

Market transaction costs of corporate management

Maliar D.V.

PhD in Economics, Assistance Professor,
Assistance Professor of the International Business Management Department
University of Customs and Finance

Karlova A.D.

Master
University of Customs and Finance

Corporate management is an essential basis of creation and functioning of joint-stock companies, the most popular form of organization of big business in Ukraine and in the world. Corporatization is a mechanism of raising funds which allows accumulating significant financial and material resources necessary for technology-intensive production. At the same time, joint-stock business pattern is connected with a number of problems and conflicts of corporate management, which cause the increase in transaction costs.

The paper deals with studying of transaction costs of the corporate management arising as a result of conflict of interests between principals and agents, minority and majority shareholders, shareholders and creditors, managers and creditors, companies and community. Mechanisms of conversion of benefits of certain entities, not provided by agreements, into transaction costs of other corporate management entities are considered and represented by diagrams.

Transaction costs sourced from the corporate relations are formed not only within the company directly between the corporate management entities, but in the course of

interaction with the other economic agents as well. First of all, the companies have to incur additional transaction costs under the influence of so called stakeholders (governmental agencies and public organizations), imposing their own requirements on the company's operations. Even if these requirements go beyond the limits of the legislative and regulatory acts, no company may ignore them. Secondly, the problems of corporate nature necessarily reflect on the growth of internal transaction costs of the company; however, any decrease in social and economic condition of individual companies means worsening of welfare of the country, and bankruptcy of companies may even have destructive consequence for the economy, therefore, corporate conflicts result in increase of transaction costs in the society as a whole. Thirdly, company's interaction with its creditors may result in accumulation of transaction costs on the part of shareholders and creditors as well. The mechanism of redistribution of benefits and transaction costs between them depends on increase or decrease in financial leverage of the company's borrowed funds.