

A JOURNEY THROUGH NEO INSTITUTIONALISM AUTHORS AND HIGHLIGHTS

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SUMMARY

The present article is an effort to address the thinking of the main exponents of the current of Neo institutionalism. It is written in such a way that it observes the development of business from a perspective that combines the rational and non-rational thinking of people, where selfishness and opportunism play an important role, and where the institutions that create man are the regulators of actions.

For Neo institutionalism, transaction costs become the north of the theory, and the way to seek efficiency to reduce them becomes the common objective of the actors. Other important factors of the Neo Institutionalism to be dealt with in the article will be the institutions as the main unit of the theory, the contract, the specific assets and the Vertical Integration as a way of managing looking for efficiency in the processes. The Vertical integration theme will allow the reader to understand the importance of acquiring the tangible as well as intangible assets of another company in order to reduce costs and take full control of the production process, thus managing to design operations in a more beneficial way, the buying company to the extent that market dependence decreases.

KEY WORDS: Institutions; Contract; Neo-institutionalism; Vertical integration; Specificity of the Assets.

INTRODUCTION

This article is the product of an epistemological reflection based on a bibliographic study whose objective is to describe the scope of the theories of Neo institutionalism and the ideas of the main authors of this current, with the purpose of understanding the current economy, its alterations and global processes such as

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globalization, the evolution of consumer societies, the emergence of new forms of power, among others from the influence of institutions. For the above, it is good to add that this article aims to be an approach to the literary review of Neo institutionalism through the prominent authors, which will be named to the extent that their main idea is exposed. The main objective of the literary review carried out is to explain the main postulates of Neo institutionalism and its contributions to the study of transactions between different actors and firms in a market.

The Neo institutionalism has several authors that allow to know from the roots, that the art of establishing prices and strategies in a market is not only due to the rationality of the people and to the calculations made to develop the transaction; other factors are also involved, which will be discussed later in the article, and which are, by all accounts, part of the daily routine of current businesses. The article is divided into sections in a way that encourages the understanding of the foundations of Neo institutionalism, to arrive at explanations about its practices. The first section is an entry in the basic concepts that differentiate the old Institutionalism from the New Institutionalism; Focusing more on the writing on the contributions of the New Institutionalism to be the axis of the review. A second section deals with the most important factors of this current, such as information and its symmetry, the costs of obtaining it, the psychology and emotions of market agents, institutions as a basic unit of the current, rationality and the irrationality of the decisions of the human being in the market, the contract as a unit of preservation of the rights to private property to the provision of services, clearly agreeing limits and safeguards, the allocation of resources and transaction costs, governance and the importance of is in the process of addressing resources. A third section has been designed to understand how agents use governance to face the daily life of market actions based on alliances with other agents to reduce the retention power or pressure of other agents that affect their transaction costs. This section deals with the specific assets that are closely related to the need to integrate the industrial and / or commercial operations of a company, either horizontally or vertically. The last paragraph collects the conclusions based on the researcher's findings and the body of concepts and theories included in the review.

Methodology

The article is developed through a rigorous literary review based on the contributions of researchers who have written about this economic trend. We turn to databases of peer-reviewed scientific articles and journals such as Redalyc, Scopus, Scielo, Google academic and references to books on the subject.

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DEVELOPMENT

The difference between the old institutionalism and the new institutionalism

The economy through different branches tries to explain the economic, political and social phenomena that affect the development of businesses or firms, either positively or failing, negatively for the interests of growth of these and the sector. In the case of this research, Neo institutionalism has been approached as an option to understand, through the comparative and political economy, the phenomena of this science that moves around the costs originated in the development of transactions, institutions, contract, the integration of signatures, the rationality of man and other variables that influence the development of the environment or its stagnation.

The old institutionalism with Common (1950), believes that the institutional history is configured as a process of selection between institutional practices on how to make decisions that can bring better benefits to the organization through negotiations, conflict management; besides allowing to adapt to the set of norms that regulate them. For this author, collective actions are important in understanding how issues and problems relevant to the well-being of people and the distribution of profits in a world that establishes property rights, which change over time, are addressed.

De la Garza, (2005) explains that Neo institutionalism emerges as current in the decade of the 30s of the twentieth century strengthening its discussions and contributions in the 90s in terms of economic action and the rational actor that has brought it closer to sociology and other disciplines. Rivas (2003) states that Neo institutionalism reflects a Trans disciplinary approach in which an approach or vision of economic events is created through sciences such as sociology, economics, history and political science. Rivas adds that this current has as a relevant point of analysis the context due to the influence it exerts in the social, economic, cultural and political on the behavior of the agents and the individual as such; that is, for this author Neo institutionalism gives a relevant role to the individual and other actors that interact in the process of the transaction as the state, or sociopolitical processes and socialization, participation and other related.

Commons (1931) refers to the emergence of Neo institutionalism from the analysis of the correlation that exists between economy, jurisprudence and business ethics. Commons takes as a guide the thought of Hume which proposes ethics as a series of rules of behavior that arise from the conflict of interests, which in turn is born of scarcity and is subject to scrutiny or moral opinion of the public, rules of behavior

that they are also treated by the economy subjecting them to economic sanctions that are collective and that originate from the disobedience that is made of the rules, rules from which jurisprudence is nurtured and treated subjecting them to the organized sanctions of violence; According to this author, Neo-institutionalism must deal with the efficiency and relative merits of these three types of sanctions.

Neo Institutionalism refers to:

The institutions that define the behavior of the actors in relation to their social environment. The neo economic institutionalism analyzes the failures of the mechanisms of the State and its inefficiencies. The neo-institutional economy demonstrates the deficiencies and incapacities of the state as a mechanism of governance and coordination that guarantees agreements and commitments on property. The neo-economic institutionalism inextricably relates the economy and politics and analyzes the failures of the mechanisms of the State and its inefficiencies (Vargas J., 2008, p.11).

Business development for neo-institutionalism is based on the design of a framework of laws, whether formal or not, that allow establishing the scope, rights, duties of the parties; In addition to taking into account factors such as the number of suppliers in the market, the proximity to this, the use of incorrect practices to be made to the best profits; all guided under the observance of the best management of resources and the optimization of transaction costs in the company.

Some authors such as Coase expose the importance of transaction costs in Neo institutionalism and ways to reduce it:

Commercial transactions - unlike the neoclassical perspective - involve a cost, and that companies can seek to minimize these costs through two routes (later others will be added): markets or the hierarchies of the company that, by authority, orders transactions within the company. That is, through the administrative command of the company exchanges are also made and it is possible to economize on transaction costs (in De la Garza E., 2005, p.169).

In other words, the Neo institutionalism according to De la Garza proposes the rationalization of the costs of a company through the elections in the market or the configuration of the operations through the hierarchies within the company letting you see that through the administrative command.

In this order of ideas, Neo institutionalism relies on the use of customs, laws, norms and modes of negotiation in a society, whether formal or not, as they enter into the negotiation process, favoring all participants equally, or one to the detriment of others. According to the Neo institutionalism the moment of developing a transaction

between organizations, customs, beliefs and informality in itself of the environment, play a relevant role, which is complemented or not by formality; by rules, standards and all the guidelines established by written means.

Institutions are for Hodgson (2006) a set of social systems that allow the coexistence of individuals through rules that delimit their actions, shaping the behaviors and capacities of individuals.

Albán (2008) states that at times an attempt has been made to explain the influence of institutions on the behavior, dynamics and structure of today's societies; similarly, an attempt has been made to find an answer to the differences between the levels of wealth and economic performance of nations, for example, as can be explained gives the difference in the per capita income of one nation and another.

Acemoglu et al., try to find the answer to the causes that originate the differences between the economic development of the current countries since its history; these authors state that "the colonizers' mortality affected the settlements, the settlements affected the first institutions, and the first institutions persisted and were the basis of the current institutions" (in Albán A., 2008, p.236). The inference that Alban (2008) makes of these authors is that the mortality rate was the determinant for the settlement and its type, giving rise to institutions from which current institutions have been derived, and these have influenced the wealth and the economic performance.

Going back to Hodgson (2006) can be read in his appreciation the importance of the systematic set of rules and regulations to ensure that individuals have limits on their actions, their behavior in society. For the period suffered by our ancestors in the process of colonization, it could have positively affected the design and respect of some institutions (rules and norms) for the coexistence and respect of life and their way of life; this under the imperative that mechanisms were also designed to monitor compliance.

Kalmanovitz (2003) explains that Neo-institutionalism is about the rules of the game that moderate the behavior of agents in a society, and are important to explain their economic performance, it also incorporates information costs and restrictions on property rights in its analysis.

North (1991) classifies institutions in formal and informal, being of the first type the rules in the political, economic sphere; they help to know the way in which a merchant or an ordinary person should behave in a certain situation, stipulating rules to follow. North adds that informal institutions are a form of codes of conduct or norms for behavior and social conventions shaped by people's attitudes. For North, individuals

take information from their environment through perceptions about reality, thus adapting to the institutions that shape people's coexistence and way of relating.

North (1991) emphasizes that one of the differences between formal and informal institutions is that the former are given in written form, while the informal ones are transmitted orally, and in that way they are replicated. Institutions such as contracts, for example, give certainty to transactions between people or organizations, allowing a better commercial exchange by protecting the interests of the individuals that intervene in some role of the transaction.

According to De la Garza (2005) Neo institutionalism proposes governance through hierarchies of command of the company, which set rights and obligations that allow the exchange to the extent that conflicts arising from it are resolved. Hodgson (2011) explains that institutions serve to allow the development of coexistence among subjects, while distinguishing between conventions and rules, both are part of the set of institutions. This author assures that institutions are systems of rules that are established and extended so that they can structure social interactions; it should be understood that institutions limit the time allowed for the behavior of the subjects.

Arias and Caballero (2003) talk about the institutions as rules of the game by which the behavior of subjects is governed, providing the structure of the incentives that end up affecting the transaction costs. For them, these rules reduce opportunism in relationships and improve confidence in the agreement, making viable the long-term relationships between the parties through contracts; for the authors, this can be termed as an efficient institutional structure.

Governments should try as much as possible to avoid deliberate interventionism in economies, designing a clear framework that allows the actors in it to develop commercial exchanges under the guarantee that your investments are protected. Ayala (1999) explains that the lack of laws and a regulatory framework means that risks and mistrust increase among merchants, making it difficult to exchange and increasing their costs, in the sense that agents, in addition to negotiating, must ensure that the agreement is made, comply, which implies own expenses in legal matters and other security to safeguard their interests and enforce the agreement.

Arias and Caballero (2003) also add to the debate that the Neo institutional approach emphasizes in the institutional and organizational structure a determining factor for the development of operations determining its political result (without imposing it as a mecca deterministic that allows to predict). The authors add that insofar as the institutions are poorly designed, opportunistic behaviors are observed

exploiting informative advantages among others, in addition that the value of the commitments among the agents will be perceived as low and the policies will be of poor quality, which may reduce the development of a country and its possibilities for sustained growth. His analysis can be appreciated in figure (1).

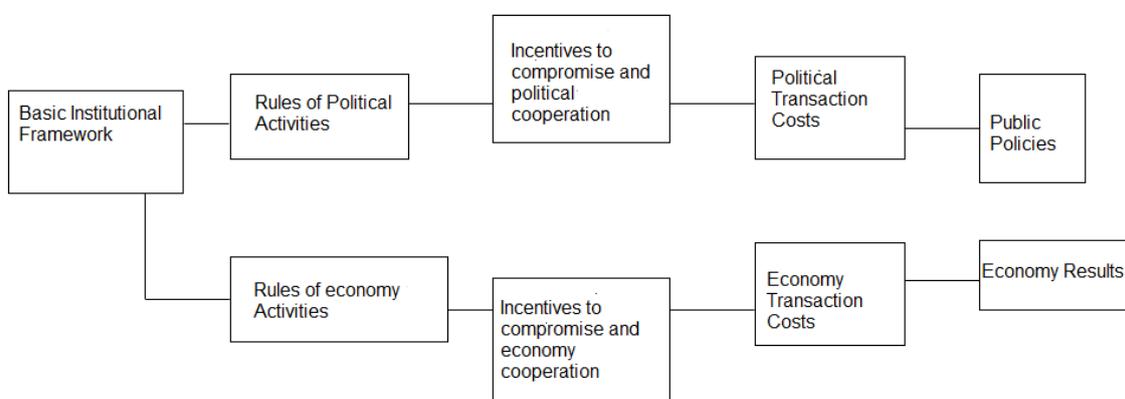


Figure 1. Political Analyses of of Transaction Costs: logic sequence **Análisis político de Costos de transacción: logic sequence**
Source: Arias y Caballero (2003)

In short, Neo institutionalism must currently deal with the comparative analysis of economic, political and social situations and realities between organizations and nations, taking the individual as one of its relevant elements of analysis without forgetting its interaction with others, or what is equal sum of all individuals in society.

The society, in which the individual develops in the company of others under mechanisms of supervision and arbitration of differences, is in turn full of interests of political, economic and social conflicts that are generated in an environment where the opportunism of the actors can be seen as a factor of power or deterrence.

Opportunism can be given to the extent that an actor has a valuable resource (tangible or intangible asset) or privileged symmetric information about another actor in terms of the reality of the environment and how to organize the production process. This is how this agent or actor will have an unquestionable advantage to reduce the risk and costs of their transactions, which will make it more competitive than the actor that lacks that resource or information. The relationships between the agents are analyzed by the Neo institutionalism starting from the base of the protection of the private property and of the respect for the agreed agreements, generating in the company and other actors the need to safeguard the transactions with base in contracts, for example, or other mechanisms that allow you to establish a hierarchy of obligations and responsibilities in the negotiation process.

Beyond the debate whether or not it is valid for the individual to be taken as one of the main axes, one must look at their interaction with others and not forget that this individual responds in his upbringing and surroundings to an ontology very typical of that place, an ontology that allows you to adapt or at least know the customs, beliefs, values, practices and in general the set of rules and norms that govern it in society and the sanctions to which it is exposed in the case of not obeying them.

The environment through its ontology will end up training individuals with social standards that will lead them to make business decisions perceived as moral or not, by the rest of the individuals that make up their society. Undoubtedly, factors such as information, contract, respect for private property and the power of influence of institutions (formal or informal) will determine the economic, political and social performance of a nation or organization and how it is carried out. The transactions economizing on their costs to the extent that arbitration mechanisms are designed to resolve conflicts and differences between the parties.

The relevant factors in the neo institutionalism

Information is a key factor for Neo-institutionalism according to North and Ayala. For North (1991) the lack of this causes costs, as well as costs arise to obtain it, however, it is needed to reduce the uncertainty of the negotiation. The company will treasure the information and must compare it repeatedly with the market to be sure that the information is symmetric. Ayala (1999) assures that institutions are important in society because individuals share information, and the lack of it feeds the fears, panics and uncertainty that can lead to inaccurate decisions being made. Information is a tangible good for which individuals are willing to pay (Ayala, 1999). Individuals are beings that make decisions depending on the degree of information they have, insofar as this is sufficient, the decision will be better adjusted to its objective; however, according to Furutbon and Richter (2005) the risk and bias cannot be eliminated in the way in which the information was collected, limiting its scope.

According to Ayala (1999), it is necessary to advance in the analysis of the neoclassical model starting from productive collections as a product of efficient economic choices and also maximizing in a market of perfect competition.

Through these elections, resources are directed in the area of production, consumption, human and social capital; In turn, technology, knowledge and human and social capital are obtained. For decision-making, complete information is required, which reduces the level of risk in the decision and reduces the cost of information gathered from the market, to the extent that access to the source and valuable and

useful information is achieved for the signature (figure 2).

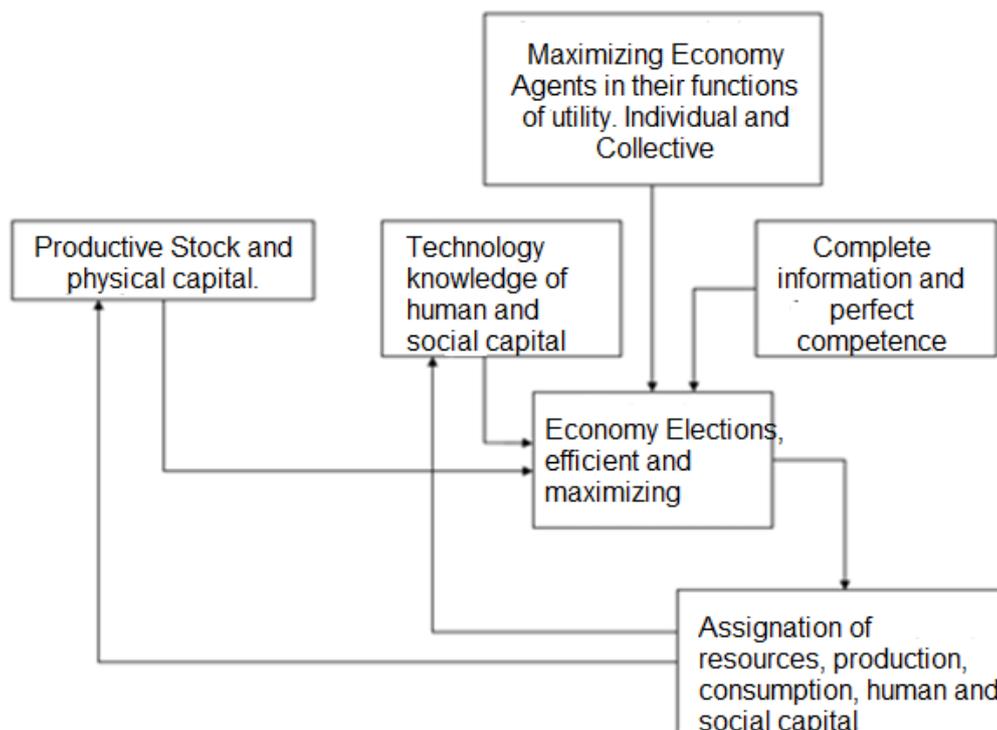


Figure 2: Illustration of the exchange in the neoclassical model
Source: Ayala, 1999

To give an example, Evans and Wurster (1997) assure that the information costs are so high in the USA. in the health sector, which takes a third of the total costs of this sector to capture, secure and process information on patient records, notes made by doctors, clinical results and insurance claims. Without this information, the transactions that depend on the documentation system would collapse in time and cost overruns, since the activities would be slowed down by not having access to the files in each of the processes, even worse, the lives of the patients would be at risk if the Management system of this information comes to fail and there is no clarity about the medication, the causes of a disease and many other circumstances specific to medicine. According to these authors, the information is in a stage of changes that also precipitate changes in the structure of sectors of the economy, together with the fact of sharing technology with other actors through technological means.

The Neo institutionalism also takes into account the way people think, their correct or incorrect behavior in their way of doing business, develop transactions, or resort to the market to get the best suppliers, to ensure the best quality for their products or services, anyway; it takes into account the psychology and emotions of the people who are the ones who ultimately make the decisions, not always under

established calculations, or in cases, leaving the planned budgets. Veblen (2004) assures that in the Institutional economy the main economic subject stops being the individual to become the institutions, which should be understood as norms of behavior not adjusted perhaps to a rational or justifiable choice, but if it will adjust to forces that they influence as are beliefs and patterns of habitual behavior. For Veblen, the institutions can be of different types (religious, cultural, social) that, although they do not affect in themselves the nature of the institution, if it affects in the styles of habitual action of the people; since in the group (Institution) "what is said is said; think what you think; you saw what you wear; consumes what is consumed "(Veblen, 2004, p.13).

This is how it can be said that economic decision making in man, are programmed in his mind by several factors that do not always obey the rationality of calculations. It can be assured then that the stereotypes designed by the consumer society lead people to copy behaviors and habits, beliefs and customs that condition their transactions and the way they do them.

Stop referring to Veblen, adds that on the contrary to what is estimated, this author does focus on man as a fundamental axis of the understanding Neo institutional of the economy. Stop exposes the following:

Veblen tries to present an evolutionary vision of human society and institutional change based on its main actor: the human being and his instinct for effective work, his struggle between and against other instincts, and not only analyzing the secondary effects of this process in the consumption, the organization of production or the specificity of a political regime (Parada, 2011, p.30).

Kalmanovitz (2003) indicates that in the Neo institutionalism their researchers from their psychological postulates see in the individual a rational being that counts on perfect information and I could choose thus, between ranges of options that can value with exactitude.

Despite the relevant role of the individual in the analysis of Neo institutionalism, there are authors such as Cataño (2003) who conceives of individualism and its rationality as part of the process, since what the individual decides happens to the economy, however it cannot be seen as an element on which the analysis must turn, since it considers that although the individual is the one who makes the decisions, it is also true that the plurality of the individuals that make up the market and the way in which the particular interests are coordinated cannot be eliminate , what for Cataño, Adam Smith denominates invisible hand of the market.

An author that is taken as fundamental of this current is Coase. To Coase the

economic analysis through the psychology and sciences that allow studying the human behavior out of the numbers, it is relevant to understand patterns, preferences and that the man looks for, that pursues in his daily life and his way of making transactions. Coase (1994a) explains that the role of man is fundamental in this current since he sees it as a set of preferences in his way of acting and relating to others.

Coase is the one who exposes another of the basic factors of Neo institutionalism, in this case, the contract. For this author the contract should be seen as a unit of economic analysis that mediates between transactions and companies involved this author assures that the contract allows to foresee situations and to shield the transactions, assuring the right of the private property, and limiting the behavior of the parts when imposing some limits to the actors. Coase talks about the importance of the duration of the contract conditioned by the dependence on the supplier, always dealing with the main aspects of the agreement in it. Coase defines the definition of a company as "a system of relationships that arises when the direction of resources depends on an entrepreneur" (Coase, 1994b, p.36).

The allocation of resources is based on the company, to be efficient and achieve the objectives assigned by the owners of the company. For Coase, companies have external expenses in their operations, even though they are within their legal framework, thereby affecting their competitiveness. However, not to make those expenses and not incur the costs would mean for the company its termination since it could not operate; some of these, according to Coase are additional costs immersed in the operation.

The above indicates that a strong point of the theory of Neo institutionalism are the transaction costs, those in which the companies base their operations and without these they are not right. In these costs the greater item is given in some cases of bloodshed in the companies due to administrative ignorance, or sometimes, motivated by the disgrace and the opportunism of those who administer them.

Among several authors that touch on the Transaction Costs are found Furutbon and Richter who estimate that the choices of individuals and the allocation of resources are affected by these. Furutbon and Richter (2005) believe that agents owe their *raison d'être* by maximizing profits for the principals and minimizing Transaction Costs, analyzing the company and the actors around it and the way in which they are organized in processes.

They analyze the way industrial production, operations and modifications are organized industrially looking for economies through transaction costs. Furutbon and

Richter (2005) concentrate on a microeconomic study taking as a unit of analysis the company and its actors such as owners, workers, managers. For Furutbon and Richter Transaction Costs appear from the creation, organization of processes and maintenance of a company, to those incurred in the operation and modification of these.

The authors in their analysis talk about private property, and how this can prevent the expropriation of goods, which is achieved competitiveness in the economy with respect for the rights acquired from the owners and the peace of mind that provides the investment it is protected in a legal framework that the parties respect and the government enforces. Figure 3 explains the important aspects of Neo institutionalism according to Furutbon and Ritcher (2005).

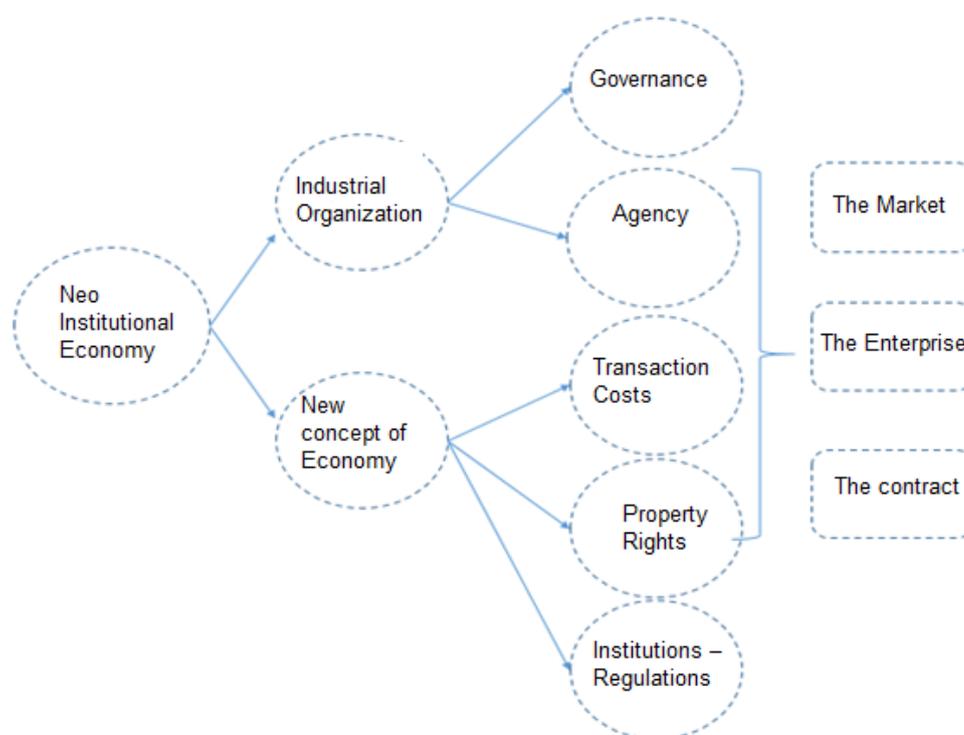


Figure 3. Relevant Aspects of Neo institutionalism according to Furutbon and Richter
Source: Own Elaboration

Some authors affirm that "in the New Institutionalism, institutions (companies, markets, property rights) are a logical derivation of the theory of transaction costs. Institutions evolve as a result of the search for efficiency "(Parada, 2003, p.98). Parada (2003) shows that the efficient management of resources will generate growth in the company and the evolution of its processes. And it is that transactions which first

appear, later they give life to organized forms of production and grouping of work efforts; Subsequently, companies appear, with them, a specific place to exchange (market), and the rules that must regulate the game of exchange and protect the interests involved (property rights).

Bejarano (1999) says that the transaction costs have to do with the knowledge of those with whom it will be hired, it is incurred at the moment of informing the parties with whom it will be hired, besides the costs of managing the negotiations and to demand compliance with what was agreed and written in the contract. Williamson (2009) makes a division of the ex-ante and ex post transaction costs; adding that the former refers to the costs of drafting, negotiation and how an agreement is safeguarded through a complex contract where the scope of the parties is stipulated; and the ex post costs that assume various forms such as, for example, the costs of adaptation when the negotiations go out of plan, costs of bargaining between the parties and those to correct the alignment of the contract, the costs of the administration structure and the costs incurred by the organization to ensure commitments.

The persons in charge of the accommodation of the processes and of the restructuring, modification and arrangements of these are in charge in addition to directing the organization. These people are known as the agency or those in charge of the management of resources and ensure the safeguarding of them. For Torres, García and Quintero (2007) this function is known as governance and is the way to solve problems of the organization in its day to day in what refers to the production and exchange of goods and services.

The Integration of Agents as a Strategy for Competitiveness

The people involved in governance can solve the problems by addressing three different types of governance: the market, the vertical integration of various economic agents into a hierarchical structure that becomes a group or company under the domain of a principal and the establishment of relationships with other agents to cooperate in the so-called strategic alliances.

According to Roe, M. (2008) the institutions of a corporate government should be established to ensure the direction of the company facing the market, allowing information and good climate in the board of directors, symmetric distribution of information, regulating the conformation of the shareholders, designing mechanisms of compensation for executives, establishing norms and limiting the interactions in the organizational structure.

Agents must then make decisions about how they will run the organization,

whether they buy raw materials in the immediate market or resort to other ways of acquiring what is necessary for production. Vertical integration appears for Neo institutionalism as an effective way to eradicate risks or at least reduce them, while allowing contacts to be established in other instances with which other markets and suppliers can be accessed.

Another of the benefits of Vertical Integration is the possession of the key elements generating the production and utility of the purchased firm, since the company A at the time of acquiring company B becomes the owner of its tangible and intangible assets to the it also allows you to reduce your risk and costs, increase inventory availability to the extent you require it, and organize your production event internally without having to depend on the market, or at least reducing dependence on this .

For Joskow (2005) thanks to Vertical Integration, it is possible to reduce costs in contracting while the company takes control of the intangible assets of another company that can be vital for production and organization; such is the case of know-how. Joskow proposes from understanding the impact of information and opportunism in the organization, to propose new ways of organizing work to face market changes.

Vertical integration reduces the risk of commercial operations and transactions, shielding the company to the extent that it is done with the way things are done from their suppliers, reducing the opportunism that is found among the companies.

Market players to the extent that the information of the company increases; with this, the agency can anticipate the movements and the evolution of the market.

Depending on the complexity of the market, the company can opt for a Vertical Integration or a relationship with its suppliers and long-term distributors. According to Joskow (2005) with these measures, the company achieves mechanisms to control prices. For Joskow, another reason to opt for a Vertical Integration is the fact that the company depends on a supplier of goods or services with a high degree of complexity in their processes, since it will be difficult to have a great offer of this in the market, for this dependency will be high in terms of costs, price, availability of inventories.

Joskow (2005) affirms that Vertical Integration is a sure way to take control of the processes prior to the company, reduce costs, increase the availability of options, generate economies of scale, improve the amount of information, access experience or the way things are done, and govern the actions of fundamental suppliers for the organization, reducing uncertainty and opportunism. Nowadays, the economy has evolved moving towards the service sector, thanks in part to the promotion of

integrated information and communication technologies that allow a rapid and fluid exchange of information (Cardona, Balza and Henríquez, 2017, a).

Very in harmony with Joskow, Rosen (1996) assures that the specific human capital of an organization can be an indispensable requirement for another insofar as it manages to decrease the transaction costs through its possession and administration, managing the cost of the workers, the adaptation of the processes and work teams to how the company requires it, in addition to allowing a more efficient monitoring and a better stimulation. In this order of ideas, it is invested among other costs in those generated by the workers' association, the conformation of the work teams, monitor and stimulate the work team. For Rosen there is an internal labor market in all organizations, in which problems must be solved in terms of incentives, selection of workers, allocation of salaries according to the skills; the agent should know that the skills mark the wages of what each worker will charge.

For the Neo institutionalism one of the key points of the process of Vertical Integration with the suppliers, is that the company configures a new relationship with its suppliers of supply and raw materials, achieving control of the flow of these, while improving delivery times , service, quality among other factors. According to Rosen (1996), the specificity of the asset can be given based on the complexity of the process and the level at which knowledge is involved, the standardization of the process in several suppliers, the place or site in which it is installed.

Rosen (1996) promotes the systems of bonds or incentives to the agency to avoid corruption and opportunism; he also argues that, the larger the chain of command, the more distortion will be seen in the flow of information.

Authors such as Klein (1996) explain the power of coercion that suppliers have over their customers, which ends up sometimes strengthening the opportunistic supplier to the detriment of the buyer who purchases the input. For this situation, Klein states that a good form of administration should be based on long-term contracts in which the retention power of suppliers is reduced (influences based on opportunistic behavior); this in the case that the company cannot integrate vertically with its suppliers. The long-term contracts ensure the return of what is invested, clarifying the particularities of the negotiation; this avoids increases in prices resulting from opportunism.

On the subject of long-term contracts Joskow (2005) ensures that for a vertical integration to occur, or opt for the figure of long-term contracts, one must have a very strong pressure from the supplier, or failing that, depend to a high degree on what he

calls the specificity of the asset. For Joskow, the specificity of assets appears at the moment that depends on the close proximity to a geographical site (specificity of the site); when there are investments in equipment and machinery with specific design that do not have much value for the development of another activity (specificity of physical assets); when it is necessary to invest in human capital to acquire the know-how of the processes (specificity of human assets); finally, when the inventories of merchandise to sell to a customer are very high and it depends a lot on the relationship with this client (specificity of the dedicated assets).

According to Joskow (2005) the specific assets restrict the company in relation to its production and the operations themselves, so they also condition the generation of income for the company.

Parada (2011) assures that the New Institutionalism is the school that introduces the relevance that they have the assets for the development of a company in the manner of the specificity of the assets; which in short terms is about making know-how and very specific assets of a commercial activity, which are not easy to achieve if the market is resorted to, or they can be very specific assets of the site or the workforce offered in the environment, for example roads and the knowledge and labor skills of the labor force.

In the New Institutionalism the specificity of assets, the power of coercion, the strengthening of the groups over the individuals in negotiations or the pressure are key. of the groups explained through the Parada approach (2011). This author highlights the power of institutions in the behavior of man.

CONCLUSIONS

Neo institutionalism as a branch of the economy which allows the analysis of economic situations within organizations looking at the relationships that the organization establishes with others through a legal framework or a framework based on the informal such as customs, habits, beliefs and paradigms very typical of the ontology of the environment where the company and its subjects are developed.

Unlike other economic currents, it assumes that human psychology plays a relevant role in the decisions that are made within organizations, and that, depending on the information obtained; these decisions will allow the company to be effectively and efficiently in time to make transactions.

Neo institutionalism always looks at the way in which the course of business must be protected through mechanisms such as the contract or Vertical Integration, with the

purpose of eliminating or diminishing the opportunism of the actors and other agents with whom the company carries out its activities. Transactions.

Within the basic units of analysis for neo-institutionalism, is the subject, the agent, the contract, the transaction costs. All these variables focus on the way in which the company is managed and its rights are preserved, diminishing the risks inherent to the market, or shielding the operations of the company. Private property is an important part of this analysis, which is why we must resort to safeguards in contracts, specifying in the best possible way, all the points by which the actions of the parties must be limited. In Neo institutionalism, the agent makes use of Governance to establish effective management modes that reduce transaction costs, adapt the company to market changes and reduce uncertainty. The relationship with the owners of the company (the main ones) becomes a patron-employee relationship, where the agent is the one who, with his actions, and depending on the information he has, has the shares in the company. The principals then resort to supervisory modes, incentives and other coercion mechanisms to protect their interests, avoiding episodes of corruption on the part of the agency (managers). Based on the quantity and quality of the information on suppliers, distributors and intermediaries, the agency will organize the production mode of the company, seeking the efficiency of its supply chain and efficiencies in the fast and agile exchange of raw materials and information on the processes among the different actors (Cardona, Balza and Henríquez, 2017, b).

Neo institutionalism in summary observes the affectation of transaction costs of non-rational elements and factors that intervene in consumer psychology, to adapt them in their economic analysis to the way agents are managed through factors that allow them to minimize risks and uncertainty.

REFERENCES

Please refer to articles in Spanish Bibliography.

BIBLIOGRAPHICAL ABSTRACT

Please refer to articles Spanish Biographical abstract.