



IDENTIFICATION OF TRANSACTION COSTS IN THE ENTERPRISE BUDGETING SYSTEM

Olena Kyzenko¹, Dmytro Kyzenko²

¹Kyiv National Economic University named after Vadym Hetman (Ukraine)

²Factor Naftogas LLC, Chief of legal department (Ukraine)

Abstract: The article examines the company's business model in the context of transformational and transactional costs of economic organization. Strategic budget seen as a tool of identification and registration of transaction costs in the system of enterprise budgeting. The structure of proposed budget reflect the strategic transformation and transaction costs of the enterprise for the main business models blocks: consumer segments, value proposition, sales channels, customer relationships, revenue streams, key resources, key activities, key partners.

Keywords: budgeting system, transaction costs, budgeting objects, management accounting, budgeting

DOI: 10.17512/znpcz.2016.3.2.08

Introduction

The most influential trend of the world economy at present is the informatization of all spheres of public life and enhance the role of public institutions. As a result of the impact of this factor in the company feels the importance of strengthening of information resources for business efficiency, so there's a need to change traditional approaches to definition of tasks of budgeting as management accounting system and its organization on the basis of new institutional economics.

Identification of the transaction and transformation costs of the system will provide budgeting the information basis for finding optimal capacity for reduction of wasteful expenditure of resources of all types through the transformation of supply chains by institutional arrangements. This approach requires a shift of accents in the system with primary budgeting establishing an information provision control forecasting.

Using the power of modern information technologies (eg, CRM and SRM systems), the company is constantly increasing internal and external flow of unstructured or semistructured information to find effective business models. Only in case of appropriate methods of structuring and analytical evaluation of such information in the budgeting system, it can become a strategic asset as a source of new and support existing competitive advantages. Thus, the ability to control transaction costs at the enterprise creates conditions for effective strategic management, fundamentally changing approaches to competition and cooperation between economic actors in the market, the urgency driven by the study.

Analysis of recent research and publications

The problem of the development of methodology for budgeting transaction costs of integration has character and has its place at the intersection of theoretical and applied research. The overall methodological basis of the study is the new institutional economics based on scientific research R. Coase (Kouz 1993, p. 192) and D. North (North 1997). Theoretical aspects of the definition and classification of transaction costs of the organization are reflected in the writings of many scholars, including: K. Arrow, T. Fisher, A. Auzan, L. Bazalieva, R. Kapelyushnikov and others. Specifically, in this study, while structuring transaction costs organizations applied research results E. Furubotn and R. Richter (Furubotn, Rixter 2005).

Research and publications that highlight issues of budgeting in technology companies focused mainly in the works of the Controlling or management accounting, including such authors as S. Golov, C. Drury, A. Karpov, J. Foster, D. Han, C. Hornhren. These authors highlight budgeting with a focus on structuring and registration of planned and actual information on the operational activities of the company to improve the function of controlling of its costs and revenues. This study uses the scientific work of V. Hrutsky and V. Gamayunov (Xruckij, Gamayunov 2006) to determine budgeting and structuring enterprise information into basic and operational budgets. The majority of these studies focused on internal functional aspects of the company, because expansion requires further scientific problem of selection and structuring of information that it is advisable to register in the system of budgeting on an ongoing basis to ensure information forecasting and strategic management. In this study, we use findings of A. Ostervalder and Y. Pigneur (The Business Model Canvas) to structure information about the environment of the company under the relevant elements of the business model (Osterval'der 2012).

The goals and objectives of the study

The process of improvement of transaction costs budgeting methodology currently focused on applied research and mainly occurs through finding the solutions to practical problems in the management of modern enterprises. Therefore theoretical generalizations and develop uniform methods of forming a budgeting system based on a new institutional theory is actually a scientific task.

The purpose of this study is to develop methodical bases of identification of transaction costs at the enterprise budgeting system aimed at synthesis of information on costs of the company as a result of the implementation of its business model. To achieve the goal of the article we decided to set the following objectives:

- Form tendencies of transaction costs of the company according to the main elements of its business model, customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partners

- Find the directions of transforming enterprise budgeting system that provides grouping articles of transaction costs to structure the basic elements of its business model.
- Investigate the practice of incoming information flow in the system of budgeting in the Ukraine in the context of transaction costs reflection.

Trends of company transaction costs formation according to the main elements of its business model

Given the fact that the concept of transaction costs is still controversial for researchers in this study we take the definition of transaction costs of E. Furubotn and R. Richter as a basis. They define transaction costs as the costs incurred for installation, use, maintenance and change of institutions as law (collectively law) as the rights and institutions (the specific principles of agreements concluded) (Furubotn, Rixter 2005, p. 58).

For characteristics of enterprise business model we will take the elements proposed of A. Ostervalder and Y.Pigneur: Key Partners, Key Activities, Value Propositions, Key Resources, Customer Relationships, Customer Segments, Channels, Cost Structure, Revenue Streams (Osterval'der 2012, p. 22-23). In the context of strategic analysis approach to determine the basic formation drivers of transaction costs associated with changes in the institutional environment.

Configuration of enterprise business model underlies the distinction transaction costs for firms and transformation costs (costs that reflect the cost of resources owned, run and used for production of the product within the company). Each company defines a set of activities that are carried out independently or transferred to outsourcing and key resources that are owned or involved from the outside. That formed supply chain unique to each company that reflects the relations of property and conditions of contracts. Transformation costs arising from the independent exercise of certain activities by using their own resources. With the increase in the share of attracted resources and activities that are given to outsourcing, the share of transaction costs of the company. Strategic decisions are aimed at changing the proportions between the transaction and transformation costs of the company by the criterion of business efficiency.

In practice business transformation costs always are clear and controlled by the company through management accounting, and transaction costs may be partly implicit and can not always be identified and assessed at the time the strategic decision to change the business model, especially if the company enters the new markets or first decides to transfer some activities to outsourcing.

All transaction costs are considered in our work due to proposed by E. Furubotn and R. Richter classification groups (Furubotn, Richter 2005, p. 58-63):

- Market transaction costs (costs of using the market mechanisms);
- Administrative transaction costs (costs of monitoring the implementation of labor agreements between the firm and its employees);
- Political transaction costs (costs associated with the operation and adjustment of the institutional framework of government).

Market transaction costs are the largest group of transaction costs. These group's costs arise mainly when choosing consumer segments (expert market research), developing value propositions for clients (search and processing of information on existing and potential customers' needs and develop competitive market of goods and services) assessing the effectiveness of distribution channels (the cost of searching for information for new distribution channels, service contracts for revenues to consumer products and services as carriers of value proposition), customer relationship (speed of service agreements with customers, the cost of providing information about the product or service to customers) and key partners (agreements on the transfer of certain the outsourcing of jobs and finding information about long-term partnership). In these segments, transaction costs can be divided into the following groups: the cost of contracts preparation, the costs of contracting, the costs of monitoring and enforcement of contractual obligations.

Managerial transaction costs are allocated in the following categories:

- The cost of creating, maintaining or changing the organizational design (the costs of search personnel costs for implementation and upgrade information technology, protection from acquisitions, public relations support, etc.)
- Information on the cost management decisions (coaching, consulting), monitoring the quality and performance of employees by foreign analysts (consultants) and others.

These costs arise primarily when forming elements such as business models as key resources, key activities and relationships with customers.

The group of political transaction costs include the costs of maintaining and changing the formal and informal political organization systems (costs associated with the establishment of a legal framework, administrative structure of the state, military and judiciary) and the operating costs of government (expenditures related to the implementation of legislative norms, defense spending, the administration of justice). This type of transaction costs in determining the value emerging proposals, key partners and key activities of the company. Their level before all contribute to the general business conditions in a country. The importance of political transaction costs increases with the increasing globalization of business trends.

Medium and small businesses, focused mainly on local markets, have limited capacity to manage political transaction costs. Transnational corporations, oriented to the global market, have the ability to manage these costs in lobbying for their own interests or the formation of value proposition, which should take into account the legal requirements for product quality and safety. This group of costs include the costs related to the social responsibility of business, aimed at the development of specific regions or socially oriented programs.

Dedicated transaction costs of the enterprise (market, management and political), not always be complete and accurate assessment because of information asymmetry in the market. Changing the business model of the company, respectively, changes the point of demarcation transformation and transaction costs. Changing the balance between them is not always proportional, which can lead to low efficiency of strategic planning. The primary task of strategic planning

is now the most effective overcoming of information asymmetry. As a result of the implicit transaction costs for business is a clear decision-making in the organization. There is a need in constant updating of explicit information on transaction costs in the system of management accounting in accordance with the basic elements of its business model.

Fields of enterprise transformation budgeting system to display transaction costs

Existing approaches to the definition and classification of transaction costs, particularly in public works (Auzan 2014; Bazalieva 2009; *Institucional'naya e'konomika* 2005; <http://www.libertarium.ru>, <http://www.finansy.ru>), is somewhat eclectic with respect to the strategic and operational levels of management of the organization and focused mainly on macroeconomic aspects influence the its activities. Thus, when considering the problems of identification of transaction costs in the system of budgeting, focus is set on the detail of its structural aspect. Partial results of the study of this issue is presented in (Kyzenko 2013; Kyzenko 2015), that depicts the interconnection of structural and organizational and process aspects of budgeting and accounting constraints on national standards in Ukraine for the identification and registration of transaction costs.

The structure of the enterprise budgeting system consists of three interrelated elements, which have become a whole: technology, organization and automation of budgeting. This budgeting technology defines the hierarchy and formats of budgets and methods of collection, processing and analysis of planned and actual information about the company in planning and reporting periods. Traditionally, the budgeting on the system level includes budgeting objects - responsibility centers consist of operating budgets, the level of the enterprise or business units consist of the main budgets: the budget of revenues and expenditures, budget cash flow and balance. The structure of these budgets expenditures aimed at collecting and analyzing information for effective sales planning and control functions of the current activity. For information support of strategic management we propose to supplement the budgets of enterprises with set strategic budget.

Strategic budget is a framework document. It, on the one hand, is a document of strategic management (final block of business model after O. Ostervalder and Y.Pigneur "cost structure"). On the other hand, it is used in the system of budgeting to identify the key drivers of transaction costs on the formation conditions of realization of a particular business model and state institutional environment. Unlike the traditional approach, strategic budget should contain a structure of transaction and transformation costs by major blocks of business models:

- Consumer segments: transformation costs of market research, market transaction costs;
- Value proposition: the cost of existing research and the formation of the future needs of consumers and research and development, market transaction costs, administrative transaction costs;

- Distribution channels: transformational marketing costs, market transaction costs;
- Customer relationships, transformational marketing and administrative expenses, market transaction costs, administrative transaction costs;
- Key resources transformational direct transaction costs, market transaction costs, administrative transaction costs;
- Key activities: transformation costs (investment costs and operating overhead costs, market transaction costs, administrative transaction costs, political transaction costs);
- Key partners: the market transaction costs, political transaction costs.

After formation of the strategic budget, it is necessary to amend the classifier costs to synchronize information display with a budget of income and expenditure and operating budgets. Such approach would accumulate in the system of management accounting information on the costs of business organization on key strategic guidelines allowing for the institutional environment. Accordingly, the budgeting system of the enterprise becomes a management tool and meets current and potential needs of the organization and can be complicated and developed with the development of the organization, the information will be the basis for solving forecasting problems.

The practice of forming input information flow in the system of budgeting in Ukraine in the context of transaction costs reflection

With the implementation of the budgeting system it must be remembered in the enterprise that the cost of obtaining information shall not exceed the value of the last possession, so budgeting system should be sufficiently flexible and adaptable to the needs of a particular company. According to a study of the KNEU Institute of Management Consulting for the years 2014-2015, 77% of Ukrainian companies use budgeting as a management tool (Furubotn, Rixter 2005, p. 15). Compared with 2009, this figure increased by almost 30%, with about 20% (<http://mci.kneu.edu.ua>, p. 11, 16) of the firms have implemented budgeting over the last two years. Most companies use budgeting mainly for solving operational management problems.

For the majority of domestic enterprises the only complete, systematic database of operational costs is the accounting system. Therefore, in the study areas of classification of transaction costs in order to display them in the accounting system of economic information company, the approach to the partial display of explicit transaction costs in the accounting system for the management of the organization chart of accounts used to account for current operations has been extended. There are objective limits of managerial accounting at domestic enterprises to conduct analytical studies that make it almost impossible to identify the internal environment factors that affect the amount of transaction costs and makes it impossible to effectively make management decisions for their optimization through the reconfiguration of supply chains by institutional arrangements. This approach only reinforces the problem of information asymmetry in the enterprise,

narrowing opportunities for strategic analysis of the company's business model in terms of view of competitive relations and cooperation between economic actors in the chain of economic value added.

Modern CRM and SRM systems allow enterprises to register the transaction costs in the context of relationships with the subjects of the institutional environment that affects the formation of the groups of transaction costs. Using strategic budget will provide the opportunity to apply the integration approach to collecting and analyzing information about the company in the context of its strategic choice.

Conclusions

Summarizing the results of the study, we should note that the business model of the enterprise is a key factor in determining the point of disengagement of transaction and transformation costs of economic organization. In the enterprise system of budgeting a strategic budget can be the tool for identification and registration of transaction costs in accordance with its business model. The structure of the budget should reflect the strategic transformation and transaction costs of the enterprise for the main blocks business models: consumer segments, value proposition, sales channels, customer relationships, revenue streams, key resources, key activities, key partners.

This approach makes it possible to identify the main drivers of transaction costs and increases the efficiency of decision-making regarding the reconfiguration of supply chains by institutional arrangements. The cost structure of strategic budget must be synchronized through a classifier of cost structure of budget income and expenditure and corresponding classifications in CRM and SRM systems for accounting and cost analysis in the context of strategic decisions to understand the process of cooperation and competition between business entities.

Literature

1. Аузан А. (2014), *Экономика всего. Как институты определяют нашу жизнь*, Манн, Иванов и Фербер, Москва.
2. Базалієва Л.В. (2009), *Науково-теоретичні та методичні основи управління трансакційними витратами підприємства: монографія*, Вид. ХНЕУ, Харків.
3. Эрроу К. (1993), *Возможности и пределы рынка как механизма распределения ресурсов*, т. 1, THESIS, Москва.
4. Фуруботн Э., Рихтер Р. (2005), *Институты и экономическая теория. Достижения новой институциональной экономической теории*, Издательский дом СПбГУ, СПб.
5. *Институциональная экономика /под общ.ред.*, Инфра-М, Москва 2005.
6. Верба В., *Дослідження стану та тенденцій розвитку українських підприємств/ Інститут управлінського консультування КНЕУ* [Електронний ресурс] http://mci.kneu.edu.ua/ua/projects_mci/project_1314/ (открыт: 01.04.2016).
7. Капелюшников Р.И. (1994), *Категория трансакционных издержек* [Электронный ресурс], http://www.libertarium.ru/l_libsb3_1-2 (открыт: 01.04.2016).

8. Кизенко О.О. (2013), *Бюджетне управління підприємством: проблеми застосування системного підходу* Стратегія економічного розвитку України, Зб. наук. праць., вип. 32., КНЕУ, Київ.
9. Кизенко О.О. (2015), *Трансакційні витрати підприємства: проблеми ідентифікації та обліку в інформаційній системі* // Стратегія підприємства: результативність за умов системних трансформацій, зб.матеріалів Міжнр. Наук-практ. конф., КНЕУ, Київ.
10. Коуз Р. (1993), *Фирма, рынок и право (1993)*, Дело, Москва.
11. Норт Д. (1997), *Вклад неoinституционализма в понимание проблем переходной экономики* [Электронный ресурс], <http://www.finansy.ru/publ/north.htm> (открыт: 01.04.2016).
12. Остервальдер А. (2012), *Построение бизнес-моделей: Настольная книга стратега и новатора*, Альпина Паблишер, Москва.
13. Хруцкий В.Е., Гамаюнов В.В. (2006), *Внутрифирменное бюджетирование: настольная книга по постановке финансового планирования*, Финансы и статистика, Москва.

Transliteration

1. Auzan A. (2014), *E'konomika vsego. Kak instituty opredelyayut nashu zhizn'*, Mann, Ivanov i Ferber, Moskva.
2. Bazalieva L.V. (2009), *Naukovo-teoretichni ta metodichni osnovi upravlinnya transakcijnimi vitratami pidpriemstva: monografiya*, XNEU, Kharkiv.
3. E'trou K. (1993), *Vozmozhnosti i predely rynka kak mexanizma raspredeleniya resursov*, t. 1, THESIS, Moskva.
4. Furubotn E., Rixter R. (2005), *Instituty i e'konomicheskaya teoriya. Dostizheniya novoy institucional'noj e'konomicheskoy teorii*, Izdatel'skij dom SPBGU, Sankt-Peterburg.
5. *Institucional'naya e'konomika*, Infra-M, Moskva, 2005.
6. Kapelyushnikov R.I. (1994), *Kategoriya transakcionnyx izderezhek* [E'lektronnyj resurs], http://www.libertarium.ru/l_libsb3_1-2 (accessed: 01.04.2016).
7. Kyzenko O.O. (2013), *Byudzhethne upravlinnya pidpriemstvom: problemi zastosuvannya sistemnogo pidxodu "Strategiya ekonomichnogo rozvitku Ukraini"*, No. 32, KNEU, Kyiv.
8. Kyzenko O.O. (2015), *Transakcijni vitrati pidpriemstva: problemi identifikacii ta obliku v informacijnij sistemi*, "Strategiya pidpriemstva: rezul'tativnist' za umov sistemnix transfrmacij", zb. materialiv Mizhnar. Nauk-prakt. konf., KNEU, Kyiv.
9. Kouz R. (1993), *Firma, rynek i pravo*, Delo, Moskva.
10. North D. (1997), *Vklad neoinstitucionalizma v ponimanie problem perexodnoj e'konomiki* [E'lektronnyj resurs], <http://www.finansy.ru/publ/north.htm> (accessed: 01.04.2016).
11. Osterval'der A. (2012), *Iv Pin'e Postroenie biznes-modelej: Nastol'naya kniga stratega i novatora*, Al'pina Pablisher, Moskva.
12. Verba V., *Doslidzhennya stanu ta tendencij rozvitku ukraïns'kix pidpriemstv*, "Institut upravlins'kogo konsul'tuvannya KNEU" [E'lektronnyj resurs], http://mci.kneu.edu.ua/ua/projects_mci/project_1314/ (accessed: 01.04.2016).
13. Хруцкий В.Е., Gamayunov V.V. (2006), *Vnutrifirmennoe byudzhetrovanie: nastol'naya kniga po postanovke finansovogo planirovaniya*, Finansy i statistika, Moskva.

IDENTYFIKACJA KOSZTÓW TRANSAKCYJNYCH W SYSTEMIE BUDŻETOWANIA PRZEDSIĘBIORSTWA

Streszczenie: Artykuł analizuje model biznesowy spółki w kontekście kosztów transformacyjnych i transakcyjnych organizacji gospodarczej. Budżet strategiczny jest postrzegany jako narzędzie identyfikacji i rejestracji kosztów transakcyjnych w systemie budżetowania przedsiębiorstw. Struktura proponowanego budżetu odzwierciedla strategiczną transformację i transakcyjne koszty przedsiębiorstwa dla głównych bloków modeli biznesowych: segmentów klientów, kanałów sprzedaży, relacji z klientami, źródeł przychodów, kluczowych zasobów, kluczowych działań, kluczowych partnerów.

Słowa kluczowe: system budżetowania, koszty transakcyjne, obiekty budżetowania, rachunkowość zarządcza, budżetowanie