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**IMPROVEMENT DETERMINANTS OF INSTITUTIONAL DEVELOPMENT  
MECHANISM OF AGRO-CORPORATIONS**

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**ДЕТЕРМІНАНТИ УДОСКОНАЛЕННЯ ІНСТИТУЦІЙНОГО МЕХАНІЗМУ  
РОЗВИТКУ АГРОКОРПОРАЦІЙ**

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**ДЕТЕРМИНАНТЫ УСОВЕРШЕНСТВОВАНИЯ ИНСТИТУЦИОНАЛЬНОГО  
МЕХАНИЗМА РАЗВИТИЯ АГРОКОРПОРАЦИЙ**

*The article defines how interrelated of components of the institutional environment of the functioning of agro-corporations with machineries of governmental regulation are revealed, that influences the structural transformation of the national economy differently.*

**Keywords:** machineries of governmental regulation, institutional environment, development of argo-corporation.

*У статті викладено як взаємопов'язані складові інституціонального середовища функціонування агрокорпорацій з механізмами державного регулювання, які по-різному позитивно впливають на структурну трансформацію національної економіки.*

**Ключові слова:** інституціональне середовище, механізми державного регулювання, розвиток агрокорпорацій.

*В статье объясняется как взаимосвязанные составляющие институциональной среды функционирования агрокорпораций с механизмами государственного регулирования, которые по-разному положительно влияют на структурную трансформацию национальной экономики.*

**Ключевые слова:** институциональная среда, механизмы государственного регулирования, развитие агрокорпораций.

**Statement of problem.** A process of institutional development of corporations submits to laws and patterns which under the influence of methods and machineries of governmental regulation are reflected in the condition of development and character of relations of production of accounting entities. This process is represented by the wide range of institutes and their interrelations which make contents and reflect efficiency and expediency of economic decisions. The most important factor of the mechanism of regulation of development of agro-corporation is the efficiency of the influence of basic institutes which structure the institutional environment and define multidimensional conditions of development. The economic the behaviour of participants of the agro market is caused by the influence of the governmental regulation and special role of the last in questions of improvement of the institutional development mechanism of agro corporations that allows finding adequate and effective methods of public administration.

**Analysis of recent researches and publications.** Theoretical and all-methodological questions of improvement of the institutional development mechanism of the enterprises and organizations acted as subject of researches of big cohort of scientists among which there are leading domestic scientists of S. Arkhiereiev, V. Heiets, A. Hrytsenko, V. Dementiev, O. Kondrashov, M. Latynyn, I. Malyi, O. Prutska, A. Tkach and others. Key provisions of institutionalism in the direction of development of new approaches and the analysis of institutional factors of development at various times mortgaged L. Abalkin, A. Alchian, O. Viliamson, H. Demsets, K. Errou, Ya. Kornay, R. Kouz, D. Lvov, K. Menar, P.R. Mildzhrom, H. Minz, D. Nort, A. Oleinyk, V. Polterovych, D. Stihler, A. Shastitko and others.

**Allocation of the unsolved earlier parts of the overall problem.** However, recognising important achievements of scientists, it should be noted that improvement of the

institutional development mechanism of agro-industrial corporations remains an unresolved question.

**The objectives of the article.** Identification of communication of components of the institutional environment of functioning and development of corporations which can be the basis for modernization of economic system and system of public administration acts as research purpose.

**The main material.** For determination of the main determinants of the institutional development mechanism of agro-corporations, it is offered to use understanding of essence of the economic organization of the corporate type formulated in works [1; 2; 3; 4] where the corporation is considered from the point of view of system approach asset of the relations and the property rights, their combinations of redistribution in the course of formation and development of subjects of economy. At a research of the nature, structure, tendencies of development of agro-corporations the organisational and legal and organisational and economic relations which are opened in provisions of the institutional theory [3; 6-9; 11] were analysed. The effectiveness of institutional transformations of the environment of functioning of agro-corporations in Ukraine because of features of the current government of development of national economy appeared in direct dependence on the efficiency of its reforming [9]. About it determinations of scientific approaches in the solution of questions of institutional development of agro-corporations it has to be performed in the context of administrative reforming of a state system of Ukraine [4]. Implementation of the last is one of the directions of the solution of deep contradictions of the discrepancy of the system of the organisation of social production by a problem of economic growth in the conditions of open economy and its integration into world space.

Modern institutional mechanisms represent symbiosis of several mechanisms of coordination: market and organisations, organisations and government, government and market. The last is characterised by dynamics of changes, information on which is expressed in the price between demand and supply on commodity market and services. The corporation is characterised by the high extent of formalisation and openness on the coordination of the communications determined by an organisational structure of management, rules and procedures of decision making and so forth. Government institutions it is also characterised by the high extent of formalisation and still high extent of centralization of management on certain the state laws, regulations, rules, by methods and the principles of regulation of development of corporations [9]. However, the market allows choosing conducts for all participants of the economic relations are adapted.

For the understanding of target influence of governmental regulation on the development of corporations, it is offered to structure components of the institutional mechanism of regulation of development agro-corporations (Fig. 1) that will allow establishing the connection of the governmental methods of influence thanks to the functioning of corporations mediated communications of the institutional environment.

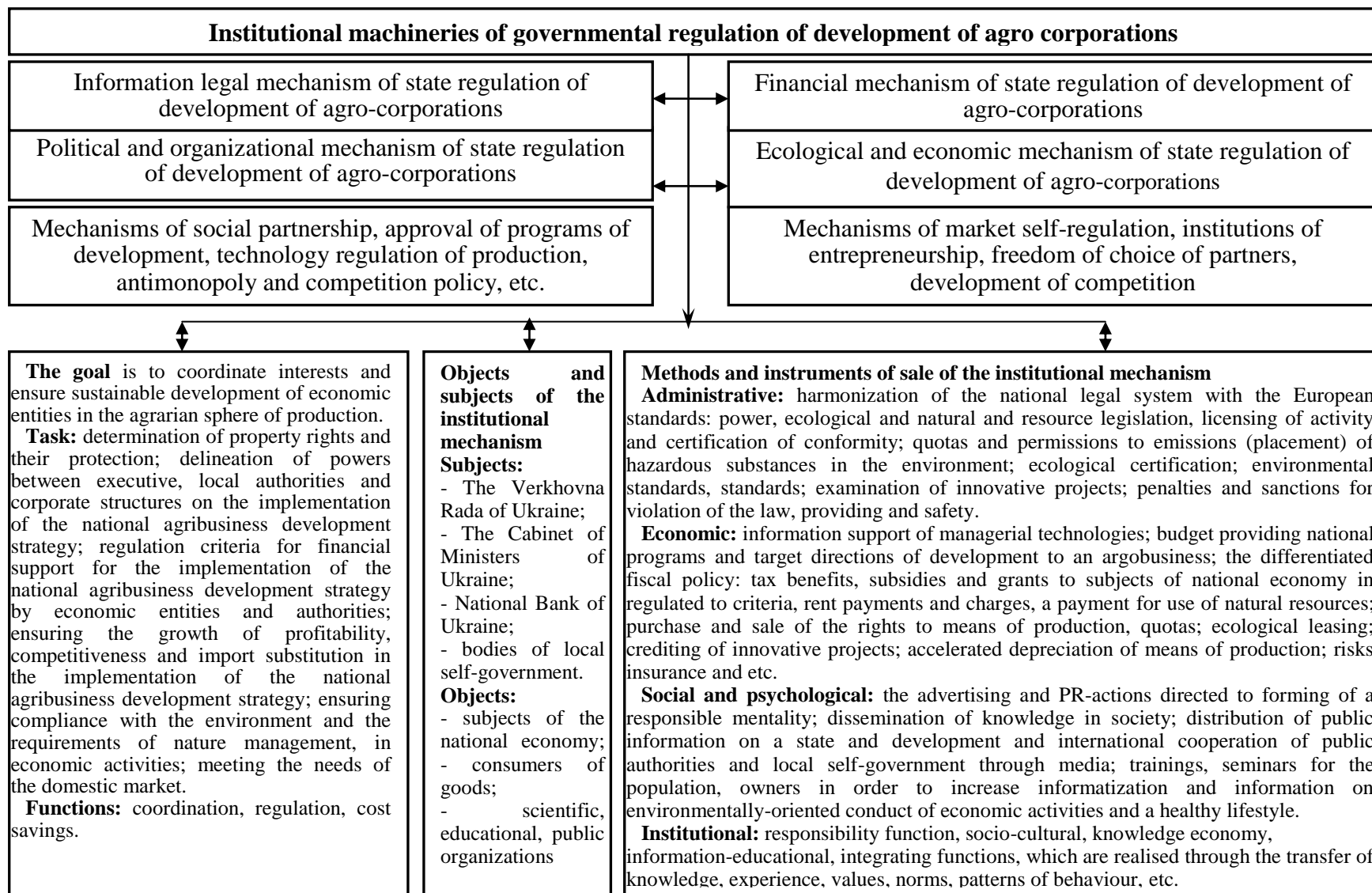


Fig. 1. Scheme of institutional mechanism of governmental regulation of development of agro-corporations



The institutional environment, according to the terminology offered by L. Davies and D. Nort [10], is the "rules of the game" defining a context of the implementation of economic activity, consisting from basic political, social, precepts of law also creates a basis for production processes, exchange, distribution and consumption. The institutional environment of the development of agro-corporations is offered to understand as an order of interaction of the corporations making the mechanism of governmental regulation of development which efficiency influences the level of transactional and transformational costs and creates new sales terms of mutually advantageous decisions. So, the institutional environment makes such institutes which define the general restrictions for all, causing forms of the organisation and mechanisms of regulation of business activities. Socially recognised forms become the absolute property rights. The property rights absolute (de jure) are mortgaged in the normative legislation of different fields of activity of government: joint-stock, antimonopoly, about privatisation, about bankruptcy, about licensing and registration and so forth. Rules of conduct of economic actors informal (de facto) include customary business practice which is recognised by society during the corresponding time frame.

One of the provisions of institutional approach in questions of regulation of development is that economic institutes form only under the influence of demand for them provided that expenses on their forming will be less public expenses at their absence: market imperfection becomes covered by its participants including the government [11].

Therefore, institutes perform a double function: substitute the market in the conditions of its imperfect organisation and supplement it in the conditions of institutional balances. Transactional costs increase because of market imperfection and quantitatively reflect expenses absence of institutes. Demand and supply of institutes as which source both large corporations and the government can act depends on the number of participants of the market and level of their development. Minimization of total institutional expenses of economic agents is only under such circumstances provided. The last occupy both expense types: transactional – because of market imperfection, and transformational – reorganisation costs of an internal order and support of the development of market institutes. The first expense type is removed by another. However, subjects of the economic relations will create and develop institutes so far the price of them will be lower, than transactions which they excluding. Therefore, demand and supply on forming of new institutes can drag on (to stop) as costs for their creation will exceed transactional costs for the functioning of a corporation. It explains low efficiency of the governmental management and decisions on the improvement of the institutional environment of agrobusiness.

Almost all corporations aim to reduce transaction costs incurred due to imperfect market, uncertainty information risk activities, partners, unpredictable behaviour etc. Forms institutions implementing changes can be initiated by both the corporation and the state. Nature of market power sufficient detail described by various researchers [6-9]. However, it should be emphasised duality in terms of adaptation to changes in a corporate institutional environment. On the one hand, economic actors choose the appropriate action on a number of alternatives, and the other – the accumulated knowledge and experience activities that integrate different models of purposeful activity, investment, innovation, leading to changes in the institutional structure and organisational management structure. Thus, increasing performance progressive institutional activity region that makes the state and corporations in new ways to build economic relations between him and other market participants. Regardless of the classification of transaction costs, are the main organisational impact that reflects both the state and the corporation by implementing their own strategies aimed at reducing transaction costs in the market share and redistribution of resources. So far, unfortunately, there is no certainty in understanding the definitions and the impact of transactions on the functioning of the institutions, however, stressed the relevance, importance and complexity of the analysis.

It is necessary to provide yet another source of development corporations, for example, need to increase the flexibility and adaptability to external (exogenous) changes due to the rationalisation of

internal (endogenous) procedures for reconciling the interests and improve responsiveness to information and self-perception. This property provides organisations a competitive advantage in the market.

Many researchers note another effect of corporations - synergistic, which reflects the main organisational relationship between the degree of organisation and the synergistic effect: for any organisation, there is a set of elements for which its potential is always greater or substantially larger than the simple sum of its constituents, or substantially less.

I. Ansoff focuses attention on a combination of market factors, for which the effect of the sum is greater than the sum of the effects of the constituent parts [2]. However, he warns that synergism can be both positive and negative. According to I. Ansoff, the synergistic effect affects the company's competitive position in the market. According to his conclusions, there are two ways to measure the synergistic effect: to reduce costs for a given level of income; ascending profits for a given level of investment.

All synergistic effects described by three variables: profit increase in monetary terms; reduce operating costs; reducing the need for investment. These variables reflect the dynamics of companies can be considered as the last four variable synergistic effect. As noted researcher, quantify and consolidate their influence on the synergy impossible due to lack of quantitative models measuring these variables.

Thus, we should focus on the fact that the corporation reproducing the processes of production socially useful goods, an economic agent and coordinator at the market and institutions that are characterised by hierarchy, administrative authority, structure, specialisation, volume control and so on. Based on the fact that the mixed economy is fundamentally different mechanisms influence the management of the market, state, organisational culture, hierarchy, the latter of which manifests itself in the form of a corporation created for the implementation of market power.

The government, backed by the hierarchy – the system orders, orders redistribution of powers and responsibilities "top to bottom", transfers of authority in decision-making.

The hierarchy appears within a defined social relations that authorities are not typical and may appear in the interests of consistency of several parties.

The system of property rights, consisting in society is part of the institutional environment for corporations that affects its management and organisation of activities. Implementation of ownership follows the rules and regulations are notified by the state (formal rules - the laws, decrees, regulations, statutes, standards, etc.) and society (informal - culture, traditions, customs, patterns and behaviour patterns, etc.). Sometimes formal and informal restrictions are antagonistic to a position that will certainly affect the efficiency of public administration. This situation forces the corporation to choose the combination of formal and informal rules of behaviour that may not always be successful and prudent. The institutional environment characterised by greater inertia, inertia are even more informal rules. Thus, the institutional environment – a set of rules and regulations that limit the scope of possible actions of corporations.

Exchange, placement, use or redistribution of corporate resources in the external environment is provided by the market. It is understood as a mechanism for transferring property rights within the framework of economic relations. On this basis, the market differs from the institution, which is a set of rules for the formation of exchange conditions, and an organisation where such a transfer is absent in the classical form. On this basis, the market is different from the institute, which is a set of rules for creating conditions of exchange and the organisation where the classic form of the transfer unavailable.

Analysis corporations functioning institutional environment implies taking into account quality indicators that certainly depend on the trajectory of historical development and management of national characteristics, organisational culture, the structure of society, its informatization, corporate culture and others. Development policy on the regulation of corporate sector should take into account the mutual influence of different components of the institutional environment. While most

institutions related to economic policy and even created her very important to consider the processes of formation and development institutions, orderliness which is characteristic of the institutional structure. The institutional structure is a combination of organisational, legal, economic, cultural and information relations that interact within various organisational relations.

Depending on the strategy of the corporation system of ownership divided by the basic forms of business: sole ownership, partnership, corporation. These subjects share of market relations established benefits through market exchange, which is an exchange of property rights (misappropriation, alienation), or particles.

Within the redistribution of property rights is considered a set of obligations to shareholders in the form of organisational agreement under which certain corporation represents the interests of its investors and follows their implementation.

The state as a key regulator of economic relations forms the basic rules governing the appropriate organisational structures and control mechanisms of economic activity. These economic policy changes affect these rules. Therefore, improvement of organisational forms of business entities is a function of economic policy. Thus, the institutional structure should be considered from the standpoint of public policy, which is possible to optimise performance and limitations in the regulation of economic activity. The quality of the institutional constraints manifested through their impact on the effective functioning of corporations, allowing the latter to reduce transaction and transformation costs. However, deciding to reform the institutional environment, consider the inertia of its transformation process. This is why changes should be incremental, and their stages – modified. Modernising the state administration and the economy, it is necessary to take into account the evolutionary or inductive nature of the environment in the formation of qualitatively new conditions for the conduct of economic activities of corporations.

**Conclusions and suggestions.** Conclusions and suggestions. Improving the institutional mechanism for regulating the development of agro-corporations, which improves the characteristics of the institutional environment, aims to minimise transactional and transformation costs and the stability of the functioning of economic entities. The described institutional mechanism systematises the components, allows to adequately determine and objectively evaluate the ideology, policy and strategy of structural changes to the agrobusiness, and also the appropriateness of measures of the state policy of its development. In further research, it is planned to seek methodological approaches to the evaluation of public management decisions on the appropriateness of the application of economic methods and instruments of the institutional mechanism.

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