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## **INFLUENCE OF RELATIONSHIPS BETWEEN PARTNERS ON TRANSACTION COSTS**

**Transaction costs** express expenditures incurred for obtaining effects of process coordination between which transfer of results takes place. Therefore, they are not related to manufacturing of a product but to organisation and the process of transferring the manufactured product to a transaction partner.

The classic cost calculation includes only expenditure related to manufacturing of the product and does not cover all transaction costs, and in particular those related to coordination of activities performed in the framework of a specific process.

The transaction costs analysis requires:

1. Identification of all activities comprising the transaction process. Not only the activities directly linked to the transaction should be taken into consideration but also the activities concerning coordinating actions related to the transaction.

2. Discrimination of a group of activities that generate transaction costs.

3. Definition of the method of measuring the costs of discriminated activities.

The analysis presented includes only two initial stages of the above scheme.

Transaction object: IT solution including hardware and software.

Transaction partners:

1) company purchasing a specific IT solution, hereinafter referred to as **purchaser**,

2) supplier of the desired product, hereinafter referred to as **supplier**.

Transaction variants:

1. The purchaser enters into a transaction with a new supplier – „new purchase”.

2. The purchaser enters into a transaction with the supplier whose services has already been used and starts a more permanent cooperation – „repeated purchase”.

Input elements of the process: comprise a general draft of the planned IT solution prepared by the employees of the company and information concerning the needs of that company that result from the draft.

Output elements of the process: comprise the implemented IT solution including the supplier’s maintenance service and information concerning the course of the implementation process.

Transaction includes:

- configuration of the hardware and software by the supplier – starting the system;
- transfer of the property rights of the purchased hardware from the supplier to the purchaser and transfer of the right to use the purchased software in the newly created network infrastructure;
- organisation of trainings;
- servicing of the whole of the supplied solution by the supplier and, in particular, immediate replacement of hardware, repairs of hardware, maintenance and monitoring of the whole system.

The activities distinguished in particular stages of the process will be presented in table form divided into general activities (directly related to the transaction) and coordination activities.

**Activities before concluding the transaction**

Table 1. General activities before concluding the transaction

Variant 1	Variant 2
1. Determination of the availability of products needed for implementation in the project and the search for their potential suppliers	-----
2. Acquiring information about suppliers	-----
3. Making contacts with selected suppliers	1. Making contacts with selected suppliers
4. Analysis of the scope of the transaction	-----
5. Collecting offers	-----
6. Verification of the offers	-----

Source: own study.

Table 2. Coordination activities before concluding the transaction

Variant 1	Variant 2
1. Appointment of a person responsible for the project realisation on the part of the purchaser	1. Appointment of a person responsible for the project realisation on the part of the purchaser
2. Preparation of the specification	2. Preparation of the specification
3. Formulation of the criteria for verification of suppliers	-----
4. Checking on the possibility of obtaining a subsidy (e.g. from the State) or benefiting from various allowances (e.g. tax concessions)	3. Checking on the possibility of obtaining a subsidy (e.g. from the State) or benefiting from various allowances (e.g. tax concessions)
5. Setting up requirements concerning the system of communication with the supplier	-----
6. Definition of admissible price fluctuations	4. Definition of admissible price fluctuations

Source: own study.

### Transaction costs incurred before concluding the transaction (variant 1)

Transaction costs are generated as a result of four groups of activities:

1. Acquiring information (collecting and processing information).
2. Making contacts with the suppliers.
3. Preparing and collecting offers.
4. Coordinating actions in the first stage of the process.

The following costs can be distinguished among them:

- personnel,
- communication,
- personnel delegation,
- purchase of information material,
- participation in fairs and conferences,
- used material and energy.

### Transaction costs incurred before concluding the transaction (variant 2)

In the second variant, transaction costs are generated as a result of only two groups of activities, namely:

1. Making contacts with suppliers.
2. Coordinating actions in the first stage of the process.

The cost elements that appear here are similar to those of variant 1 but on a considerably limited scale as they are concerned with only two groups of activities which, additionally, are present in a narrower range than it was the case in variant 1.

### Activities during entering into transaction

Table 3. General activities during entering into transaction

Variant 1	Variant 2
<ol style="list-style-type: none"> <li>1. Negotiations</li> <li>2. Comparative analysis with offers of the competition</li> <li>3. Obtaining the approval of superior authorities</li> <li>4. Legal services in the process of concluding the contract</li> </ol>	<ol style="list-style-type: none"> <li>1. Negotiations</li> <li>2. Comparative analysis with offers of the competition</li> <li>3. Obtaining the approval of superior authorities</li> <li>4. Legal services in the process of concluding the contract</li> </ol>

Source: own study.

Table 4. Coordination activities during entering into transaction

Variant 1	Variant 2
<ol style="list-style-type: none"> <li>1. Selecting the place and date of negotiations</li> <li>2. Appointment of negotiators of both parties</li> <li>3. Formulation of the aims of negotiations</li> <li>4. Selection of the tactics and strategies applied during negotiations</li> <li>5. Appointment of the person responsible for drawing up the contract</li> </ol>	<ol style="list-style-type: none"> <li>1. Selecting the place and date of negotiations</li> <li>2. Appointment of negotiators of both parties</li> <li>3. Formulation of the aims of negotiations</li> <li>4. Selection of the tactics and strategies applied during negotiations</li> <li>-----</li> </ol>

Source: own study.

### Transaction costs incurred during entering into transaction (variant 1)

Transaction costs that can be identified in this stage of the process relate to three groups of activities. They include the costs of:

1. Negotiation.
2. Legal service.
3. Coordination of actions in the second stage of the process.

The following costs can be differentiated among them:

- personnel;
- communication;
- hiring or employing a lawyer.

### Transaction costs incurred during entering into transaction (variant 2)

The transaction costs in this case do not differ much from the costs in variant 1. However, they are considerably reduced in the costs incurred because both parties already operate in a partner relationship which simplifies the majority of procedures.

### Activities after conclusion of transaction

Table 5. General activities after conclusion of transaction

Variant 1	Variant 2
<ol style="list-style-type: none"> <li>1. Preparation of the necessary infrastructure</li> <li>2. Implementation of the purchased solution</li> <li>3. Training of the personnel</li> <li>4. Control of the fulfilment of conditions and correctness of the contract realisation</li> <li>5. Interventions and corrections of the contract</li> <li>6. Collection of due amounts resulting from the contract</li> <li>7. Servicing the equipment</li> </ol>	<ol style="list-style-type: none"> <li>1. Preparation of the necessary infrastructure</li> <li>2. Implementation of the purchased solution</li> <li>3. Training of the personnel</li> <li>4. Control of the fulfilment of conditions and correctness of the contract realisation</li> <li>5. Interventions and corrections of the contract</li> <li>6. Collection of due amounts resulting from the contract</li> <li>7. Servicing the equipment</li> </ol>

Source: own study.

Table 6. Coordination activities after conclusion of transaction

Variant 1	Variant 2
1	2
<ol style="list-style-type: none"> <li>1. Appointment of a coordinator on the part of the supplier</li> <li>2. Establishment of the order of the implemented solution</li> <li>3. Formulation of a detailed system of communication between the purchaser and the supplier</li> <li>4. Appointments of controlling personnel by both parties</li> </ol>	<ol style="list-style-type: none"> <li>1. Appointment of a coordinator on the part of the supplier</li> <li>2. Establishment of the order of the implemented solution</li> <li>-----</li> <li>3. Appointments of controlling personnel by both parties</li> </ol>

1	2
5. Conducting the analysis of deviations, as part of the control, that occurred in the course of process realisation 6. Setting up the acceptable range of possible modifications implemented within the process 7. Selection of personnel assigned to particular trainings 8. Defining responsibility for the preparation of necessary infrastructure 9. Formulation of conditions related to the acceptance tests	4. Conducting the analysis of deviations, as part of the control, that occurred in the course of process realisation 5. Setting up the acceptable range of possible modifications implemented within the process 6. Selection of personnel assigned to particular trainings 7. Defining responsibility for the preparation of necessary infrastructure 8. Formulation of conditions related to the acceptance tests

Source: own study.

### **Transaction costs incurred after conclusion of transaction (variants 1 and 2)**

In this stage of the process the following costs can be differentiated:

- preparation of necessary infrastructure;
- control;
- related to the intervention and correction of the contract;
- transfer of due amounts;
- coordination of actions in the third stage of the process.

Establishing a partner-like cooperation with a selected supplier results in limiting the number of activities in the process, especially in the pre-transaction stage. Thanks to that, the transaction costs incurred in the course of realisation of the process in question are reduced.

## **References**

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## **WPŁYW RELACJI MIĘDZY PARTNERAMI NA KOSZTY TRANSAKCYJNE**

### **Streszczenie**

Koszty transakcyjne odgrywają istotną rolę w procesie zawierania transakcji przez partnerów handlowych. Wielkość i rodzaj ponoszonych kosztów transakcyjnych zależne są w dużym stopniu od relacji wiążących obie strony transakcji. W artykule przedstawione zostały aktywności realizowane w procesie zakupu rozwiązania informatycznego, będące nośnikami kosztów transakcyjnych. Zaprezentowano również różnice w ponoszonych kosztach transakcyjnych w zależności od rodzaju relacji łączących obu partnerów.