

Study on the Enterprise Organization and Its Economic Analysis

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Abstract: If any business theory is conceptualized and modeled to explain and anticipate the characteristics and behavior of the firm, then such corporate theory can be traced back very early in the history of economics, at least in Adam Smith. A piece of discussion can be found there. But the problem is that in the traditional economics where the West is in the mainstream, it has long been only in the sense of treating the enterprise as an abstract producer, to analyze the characteristics and behavior of the enterprise; as for what the enterprise itself is, It's always just a "black box". It was not until the rise of the new institutional school represented by Ronald Coase that the situation changed. Since then, modern enterprise theory has gradually become mainstream. However, although modern enterprise theory has brought the attention of the economics community to corporate theory to the understanding of the enterprise itself, the theory of this school has not satisfactorily explained the enterprise itself. The root cause is that the school has never regarded the enterprise as an organization, and its theory does not address the characteristics of the organization as an organization and the resulting internal structure of the organization.

1. Introduction

From an economic point of view, social and economic activities are always carried out along with transactions. Trading is almost ubiquitous in economic activities. Under the traditional way of thinking, transactions are generally carried out through the market. The operation of the entire market can automatically ensure the optimal allocation of various resources under the guidance of the price mechanism. In neoclassical economics theory, trading does not require cost, that is, there is no transaction cost in the transaction process. This is mainly based on the important assumption that complete information under the complete competition of neoclassical economics is the standard neoclassical. The highly abstraction of economics to reality is also the limitation of neoclassical economics. It means that every participant in the market knows all the information about the goods, that is, the information is complete. Under this assumption, information does not cause trouble to the market mechanism, because the information is complete, it can be obtained without cost, and the information is concentrated in the price. Under the assumption of complete information, the price mechanism in the market reflects the role of Adam Smith's so-called "invisible hand." However, in the real world, it takes cost for individuals to collect, acquire, and process information, and noise can also occur during the transmission of information, and information may be distorted. Therefore, the assumption of complete information in neoclassical economics has been challenged by many economists and challenged by many new economic theories.

2. Economic Analysis of the Existence and Development of Enterprise Organizations

There are two basic types of coordination in the economic system: one is that the transaction takes place on the market, and the other is that the transaction takes place within the organization. In other words, market and organization are two basic ways of coordination. In an ideal type of market, it is not necessary for buyers and sellers to engage in any type of private contact, because the price system is a coordinated tool that guides distribution. The optimal configuration of this ideal market is achieved without the need for any personal contact between the parties to the transaction. There are a large number of such types of markets in the real world, such as the stock market, the futures market, and the raw materials market. Hayek used an example of the supply of

raw materials tin to illustrate how such markets operate effectively. It shows that the adjustment of the price level of raw materials tin and its substitutes is sufficient to meet the needs of all parties concerned and leads to Tin, a scarce resource, is being reconfigured around the world. Under the guidance of Adam Smith's famous "invisible hand", decisions made independently by the parties will lead to a new equilibrium between the supply and demand of tin on a new price basis. Although this ideal market has such an effective characteristic, in fact, not all transactions can be realized through the market. This has been proposed and given by Coase in 1937, which explains to some extent why the organization will produce and exist. In addition, environmental issues are also important factors in determining the organization. In order to adapt to the environment and overcome the shortcomings of market transactions only through the coordination of price mechanisms, it is another important choice to organize this kind of transaction coordination.

Coase's transaction cost theory can also be used to determine the size and attributes of an organization. When considering how large an organization should be, that is, how large the boundaries of the organization should be, the marginal principle in economics plays a role in it. The important role, when the cost of adding additional transactions under organizational authority is less than the price paid for trading in the market, is this an important basis for determining whether transaction coordination exists in the form of a market or in the form of an organization. In this case, there is a critical point on both sides. This critical point is the marginal point mentioned in the marginal principle, that is, the cost of organizing transactions within the enterprise or equal to the organization in another enterprise. The cost, or equal to the price mechanism in the market, "organizes" the cost of the transaction. The main cost in a market transaction is the cost of knowing the terms of the transaction and the price paid by both parties to the bargain. Generally speaking, if the transaction is the first time, the cost of knowing the terms of the transaction is the main one; if the transaction relationship is long-term, the price of bargaining, that is, the price of bargaining, is often very high. This transaction fee can be reduced by giving one party authority. Therefore, the boundary of the enterprise lies in the fact that when the marginal savings generated by transactions within the enterprise are equal to the marginal rigid costs arising from the increase of authority within the enterprise, the scope of the enterprise organization is just right. Coase's theory shows that the main difference between the market and the organization is the way of information exchange, inheriting and developing the above arguments. An ideal market is to exchange between the parties through the price mechanism. The price is in the transaction. Individual decisions provide complete, sufficient information. Based on this attribute of the ideal market, it can be argued that an ideal organization can express its characteristics through all forms of transaction coordination that do not use price to communicate information between parties to the transaction. In fact, the ideal market and the ideal organization are two extreme forms of market and organization. In the real world, most transactions are dominated by a coordinated mix. Most markets are "organized" to some extent, and most organizations use price (such as exchange price) to exchange information internally.

3. Economic Analysis of the Development of Enterprise Organization Form

Markets and organizations are two ideal types of economic transaction coordination tools. Pure market coordination is achieved through the single role of price mechanism, and pure organization coordination is achieved through a single role of non-price mechanism. In the activities of coordinating the economy, the six non-price mechanisms and price mechanisms in organizational coordination can be replaced by each other. The use of one of these six mechanisms as the main coordination mechanism constitutes six pure organizational forms. However, organizational theory also points to four types of standardization (production procedures, technologies, products, and specifications), and mutual adjustment. It can also play the role of a coordination mechanism. If organizational coordination mainly adopts one of these six coordination mechanisms, six types of relatively pure organizational forms can be observed separately. However, most enterprises adopt a combination of these six mechanisms, that is, In reality, organizations are often a mixture of six pure forms. Therefore, in the real world, they usually face a mixed type of organization. In addition,

many organizations use price mechanisms to achieve certain internal goals in which market and organizational coordination is achieved. In general, authority can only be the primary coordination mechanism in relatively small organizations. Markets also need to be organized to some extent, that is, market coordination through price mechanisms is often combined with one or several organizational mechanisms. Therefore, even if it is often found in reality that economic transactions are coordinated by a set of coordination mechanisms, the role of a single mechanism is an exception, and the combined effect of two or more mechanisms is a common phenomenon.

The market is replaced by organization, and the coordination of price mechanisms is reconciled to other mechanisms in the organization. Figure 5 summarizes the possible development space for organizational forms, and the relative pure organizational form is placed at the center of this pentagon. In this pentagon, all types of mixed forms are possible. Which organizational form a particular organization will adopt is a complex issue that will be determined based on the specific means of information exchange and the environment. Organizations can take a variety of concrete forms, each of which takes on a particular environment—it can handle different types of transactions. Markets can also exist within an organization, and to a certain extent, organizations exist in the market. Therefore, in reality, market coordination and organizational coordination are often found to work together. There are many market activities within the organization, which means that the coordination of market and organization can be mixed, and further explain the market and organization. There is no clear division between them. However, in any situation, this actual mixing depends mainly on the information needed to execute the transaction. Therefore, the incomplete information and the communication channel of the information are the decisive factors of which kind of transaction coordination method is adopted. It is relatively rare to use only two types of pure market coordination (price mechanism alone) and pure organization coordination (other mechanisms other than price mechanism) in the transaction process, most of the actual situation It is between these two pure forms, and its characteristics are also determined by the hybrid coordination system. The combination of market coordination and organizational coordination is a rule rather than an exception. In reality, a set of coordination mechanisms often play a role together.

4. Conclusion

Markets and organizations provide interchangeable solutions for the coordination of transaction costs. Information is the decisive factor in choosing the way transactions are coordinated. The main reason for the emergence and existence of enterprise organizations and their continuous development is that due to the phenomenon of incomplete information and information asymmetry in the transaction process, the coordination mechanism of the enterprise organization can solve the transaction to a certain extent as a price coordination mechanism in the alternative market. The information problems of all parties make the emergence and existence of enterprise organizations a necessity and can be continuously developed. Since the types of information that the market and the organization can handle are different, the choice of the market or the choice of the organization needs to be determined according to the information requirements of the specific transaction, but in actual life, it is often the combination of the market coordination mechanism and the organization's coordination mechanism. Role, there are factors in the organization that have market coordination, and there are also factors of organizational coordination in the market.

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