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Influence on Transaction Costs and Market Barriers of Organizational Behaviour and Culture of the Rural Population: Analysis and Research Practice

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Abstract. *The purpose of this study is to study the parameters of the existing organizational culture in the agrarian sector as a resource for the formation of social capital and its impact on the formation of transaction costs, market barriers*

Methods / Statistical analysis. *Analytical methods were used, such as sociological and expert interviews, content and problem-oriented analysis. The study of behavioral characteristics was based on Hofstede's parametric models adapted to agriculture. The methods we used were aimed at achieving the following goals: to identify the nature of the transaction costs of the agricultural sector, taking into account specific features on the ground, to identify the features of behavioral attitudes and values, the features of the cost structure within*

the regional institutional framework for interaction and analysis of cultural codes.

Conclusions. *Based on the materials of the agrarian sector of the regional economy, the parameters of the existing organizational culture were studied; specific features of transaction costs formed by the cultural component were identified; studies of cultural codes were conducted. The following features of the agrarian sector were revealed: excessive production cycle, uneven distribution of income during the year, dependence on natural and climatic conditions. The features described above indicate the need for state support and a well-developed communication system. A cluster of cultural components denotes a cultural code that reflects a high level of differentiation of roles between a man and a woman; the prevailing collective consciousness; the tendency to avoid situations of uncertainty and clearly established courses of action and rules; a low level of self-control and a low level of the need to meet basic needs. Specific transaction costs due to cultural determinants include the following: the costs of finding, processing and storing data, the costs of negotiations and contracts; coordination costs; the costs of politicization; the costs of making collective decisions; loss of profits.*

Application: *The results presented can help solve the problem of overcoming informal institutional constraints, and can be applied to the development and accumulation of social capital, the introduction of better informal practices to reduce costs by eliminating lost profits, overcoming market barriers. improving the quality of the transactional sector of the economy as a whole.*

Keywords: *institutions, organizational culture, social capital, transaction costs, agrarian sector, barriers to entering the market*

Влияние на транзакционные издержки и рыночные барьеры организационного поведения и культуры сельского населения: анализ и практика исследования

Аннотация. **Целью** исследования является изучение параметров существующей организационной культуры в аграрном секторе как ресурса формирования социального капитала и его влияния на формирование транзакционных издержек, рыночных барьеров

Методы / Статистический анализ. Применялись такие аналитические методы, как социологические и экспертные интервью, контент и проблемно-ориентированный анализ. Исследование характеристик поведения основывалось на параметрических моделях Г. Хофстеда, адаптированных к сельскому хозяйству. Методы, которые мы использовали, направлены на достижение следующих целей: выявить сущность транзакционных издержек аграрного сектора с учетом специфических особенностей на местах, выявить особенности поведенческих установок и ценностей, особенности структуры затрат в рамках региональных институциональных рамок взаимодействия и анализ культурных кодов.

Выводы. *По материалам аграрного сектора региональной экономики изучались параметры существующей организационной культуры; были определены специфические особенности транзакционных издержек, сформированных культурным компонентом; проводились исследования культурных кодов. Были выявлены следующие особенности аграрного сектора: чрезмерный производственный цикл, неравномерное распределение доходов в течение года, зависимость от природных и климатических условий. Описанные выше признаки указывают на необходимость государственной поддержки и хорошо развитой системы*

связи. Кластер культурных компонентов обозначает культурный код, который отражает высокий уровень дифференциации ролей между мужчиной и женщинами; преобладающее коллективное сознание; тенденция избегать ситуаций неопределенности и четко установленных курсов действий и правил; низкий уровень самоконтроля и низкий уровень потребности в удовлетворении основных потребностей. Конкретные транзакционные издержки, обусловленные культурными детерминантами, включают следующее: затраты на поиск, обработку и хранение данных, затраты на переговоры и контракты; затраты на координацию; расходы на политизацию; затраты на принятие коллективных решений; потери прибыли.

Применение: *представленные результаты могут помочь решить проблему преодоления неформальных институциональных ограничений, а также могут быть применены для развития и накопления социального капитала, внедрения лучших неформальных практик по снижению издержек путем устранения упущенной выгоды, преодолению рыночных барьеров. повышения качества работы транзакционного сектора экономики в целом.*

Ключевые слова: *институты, организационная культура, социальный капитал, транзакционные издержки, аграрный сектор, барьеры для выхода на рынок /*

Introduction

The present research is aimed at studying the parameters of existing organisational culture as a resource for forming social capital, traditions, values, symbols, general approach and mentality of the

population. During the process of the social and economic research based on the agricultural sector of the economy of the region, the amount of culture influence on forming an organisational climate on the territory was assessed and practical recommendations were provided. Given recommendations were designed to overcome the developmental misbalance of transactional and transformational sectors of economy and informal institutional limitations. Also, those recommendations may be applicable for social capital development and accumulation, implementation of best informal practices on costs reduction by elimination of lost profits.

One of the reasons of the Russian economy growing slowly is the high level of transaction costs. The economy has reached the level where market transaction services require disproportionately high resources and there are no quality changes represented by outrunning growth of profit as a result of commercial activities^{1,2}. According to the institutional theory, transaction costs define parameters of relations between subjects including market transactions losses, while being the result of conforming to general rules of institutions. Thus, the more effective economic institutions are, the more they contribute to minimising transaction costs^{3,4}.

State of the art

Until the beginning of the 70s of the previous century, economic science held a certain idea about the factors of economic growth. According to this idea, accumulated wealth in the form of available resources, human capital and manufacturing investment played the major role. Institutionalist economists included existent formal and informal institutions as a prerequisite for stability and dynamic development of the country. Recently, scientists have commenced regarding social capital as a growth and stability resource. For example, in L. Polischuk's view "the vector of state

transaction policy aimed at developing social and cultural characteristics reduces uncertainties, increases the effectiveness of interaction between businesses and the government, lowers administrative barriers, helps to fight opportunism, enhances the effectiveness of infrastructure institutes, etc.”⁵.

Social capital includes some well-known constituents: it is based on trust, codes and values shared in the society and various social networks. The government’s aim is to provide public goods. As D. North and J. Wallis noted in their works, “as soon as people are unable to manage this well, they ‘invite’ the government. At the same time, effective, regulated, uncorrupted government is a public good itself and there is no government body which controls this public good. Such a public good as an effective government can be provided only by society itself. For this reason, if society is organised enough and possesses a lot of social capital, the government functions well”⁶.

Transaction costs are the costs incurred in the coordination of market processes in an external environment, in the hierarchical structure of a firm and implied costs such as loss as a result of all kinds of transactions. Uneconomic factors which form transaction costs are informal institutions and negative activities which are done by people and influence their behavioural principles⁷.

In the view of the current ideas about the institutional economics, a characteristic of an informal institution is the fact that it is not founded by the government but is a result of interaction between individuals. Institutional constraints are the system of values, principles and cultural codes of the economy, which together with formal institutions determine the actions of subjects in the social and economic environment.

Being a social capital resource, organisational culture forms traditions, values, symbols, general approaches and mentality of organisation's members and influences the creation of social capital and employees' perception of a situation.

Social capital affects the economy and business behaviour horizontally and vertically. As regards the horizontal channel, the experience of reaching an agreement and cooperative regulation of relations, self-management and trust allow eliminating contradictions in business communication without government engagement that decreases transaction costs. Transaction participants of informal institutions are effective in commercial interaction without resorting to government help. The vertical channel of influence ensures synchronisation with government bodies and the quality of government management^{8,9}.

There are various classifications of organisational culture. Among the most famous are the classifications of G. Hofstede, T. Deal and A. Kennedy, R. Blake and J. Mouton, Ch. Handy, K. Cameron and R. Quinn and others. K. Cameron and R. Quinn built the methodology based on competing values. They suggest two dimensions: 1) flexibility, discretion and dynamism of an organisation at one end of a scale and stability, order and control on the other; 2) internal orientation, integration and unity at one end and external orientation, differentiation and rivalry on the other. Both dimensions form four squares of different framing values, reflecting types of organisational culture: hierarchy, clan, market and adhocracy¹⁰.

American sociologist Ch. Handy's methodology distinguishes 4 types of culture with the following parameters: organisation's business character and structure; relationships between an individual and an organisation; the process of distribution of power and personal values. According to the author, the types of culture

are the culture of power, the culture of role, the culture of task and the culture of person^{11,12}.

G. Hofstede's classification of organisational culture was developed in the 80s of the previous century. The basis of the model was a global-scale research conducted by a transnational corporation IBM. More than 116 thousand employees in 40 countries took part in the survey. The suggested classification helps to understand the mechanism of correlation between organisational behaviour and culture. This classification is the most popular among scientific community due to the set of familiar parameters used for analysing organisations of different cultures regardless the country where they are based in¹³⁻¹⁵. G. Hofstede's findings are relevant for managers of different levels in any country including Russia. The relevance is due to the current labour market having general characteristics: the drift of unskilled labour, growing migration processes, foreign companies entering the market and changing game rules. It is quite obvious that under the condition of immigration being poorly regulated by top management and government bodies there is a problem of adapting people from different cultures both at the level of business and region-wide.

In terms of our research, G. Hofstede's classification of behavioural characteristics is favourable for studying the interrelation of organisational behaviour and culture. The classification has the following parameters: individualism vs. collectivism; power distance (the amount of participation in making decisions concerning everybody); uncertainty avoidance; masculinity vs. femininity; long-term orientation and indulgence vs. restraint. According to G. Hofstede's classification, the estimation of the interrelation between organisational behaviour and culture and the present situation in the society, country or region is the basis for assessing the condition of social capital.

In the agrarian market, as in other areas of the market economy, there are barriers to entry of enterprises into the market. Among them: exclusive rights, privileges, restrictions, legal acts related to programs of socio-economic development. Barriers to entering the agricultural market - the totality of economic, organizational, administrative, legal, political, sociocultural institutions, whose actions make work difficult, hinder the entry of economic entities into the market[21].

The classification of barriers for enterprises operating in the agro-food market has been developed, related to the distribution of transaction costs, which include: economic, legal, organizational, administrative, socio-cultural and political barriers. Each barrier, as well as transaction costs, have their own specifics of formation.

Transaction costs are both part of the total costs of running the enterprise, and are combined into an independent array of the organization's expenses for preserving its economic activities. Their size is largely determined by the institutions, the existing external environment of the functioning of enterprises, the specifics of regional legislation, the presence or absence of trust in partners and many other factors of contractual relations that affect the efficiency of enterprises.

The regulatory mechanism in the field of barriers in the agricultural market is the ability to maneuver for production volumes and distribution channels, selecting rational "product chains", training staff, planning transaction costs, maintaining a register of such costs, establishing an optimal tax regime, obtaining subsidies, creating a public service market information, the dissemination of publicly available economic information, the management of electronic documents, the creation of an information and consultation center, etc. The mechanism for regulating barriers reduces transaction costs.

Overcoming market barriers by the subjects of the agrarian market is accompanied by high transaction costs. Reduction of such costs is possible only due to the formation of the practice of organizational behavior and culture, trust between entities, the creation of a document management system, which significantly reduces the costs of information search and negotiations. The costs of overcoming opportunistic behavior, as a hidden form of barriers, consists in the deliberate concealment or distortion of necessary information or about evasion from the terms of agreements. The costs of specifying and protecting property rights arise when documenting legal transactions that provide protection against the tyranny of the state, competitors, and the costs of offenders, including the state itself (for example, processing documents when receiving subsidies).

The mechanism for assessing and regulating market barriers in the agricultural market as special institutions, including formal and informal rules that are an integral part of the institutional environment for the economic activities of agricultural organizations, is an effective cost management system that includes organizational and economic mechanisms for a problem-oriented approach. Existing market barriers play an important role in the activities of market participants. The current situation combined with high interest rates for the use of credit resources, lack of qualified personnel, equipment, market information, undeveloped market infrastructure, in some cases imperfect legislation adversely affects the financial condition of organizations and leads to the emergence of market barriers and increased transaction costs.

Methods applied

The research on cultural codes of the agricultural sector of the region's economy was conducted to find out the specifics of trans-

action costs. The influence of cultural determinants (informal institutions) on the content and structure of the transaction component of the agricultural sector of the region's economy was under study. In order to reach the aims of the research the following objectives were set:

- to find out the specifics of transaction costs regarding the peculiarities of the agricultural sector, behavioural principles and values, and the structure of costs in institutional interaction in the region;
- to determine cultural codes and path-dependence problem in the agricultural sector.

The stages of the research were:

1. Questioning specialists of agricultural organisations and city government.
2. Processing and systematisation of the collected data.
3. Analysing the results of the conducted research.
4. Describing and graphically representing the research.

In the present research the problem-oriented analysis was applied. It is the analysis of business activity of an organisation which identifies problems, determines the reasons and finds solutions¹⁶.

There were 93 respondents, who took part in the questionnaire, with branch managers of agricultural organisations and heads of administration of agriculture of municipal areas among them. The research was conducted in 17 municipal areas of Omsk region in three natural and climatic zones.

The study of behavioural characteristics was based on the parametric model of G. Hofstede adapted for agricultural specifics¹⁷⁻¹⁹.

The research was based on six parameters of culture dimensions: power distance, uncertainty avoidance, individualism vs. collectivism, masculinity vs. femininity, long-term vs. short-term orientation and indulgence vs. restraint.

The methods of assessing cultural components are: 1) there are six parameter block models in the questionnaire and each question corresponds to a certain cultural characteristic; 2) based on the chosen option the answer is referred to one of the parameters of cultural characteristics; 3) quantitative and qualitative characteristics were determined by comparing the received data within specified intervals.

Results and discussion

The particularities of the agricultural sector and the influence of informal institutions form the specific interaction in the agro-industrial business. Table 1 shows intervals of cultural dimensions and characteristics of their expression degree. Thus, duration of manufacture cycles, unequal allocation of profits throughout the year, dependence on natural and climatic conditions determine the need for government support and developed communication system.

Table 1.

Intervals of cultural dimensions and characteristics of their expression degree

Cultural dimensions exponent	Exponent intervals/characteristics of expression degree		
	$0,6 < x < 1$	$0,6 < x < 0,3$	$0 < x < 0,3$

Power distance degree	High	Medium	Low
Uncertainty avoidance degree	High	Medium	Low
Individualism vs. collectivism	Individualism	Vertical collectivism or horizontal individualism	Collectivism
Masculinity vs. femininity	Masculinity	Equalities dominate	Femininity
Time orientation	Long-term	Medium-term	Short-term
Indulgence vs. restraint	High	Medium	Low

The higher the level of power distance is the more complicated the interaction becomes. Power distance is affected by such cultural preferences and informal practices as people's attitude to hierarchy, relationships with subordinates, attitude to older generations and others.

The set of cultural characteristics presents the cultural code which reflects the constituents of informal institutions. The conducted research revealed:

- high degree of differentiation between male and female roles;
- collective consciousness dominates in relationships with its peculiarity being vertical collectivism and weak rivalry;
- uncertainty avoidance and the need for order and rules;
- the need for clarity regarding future;

- low level of self-control and the need for satisfaction of basic desires.

Dimensions values of cultural characteristics are represented in table 2.

Table 2.

Dimensions values of cultural characteristics in the agricultural sector

Cultural dimensions	Dimensions values	Parameter characteristics (degree)
Masculinity vs. femininity	0,62	Masculinity
Individualism vs. collectivism	0,43	Collectivism
Uncertainty avoidance	0,74	High degree of uncertainty avoidance
Power distance	0,62	High degree of power distance
Time orientation	0,63	Long-term orientation
Indulgence vs. restraint	0,73	Indulgence

Thus, the whole complex of cultural quantitative characteristics provides an idea of cultural code in the Omsk region agricultural sphere of the economy. The society is represented by collectivist groups with individualism being barely developed. This reflects people's inclination to avoid taking responsibility for the results of their work. There is no capacity for individual self-expression, rivalry and developing competitive advantages while the capacity for working in a team and for collective thinking with the focus on the common result is well-developed and forms trust in a close setting. High degree of uncertainty avoidance indicates the need for precision, clarity, well-working rules, situation regulation, planning and information. Uncertainty avoidance is a cultural characteristic which is also determined by the peculiarities of the agricultural sector that are the dependence on natural and climatic conditions and the entwining of manufacturing and biological processes. Power distance implies complicated hierarchy in government and society relationship system, unequal distribution of profits and low level of trust. Specific transaction costs resulting from informal institutions, practices and cultural determinants include information search, procession and storing costs, negotiations and contracts execution costs, coordination and politicisation costs, costs of collective decision-making and lost earnings costs.

Problem-oriented approach in analysis revealed the following:

1. The agricultural sector is unable to successfully develop without support, but 22% of respondents point out that government support is not effective.
5. 47% of respondents expressed the lack of trust towards the government, and 23% had a positive attitude to the government regarding them as a legal protection, security guarantee and financial support.

6. According to 87% of respondents, it is beneficial to establish effective communication between society and government, which would allow speaking about problems openly and contribute suggestions. This indicates a potential opportunity to decrease the existing power distance.
7. The main spheres of government support should be the following: development of in-house raw material processing - 48%; production distribution assistance - 47%; development of workforce capacity in the country and creating a developed, modern and social infrastructure - 49%; development of legal support in order to protect agricultural manufacturers against partners' opportunism and dishonesty of distribution chains in particular - 17,2% of respondents.

The analysis of social and cultural characteristics of the society in the agricultural sphere helped to determine cultural codes of the economy and path-dependence problem conditioned by informal institutions and negative informal practices.

Conclusions

Transaction costs reduction is promoted by the development and reinforcement of social capital, determining cultural codes of the economy and their regulation. The development of communicative interaction of market participants, science and production and commercial activities contributes to lowering transaction costs in the form of lost earnings, information searching costs and bounded rationality.

Lowering administrative barriers will change the structure of transaction costs by increasing transaction cost of overcoming opportunistic behaviour and reducing lost earnings. Decreasing transaction costs in the form of lost earnings and strengthening

trust towards institutions will be fostered by improving the quality of information, reacting against unregistered statistics and lobbying interests of certain groups and overcoming the limited access.

As experience in conducting agricultural reforms has shown, agricultural organisations are unable to compete successfully outside the cost managing system. Internal and external factors predetermine the necessity of the mechanism of internal transaction costs management being focused on solving the problem of defining the reasonable scale of market activity of an enterprise, increasing the manageability of an economic entity due to implementing a transaction costs management system and formulating unified policy such as rules of conduct of the subject.

The higher the external transaction costs, the more probable it is that a firm will seek an opportunity to replace market transactions with internal ones. On the level of an organisation, it is accomplished by developing internal transaction policy.

In conclusion, implementing the described mechanism contributes to overcoming imbalance between the development of transaction and transformation economic sectors, overcoming restrictions of informal institutions, developing and accumulating social capital, strengthening positive informal practices, improving the quality of functioning of the transaction sector of the economy as the whole and reducing costs in the form of lost earnings of organisations.

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