B.H. Yerznkryan, K.A. Fontana

Yerznkryan, Bagrat H., dr. econ., prof., head of lab., CEMI RAS, Moscow, lvova1955@mail.ru

Fontana, Karine A., cand.econ., s.r., CEMI RAS, Moscow, fontana@mail.ru

POWER FACTOR IN DIFFERENT TYPES OF TRANSACTIONS

The paper confirms that the factor of power matters, however differently in different types of – wholly or partly hierarchical – transactions. Such a factor is considered in connection to exchange transaction where traditionally matter bargaining power and market power: the first manifests itself in the process of transaction, the second relates to the market as an exchange medium; in both cases examples of mixing their effects are not unusual. In addition the factors of reputation and enforcement are considered: the first is associated with power of contragent, the second with the ability to enforce the contract.

Keywords: bargaining power, market power, reputation, enforcement, hierarchies, networks.

JEL Classification: B41, L14.

INTRODUCTION

Power factor matters, however differently in different types of organizational and institutional systems where member involved deal with transactions. Let us take, for example, hierarchies and networks – two different forms of realizing the economic, particularly corporate, activity.

Historically, the logic of the corporate forms of business functioning can be presented as follows: enterprises (hierarchies, firms) – hybrid arrangements (firms groupings) – networks (ecosystems, non-hierarchical structures). The latter begin and continue to occupy a leading place in business organizational structures. One of the reasons for it is “the understanding that in modern conditions the traditional focus on competition does not cope with the task of ensuring economic development, which causes the need for joint actions of various, even competing, economic agents” (Yerznkryan, 2020).

However, this dynamics presents just the drift from the hierarchies to non-hierarchies, the main trend which does not correspond to the death of hierarchies as one can conclude from the famous phrase of “the death of competition” (Moore, 1996). The reason is that firms’ groupings or a kind of strategic alliances are constantly being forged, the lines between industries have blurred, and it has become difficult to understand which business is competing with whom. The structural elements, or actors’ types, of the business ecosystems, according to Moore, are as followed: customers, markets, products, processes, organizations, stakeholders, government / society. As one can see, there is a variety of elements, linked together. Let us add to them institutions as well – sets of rules, compliance procedures, and moral and ethical behavioral norms designed to constrain the behavior of individuals in the interests of maximizing the wealth or utility of principals (North, 1981, p. 202); the rules of

the game in society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social, or economic (North, 1990, p. 3). The meaning of institutions is essential because the usage of power by counterparts depends greatly upon taking into account the institutional context in which transactions are realized.

As for transactions, let us begin from the three classical types of them, given by Commons: bargaining, managerial and rationing ones.

The essence of *bargaining* transactions is to exchange property rights on the basis of a voluntary agreement between the exchange parties and to respect the conditions of the symmetry of legal relations between the counterparties.

In the *managerial* transactions, the interacting parties are not in relation to symmetry, but in subordination, or management-subordination, which involves such interaction between individuals, where the right to decide is due to one party (principal) and the obligation of subordination to be subordinated in exchange for a fixed income to the other (agent).

The *rationing* transactions are based on the asymmetry of the parties' legal position, however the management party is usually occupied by a collective body that acts as a property rights specification.

The definition of the Commons transaction as «alienation and appropriation of property rights and freedoms created by society» refers to all these types of transactions.

Let us now consider the transaction types in a context of power.

POWER AND TRANSACTIONS

The subject of *exchange* (market, bargaining) transactions, in the economic literature, concerns traditionally *bargaining* power and *market* power: the first manifests itself in the process of transaction, the second relates to the market as an exchange medium; in both cases examples of mixing their effects are not unusual.

For completeness of the picture, it is necessary to isolate the object and project types of the system and compare their forces. As such, it is proposed to associate the object with counterparties, each of which is endowed with a certain force – call it a *reputation*, and the project will be correlated with the final result, which can only be achieved by having the force of compulsion to execute the contract – by *enforcing*.

Systemic consideration of negotiation and, in particular, management transactions is of particular importance in hybrid devices of non-stationary economy of innovation, in which interactions between transaction participants are based on the principles of relational contracting and in conditions of particularly sensitive to the activation of restraints relations between its participants.

The situation of relational contracting has its own characteristics. In the Coase (negative externality) problem, for example, a significant role could play the third party, however not as a contract enforcer but as a 'gate-keeper', and this role can really be played by the

government. The notion “gate-keeper” was offered by Anton Oleinik (2007, 2011) for explaining a possible transition from a dyadic relationship between two counterparties (say, A and B) to a triad (A, B, and, C) relationship. By ‘gate-keeper’ it is understood that the third party can regulate access to the field and make it conditional upon acceptance of a particular institution. There is some connotation between this statement and the three forms or general patterns of exchange of Douglas North: personalized exchange, impersonal exchange without the third party enforcement, and impersonal exchange with third party enforcement (North, 1990, pp. 34–35). As to Russian situation the role of the third party (as gate-keeper, not enforcer), can be played only the state (centralized or decentralized government) (Yerznkian, Fontana, 2020, p. 24).

In shaping innovative economic policies, its developers may face the problem of disharmonization of various forces, which are expressions of the interests of the institutions’ carriers.

POWER IN AND INTER HIERARCHIS

Power in hierarchies belongs to regulators or coordinators of their activity. However, different theories offer different views explaining power factor. Let us briefly consider them.

In *classic* (A. Smith) then *neoclassic* (A. Marshall) economic theory a hierarchy, or a firm, is treated as a tool for producing goods or services: such tool is mathematically described by production function and cybernetically by “black box”. The latter means that internal characteristics of the mentioned box are unknown to the observer.

Such box became no use for R. Coase (1937) who tried to answer why in a market economy exist non-market devices, i.e. firms. In his *transactional* theory there is no such thing as a black box, and if one prefers a term box, it would be more adequately call it as a *grey* or *transparent box*, where hierarchy is treated rather the *governance structure* than the production function (Williamson, 1975; 1985).

In the *contractual* theory, firm is regarded as a *nexus of contracts* (Jensen, Meckling, 1976), where both contracts and their nexus are able to demonstrate a certain variety.

In the *evolutionary* theory, fundamental role for firms’ understanding play routines – in a certain sense the genes of firms (Nelson, Winter, 1973).

In the *system-integrative* theory, enterprises are understood as a system with four types of subsystems or system types – object, environment, process, and project (Kleiner, 2005).

In all of these and other theories the firm is treated as a certain entity to be studied by various methods and methods adopted in the approaches used.

In contrast to these theories, in (Akinfeeva, Yerznkian, 2017) it is proposed to approach the firm as a not-yet-proved given, to the firm as its embryo. The meaning of this interpretation is to identify the specific features of the company acquired in its embryonic state,

namely, predisposition, inclination, devices for mastering language and thought, etc. As an example of not so many firms in the conventional sense as their forerunners are the startups, whose main goal of the existence and generic feature is neither production, nor a focus on profits, etc., but aging, in other words, growth, up to the birth of the company as such. A company that is treated as an embryo requires interdisciplinary knowledge for its identification.

Let us now consider some characteristic features of firms / enterprises as given or existing phenomena: legal face; complete hierarchy; market competitive relations between organizations; market interactions between them; continuous life-time; object-type of systemic presentation for outside world and integrating all other types within itself.

Such complex forms of economic organization can also be mentioned in terms of the ecosystems of J. Moore 's business, stressing the importance of building relationships between partners – both large companies and small and medium-sized enterprises – on the basis of interdependence and cooperation (Moore, 1996). Regardless of the organizational form of a particular corporate system, its effectiveness is directly dependent on the relevance of its supporting institutions. As such organizational choice is at the same time institutional choice as well. Institutional reinforcement of the forming the corporate system organizations is a dynamic process that responds to internal and external changes, to changes in the guidelines and imperatives of its development.

POWER IN NETWORKS

There is a variety of networks, which could be divided, as to system methodology of G.B.Kleiner, into four types: object, environment, pocess and project systemic types. Concerning the networks such as business-ecosystems with indication of dominated characteristics one could underline the foolowing types of systems: innovation-oriented industrial clusters as objective systems, technological platforms as environmental systems, networks as processed systems and business-incubators as projective systems.

All of them are essential. Let us consider technological platforms as a good example of an environment type of networks. Such platforms are now realizing in many spheres, say, in a city management sphere. Take, for example, a Boston city platform – CityScore, which is an initiative designed to inform the Mayor and city managers about the overall health of the City at a moment's notice by aggregating key performance metrics into one number.

Similar platforms are realized also in Los Angeles, New York and Houston. Their success demonstrates growing tendency to introduction of «management methods on basis of data», implying maximal use of data to increase the municipal economy's management efficiency and inform the habitants of results of realization of one or another decisions (Yerznkyan, Fontana, 2019, p. 861).

CONCLUSION

There is a variety of transactions, and the different types of them have their own specific characteristics depended on the players and the environment of the play.

Considering, for example, an evolutionary logic of the players' (enterprises, hierarchies, firms, etc.) development, one could notice its two aspects: existential (firms are treated as existing objects, legal entities, as a rule, entering into explicit contractual relations and/or practicing implicit relations within themselves) and transactional (mattered in inter-firm interactions or relations between existing or potential elements of hybrid structures). Other logic connects to networks, especially, innovative – principally non-hierarchical structures, relied on the information power provided by the new technological paradigm.

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Ерзюкян Б.А., Фонтана К.А.

ФАКТОР ВЛАСТИ В РАЗЛИЧНЫХ ТИПАХ ТРАНСАКЦИЙ

В работе утверждается, что фактор власти имеет значение, причем различное в разнообразных типах – полностью или частично иерархических – транзакций. Подобный фактор рассматривается применительно к обменной транзакции, в которой традиционно значимы переговорная сила и рыночная власть: первая проявляется в процессе транзакции, вторая имеет отношение к рынку как обменной среде; в обоих случаях нередки примеры смещения их эффектов. В дополнение к ним рассматриваются также факторы репутации и инфорсмент: первый ассоциируется с силой, которым он обладает, второй – со способностью принуждения к исполнению контракта.

Ключевые слова: переговорная сила, рыночная власть, репутация, инфорсмент, иерархии, сети.

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