A Short Note on the Organizational Economics

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Abstract. This paper aims to review the organizational economics in detailed and also the future challenges of organizational economics comes as well.

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1. Introduction

The theory of organizational economics is a new paradigm that enters the field of administrative theory (Barney & Ouchi, 1986). But like any new paradigm, organizational economics has several questions for established management theories. As Donaldson (1990), Organizational economics up to the paradox that the administrative relevance is achieved through the criticism of the behavior of managers.

Organizational economics and organizational capabilities or resources are based on two streams of research contributing to the strategic organization (Argyres, Felin, Foss and Senger, 2009). Donaldson (1990) notes the need to determine the nature and potential of organizational economics in order to identify key issues and somehow pointing a path for resolution.

2. Organization and Economics

2.1. Organizational Economics

The theory of organizational economics studies the nature of the obstacles to coordination of activities in and between firms.

Economics examines organizational tasks of coordination and motivation of human activities in organizations to contribute to the design of forms and arrangements efficient organizational structures.

The organizational economics theory takes into account the costs and benefits of institutional, organizational and contractual. Also Organizational economics identifies organizational alternatives with their costs and benefits. And organizational economics emphasizes organizational efficiency with implications for the organization of transactions. Because organizational economics plays an insignificant role in the evolution of knowledge management, little emphasis is placed on the costs of activities.

2.2. Criticism of organizational economics theories

The criticisms of organizational economics are many and some of them very strong considering the impact it has had organizational economics in the general theory of organizations. It criticizes the Organizational economics literature that is not supported and acknowledge the important contributions of traditional management theories.

Perrow (1986:2359 criticism of agency theory and organizational economics generally as dangerous and insidious compared to the critique of other theoretical models of organization. The negative reaction of Perrow's theory is based agency that considered to be more inclined to favor the main by the agent and
therefore is more critical than other economic organizational theories, organizational position may be considered more of political sentiment in this debate.

The discussion of Donaldson (1990) on organizational economics is a systematic critique of the difference from other traditions and calls for further research to understand the wide range of organizational phenomena that can be analyzed. Donaldson (1990) argues that differences in assumptions and scientific methods organizational economics separate from other approaches in organizational research and differences in the assumptions and methods are of conflicts, once settled theoretical integration is possible. Donaldson (1990) criticizes the attributes of the organizational model of the economy that hinder the intellectual discourse and theoretical integration with traditional management theory. Donaldson (1990) cites four attributes differences between the models of organizational economics and traditional management theory and discourse prevent the integration of the two models. These differences in the attributes are different assumptions about human nature and the assumption of opportunism, different levels of analysis used, the theories of motivation used in the different models and the prescriptive and descriptive of the economy and other organizational different models.

2.3. Future Challenges of Organizational Economy

Future research on organizational economics must develop and articulate the theories and hypothesis that complement derive new hypotheses and theories existing traditional organizational and administrative approaches to generate new theoretical - methodological and empirical approaches can enhance the scope of organizational theory. Organizational economics can make important contributions to management theory only if it enhances their development in variables such as motivation.

The methodological individualist approach motivation and the systems approach for the coordination of team efforts, require research in the processes of integration and synthesis.

Barney (1990) suggests that in their understanding of the limitations and potential is encouraged by the analysis of Donaldson (1990) and hoped that the limitations and potential of traditional management theories are encouraged by a careful study of organizational economics.

2.4. Organizational Economy and Organizational Capability

The organizational capabilities approach emphasizes the theory of organizational diversity and differences of sustainable performance.

The organizational capabilities approach has not investigated the organizational forms and governance arrangements relating to the creation of differences in organizational capabilities. Capacity building implies organizational governance issues through the design of structures, forms and organizational arrangements to improve decision-making processes.

Organizational capacity building and resource acquisition are essentially decisions about organizational boundaries using approaches of transaction costs and property rights.

Human capital is an important component of organizational capabilities.

Jones, George and Kosnik (1989) developed a growth model of the firm that combines elements of organizational economics to the concept of bias and heuristics drawn from research in cognitive psychology (Tversky & Kahneman, 1974). The resulting model suggests that firms can grow and be bigger than traditional organizational economics course with simple self-interest. Additional work that integrates organizational economics approaches of organizational behavior, social psychology, anthropology and related disciplines will be very successful (Barney, 1990).

3. Conclusion

The organizational economic theory was developed to give greater significance to the role of management in marketing organizations. The organizational economics theories focus on the neglected category of the economy as traditional theory of government, which complicates the relationship between academics and administrators. It is difficult to determine a priori the potential contributions of the organizational economic theory, but only until this research paradigm has more findings.
Organizational economics focuses on the compatibility of incentives to investment issues for the production and sharing of knowledge, but neglected the costs of incentives and benefits of the practices of knowledge management. According to Foss and Mahnke (2003), organizational economics suggests three options to provide incentives to employees to investment in firm-specific knowledge, such as high-powered incentives, promotion rules and give access to critical resources.

Organizational economics addresses deal with these situations of conflict of interest that are central to the practice of knowledge management. Economic theories that focus on organizational conflict of interest and that are positive by nature live in what is known as credible transactions.

4. References


