
Preface

Over the course of human history, businesses and societies have desperately sought to reduce two types of costs: production costs and transaction costs. The recent proliferation of Internet-based innovations (e.g., online marketplaces) and the numerous ways in which IT can be applied have caused transaction costs to come under more critical consideration. To illustrate, consider that the development of nearly all IT applications features an exclusive emphasis on minimizing transaction costs.

For example, the costs and efforts expended by the author and publisher to deliver this book to you (including those related to translation, advertisement, presentation, travel, delivery, and problem solving) were roughly 0.01 % relative to what doing so would have cost a century ago. These cost savings extend to the readers as well; the costs all the individuals incurred to procure this book are roughly 1 % of what they would have been a century ago. Clearly, transaction costs have dropped substantially in the last hundred years. In contrast, the gross domestic products of developed countries have increased only five to ten times during the same time period. It seems obvious that the rapid proliferation of the Internet and reductions in transaction costs are interconnected.

Despite their continuous decline, transaction costs have never been acknowledged as a type of expense per se. Instead, transaction costs have traditionally been dismissed as a component of production costs. Financial accounting is useful for tracking the costs associated with physical goods, but not for human activities, which comprise the majority of transaction costs. Transaction costs are believed to account for at least 50 % of the gross domestic products of developed countries. Our research similarly shows that 98 % of all costs incurred by a distribution company are transaction costs. Even a software development subcontractor (and therefore, should have low transaction costs) is characterized by substantial transaction costs; up to 60 % of all costs incurred by this company are transaction costs.

Although production varies by industrial sector, business type, company, department, and individual, transaction structures tend to be invariable. Therefore, it is possible to identify a universal procedure for measuring, analyzing, and streamlining transaction costs in a variety of contexts. By identifying such a procedure, we can enable routinization, systemization, and IT utilization. These outcomes can result in a significant increase in productivity for the company that implements them.

Given the above, in this book, the universal structure of transactions is analyzed and new methodologies for management derived from a focus on transaction costs are proposed. The management of transaction costs is the key for promoting value-added activities and innovation in particular, which have played significant roles in the intensified competition around the globe. Our research has demonstrated the utility of the proposed methodologies for those companies that implement them. It is the author's hope that the readers of this volume will adopt a new perspective to understand the simple structure of transactions, which have affected (and continues to affect) the open global economy, thereby allowing them to enjoy the same advantages.

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