Evaluation of the Products Supplied by an Economic Interest Group: Big, Small and Medium Business Approach

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Taking part in the activity of an economic interest group and creating collective products, business enterprises suffer material and non-material costs. Therefore there arises the wish to use collective products without any effort to create them, i.e. to apply “parasitic” strategy. The product supply strategy is worked out according to Paret’s effectiveness condition when big, medium and small enterprises take part in the activity of an economic interest group.

The article presents the results of the analysis of an economic interest group based on the research by foreign economist in the aspect of the benefit and costs in participating in a collective activity and distributing economy subject according to economic capacity into big, medium and small business enterprises.

The article distinguishes the main factors conditioning the stimulation and hindrance of the activity of an economic interest group. In order to better define the effectiveness of the activity of an economic interest group, the factors reducing the effectiveness of group activity are classified into interior and exterior destructive factors.

Keywords: economic interest groups, benefit differentiation, cost differentiation, interior destructive factors, exterior destructive factors

Introduction

Topicality of the problem. Every individual in the society strives to realize his/her interest. These interests can be social, economic, political, religious, etc. An organizational structure – enterprise – unites various individual interests. The classification of enterprises into profit-seeking and non-profit organizations manifests different individual interest groups. Profit-seeking business enterprises give priority to economic individual interests. A business enterprise is influenced by external environment which in its turn is effected by the business enterprise itself.

The enterprise is mostly influenced by legal surrounding. An economic subject can influence this business environment rather slightly, however, the merge into an interest group increases its powers in making strategic decisions and realizing them. Economic interest groups are considered as an intermediate chain between policy and economy. Due to it the benefit of a business enterprise is increased.

The recent forty years have seen the influence produced by interest groups on the country’s economic environment, it has been in the focus of attention.

In 1960 the theoretical researches in the field of union formation were started (Olson, 1965; Buchanan, Tullock, 1962), and they conditioned the creation of rent seeking theory in the 8th decade (Colander, 1984; Moe, 1980). Rent seeking theory embraces the analysis of interest representation effectiveness and resource distribution. The research conducted in the 9th decade included the analysis of the influence of interest groups on national growth and decline. (Olson, 1982; Elster, 1989; Holmstorm, Tirole, 1989; Morris, Su, 1999). Later research dealt with the influence of economic interest groups on the country’s regional development, environmental policy and the economic expansion of developing countries (Pletcher, 2000; Sopoci, 2001; Rakner, 2001; Gordan, 2001; Horowitz, Marsh, 2002).

Problem. Voluntary membership in an economic interest group is based on the ratio of cost and the profit obtained. Given the assumption that an economic subject acts rationally, the participation in a collective activity will take place only when costs become lower than the benefit obtained. It should be noted that the valuation of the ratio of benefit and costs obtained by economy subjects taking part in the activity of interest groups is a different, complex and individual process which depends on the economic and financial capacity of economy subjects.

Research aim – to evaluate the product presented by economic interest group in the aspect of benefit and cost from the point of view of big, medium and small business.

Research tasks:
- to distinguish the main destructive interior and exterior factors in the activity of an economic interest group;
- to formulate the understanding of the use obtained and the costs undergone by an economy subject while participating in a collective activity;
- to present an empirical background for the use obtained and the costs suffered by the economy subject while taking part in a collective activity.

Research object – economic interest groups.

Research methods – comparative and structural analysis of scientific economic literature, qualitative and quantitative analysis, graphic modeling, logic analysis.

Factors Predetermining the Activity of Economic Interest Groups

The difference of enterprise interests with uneven economic capacity predetermines the appearance of interior destructive factors inside the groups (Figure 1). In order to reduce the influence of interior destructive factors, it is
expedient to analyse economic interest groups according to the economic capacity of enterprises participating in their activity. On the other hand, subjects with bigger or less economic capacity taking part in the common collective activity help each other. Big business enterprises support the membership of small and medium business enterprises and assign more productive resources for the collective activity. In their turn, small and medium business enterprises participating in the activity of economic interest groups grant a greater structural power to the group. Having a great number of their members, economic interest groups form a considerable political power in the elections through the electoral segment which determines the election of preferable subjects making economic decisions.

The activity of economic interest groups settles the interrelationship of interior and exterior destructive factors and group concentrating factors.

The following main interior destructive factors might be singled out:

- the difference of economic interests (Offe, Wiesenthal, 1979; Schmitter, Streeck, 1981). Economic enterprises differ in their scale, production, production processes (mass production, piece production), market capacity, production consumers (wholesalers, retailers, industrial enterprises), dislocation in the market (domestic market, foreign market), the rate of production growth, profitability, financial resources, interior organizational structure, organizational culture, the code of interior enterprise ethics, etc. The interests of such specific economic subjects are often very different.
- the difference of the resource amount possessed by economic subjects. (Crouch, 1982; van Waarden, 1991). Large enterprises – members assign more resources to the collective activity (financial assets, information, competent consulting) than small enterprises – members. This conditions interrelationship disagreements because of the amount of member tax and other target contributions. Big enterprises possess the information of hired consultants which characterizes the present and future situation in the market. Therefore they are more independent than small enterprises. A selective stimulation product is not so much important for them. The latter product is created by using the information supplied by experts, and expert hiring is closely connected with the increase of the input. The erosion of the relationship of group members is to some extent conditions by the difference of the amount of financial and intellectual resources.

The following main exterior destructive factors might be singled out:

- strategy innovations of economic subjects (Bierach, 1997; Alemann, 1996; Beck, Giddens, Lash, 1996; Hohenthal, 1996). These authors present economic subjects’ innovations as the striving for rapid return of investment applying the strategy of short-term maximization and unwillingness to take part in the activity of an economic interest group because it is empirically difficult to prove the influence of economic interest groups on the legislative process as well as on economic policy formation. Even the application of a short-term strategy becomes a destructive factor.
- consciousness changes in society with respect to a collective activity (Hondrich, 1997; Kuhnhardt, 1994; Meier, 1996; Putnam, 1995). These authors single out evident individual and pluralistic processes in society as the ones which condition the decrease of the scale of economic interest group formation.
- Economic globalization process (Eichener, Voelzkow, 1994; Bach, 1994; Isensee, 1995). These authors view globalization as a factor which makes the role of a national government much more difficult and this, in its turn, impedes the activity of economic interest groups which have influence on the national government while implementing its objectives. This preconditions the reduction of the number of economic interest groups.

- Technological structural changes in economy (Gromling, Lieblau, Weber, 1998; Mangold, 1998). According to these authors, technological structural changes in industry determine the growth of the service sector and the variety of the economic subjects performing in that sector. This conditions the increase of interest difference making interest group creation much more difficult.

The main stimulating factor in the activity of economic interest group is the difference between the benefit of a collective activity and the expenditure due to the participation in a collective activity. The economic subject evaluating the benefit obtained from using a collective product more than the expenses dealing with the input of a collective activity is to take part in the actions of an economic interest group. The performance of an economic interest group is also stipulated by an interdependent support in supplying collective and selective products.

**Figure 2.** Differential valuation of the product benefit supplied by an economic interest group

**Differential Evaluation of the Benefit and Input of the Products Supplied by an Economic Interest Group**

The benefit obtained by an economic subject while participating in the collective activity of an interest group in a collective activity is difficult to define. The advantage received could be defined and classified according to certain criteria, however, it is difficult to express it in terms of quantity units (e.g., it is rather difficult to present in monetary units some addition to a certain law influenced by an economic interest group and to evaluate its advantage and disadvantage for an enterprise).

Subjects’ economic capacity has influence on benefit apprehension while distributing enterprises into big, small and medium business agents (Offe, Wiesenthal, 1979).

The supply of a collective product makes up the biggest part of the activity of an economic interest group. Economic subjects with a higher economic capacity value the benefit obtained from using collective products much more than the subjects with less economic power. (Figure 2, Level 1, Level 2). Presenting much higher evaluation of benefit, the subjects of bigger economic power want to take part in the activity of the economic interest group and agree to assign more productive resources for the creation of a collective product. This conditions the increase of the resources of an economic interest group as well as the growth of a collective product supply.

**Figure 3.** Valuation criteria of the products supplied by economic interest group
The subjects of a higher economic capacity perceive the selective stimulation product of an economic interest group as representation, public status, change, and the like. (Schmitter, Streek, 1581). The subjects of less economic power value much higher the benefit obtained from using the necessary selective stimulation products (Figure 2, Level 3). They perceive the product of a selective stimulation as a supply of a specialized information about market conditions, the acquisition of services with discount which does not deal with the activity of an economic interest group, and other services supplied by the association (Figure 3, van Waarden, 1991).

**EXPENSES OF COLLECTIVE ACTIVITY**

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<td>Use of the financial resources of a small and medium enterprise</td>
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Figure 4. Differential valuation of the expenses of products supplied by an economic interest group

The expenses of the economic subject participating in a collective activity are singled out into: monetary input (member tax, other target inputs) and non-monetary expenses (knowledge and information of enterprise experts, alternative expenses of the time lost).

Participating in the collective activity, absolute expenses for the subjects of a greater economic power often are higher than those for the subjects of lower economic capacity. On the other hand, the subjects of a bigger economic power because of a vast collective production scale in an economic interest group distribute much easier the expenses for one production unit than the subjects of lower economic power do.

The classification of economic subjects according to their economic power brings to light different evaluation of their expenses. Big business enterprises tend to value non-monetary input, while small and medium business enterprises estimate monetary input (Figure 4, valuation levels 1, 2, 3, 4).

**Empirical Research of Differential Evaluation of Product Benefit and Input Supplied by an Economic Interest Group**

Seeking to generalize the evaluation of the products supplied by an economic interest group from the point of view of big, small and medium business, the author has presented the main two hypotheses based on the analysis of different foreign authors’ works: 1. The benefit of the subjects participating in the activity of an economic interest group and using the products of a collective activity is understood in close dependence on the power of economic subjects. 2. Input value of economic interest group subjects in creating a collective product is different and depends on subjects’ economic power.

These important hypotheses have been verified in several ways: having constructed a primary questionnaire, the author carried out an intelligent research using a personal interview; having taken into account experts’ remarks and after having corrected the questionnaires they have been given for the experts’ evaluation using an auto questioning way. The experts’ evaluation results have been supplemented by factual data of Lithuanian Statistics Department.

Due to the comparison problems conditioned by Lithuanian industry branches, homogeneous regional associations integrating different industry branches according to a territorial principle have been selected. All territorially functioning associations in Lithuania have been chosen as a general sample (N = 8), and a linear sample has been formed (i.e. all research units have been included into the sample, n = N = 8). The leaders of all associations organized according to a territorial principle have been interviewed.

Because of conditionally not a numerous number of enterprise leaders, the sample chosen is also linear, consisting of all under research enterprise leaders (n = N = 193). 55 questionnaires have been received from the enterprise leaders, 28.5% answered forms.

Before giving questionnaires to the respondents, questions have been tested by a direct interview with enterprise leaders and association representatives. The intelligent research has been followed by corrected questions and scales.

The data collected allowed to design two different primary data matrices. The first data matrix has been devised from the answers of regional association leaders’ responses. The second has been designed out of different enterprise leaders’ answers. In order to compare the difference of understanding the benefit supplied by associations between enterprise and association representatives, there has been devised the third data matrix uniting the
first two matrices into one. The data is analyzed by Statistical Package for Social Sciences.

Questionnaires present questions related to the expert evaluation, and a conventional assessment measurement ten-point scale is used (Bailey, 1987). Factual data has been received from Lithuanian Statistics Department.

The research has shown that the benefit of economic subjects taking part in economic interest group activity is perceived differently and depends on the subjects’ economic power. It could be stated (95%) that the collective and selective benefit evaluation is viewed differently by big and small / medium enterprises, while the evaluation of social benefit does not statistically differ. Big enterprises value benefit obtained from a collective product more than small and medium enterprises: correlation coefficient Pirson \( r = 0.607 \), Cendal \( \tau c = 0.668 \), Spirman \( \rho = 0.686 \), link is positive, strong and statistically important (\( p < 0.05 \)). Experts’ evaluation average benefit point is 5.8 for big enterprise benefit obtained using collective products. In the case of small and medium enterprises, experts’ evaluation average benefit point is equal to 4. Small and medium enterprises value the benefit obtained from selective stimulation products more than big enterprises; correlation coefficient \( \tau c = -0.271, \rho = -0.278 \), the link is negative, weak but statistically important (\( p < 0.05 \)). The benefit of small and medium enterprises obtained from selective stimulation products is 4.5 points according to experts’ average usefulness evaluation.

Creating a collective product the input value of economic interest group is perceived differently and depends on economic subject power. It could be stated (95%) that the representatives of big enterprises tend to value non-monetary input dependence to the association as more important than small and medium enterprise representatives; coefficient \( \tau c = 0.61, \rho = 0.60 \), strong statistically important relationship (\( p < 0.05 \)). In the case of small and medium enterprises, experts’ average non-monetary input evaluation point is 4.2. The evaluation of monetary input is slightly related to the legal status of the company, Cendal \( \tau c = -0.20 \), Spirman \( r = -0.20 \) (\( p > 0.05 \)), however, it is statistically insignificant. In spite of the insignificant correlation, the leaders of small and medium enterprises tend to value monetary input as more important than big enterprise leaders. In the case of small and medium enterprises, experts’ average monetary input evaluation point is 4.9, while that of big enterprises is 4.1.

### Conclusions

1. The main factor increasing the effectiveness of the interest realization of the enterprises participating in the activity of an economic interest group is inter-support of big and small as well as medium enterprises supplying collective and selective stimulation products.
2. Big and small as well as medium enterprise differences and productive resources amount are considered to be the destructive factors of the activity of an economic interest group.
3. During the research there have been distinguished the main exterior destructive factors which let forecast the activity forms of these groups in a global aspect in future.
4. Economic subjects participating in the collective activity of an economic interest group are classified according to their economic power. The subjects of uneven economic capacity value differently the benefit obtained from a collective activity; the input related to a collective activity is perceived differently as well.
5. On the basis of an empirical research, it has been stated that the subjects of a higher economic capacity value much more the benefit obtained from using a collective product, the subjects of a lower power tend to value the benefit got from using the products of a selective stimulation.
6. The subjects of a higher economic power emphasize non-monetary input dealing with a collective activity, while the subjects of a lower economic capacity are for monetary inputs.
7. The classification of subjects according to their economic power enables to present a more precise valuation of activity effectiveness of an economic interest group participation in a collective activity.

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Ekonominės interesų grupės teikiamų produktų vertinimas
 staminaus, smulkuos ir vidutinio verslo požiūriu

Santrauka

Verslo įmonės, dalyvaujamos ekonominės interesų grupės veiklo-
je bei kurios kompleksinių produktų, patiria materialų bei nema-
teriašų kaštų, todėl atsiranda nors vartoti kompleksinio produktus
neprisidedant prie jų sukūrimo, tai yra laikytis „veltėjimavimo“
strategijos. Darbe suformuota kompleksino produktų teikimo strate-
gija pagal Pareto efektyvumo sąlygą, kai ekonominės interesų grupės
veikloje dalyvauja staminaus, smulkus ir vidutinio įmonės.

Šiame straipsnyje, remiantis užsienio ekonomistų moksline
arba, pateikiamais ekonominės interesų grupės veiklos analizės
rezultatais dalyvaujant kompleksinių veiklų gaunamos naudos
atstovaujančioms ir patiriantai įmonių kaštų, skirstant iškeltų
įmonių veiklos inicijavimo ir vidutinio įmonės.

Darbe skiriama pagrindiniai veiksniai, skatintys ekonominės
interesų grupės veiksmų ar jų stabdantys. Siekiant tiksliai apibūdinti
ekonominės interesų grupės veiklos ekspresijos jų mažintis
veiksniai skirstomi į vidinius ir išorinius destrukcinius veiksnius.

Visuomenėje kiekvienas individus siekia įgyvendinti savo in-
teresus. Šie interesai gali būti labai įvairūs: socialiniai, ekonominiai,
polityčiai, religiniai ir pan. Paviaus perduodami grupes organizacijų
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ekonominių subjektų tarpusavio rėmimas teikiant kolektyvinius ir selektyvaus skatintimo produktus.


Didžiai ekonominės interesų grupės veiklos dalį sudaro kolektyvinio produktu teikimas. Didesnio ekonominio pajėgumo ekonominiai subjektai, labiau nei mažesnio ekonominio pajėgumo subjektai, dažniau būna akcentuojami ir įvairiomis verslo arba finansines (nepinigines) srautomis. Labiau vertinami naudų, didesnio ekonominio pajėgumo subjektai nėrės dalyvauti ekonominės interesų grupės veikloje ir sūtikis skirti daugiau turinio gamybiniių išteklių kolektyviam produktui kurti. Dėl to didėja finansiniai, žmogiškieji ir kitų ekonominių interesų grupės išteklių, o kartu ir teikiamos kolektyvinis produktas.

Didesnio ekonominio pajėgumo subjektai ekonominės interesų grupės selektyvus skatintumo produktų suvokia kaip reprezentaciją, visuomeninį statusą, patikimumą ar pan. Mažesnio ekonominio pajėgumo subjektai labiau vertina naudų, gaunamą vartojant ekonominės interesų grupės teikiamus selektyvaus skatintumo produktus. Selektivaus skatintumo produktų jie suvokia kaip specializuotos informacijos apie rinkos sąlygas teikimą, įvairių su ekonominės interesų grupės veiklą nesusijusių paslaugų įsigijimą su nuolaida, kitas asociacijos teikiamas paslaugas.

Kolektyvinėje veikloje dalyvaujančio ekonominio subjekto sąnaudos skirstomos į pinigines (nario mokestis, kiti tiksliniai įnašai) ir nepinigines (įmonės ekspertų žinios ir informacija, alternatyvinės prarasto laiko sąnaudos).

Absoliučios sąnaudos, dalyvaujančio ekonominės interesų grupės kolektyvinėje veikloje didesnio ekonominio pajėgumo subjektams, dažnai būna didesnės nei dalyvaujančio mažesnio ekonominio pajėgumo subjektams. Kita vertus, didesnio ekonominio pajėgumo subjektai dėl didelės gamybos apimties su kolektyvine veiklą ekonominės interesų grupėje susijusias sąnaudas lengviau paskirsto vienam produkcijos vienetui nei mažesnio ekonominio pajėgumo subjektai.

Ekonominius subjektus skirstant pagal jų ekonominių pajėgumą, išryškėja skirtingas jų sąnaudų vertinimas. Stambios verslo įmonės labiau linkusios vertinti nepinigines sąnaudas, o smulkaus ir vidutinio verslo įmonės – pinigines sąnaudas. Remiantis atlikto tyrimo duomenimis, darbe buvo suformuluotos tokios išvados:

1. Pagrindinis veiksnys, didinančias ekonominės interesų grupės veikloje dalyvaujančių įmonių interesų realizavimo efektyvumą yra stambaus ir smulkaus bei vidutinio dydžio įmonių tarpusavio rėmimas teikiant kolektyvinius ir selektyvaus skatinti produktus.

2. Prie pagrindinių ekonominės interesų grupės veiklą ardančių veiksniių skirtingai, su kolektyvine veikloje dalyvaujančių įmonių ekonominės interesų skirstomumai bei turimų gamybiniių išteklių dydžio skirtingumai.

3. Išskirti pagrindiniai ekonominės interesų grupės veiklą ardančioje veikloje skirtingi išoriniai veiksmai leidžia prognozuoti šių grupių veiklos formas globaliniu aspektu atitiktį.

4. Ekonominių interesų grupių kolektyvinėje veikloje dalyvaujančių ekonominius subjektus klasifikuojami pagal jų ekonominių pajėgumą. Nevienduo ekonominio pajėgumo subjektai dalyvaujančio kolektyvinėje veikloje gaunamą naudą vertina skirtingai, su kolektyvine veikla susijusios sąnaudos suvokia ir pasiūkos per didesnių įmonių pajėgumą.

5. Remiantis empirinio tyrimo duomenimis, nustatyta, kad didesnio ekonominio pajėgumo subjektų labiau vertina naudą, gaunamą vartojant kolektyvinį produktą, mažesnio ekonominio pajėgumo subjektai – naudą, gaunamą vartojant selektyvaus skatintumo produktus.


7. Pateikta subjektų klasifikacija pagal ekonominių pajėgumą įgalina tiksliau įvertinti ekonominės interesų grupės veiklos efektyvumą kolektyvinėje veikloje dalyvaujančio ekonominio subjekto požiūriu.

Raktažodžiai: ekonominės interesų grupės, naudos diferenciacija, kaštų diferenciacija, vidiniai ardomieji veiksmai, išoriniai ardomieji veiksmai

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