A study of three organizational paradigms which make important contributions to contemporary management

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Organizational economics makes important contributions to management theory. The focus of structural contingency theory is on the phenomena of the economy that is significant on organizational management theory and other new paradigms of organizational theories. However, the theory of organizational economics has hardly taken the multiple disciplines of organizational behavior, strategy and theory, but is aligned with the management theories of psychology, sociology and policy dealing with human motivation, induction and enforcement as distinct from the theories of structures, strategies and planning to deal with designs that are appropriate for a computer on which the will of member compliance is not problematic (Donaldson, 1990). This paper aims to review the organizational economics in detail to include its definitions, implications, characteristics and elements of organizational economics, as well as prescriptive and descriptive organizational economics.

Key words: Organizational business, organizational skills, organizational economics.

INTRODUCTION

Organizational economics is currently one of the most important researches of the general theory of organizations (Ulrich and Barney, 1984), including institutional theory (Meyer and Rowan, 1977), the theory of resource dependence (Pfeffer and Salancik, 1978; Thompson, 1967) and the model of population ecology (Hannan and Freeman, 1977). The theory of organizational economics is a new paradigm that enters the field of administrative theory (Barney and Ouchi, 1986), but like any new paradigm, organizational economics has several questions for established management theories. As Donaldson (1990) observed, administrative relevance is achieved through the criticism of the behavior of managers in organizational economics.

Organizational economics and organizational capabilities or resources are based on two streams of research contributing to strategic organization (Argyres et al., 2009). Donaldson (1990) notes the need to determine the nature and potential of organizational economics in order to identify key issues and somehow point a path for resolution. First, this paper will discuss some aspects and definitions and also implications of one of the most important paradigms of management science, that is, organizational economy and then, characteristic and elements of organizational economics, the methodological individualist perspective and other positive and negative approaches regarding organizational economy will come in detail. Afterward, the prescriptive and descriptive organizational economics, dynamic capability and opposition, complementarity and integration would then follow.

DEFINITIONS AND IMPLICATIONS OF ORGANIZATIONAL ECONOMICS

Organizational economics is defined as the area of knowledge that connects organizational capabilities with transaction costs, agency theory, property rights, and the information economy. The theory of organizational economics is the internal activities of organizations and business firms to analyze the factors that shape organizational structures and relationships in and among
business firms. The organizational economics theory makes important contributions to the theory of organizational structures, vertical disintegration and corporate governance. The theory of organizational economics studies the nature of the obstacles to coordination of activities in and between firms. Economics examines the organizational tasks of coordinating and motivating human activities in organizations to contribute to the design of forms and arrangements that are efficient in organizational structures.

The organizational economics theory takes into account the institutional, organizational and contractual costs and benefits. Also, organizational economics identifies organizational alternatives with their costs and benefits and emphasizes organizational efficiency with implications for the organization of transactions. For the fact that organizational economics plays an insignificant role in the evolution of knowledge management, little emphasis is placed on the costs of activities. Phenomena such as firm-specific learning, work teams, communities of practice, knowledge integration, etc., are derived from organizational economics.

ORGANIZATIONAL DEVELOPMENT OF THE ECONOMY

The roots of the theoretical-methodological discipline have its beginnings in the economy, although about the agency theory, there were some discussions on these issues before it came into political science (Mitnick, 1975). The organizational economics theory begins with the work of Coase (1937) and Williamson (1975) on the theory of the firm. Since the early seventies of last century, organizational economics has recognized that social relationships and learning processes do not happen in the political vacuum that otherwise occur in a range of interests and different positions and power relations (Easterby-Smith et al., 2000). However, this has been recently applied to the analysis of the organizations' internal situations.

The theory of organizational economics studies the allocation of incentives and the influence of property rights on investment decisions and actions of individual agents. Also, it studies the problems of coordination and motivation, incentive to the internal division of work and willingness to functionality for performance measurement, redundant effort, etc. To resolve these problems, the proposed organizational economy arrangements require different forms of governance, such as the allocation and delegation of authority, decision-making processes, compensation systems, etc.

CHARACTERISTIC AND ELEMENTS OF ORGANIZATIONAL ECONOMICS

The economic roots of organizational economics have led to the characterization of organizational economics under the following elements.

Individualistic level method

For the fact that all organizational phenomena are explained as a result of agents with individual choice behavior, so the levels of analysis between the theories of economic organization and traditional administration are different. The organizational economy adopts the methodological individualism reductionist (Broadbeck, 1968), while the theory of general administration focuses on an aggregate level of systems and organizations, considering the social facts of Durkheim’s (1938) study where goals, objectives and realities are beyond the individual attributes within systems and organizations (Buckley, 1967). However, the reductionist nature of organizational economics does not necessarily mean that they are inappropriate for tests done at the firm level. The reductionist nature of organizational economics can not be disputed, as all economic models are based on the organizational processes of human decision-makers and infer broader organizational phenomena (Barney, 1990), such as structure and strategy decisions and actions of individual managers. Nonetheless, reductionist models can coexist with non-reductionist models as an attribute of organizational economics does not prevent speech. The fact that organizational economics adopts a reductionist approach does not mean it can not be applied in the analysis of organizational phenomena. Although organizational economics adopts a reductionist approach, this does not mean or imply that firm-level analyses are not appropriate.

Organizational economics doctrine is held in the social sciences known as methodological individualism, which states that social and economic phenomena should be analyzed as emerging conscious actions of individuals. Organizational economics, which is based on the model of homo economicus rational focused on pursuing their own interests and in maximizing their personal benefits, were calculated in terms of wealth, status, etc. An important aspect of the relationship between organizational economics and management theory is the economic nature of individual motivation that is designed on the assumption of a rational economic man. The economic approach to the nature of human motivation emphasizes the relationships between economic theory and the theory of organizational management, that is, based on the assumption that individuals pursue their own interests and maximize their profits or personal income.

The methodological individualist perspective

This emphasizes the question that is neglected in knowledge management, which only operates at the
firm level and has a starting point that is strictly individualistic. Foss and Mahnke (2003) emphasize that the individualistic methodological point of view focuses more on the individual level rather than at the firm level. The economy emphasizes on organizational issues that are neglected in the literature of knowledge management which operates at the firm level and does not have an individual point of view explicitly. Negative considerations of the moral character of economic agents, managers, etc who are considered to have an inherent propensity to be opportunistic when maximizing their self-interest, behaves in a way that is morally hazardous. The new language economist of the organizational economic theory tends to consider this evaluative tone on the administrator as an individual who is prone to evasion of responsibilities and commitments, to be opportunistic and maximize their self-interest, act to achieve insidious malice objectives, and to behave in ways that are morally hazardous (Williamson, 1985). This evaluation feature presents some problems for management theory to the extent that the economy is seen to be excessively organizational and cynical, which corrodes the relationship between academics and practitioners. The economy generates a theoretical organizational methodology scenario based on the principle that managers act opportunistically and has come to believe that administrative actions are anti-social and anti-organizational (Barney and Ouchi, 1986). Any other administrative behavior falls outside this theory (Williamson, 1975). This assumption of opportunism need not prevent the integration of organizational economics and traditional management theory.

The economy lacks organizational descriptions in the terminology of economic analysis and it is difficult to identify organizational and administrative behaviors that are less harmful and more benign in nature. Moreover, organizational economics does not describe the administrative behaviors that are motivated to be more benign, and it is very difficult to identify the administrative behaviors that are harmful. For some theoretical contributions that are repellent and cynical, it corrodes and corrupts the collaboration between researchers, academics and practitioners of management science. The economy has serious organizational problems of theoretical and methodological relationships with management theory to achieve integration. In the literature on organizational economics, the administrative model is double-edged, just as in the theories of agency, managers are considered as economic actors and agents with their interests opposed to individual principals or owners of firms. In theory, transaction costs consider the administrative team in the organization that acts as a secondary computer administration. The organizational economy presents some challenges for management theory with regard to their integration, realism, simplicity, validity and evaluative tone (Donaldson, 1990). Assuming that managers act in ways specified by organizational economics, the task of management theory is to accurately record these behaviors even if they are outside the truth.

**Normative or positivist theoretical approach**

The organizational economics theory is developed within the management theory and focuses on developing a positive and normative theory. The foundations of the literature on organizational economics theory are positivistic and they offer a deep appreciation of existing organizational arrangements. Positivist theories focus on an organizational economic management that is more focused on the original organizational economy that avoids criticism of administrators. The potential for positive organizational economics has been discussed in the matrix organizational structures and the vertical disintegration of insurance companies for the reference of achieving credible commitments (Donaldson, 1990).

Scholars and analysts of the administration discipline try to criticize the administration's actions from the perspective of organizational economics and delineate the behavior of managers as opportunistic, self-interested and evasive of responsibilities and obligations (Kesner and Dalton, 1989).

**The prescriptive and descriptive organizational economics**

Donaldson (1990) argues that organizational economics would be more easily integrated with traditional management theory if its practitioners will focus on identifying the property description of the governance of institutions rather than on prescription. This shift in emphasis is necessary because the organizational requirements of the economy are essentially and necessarily anti-administrational, suggesting that managers engage in opportunistic anti-social behaviors. Prescriptive pronouncements made in the organizational economics assume that administrative actions can be changed in ways that serve the best interest of the firm. However, the likelihood of the offense for the prescriptive organizational economic analysis especially those who adopt the view of administrative expediency contingent do not seem to outweigh the analysis of traditional management approaches prescriptively. From a broad perspective, the question of whether organizational economics must also be prescriptive or descriptive, in the center of important concepts such as balances, is seen in some models such as Barney (1990). If the economy has important implications for organizational prescription and if the prescription is only relevant for social systems in organizational imbalance, then economists should study the social systems of balance which does not necessarily imply that social economists must leave all the concepts
and models balance. Nevertheless, it is suggested that the understanding of resources and sources of imbalance in social systems is an important organizational component of the economy.

The phenomena of imbalance are more important in economic organization than many of the traditional economic theories. The observation that prescriptive organizational economics studies the phenomena of imbalance has important implications for the argument of Donaldson (1990) that organizational economics and traditional management theory cannot be integrated. The traditional management models are relevant in models of prescriptive organizational economics. The attempt made by the prescriptive organizational economics and the traditional management theory provides additional points of integration. Efficiency, as a theoretical concern, shows that allocation of resources could contribute to the maximum possible value. This concept of efficiency, derived from the implications of organizational economics, for creating and maximizing the value depends on the forms of organization and economic governance. The rationality of the actors favors the election of organizational forms, structures of governance and contracts to maximize value.

Organizational economics refers to the agency theory (Eisenhardt, 1989; Jensen and Meck-ling, 1976) and the theory of transaction costs (Williamson, 1985) that are only a part of everything. The two main components of organizational economic theory, which are agency theory and the theory of transaction costs (Barney and Ouchi, 1986), consider managers as economic actors. The economic theory is aligned with organizational management theories of psychology, sociology and policy dealing with human motivation, induction and compliance with the theories of the structure, strategy and organizational planning (Donaldson, 1990). Therefore, the model of organizational economic management has, peculiarly, a double meaning because they have ambivalence between economic theory and administrative theory and a challenge to management theory that quickly absorb organizational economics (Donaldson, 1990).

The agency theory looks at systems of payments (Holmström, 1979), delegation of decision rights (Aghion and Tirole, 1997), multitasking (Holmström and Milgrom, 1991), cases of asymmetric information, moral hazard and administrative commitments (Baker et al., 1999). In agency theory, organizational economics and organizational systems can be analyzed in terms of their constituent individual actors’ rational economic manpower. Transaction cost economics (Williamson 1985, 1996), relates to arrangements for variables influence of motivation, knowledge, information, etc., in creating and maximizing value. However, the motivational assumptions of organizational economics are still in critical discussion because they are considered from the organizational behavior. As such, the analysis of organizational economics is driven by cynical assumptions of human nature. In the prisoner's dilemma model of transaction, costs do not imply complex mechanisms of governance specified by the economy, but rather imply organizational axioms in their original forms and basic scenarios under a more credible theory than those of an extended theory. The original focus of the transaction costs of organizational economics tends to focus on the perversity of distrust and a narrow economic calculus that put into question the arguments and reasoning extended on the basis of the economy so that organizational and body theory may have convergencia to traditional theories of management. Property rights and contract design are allocated to the firm in specific human capital investments when contracts are incomplete and agents act opportunistically (Hart, 1995).

**Motivation theory**

The organizational economic theory offers a simple count of human motivation as opposed to the progress that has been in the organizational behavior field. Organizational economics adopts a set of assumptions about what motivates human behavior. Bounded rationality and opportunism are two attributes of human decision-making central to the analysis of organizational economics. This approach to human motivation in organizations is considered close to a wide range of existing motivational theories in the study of organizational behavior, and it represents a challenge for the research synthesis of the motivational and administrative theory approaches in organizational economics and in the behavior of organizations. Donaldson (1990) notes that organizational economics theory emphasizes a very simplified motivation by reducing the chances that the model is integrated into the traditional theory of administration because it requires the generation of ideas, approaches and more sophisticated models. He criticized the organizational economy by adopting a narrow view of human motivation and behavior neglecting and ignoring important scientific contributions of the models of organizational behavior approach. For this reason, the economy is charged with the individual having taken an organizational simplistic model of motivation, although there have been some attempts to develop a more sophisticated model of motivation, which in some way reflects that the model of motivation focused simply on self interest rather than robustly adopted.

The account that makes the theory of organizational economics to be closely related to the pre-existing theory of motivation, in organizational behavior, is that of Donaldson (1990) which presents a challenge to management theory from the theory of traditional organizational behavior and from new approaches to organizational economic theory. Organizational
economics has adopted the assumption that managers always behave opportunistically, assuming that it simplifies the motivational structure of decision makers. Despite the assumption that managers are prone to behavior, opportunist is not a required course for organizational economics (Barney, 1990). This limitation of the economy does not reduce the organizational possibilities of theoretical integration with traditional management theories, but on the contrary it increased the integration of these possibilities. The simplified model of human motivation requires ideas and approaches of the more advanced models and sophisticated reasoning, even though there have been few attempts to integrate these sophisticated models more in organizational economics. The simplistic motivational theories that made emphasis on the economy organizational integration rather than preventing it provided important opportunities for such integration. The themes of the narrowness of motivational models in organizational economics and their offensive prejudice against the system-level analysis and the traditional management theory are discussed by Donaldson (1990b).

The theory of equipment is the optimal design of organizational structures under conditions of bounded rationality of individuals and absence of conflicts of interest (Casson, 1994). The organizational economics perspective, about the conflicts that may arise from these situations, suggests that the successful creation of the teams’ efforts depend on the size of the team, negotiations between the individual and team incentives, rules of exclusion and the candidates of various degrees of uncertainty in design incentives (Foss and Mahnke, 2003). The organizational economics urges managers to encourage individual contributions to team performance.

Confidence

The organizational theory of economy has room for a study and research of the relations of trust. Theories focused on the study of trust rather than being classified in the field of organizational economics, and this is considered within the broad range of conventional theories of organizational sociology. Knowledge management organizational economics provides the elements for the practice of knowledge management. The analysis of organizational economics is essential in sustaining disciplinary knowledge management and processes of creation and integration of knowledge. Organizational economics research advances knowledge management with refutable propositions relevant to the practice. Approaches to organizational economics have applications to the creation of knowledge integration. Organizational economics (Coase, 1937; Demsetz, 1988; Jensen and Meckling, 1992; Williamson, 1985) studied the organizations’ knowledge, which characterized firms as institutions of knowledge (Conner and Prahalad, 1996).

The organizational economics perspective on the creation of knowledge shows that incentives for knowledge creation teams prevail in practice firms, as Foss and Mahnke (2003) suggest that teams rebut proposition using combinations of individual incentives and exclusion rules that are more effective in creating the knowledge that teams rely on in controlling the clan. They also argue that teams irrefutably propose organizational knowledge creation, using combinations of individual incentives, team incentives and rules of exclusion that are more effective in creating the knowledge that they rely on in controlling the clan. It is believed that the theory of organizational economics is the approach that offers little to the learning processes in organizations (Madhok, 1996) and does not necessarily conceptualize firms as knowledge-based entities. The study must recognize that the perspective of organizational economics has much to offer to the knowledge generated in the signatures; so understanding the creation of this knowledge is not trivial. The organizational economics perspective suggests that learning-based team, is a costly mechanism of knowledge creation that need not to be limited to the provision of incentives. Therefore, organizational economics suggests that firms should invest in a common knowledge and engage in substantive knowledge sharing in the presence of high interrelatedness of firms performing tasks under conditions of low uncertainty.

Foss and Mahnke (2003) argue that organizational economics theories, such as the theory of transaction costs, agency theory, team theory and the theory of property rights have significant contributions on the development of knowledge management and can extend the theory and practice of knowledge management. The perspective of organizational economics suggests that learning-based computers are costly mechanisms for knowledge creation and the provision of incentives requires the solution of other problems. The organizational economics approaches take into account that the creation of knowledge in teams leads to substantial cost benefits.

Corporate governance

Organizational economics, in terms of agency theory, is the corporate governance that rivals the stewardship theory (stewardship) research of organizational behavior and tends to be ignored. With regard to a potential positive approach, organizational economics research contributes to organizational structures and corporate governance structures (Williamson, 1985). Also, it has the potential to develop into other directions relating to different aspects of organizational structures. Organizational economics may be sufficiently flexible to act as a law covering the proposals on corporate governance opposite to those brought against him (Donaldson, 1990). Foss and Mahnke (2003) develop
Organizational capabilities approach emphasizes the theory of organizational diversity and differences of sustainable performance and 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 et al. (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 and Kahneman, 1974). The resulting model suggests that firms can grow bigger than the 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).

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Opposition, complementarity and integration

Scholars argue that organizational economics and organizational capabilities are different and opposite, while others argue that although each has different theories, they are complementary to organizational strategy. The complementarities of the organizational elements such as payment plans, delegation of duties and monitoring methods (Milgrom and Roberts, 1990, 1995) lend support to the notion of stable governance structures (Thompson, 1967; Williamson, 1996) combined with the predicted organizational elements as evidenced by empirical research (Shelanski and Klein, 1995; Prendergast, 1999). Finally, others argue that both approaches are integrated into a theoretical methodology significantly. The processes of deep and systematic integration between these two important fields (organizational economics and organizational capabilities), contribute to make major approaches to organizational behavior, especially in regard to relations between the forms and arrangements of organizational and inter organizational processes and outcomes of organizational capacity building.

There have been so far some approaches that are integrated between transaction costs, agency theory, property rights, the information economy and building of organizational capabilities. The integration of economic approaches and organizational development of the organizational capabilities can contribute to the design of structures and forms of governance arrangements. Although there are differences in assumptions between organizational economics and traditional management theory, these differences are not the kind that prevents inter theoretical course and the integration between these models according to Barney (1990). The criticisms of organizational economics have been numerous and have been strongly argued. Barney (1990) distinguishes between two kinds of critiques of organizational economics. The ones seen, where criticisms are put forward through the emotional reactions and questions about the spirit that gives rise to these criticisms and conclude that since the rational bases are very weak, the organizational economics and organizational opposition should be based more on emotional reactions; and the ones not seen, having tolerated different levels of analysis in traditional management theory which do not represent the problems of theoretical discourse between organizational economics and traditional management theories. If the connections between specific models in organizational economics and traditional management theory are examined, the possibility of integration is very clear, because there are similar parallels.

The dynamics of long-term population model emphasizes the ecology of the population that is different from the model of the driving forces towards equilibrium systems in organizational economics. Also, the roles that they play (opportunities and uncertainties) in determining the performance of a firm are important in the ecological population and the prospects of organizational economics (Barney, 1986). However, Barney (1990) does not suggest that the traditional economy and traditional
management theory is the same because they have important differences in their assumptions and methods that do not necessarily prohibit the intellectual discourse and theoretical integration between the two models. Both Barney (1990) and Donaldson (1990b) consider organizational theory and organizational economics as two equal intellectuals and potentials that can have theoretical collaborations and which can be methodologically productive. However, Donaldson (1990b) admits that there are obstacles in mutual learning in the organizational economic approach. This takes human motivation and interpersonal relationships at the level of analysis and value judgments about the administration, but a discussion reconsiders that this issue can help break down any barrier between the emerging organizational theory and organizational economics. Donaldson (1990b) argues that the requirement that there must be an open dialogue for mutual learning and some form of synthesis between organizational economics and traditional management theory is not exceptional, but questioned if it is a real possibility. Donaldson (1990b) believes that Barney (1990) offers an apology more for the economy; however, organizational obstacles and difficulties remain.

CRITICISM OF ORGANIZATIONAL ECONOMICS THEORIES

The criticisms of organizational economics are many and some of them are very strong considering the impact it has had about organizational economics in the general theory of organizations. It criticizes the organizational economics literature that is not supported and acknowledges the important contributions of traditional management theories. Perrow (1986) criticism of agency theory and organizational economics is generally dangerous and insidious when compared to the critique of other theoretical models of organization. The negative reaction of Perrow's theory is based on the agency that is considered to be more inclined to favor the main agent. Therefore, for it to be 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 criticized systematically from other traditions and it calls for further research to understand the wide range of the organizational phenomena that can be analyzed. Donaldson (1990) argues that differences in assumptions and in the scientific methods of organizational economics, separate from other approaches in organizational research, are of conflicts once theoretical integration settlement is possible. Donaldson (1990) criticizes the attributes of the organizational model that hinder the intellectual discourse and theoretical integration with traditional management theory. He cites four attributes differences between the models of organizational economics and the traditional management theory and discourse that prevent the integration of the two models. These differences in the attributes are different assumptions about human nature, the assumption of opportunism, different levels of analysis used, the theories of motivation used in the different models and the prescriptive and descriptive organizational economics and other different organizational models. This debate that goes on between the descriptive and prescriptive organizational economics is at the heart of economic analysis with implications underpinning the organizational models. As such, organizational economics has been defined as mandatory.

This economy develops the prescriptive organizational issues that are relevant to the models of phenomena of imbalances which could serve as a basis for organizational integration of the economy with the traditional theory of management. For prescriptive organizational economics, rather than the traditional economy, the analyses of the phenomena of imbalance are fundamental to understanding why traditional administrative theory can not be integrated. Donaldson (1990) suggests that these differences are not sufficiently explainable for the response of traditional management theorists on organizational economics. Barney (1990) accepts the differences between the approaches of organizational economics and organizational research with other approaches in terms of methods and assumptions, but feels that these differences are not sufficient to guarantee the extreme response to organizational economics when put into evidence by some organizational scholars, who do not explain fully the number and depth of the criticism. So, additional barriers must be sought in the theoretical discourse and integration.

On the contrary, Barney (1990) says that the emphasis of organizational economics simplistic motivational theories can provide important opportunities to support the economic integration of organizational management with the traditional theory, as long as both share a prescriptive intent. For its part, Barney (1990) argues that the relationship between these two models has many attributes of conflict between groups, and also that the winner of this debate between advocates of organizational economics, management theories and traditional organizational theories are considered as a field of study in general. The possibilities of integrating organizational economics with traditional management theory are based on the connections between specific models. Barney (1990) raises the hypothesis that academic organizational response to organizational economics is economic imperialism or an import of reasoning, methods and economic values to other scientific disciplines and also suggests that this debate is a conflict between groups that can be studied by social psychologists. Donaldson (1990b) replicates the
criticisms of Barney (1990), noting that there are grounds when a synthesis between organizational economics and traditional management theory will be doubted. For Donaldson (1990b), the criticism of Barney (1990) ranks as the most emotional critique of organizational economics centered on the criticism of Perrow (1981, 1986) who reacts negatively to organizational theory and considers the agency theory against the officer which is consistent with his position. However, a stay that is more critical to organizational economics and organizational theories is not surprising. Barney (1990) proposed the intellectual separation of the emotional critique, but he would have been more comfortable knowing that the proponents of organizational economics considered all opposition to the organizational functioning of the economy as purely emotional, without any rational substance.

The strength of the reaction of Perrow's economy is partly organizational and explicable in terms of his long career in literature, which made him see beyond the organizational political economy. This may therefore, be the underlying basis of his political sentiment in more than one side of the debate on organizational economics. Donaldson (1990b) opines that the strengths of the criticisms of organizational economics are based on the apprehensions about the negative impact on management theory and argues that there are reasons to doubt that organizational economics lend themselves to synthesis in the traditional management theory. Also, he notes that its position is neither left nor right, but that it is concerned with what organizational economy is doing to the traditional management theory, the academic profession of management and, at least, the outlining of practicing managers. Considering that it should fight like a turf war would be a dirty war in which the organizational economics tends only to provide the basic reasons for individuals without really considering the arguments of value. The reaction of the economy in general by the theory of organizations may differ from the reactions of organizational economics understood as the agency theory and the theory of transaction costs. Moreover, what is at stake is the relationship between management theory and organizational economics defined as the agency theory and the theory of transaction costs.

CONCLUSION

The organizational economic theory was developed to give greater significance to the role of management in marketing organizations. Also, organizational economics theories focus on the neglected category of the economy as a traditional theory of government, which complicates the relationship between academics and administrators. However, it is difficult to determine a priori the potential contributions of the organizational economic theory, unless 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' investment in firm-specific knowledge, such as high-powered incentives, promotion rules and providing access to critical resources. Organizational economics deal with the conflict of interest situations that are central to the practice of knowledge management. However, economic theories that focus on organizational conflict of interest are positive by nature in what is known as credible transactions.

FUTURE CHALLENGES

Future research on organizational economics must develop and articulate the theories and hypotheses that complement the new hypotheses and theories to generate new theoretical, methodological and empirical approaches that 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, encouraged by the analysis of Donaldson (1990), it is hoped that the limitations and potential of traditional management theories are encouraged by a careful study of organizational economics.

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