SOCIO-ECONOMIC INSTITUTIONS FOR DEVELOPMENT OF COOPERATION

Abstract. The cooperation concept, which in its content can be regarded as an economic phenomenon, the essence of which is the economic relationships between partners in terms of cooperation in order to achieve the common goal of lower specific costs of resources on the basis of mutual benefit for all participants, has become a powerful component and a promising direction of economic development of many countries of the world.

The activity of cooperative enterprises takes place in a certain institutional environment, which is defined as a set of fundamental social, political, legal, and economic rules within the framework of human behavior. It is the institutional approach to the cooperation development that is currently at the center of attention of contemporary researchers and needs a detailed analysis. Therefore, the purpose of the article is to study the main institutional imperatives of the development of cooperative relations of business entities in modern conditions.

In the article, based on theoretical-methodical analysis and structurally functional approach, the system-forming socio-economic institutes of cooperation are defined. It is determined that among the socio-economic institutions of co-operation, institutions of cost, efficiency, co-operative ideology occupy a significant place. The institution of expenditures is described in detail, defined types of transaction costs (information search, negotiation, measurement, specification and protection of property rights, opportunistic behavior, politicization) and their characteristics in the context of cooperation. The institute of cooperative ideology and its influence on expenses of cooperative association are investigated. It is proved that the main advantage and motive of cooperation is the desire to obtain an additional (synergetic) effect from the interaction of participants. The synergistic effect may be due to the fact that the combined use of several mutually agreed strategies is more beneficial than the isolated implementation of someone and comes as a result of the self-organization of complex systems. The following main elements of the cooperative system of interaction are defined: enterprise integrator, suppliers of material resources, competitors, intermediaries, consumers, etc. The synergy effect in the cooperative is substantiated.

Keywords: cooperation, socio-economic institutions, transaction costs, cooperative ideology, synergy effect.

JEL Classification: P13, Q13

Formulas: 0; fig.: 3; tabl.: 0; bibl.: 17.
СОЦІАЛЬНО-ЕКОНОМІЧНІ ІНСТИТУТИ РОЗВИТКУ КООПЕРАЦІЇ

Анотація. Концепція кооперації, яку за своїм змістом можна розглядати як економічне явище, сутність якого полягає в економічних взаємовідносинах між партнерами у плані співробітництва з тим, щоб досягти спільної мети за менших питомих витрат ресурсів на основі взаємної вигоди для всіх учасників, стала потужною складовою і перспективним напрямом економічного розвитку багатьох країн світу.

Діяльність кооперативних підприємств відбувається в певному інституційному середовищі, яке визначається як суккупність основоположних соціальних, політичних, юридичних, економічних правил у рамках людської поведінки. Саме інституціональний підхід до розвитку кооперації перебуває наразі в центрі уваги сучасних дослідників і потребує докладного аналізу. Тому метою статті стало дослідження основних інституціональних імперативів розвитку кооперативних відносин суб’єктів господарювання в сучасних умовах.

На основі теоретико-методичного аналізу і структурно функціонального підходу визначені системоутворювальні соціально-економічні інститути кооперації. Визначено, що серед соціально-економічних інститутів кооперації значне місце посідають інститути витрат, ефективності, кооперативної ідеології. Детально розкрито інститут витрат, визначено види трансакційних витрат (витрати пошуку інформації, ведення переговорів, виміру, специфікації і захисту прав власності, опору та політизації) і дано їх характеристику в контексті кооперації. Досліджено інститут кооперативної ідеології та його вплив на витрати кооперативного об’єднання. Доведено, що основна перевага і мотив кооперації полягає у прагненні отримати додатковий (синергетичний) ефект від взаємодії учасників. Синергетичний ефект може бути пов’язаний з тим, що комбіноване використання кількох взаємозв’язках стратегій виявляється кориснішим, аніж ізольоване впровадження якісно однієї та настає в результаті самоорганізації складних систем. Визначено такі основні елементи кооперативної системи взаємодії: підприємство інтегратор, постачальники матеріальних ресурсів, конкуренти, посередники, споживачі та ін. Обґрунтовано одержання синергетичного ефекту в кооперативі.

Ключові слова: кооперація, соціально-економічні інститути, трансакційні витрати, кооперативна ідеологія, синергетичний ефект.

Формул: 0; рис.: 3; табл.: 0; бібл.: 17.

Саковська Е. Н.
к. е. н., доцент, Уманський національний університет садівництва, Україна;
e-mail: sakovska_lena@ukr.net;

Шпикуляк О. Г.
d. е. н., професор,
Національний науковий центр «Інститут аграрної економіки», Київ, Україна;
e-mail: shpykuliak@ukr.net; ORCID ID: 0000-0001-5257-5517

Ушкаренко Ю. В.
d. е. н., професор,
Херсонський державний університет, Україна;
e-mail: ushkarenkoj@gmail.com; ORCID ID: 0000-0002-5723-5277

Чмут А. В.
к. е. н., старший викладач,
Херсонський державний університет, Україна;
e-mail: hannach300@gmail.com; ORCID ID: 0000-0002-5947-728X

Саковська Л. Е.
k. в. н., доцент, Херсонський державний університет, Україна;
e-mail: sakovskalenka@gmail.com;

Шмут Ю. В.
к. е. н., старший викладач,
Херсонський державний університет, Україна;
e-mail: shpykuliak@ukr.net; ORCID ID: 0000-0001-5257-5517

Український національний університет садівництва, Україна;
e-mail: sakovska_lena@ukr.net;

Уманський національний університет садівництва, Україна;
e-mail: sakovska_lena@ukr.net;

514
СОЦИАЛЬНО-ЭКОНОМИЧЕСКИЕ ИНСТИТУТЫ РАЗВИТИЯ КООПЕРАЦИИ

Аннотация. На основе теоретико-методического анализа определены социально-экономические институты кооперации. Подробно раскрыты институт затрат, определенные виды трансакционных издержек и дана их характеристика в контексте кооперации. Исследован институт кооперативной идеологии и обосновано получение синергетического эффекта в кооперативе.

Ключевые слова: кооперация, социально-экономические институты, трансакционные издержки, кооперативная идеология, синергетический эффект.

Introduction. Since the end of the nineteenth century in the various countries of the world the concept of cooperation began to spread and gain popularity, which in its content can be considered as an economic phenomenon, the essence of which lies in the economic relationship between partners in terms of cooperation in order to achieve the common goal of lower specific costs of resources on the basis of mutual benefit for all participants. Cooperation has become a powerful component and a promising direction of economic development in many countries of the world, especially in Germany, Sweden, Denmark, Norway, the Netherlands, Japan, where almost 100% of the rural population are members of cooperatives. Cooperation has gained considerable popularity in European countries, where cooperative organizations of thirty-five countries are members of the International Cooperative Alliance. In Europe, through the system of agricultural cooperatives, up to 80% of farmers' products are sold and more than half of the supply of machinery for agriculture is provided [1, p. 57].

In the UN Resolution of February 11, 2010, No. 64/136 "Cooperatives in the process of social development" [2], the General Assembly recognized the development of cooperatives as an important factor in socio-economic development and the eradication of poverty.

The activity of cooperative enterprises takes place in a certain institutional environment, which is defined as a set of fundamental social, political, legal, and economic rules within the framework of human behavior. The institutional approach to the development of cooperation is currently at the center of attention of contemporary researchers and needs a detailed analysis.

Analysis of research and problem statement. In the twentieth century the theoretical and methodological foundations of cooperation were widely described in the writings by H. Muncker, P. North, J. R. Hicks, S. Marcone, N. Nelson, J.J. Holioc. E. Bek had a serious study on cooperative principles in the period of 1990-1992, and prepared a report at the XXX Congress of ICA in Tokyo (October 1992) on the theme: "Cooperative values in a changing world" [3, 278 p.]. This report, the content of which was influenced by the study by O. Ludlow "Cooperatives in 2000" [4], as well as the monograph by W. Watkins "Cooperative Principles Today and Tomorrow" [5], formed the basis for the Declaration on Cooperative Identity adopted by the XXXI Congress of ICA in Manchester (September 1995) [6].

On the territory of the post-Soviet space, V. Zinovchuk, L. Moldavan, O. Mogylny, Y. Ushkarenko and others have studied the development of agricultural cooperatives in the agricultural sector of the national economy.
The purpose of the article is to study the main institutional imperatives of the development of cooperative relations of business entities in modern conditions.

Research results. Theoretical and methodological bases of institutionalism are the works of T. Veblen [7], R. Coase [8], D. North [9] and others, in which institutions are defined as "rules of the game", which represent informal constraints on the interaction of people (taboos, habits, traditions, codes of conduct) and formal norms (constitutions, laws, property rights) [10]. O. Williamson considers institutions as a mechanism for managing contractual relations, which makes the subject of institutional analysis separate transactions [8].

Economic and social institutions traditionally include institutions of ownership and contractual relations (including labor relations), wages and social security. Their role is to fulfill the regulatory functions of economic entities and labor relations associated with the organization and management of the processes of life, material and social reproduction. Institutes, in their totality, form the institutional structure of society and economy [11]. They specify the structure of the motives of human interaction in different spheres of life and affect the functioning of socio-economic systems. As D. North notes, the institutions create the basic structures by means which people throughout the history have achieved order and thus reduced the degree of their uncertainty [9].

Co-operatives are created for a certain purpose, owing to the opportunities created by the existing set of constraints, and when trying to achieve their goals become the main drivers of institutional change [12].

Institutes by nature are heterogeneous. There are institutes of system-forming, which determine the type of economic order and institutions that form one or another system [13].

To study the socio-economic institutional system of modern cooperation, we apply a structural and functional approach. According to the structural aspect, we need to find out the components of the system-forming institutes, which are economic and social institutions (Fig. 1).

![System-forming institutions of cooperation](image)

Fig. 1. System-forming socio-economic institutions of cooperation

Source: own development of authors

Institutions of costs, efficiency, cooperative ideology occupy a significant place among the social-economic institutions of cooperation. Institutions influence the functioning of cooperation through the effect on exchange and production costs. Together with technology, they determine transaction and transformation (production) costs, which constitute aggregate costs. Therefore, it is necessary to determine how the existence of institutions is manifested in the functions of the costs in cooperation.
Particular attention when assessing the costs, appearing as a result of cooperation, deserve transaction costs. Transaction costs are the value of resources spent on transactions [8]. They are divided into: the cost for finding information, negotiating, measuring, specifying and protecting property rights, opportunistic behavior, politicization. Their division into types is due to various factors. Existence of costs for searching the information is due to the limited nature of the information that the individual has. Such costs consist of time costs and other limited resources necessary for finding the best possible alternatives.

For stock, private and cooperative forms of ownership, the cost of finding information will be at a level slightly below the average, for other forms of ownership, they will be average, due to the link between the property and the presence of agency relationships.

The costs for negotiating arise because economic entities have no full information. This is the cost of negotiations on the terms of exchange, the choice of the form of the transaction. The greater the number of people involved in the management of the enterprise, therefore, is likely to be higher the cost of negotiating. Therefore, in cooperatives and enterprises (private and joint stock companies), where employees are directly involved in management, these costs will be higher than average.

Measurement costs are the costs necessary to measure the quality of the goods and services that are the subject of the transaction [14].

One of the main means of saving on the costs of specification and protection of property rights is an ideology that allows more effective than formal institutions to provide protection of property rights. On the other hand, the costs of maintaining such an ideology in society should also be attributed to this kind of costs. Despite the fact that the costs of specification and protection of property rights are primarily, for the whole society, its specific institutions are not completely free from these costs, including institutions of cooperative property [15].

To analyze this type of transaction costs, it is necessary to separate the cost of the specification from the cost of protection of property rights. If the second is connected with the number of owners by inversely proportional dependence (i.e., the more owners, the less transaction costs for security of property from external attacks) [16, p. 236], then for the first, in the general case, there is a direct relationship between these costs and the number of owners. Graphic confirmation is shown in Fig. 2.

![Diagram showing the relationship between ATC, N, D(N), T(N), B(N), C, and E.](image)

**Note:** ATC - average transaction costs of specification and property rights protection per capita; 
N - number of people in the group

Fig. 2. Costs of the specification and costs of protection of property rights

Source: development of authors on the basis of [13, 14].

In Fig. 2 the curve D (N) is the specific cost of securing property rights against external attacks, and the curve B (N) is the specific cost of the specification of property rights (the form and angle of inclination of both curves are unconditioned: it is impossible to say anything concrete either about the first or the second curve). Point A on the curve T (N) (T = B (N) + D (N)) shows
the case of private property, the point C — the case of the state and the point E — communal property.

At the basis of opportunistic behavior there is a mismatch of economic interests, due to resource limitedness, uncertainty and, as a consequence, imperfect specification of contract terms. According to O. Williamson, opportunism means "... providing incomplete or distorted information, especially when it comes to deliberate deception, distortion and concealment of truth or other methods of confusing a partner. It makes the basis of real or imaginary information asymmetry, which complicates the problems of the economic organization"[10, p. 98].

Under the term of the cost of politicization we understand transactional costs that arise in the organization and associated with the nature of decision-making within the organization. If the voluntary nature of the agreement made on the market provides a guarantee of the effectiveness of decision-making, then the lack of such voluntarily in the middle of the organization leads to additional costs.

The costs of collective decision-making are directly proportional to the number of people involved in the decision-making process. It is probable that the minimum of these costs will be in private ownership, and the maximum — for state, cooperative, and joint stock with the participation of workers in the management of the company.

In fig. 3, the D (N) curve represents the total changes in transaction costs for searching the information, measurement costs and property rights protection, as well as constant transformation costs.

![Fig. 3. Costs and Cooperative Ideology](image)

Note: ATC is specific expenses; N - number of people in the group

Source: authors' research

Curve A (N) is the amount of transaction costs of the specification of property rights, opportunistic behavior, collective decision-making and cost of influence. Accordingly, as in Fig. 2

\[ T (N) = A (T) + A (N) \]

The curve K (N) = F (N) + M (N) is an analogue of the curve T (N) for cooperatives. As it has been shown, cooperative ideology allows cooperatives to have a lower level of costs (especially transaction costs), compared with other enterprises, primarily communal property. That is, A*-B* is the difference in costs provided by the cooperative ideology.

This is the most general case: in addition to the factors considered — forms of ownership and sizes of cooperatives — a lot of other factors, such as exogenous (for example, unskillful management, etc.), affect the level of costs and economic efficiency. In addition to reducing costs, cooperatives can receive specific benefits from another source, by increasing profits. The cooperator has much more, than a regular hired employee, reasons to think not only about himself,
but also about the whole cooperative. It is easier for a member of a cooperative to realize its creative potential than for a hired employee, since the first one is more interested in it.

Cooperative ideology serves as the source of another specific resource — a special, increased motivation, creative attitude to work. However, the role of the factor of increase in income appears to be much lower compared to lower costs. First, even a significant increase in motivation only in exceptional cases can give an advantage in a particular struggle. Today a specific key resource is knowledge, information that can not be replaced by any motivation. Secondly, people who have some specific resources (knowledge, for example) are more difficult to unite in a cooperative than people who do not own resources.

According to the conclusions made by O. Williamson [16, p. 233-261], the most economically effective is the distribution of corporate management rights (in our view, it is possible to extend this conclusion to most business entities) among the owners of various assets that bring it profit in proportion to their specificity. Extrapolating this conclusion to a cooperative enterprise, we can state that all members of the cooperative are the owners of a highly specific asset of cooperative ideology, which allows them to seek, in many cases, significant savings on transaction costs. Therefore, the fact that cooperatives have a specific asset of cooperative ideology in terms of economic efficiency in many cases justifies the availability of economic power [15]. Consequently, the cooperative form of organization is justified in cases where the specific specificity of the asset of cooperative ideology is higher than specific specificity of all assets that the co-operators possess individually.

The main advantage and motive of cooperation is the desire to get an additional or so-called synergistic effect from the interaction of the participants. The synergistic effect is related in particular to the fact that the combined use of several mutually agreed strategies is more beneficial than the isolated implementation of some one [17]. The synergistic effect comes from self-organization of complex systems. Such a system is a market system, which is characterized by very complex relations of all players in the market. One of the forms of such relations is cooperation. The study of the cooperative system of interaction allows us to conclude that it is multifaceted. The cooperative system of interaction is a group of systems of mutual support of market elements in the chain of their interrelations. We can distinguish the following main elements of the cooperative system of interaction: enterprise integrator, suppliers of material resources, competitors, intermediaries, consumers. The structure of the cooperative system of interaction can be considered at the level of individual systems: the system of cooperative enterprise interactions with suppliers, with intermediaries, with consumers, with competitors, etc.

According to the methodology of synergy, it can be assumed that a cooperative interaction system should produce a synergistic effect. When considering the synergistic effect of cooperative interaction, it is necessary to pay attention to the economic relations between the partners on the basis of mutual benefit.

The general benefit that cooperative membership gives to its cooperators is made by joint efforts, that is, the benefit that a cooperative brings to its members is in any case a co-assigned benefit. Cooperation in synergetics "means the collective behavior of elements of a system of coherent, coordinated interaction" [17, p. 31]. Let's try to prove it. Let $Sg$ be the size of the group; $T$ — the volume of the provided benefit to the individual; $Vg$ — value of benefit for a group; $Vi$ — value of benefit for the individual; $Fi = Vi / Vg$ — part of the total benefits that the individual receives; $C$ — costs for obtaining a unit of good; $Ai$ — the advantages of an individual to receive any amount of benefit. Then $Ai = Vi - C$. This individual benefit will vary depending on $T$, and its maximum will be reached at $\frac{\partial Ai}{\partial T} = \frac{\partial Vi}{\partial T} - \frac{\partial C}{\partial T} = 0$. Since $Vi = Fi \cdot Sg \cdot T$, with $Fi$ and $Sg$ at each particular moment of time are recognized as constant, then $\frac{\partial (Fi \cdot Sg \cdot T)}{\partial T} - \frac{\partial C}{\partial T} = 0$ i $FiSg - \frac{\partial C}{\partial T} = 0$.
This determines the amount of collective good that a self-employed individual would have acquired. Since \( \frac{\partial A_i}{\partial T} = \frac{\partial V_i}{\partial T} - \frac{\partial C}{\partial T} = 0 \) and \( \frac{\partial V_i}{\partial T} = F_i \left( \frac{\partial V_g}{\partial T} \right) \), then \( F_i \left( \frac{\partial V_g}{\partial T} \right) - \frac{\partial C}{\partial T} = 0 \) and \( F_i \left( \frac{\partial V_g}{\partial T} \right) = \frac{\partial C}{\partial T} \), that is, the income growth of the group \( (dV_g / dT) \) should exceed the cost on the same amount, that the income per group exceeds the income of one individual \( (1 / F_i = V_g / V_i) \).

Thus collective benefit will be provided if the cost of its receipt (at the optimal for each individual point) is so small compared to the overall benefit to the group that the total benefit exceeds the total costs so (or more than) that it exceeds the benefit of the particular individual.

**Conclusions.** Thus, the development of cooperation is a strategic direction for the development of agro-industrial production, both for the Western and Eastern European countries. Cooperation is a kind of partner relationship between business entities in order to achieve a greater economic effect, primarily by reducing the level of specific costs (in particular, transaction costs) and synergy of joint activities.

Relationships on the basis of cooperation take place in a certain institutional environment. The institutional imperatives of cooperative development are a number of economic and social institutions. The research has confirmed that the institutions of costs, cooperative ideology and efficiency on the basis of synergy acquire a special significance when cooperating.

*The article is recommended for printing 03.12.2018 © Sakovska O., Shpykuliak O., Ushkarenko I., Chmut A.*