs cost planning in accordance with the overall development strategy of the enterprise; the organization of research to determine the conditions for improving the competitiveness of products (collection and processing of information); the development of measures for the optimal use of the costs, improvement of the profits, avoidance of the losses, elimination of the unnecessary and unproductive costs; control over the implementation of the tasks of cost incurrence. Another unit that is directly involved in the process of transaction cost management is the supply department. The supply department is entrusted with the task of manufacturing resource planning, and therefore forecasting the costs of finding potential suppliers and establishing relations with them. The department also carries out: the search for information about the products required, participates in fairs, exhibitions, auctions in order to select the most optimal source for satisfying the need for resources; the conclusion of contracts for the supply of products; monitoring the compliance with contractual obligations and meeting delivery deadlines to avoid losses due to production downtime; control over the expenditure of material resources in order to avoid uncontrollable waste of values; control over the quality of the supplied raw materials and materials to prevent the release of low-quality or defective products, and thereby avoid the costs related to reworking, replacing or repairing the goods purchased by buyers; control over the storage of inventories in order to avoid losses from the shortage and damage of valuables; making claims to suppliers in the event of breaches of the contract terms in order to avoid costs due to opportunistic behavior of partners in the future.

IV. DISCUSSION

The reliability of the presented approaches is confirmed by the fact that the organization of transaction cost management in an enterprise begins with

the establishment of the relationships between horizontal and vertical levels



of management regarding the formation and use of transaction costs in accordance with the budget developed in the budget planning process [10-14]. Moreover, control is an integral function of managing transaction costs. Control provides information on the state of management of transaction costs, their efficiency in order to assess the accuracy and reasonableness of the managerial decisions made.

Therefore, the purpose of the approach proposed is to identify the specific functions of transaction cost management, establishing the implementation stages for each function, and assigning the responsibilities to the centers that are responsible for the efficiency of the assigned tasks. All the proposed stages of transaction cost management of the enterprises are implemented sequentially and comprehensively due to the developed functional model.

This approach to management is intended to ensure not only the efficiency of the transaction cost management system but also the efficiency of the production and business activities of the enterprise as a whole. Moreover, this approach makes it possible to evaluate clearly and consistently the functions of transaction cost management. At the same time, the evaluation of the process of transaction cost management at the enterprise can be based on the use of qualimetric method, which makes it possible to measure the quality indicators using the quantitative points. It should be noted that the significance of factors, criteria for the performance of tasks and the numerical values of criteria can be determined by the expert evaluation performed by the commission members. Therefore, the use of methodological tools to evaluate the quality of transaction cost management on the basis of qualimetric method in the context of a functional management model makes it possible to identify the weaknesses in the management system. In turn, the availability of the information on existing shortcomings will allow the elaboration of comprehensive measures to improve the transaction cost management at the enterprise in order to optimize them through the adoption of appropriate managerial decisions. Moreover, such an evaluation system provides an opportunity not only to analyze the quality of transaction cost management but also to monitor the degree of implementation of the proposed measures and their efficiency.

V. CONCLUSION

Summing up, it can be noted that the proposed approaches to quality evaluation of transaction cost management at enterprises are extremely important and should be implemented in the field of optimization of transaction costs through the reduction of the overhead costs and improvement of the efficiency of production costs in order to maximize the financial results. Based on the evaluation of the real state of transaction costs, it can be concluded that there are some shortcomings in the management system, namely: the excess of the growth rates of productive transaction costs over the unproductive ones; the excess of transaction cost growth rates over the income and profit growth rates; low compliance of actual transaction costs with the optimal values that maximize the revenue; poor quality of management functions and specific stages of their implementation. Timely identification of deficiencies ensures the selection of the appropriate set of measures (managerial, institutional, informational, financial, production, marketing)

that will contribute to their elimination and create the basis for the effective implementation of production and business activities of an enterprise towards the achievement of the goals set.

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