Social Capital as Factor of Evolutionary Changes within the Economic Theory of Organization

*Aleksandar KEŠELJEVIČ**

Abstract

By employing the concept of social capital, the author argues that the best measure of theoretical development for any economic theory of organization is its contribution in the understanding of social capital. In this way, social capital is becoming one of the key factors of evolutionary changes within the economic theory of organization. The author further wishes to point out how the evolutionary progress in economic theory of organization brings about increasingly improved understanding of relations in the theoretical models. However, the concession required for this improvement is a lower degree of theoretical generalization and more intense heterogeneity of the economic theory itself. The less effort an economic theory of organization devotes to being theoretically impeccable, the more abundant are the increasing returns it yields through its findings with regard to the aspect of social capital.

Keywords: *economic theory of organization, social capital*

JEL Classifications: A14, Z13, L00

1. Introduction

Every research requires a certain organizational form, which makes the choice of organization quite sensible, since it involves several activities regarding the social capital. At the break of the millennium, the latter is becoming an important source of competitive advantage and its efficient management is of key importance for development of every company. In the paper, I wish to: 1. Show, how deep the understanding of social capital within the economic theory of organization really is; 2. Define social capital as the lowest common denominator in the economic theory of organization; 3. Argue that the more contemporary

* Aleksandar KEŠELJEVIČ, University of Ljubljana, Faculty of Economics, Kardeljeva ploščad 17, 1000 Ljubljana, Slovenia; e-mail: saso.keseljevic@ef.uni-lj.si

and modern the theory, the more advanced is its understanding of social capital; 4. Show, the problem of trade-off between the benefits (theoretical rigor) of economic theory of organization and the costs which appear in the form of failure to comprehend social capital within the theory.

2. Definition of Social Capital on Organizational Level

In sociology, the concept of social capital has constantly been present as a concept, stressing the importance of relations. What is new about the approach is the emphasis on the word "capital", which means the relations comprise a value component that can become a source of competitive advantage (Putnam, 1995; Collier, 1998; Portes, 2000; Adler, Kwon, 2002).

Social capital is unlike other types of capital (e.g. human capital), not embodied in respective individuals, but rather in relations between them; thus, it cannot be appropriated by any one individual. On the other hand human capital can be understood as a consequence of knowledge acquisition through investments in individuals. Since it cannot be separated from the individual human capital is undoubtedly one of the safest forms of capital (Schultz, 1960). Social capital is on the other hand embedded in relations between individuals and therefore cannot be transmitted by only one person (Adler, Kwon, 2002).

Social capital is a public good and therefore it involves externalities, i.e. social capital does not benefit solely those who generate it, but also brings utility to those that do not take part in the process of its creation (Coleman, 2000). The differences in defining social capital stem from various sources and levels of analysis. The scientific literature most commonly refers to networks (Bourdieu, 1986; Coleman, 2000), norms and values (North, 1988; Putnam, 1995) and trust (Fukuyama, 1995). The authors differ not only in the (in)significance that they ascribe to respective sources, but also in the level of analysis, as they focus mainly on relations within organizations (organizational level) and among them (inter-organizational level). The two levels are considerably interwoven. For instance, social capital on the level of an organization determines the features of inter-organizational relations (Krishna, Shrader, 1999).[1]

Organizational level refers to relations within an organization. Economists take interest in relations predominantly for the incentives they may have for the rational economic agents. Sociologists on the other hand stress other important

[1] Portes (2000) shows that Jewish mothers in the USA decide to stay at home as housewives more often than mothers in Israel do, as they are trying to make up for the lack of social capital in the society by upholding the social capital within the family.

factors in the complex relationships (e.g. power, trust, opportunism, knowledge transfer). According to Williamson (1981), the organization is far more complex than economists tend to believe.

On the inter-organizational level, the basic level of analysis ceases to be one particular organization; rather it is the relations among them. Oliver and Ebers (1998) discern two predominant approaches in the field of inter-organizational links. The economic approach emphasizes efficiency, as the market coordinates inter-organizational relations (Collier, 1998; Oliver, Ebers, 1998). Vertical integration is a common form of inter-organizational connection in the conditions of high knowledge specificity, uncertainty, repetitive relationship and opportunism (Jones, 1999). Sociological approach notes that inter-organizational relations cannot be understood exclusively based on administrative relations driven by market logic; as such, they are no longer merely a subject of choice between the firm and the market (Richardson, 1972; Fligstein, Dauber, 1989; Klein et al., 1996). High technological product complexity, information technology and more efficient transfer of knowledge continuously increase the level of codependence between organizations (Blois, 1972; Grant, 1997). Therefore, today's organizations are characterized by complex, flexible and informal inter-organizational relations that are not based entirely on economic efficiency (Richardson, 1972; Fligstein, Dauber, 1989; Baker, 1990). I believe that only a complementary approach enables an undistorted understating of inter-organizational relations.

3. Understanding of Social Capital within the Economic Theory of Organization

The mainstream economic theory in most of contemporary business and economics schools is based on the neoclassical synthesis. With regard to its substance, neoclassical theory of organization can be equated with Marshall's abstract theory of organization.[2] To Marshall (1961), one important aspect of organization theory is its duality, as it consists of abstract (neoclassical) organization theory on one hand and the ideas of evolutionary theory on the other (Nelson, Winter, 1982; Coase, 1996). Marshall's (1961, pp. 262, 275, 382) analogy of the trees[3] in the forest seems to follow the evolutionary theory which is inconsistent

[2] Chronologically, the term "neoclassical synthesis" was coined after Marshall's death and denotes merging the Marshallian microeconomics with the Keynesian macroeconomics.

[3] In his conception of the organization, Marshall uses the metaphor of trees in a forest; there are young and old trees, with the former struggling for light and space. As the years go by, the young trees grow stronger and start to displace the older ones who are loosing their vitality (Marshall, 1961, pp. 262 – 275). At first, an organization will grow and gain strength; eventually, it will stagnate and then decompose (the life-cycle of a firm) (Marshall, 1961, pp. 264, 314).

with the static (neoclassical) theory of organization. As Marshall already noted, there is a problem of choice arising between the two ideas of the future organization theory. Marshall (1961) argues if the real-life conditions are included in the analysis, the problem becomes too big to be solved; if we focus only on some assumptions, we get nothing more that a scientist's toy.[4] In order to present this problem of choice between the neoclassical and the more contemporary economic theories of organization from the viewpoint of social capital, it should first be explained how deficient the understanding of social capital within these theories actually is.

3.1. Understanding of Social Capital within the Neoclassical Organization Theory

After Marshal's death, the development of the economic organization theory took the abstract course. The economic logos and the neoclassical organization theory became rooted in methodological individualism which equates rational behavior of an individual with the behavior of an organization, in perfect information and rationality, and in profit maximization; from these starting points, it is then possible to reach the equilibrium state by deductive reasoning. Theory is based on diminishing returns and rising marginal costs, which implies that the equilibrium is reached by equating marginal cost and marginal revenue. Numerous authors point to the deficiency in understanding social capital within the theory, on all two levels:

a) Organizational level: It is believed by many authors, that focusing on market price mechanism and production factor allocation precludes theory from understanding the inner structure of the organization (black box). According to Arrow (1974) neoclassical organization theory in its purest is a theory of relative prices with an emphasis on market allocation of production factors. Failure to understand relations in organization is mostly a consequence of fascination with geometrical-algebraic models. Perfect decentralization makes the market price mechanism increasingly important, the firm becomes the market's mirror image and the allocation efficiency a synonym for information efficiency; all this indicates an attitude of stark underestimation towards organization's inner structure.

b) Inter-organizational level: The need for efficiency in conducting business spurred the neoclassical economics to develop certain forms of accounting for

---

[4] However, Machlup (1946) and Cyert, Hedrick (1972) hold that setting up a neoclassical model of organization, which could account for all actual circumstances, is a senseless endeavor. In their view, the neoclassical theory is merely a mental construct, explaining the links between causes and effects. Hence, theory is often rejected for failure to do something it was never supposed to do.

the unconscious cooperation within firms and among them (Papandreou, 1952). The notion that paying some attention to the relations with others is in a rational interest of any individual subject indicates that social capital on inter-organizational level is understood primarily from the viewpoint of economic efficiency (Winter, 1993).

Methodological individualism, rational behavior and concept of equilibrium drove the theory into the embrace of scientific deductivism which has prevented understanding of the inner organizational structure (black box). The sociological aspect of organizational and inter-organizational relations is completely overlooked. Scientific positivism caused a loss of several potent Marshall's ideas, as duality in the organization theory was replaced by cost curves and equilibriums that prevent the understanding of relations within neoclassical organization theory any deeper than to the level of economic efficiency.

3.2. Understanding of Social Capital within the Principal/Agent Theory

Beginnings of the principal/agent theory can be traced back to the 1930s (Berle, Means, 1932), while a particular interest for it was spurred in the 70s and 80s, following the contributions of Alchian and Demsetz (1972), Ross (1973), Jensen and Meckling (1976), Fama and Jensen (1980, 1983). The principal/agent theory stresses rational behavior in a contractual relationship and pursuing one's own interests. An individual's conduct is strongly influenced by the asymmetry of information, as the parties in any contractual relationship have different amounts of information at their disposal. Asymmetric information and pursuit of individual interest gives rise to the problem of opportunism and control, since the agent often does not perform according to the principal's expectations (Fama, Jensen, 1983; Jones, 1999). Opportunistic behavior of a manager can be prevented by appropriate agreements and market control. Several authors emphasize that the principal/agent theory pays a relatively fair amount of attention to social capital:

- Jensen and Meckling (1976) stress that human capital cannot be appropriated, therefore only contractual-relational links are possible between the agent and the principal.
- Leibenstein (1979) and Demsetz (1996) argue that the principal/agent theory views the relations between the individuals in an organization through opportunistic attitude, understood as a negative form of social capital.
- Moe (1984) and Collier (1998) point out that understanding of contractual relations between individuals within the principal/agent theory is based on efficiency.
- Fama and Jensen (1983) emphasize that the main problem of partner organizations is knowledge transfer. Thus, employees that retire are offered ample

compensations for passing on their knowledge to their successors. A successful knowledge transfer in partner firms requires a high level of correlation between human and social capital.

The listed authors have three things in common. First, studying relations in an organization is based exclusively on the drive towards greater efficiency, which implies a continuation of the neoclassical tradition. The sociological aspect of organizational and inter-organizational relations is completely overlooked. Secondly, the principal/agent theory emphasizes understanding of social capital on the organizational level, as it focuses on the relationship between the agent and the principal. The theory gives hardly any attention to social capital on the inter-organizational level. Thirdly, the authors stress the importance of social capital through contractual employment relationship, control, preventing opportunism, trust and knowledge transfer. The problem of relations arises in the background of the principal/agent theory; therefore social capital can be understood as one of the key elements of the theory.

Due to a deficient understanding of social capital especially at the inter-organizational level, the principal/agent theory is incapable to understand it in its entirety, in spite of having a more advanced understanding of relations than the previously discussed theory. By devoting more consideration to social capital than the neoclassical theory, the principal/agent theory is gradually moving away from it; thus has enabled a better comprehension of relations.

3.3. Understanding of Social Capital within the Transaction Cost Theory

One of the biggest watersheds in microeconomics was the finding that information in the market cause costs and that their asymmetry influences decisively the conduct of individuals. Neoclassical economic theory of organization does not consider transaction costs, as it assumes that all information are available at no cost, while the absence of information related problems enables setting up elegant models (Jensen, Meckling, 1976; Kay, 1984). On the level of a firm, the new institutional school deals with the problem of transaction costs (e.g. Coase, Williamson). Managerial-organizational costs are related to organizing a transaction in an organization, while the market transaction costs relate to the same transaction in a market (Coase, 1996). An organization grows to decrease the cost of performing transactions within it, to slow the growth of these costs compared to the market transaction costs, to reduce cost of obtaining information as well as to decrease communication costs within a firm (Coase, 1996; Putterman, Kroszner, 1996).[6] By economizing transaction costs, the transaction cost theory builds on efficiency, on which the choice between the market and the organization is based, as a choice between two modes of performing economic activity

(Richardson, 1972; Williamson, 1975; Demsetz, 1993). The main characteristic and the basic unit of analysis in the transaction cost theory is a transaction, which actually constitutes a relation, as it maintains a particular institutional framework which is a site of economic activity (Burrows, Veljanovski, 1985; Williamson, 1975).[7]

Hence, I will explain in this section how thoroughly the social capital is understood by the theory:

a) Organizational level: Except for studying the relationship between an employer and employee, transaction cost theory does not give much heed to relations within an organization (Richardson, 1972). Today, human capital cannot be appropriated in typical contractual form, as slavery has long been abolished; thus, only contractual relations are possible in the form of relative property/ ownership rights (Klein et al., 1996). The employer and the employee establish a relationship for mutual benefit. Several authors have underlined that transaction cost theory only understand the efficiency component of a contractual relationship, which does not enable a complete understanding of social capital on the organizational level:

- Leibenstein (1979) and Williamson (1981) stress that "organizational man" is much more complex than "economic man", because employment relation are not based merely on efficiency, but also loyalty, respect and trust.
- Moe (1984), Alchian, Woodward (1988) and Pitelis (1991) believe that transaction cost theory is characterized by viewing relations between the employer and the employee from a neoclassical perspective, while culture and values do not receive much attention.
- Alchian, Demsetz (1972) and Ravix (2002) point out that the theory hardly takes into account teamwork and learning, where the sociological component should not be ignored.

b) Inter-organizational level: Transaction cost theory brings forth the advantages of inter-organizational vertical integration from the perspective of minimizing transaction costs; this way, external or contractual partners become internal partners and transaction costs are internalized (Blois, 1972). Vertical integration is understood as a long-term contractual relationship between two organizations (Klein et al., 1996). According to Williamson (1971), negotiations are considerably simplified in the case of vertical integrations, which consequentially makes the organization-transaction costs lower than market-transaction costs.

[5] Williamson (1975) stresses the advantages the organization has over the market: less opportunism, better cooperation, more symmetrical information and less problems with imperfect contracts.

[6] Commons was the first one to treat transaction as a basic unit of analysis in 1934 (Williamson, 1981).

Due to a strictly economic approach to transaction costs, the sociological view of inter-organizational relations is overlooked:

- Richardson (1972), Fligstein and Dauber (1989) suggest that inter-organizational links are not based solely on economic efficiency, and that they are not exclusively a choice between the firm and the market (e.g. franchise, strategic partnership).
- Blois (1972) submits that transaction cost theory is unable to understand "quasi integrations", i.e. the case of a large customer on which a company's existence depends.
- Klein et al. (1996) and Jones (1999) hold the belief that vertical integration is quitecommon when dealing with high uncertainty, small number of partakers and long relations.

Transaction costs theory present a new way of understanding the relations on the level of a firm (employment relationship, opportunism, vertical integration). In spite of that organization's internal structure is still largely ignored, as it solves the problem of opportunism, as a negative form of social capital, primarily by contractual employment relationships. The theory still lacks understanding of social capital on the inter-organizational level, because it understands inter--organizational relations primarily from the perspective of minimizing transaction costs. Due to a strictly economic approach to transaction costs, the sociological view, where inter-organizational relations cannot be understood exclusively based on administrative relations driven by market logic, is mainly overlooked. Theory of transaction costs deals with the problem of relations, making social capital its important element. Despite that, the theory is still incapable to fully grasp the concept and the meaning of social capital.

3.4. Understanding of Social Capital within the Evolutionary Organization Theory

For the largest part, evolutionary organization theory has been promoted and developed by Nelson and Winter (1973; 1982) in the 70s and the 80s. Hence, evolutionary theory is often defined as an alternative approach to neoclassical school. Accordingly, its methodology differs significantly from both the neoclassical one and the one employed by the new institutional school (Nelson, Winter, 1973; 1982). The main characteristics of the evolutionary organization theory are: 1. The fundamental problem of economics is not the study of equilibrium, but the historical development in the organization, in order to construct a dynamic organization theory which will correspond to the historic analysis. 2. The process of organization's adapting to the environment and the selection carried out by the environment (the market), are two mutually combined processes.

3. Evolutionary organization theory is focused on a group of organizations, or more precisely, the situation of one organization in relation to its competitors (Alchian, 1950; Hannan, Freeman, 1977). 4. The meaning of routine regarding repetitive activities and the mode of an organization's operation (Nelson, Winter, 1973; 1982; Winter, 1975; 1993).

In this section it is shown how deeply evolutionary organization theory understands social capital on the organizational and inter-organizational level:

a) Organizational level: The evolutionary organization theory directs most attention at the organizational structure which is formed through the processes of adjusting to environment and through selection of efficient organizational forms in the market. The focus of the analysis is the organization, not the individual. Although evolutionary organization theory assumes the existence of organization itself, it does not try to reach deeper into the contents of relations at the level of an organization.

b) Inter-organizational level: Evolutionary organization theory studies inter--organizational links from the viewpoint of mutual learning, knowledge transfer, trust, communication and taking up patterns of the most successful organizations (Alchian 1950; Nelson, Winter, 1973; 1982). It deals extensively both with economic and sociological factors, which enables it to understand correctly the inter-organizational relations.

In the theory's background, the problem of relations emerges (e.g. knowledge transfer, trust, learning), making social capital its important element. In its consideration of social capital, the evolutionary organization theory focuses mostly on inter-organizational level from economic (e.g. efficiency) and sociological (e.g. trust) point of view, while social capital on the level of one organization receives much less attention. In this way, the evolutionary organization theory is more advanced in understanding social capital than its predecessors. The theory can be understood as an alternative approach to neoclassical traditional school not only with regard to the concepts of optimization, competition and time, but also with regard to their mutually exclusive understanding of social capital.

3.5. Understanding of Social Capital within the Resource Theory

Resource theory emphasizes understanding the organization as a set of resources (Prahalad, Hamel, 1990). The goal of entrepreneurial structure is efficient employment and specific combination of all resources in order to create competitive advantages. The size of an organization is therefore not limited only by the market, but by organizational resources. The growth of an organization is a process, and the organization's fundamental feature, the size, is "merely" a consequence of this growth, which implies that there is no such thing as the optimal size of an organization (Penrose, 1980; Ravix, 2002). This section reveals how deeply the resource theory understands social capital on organizational and inter-organizational level:

a) Organizational level: Penrose (1980) and Knudsen (1995) submit that trust, cooperation, learning and taking responsibility enhance an organization's performance, efficiency and problem solving. Resource theory assumes that organizations are capable of learning and storing knowledge, while organizational routines represent organizational memory and a way of storing knowledge (Penrose, 1980; Barney, 1991). Cooperation is important in organizations, since contractual relationship alone cannot mediate the transfer of "silent knowledge"; thus, a firm is both an economic and a sociological institution (Penrose, 1980; Ravix, 2002).

b) Inter-organizational level: Takeover of an organization is a way of acquiring resources that complement existing knowledge (Penrose, 1980). However, a takeover requires certain negotiating skills, trust, cooperation and knowledge transfer as the requisite for organization management. In this way, resource theory emphasizes social capital on the inter-organizational level, both from economic (e.g. efficiency) and sociological view (e.g. trust, cooperation).

Understanding social capital through takeovers, responsibility, negotiations, cooperation, efficiency, learning, trust, mutual decision making and knowledge transfer are examples of how relations emerge in the background of resource theory; these relations are explicitly emphasized. As far as understanding of social capital is concerned, the resource theory is the most advanced among the ones considered in the paper, showing best competence to understand it on the level of one organization and on the inter-organizational level. Organizations are characterized by complex organizational and inter-organizational relations that cannot be understood exclusively based on administrative relations driven by efficiency. The approach notes that an organization firm is both an economic and a sociological institution, so it deals with economic and sociological factors, which enables it to understand correctly the organizational and inter-organizational relations.

4. Social Capital as a Factor of Evolutionary Changes within the Economic Theory of Organization

The previous section revealed that only resource theory fully understands social capital on the organizational and inter-organizational level. From this point of view, the resource based theory is the most advanced theory among the ones considered in the paper; other theories only consider some partial aspects and dimensions of social capital. Neoclassical economic theory of organization does not any attention to inner organizational structure (black box).

Theory mainly understands relations from the prism of economic efficiency, while more recent theories employ information problems to expand the analysis to decision making processes and the inner organizational structure. The principal/agent theory is focused mainly on social capital (opportunism, employment relationship) at the organizational level; it gives hardly any attention to social capital on the inter-organizational level.

Theory of transaction costs understands relations (contractual relationships, opportunism, vertical integration) mainly through economic efficiency. Due to a strictly economic approach to transaction costs, the sociological view is mainly overlooked. Evolutionary theory pays little attention to relations at the level of a single organization any deeper than to the level of economic efficiency. In its consideration of social capital, the evolutionary organization theory focuses from economic and sociological point of view mostly on inter-organizational level. In this way, the evolutionary organization theory is more advanced in understanding relations than its predecessors.

Studying relations within the economic theory of organization brings us to a conclusion that it is possible to understand social capital as their least common denominator in the background of economic theory of organization. Such treatment of social capital enables us to define it as a factor of evolutionary changes within the economic theory of organization. Contemporary economic theories of organization benefit from increasing returns of theoretical findings, as they upgrade and advance the results of their predecessors. The deficiency in understanding relations within the neoclassical economic theory spurred the emergence of new economic theories of organization. Thus, the transaction cost theory is comparatively more sophisticated in understanding relations than its forerunners (neoclassical and principal/agent theory), which makes it more contemporary from the evolutionary point of view. Understanding social capital is doubtlessly the most advanced within the resource theory, which makes it the most modern from an evolutionary perspective.

Contribution of a particular economic theory of organization in the field of social capital is obviously the best measure of its theoretical development, since every economic theory of organization appears to evolve proportionally to its capability to understand relations. The theory continues to evolve as long as it understands social capital and integrates this understanding accordingly in its theoretical systems. The evolution of economic theory of organization clearly indicates that evolutionarily recent theories have a more thorough understanding of social capital. As contemporary economic theories of organization continue to include sociological elements, we may observe that social capital is becoming one of the key factors of evolutionary changes within them.

5. Trade-off between Theoretical Rigor and Understanding of Social Capital

The interweave of neoclassical and evolutionary approaches reflects a duality in Marshall's theory, and in his view the two seem to raise a trade-off problem. Our analysis has shown that the problem of choice between these two traditions also applies with regard to (the lack of) understanding of social capital. After Marshall's death, the development took the course of neoclassical theory of organization, which doubtlessly influenced the capability of economic theory of organization to grasp the problems of relations. Scientific positivism and the orthodoxy of the neoclassical paradigm fostered a loss of Marshall's numerous valuable ideas, while the duality in the theory of organization was substituted by curves and equilibriums.

The deficient understanding of relations in the economic theory of organization is therefore to a considerable extent a consequence of deviation from Marshall's theory, which lent an excellent starting point and a foundation for a more profound understanding of relations as early as a good century ago. In its vigor and tendency towards theoretical rigor, the economic scientific community of that period failed or chose to fail at seizing this opportunity. Neoclassical tradition with its scientific positivism was oriented towards the application of a relatively simple methodological apparatus that gave way to inward theoretical unity and consistency. But the analysis of (the deficient) understanding of social capital in the economic theory of organization has shown that a deeper comprehension of social capital required the dismissal of some, often restrictive, assumptions of the neoclassical economic theory. Theoretical analysis in the previous chapters has indicated that the economic theories of organization which are more advanced from the evolutionary point of view seem to develop a larger capacity for understanding social capital, owing above all to the departure from the original neoclassical starting points.

Evolutionary development gives rise to theoretical models with progressively better understanding of relations; however, the concession required for this progress is a lower degree of theoretical generalization and more intense heterogeneity of the theory itself. There appears to be a trade-off between the benefits (theoretical rigor, inward theoretical consistency) and the costs which appear in the form of failure to comprehend social capital. As it progresses through its evolutionary course, the economic theory of organization seems to constantly "soften"; consequently, the approaches to economic theory of organization are less homogenous, but nevertheless yield increasing returns of theoretical findings with regard to understanding social capital. As suggested in this article, the less effort an economic theory of organization devotes to being theoretically impeccable, the lesser are its deficiencies in comprehension of social capital.

6. Instead of a Conslusion

The paper looks into the (deficiency in) understanding of social capital within the economic theory of organization. Studying relations within the economic theory of organization showed that social capital can be understood as the least common denominator and consequently as a factor of evolutionary changes within the economic theory organization. Applying comparative theoretical analysis to the economic theory of organization has shown that overemphasized theoretical assumptions and a rigorous methodological approach preclude a deeper understanding of social capital which is becoming today an important source of competitive advantage.

At the break of the 21st century, the key question for economic theory of organization is whether it is capable to respond efficiently to the new and rapidly changing challenges both on entrepreneurial and global level. These challenges demand a deeper understanding of social capital and understanding of mutual codependence between social, human and intellectual capital. The ability to efficiently manage these three elements is becoming one of the most crucial desired strengths of organization in the market.

I am convinced that no theoretical platform can persist in the long run without adequate demand for its theoretical findings. Economics ought to at least partially abandon its own Say's thesis that the any supply of economic knowledge will generate its own demand. If economic theory of organization is to endure, it should allocate its effort to meeting more closely the requirements of its users, i.e. the subscribers of its intellectual capital. In the narrow sense, these subscribers are members of the scientific organization community; in broader terms, they are different interest groups active on the level of a firm (e.g. trade unions, managers); in a general sense, they are people in organizations with no theoretical background, who through their routine interpretations unawaredly either confirm or reject the theoretical assumptions and findings within the economic theory of organization. The demand for intellectual products offered by the community of organization theory economists will undoubtedly show how successful each theory is at solving actual problems and responding to challenges of the day at the organizational level.

References

[1] ADLER, P. – KWON Woo Seok (2002): Social Capital: Prospects for a New Concept. Academy of Management Review, *27*, No. 1, pp. 17 – 40.

[2] ALCHIAN, A. A. (1950): Uncertainty, Evolution and Economic Theory. The Journal of Political Economy, *58*, No. 3, pp. 211 – 221.

[3] ALCHIAN, A. A. – DEMSETZ, H. (1972): Production, Information Costs, and Economic Organization. American Economic Review, *17*, pp. 777 – 795.

[4] ALCHIAN, A. – WOODWARD, S. (1988): The Firm is Dead. Long Live the Firm a Review of Oliver Williamsons The Economic Institutions of Capitalism. Journal of Economic Literature, *26*, No. 1, pp. 65 – 79.
[5] ARROW, J. K. (1974): Limited Knowledge and Economic Analysis. American Economic Review, *64*, No. 1, pp. 1 – 10.
[6] BAKER, W. (1990): Market Networks and Corporate Behaviour. American Journal of Sociology, *96*, pp. 589 – 625.
[7] BARNEY, J. (1991): Firm Resources and Sustained Competitive Advantage. Journal of Management, *17*, No. 1, pp. 99 – 120.
[8] BERLE, A. – MEANS, G. (1932): The Modern Corporation and Private Property. New York: Macmillan. 396 pp.
[9] BLOIS, K. J. (1972): Vertical Quasi Integration. Journal of Industrial Economics, *20*, pp. 253 – 272.
[10] BORRDIEU, P. (1986): The Forms of Capital. In: Richardson (ed.): Handbook of Theory and Research for the Sociology of Education. New York: Greenwood Press, pp. 241 – 258.
[11] BURROWS, P. – VELJANOVSKI, C. (1985): Introduction: the Economic Approach to Law. In: S. Medema (ed.) The Legacy of Ronald Coase in Economic Analysis. Aldershot: Eldgar Collection, pp. 343 – 376.
[12] COASE, R. (1996): The Nature of the Firm. In: L. Putterman and R. Kroszner (ed.): The Economic Nature of the Firm. Cambridge: Cambridge University Press, pp. 89 – 104.
[13] COLEMAN, S. J. (2000): Social Capital in the Creation of Human Capital. In: E. Lesser (ed.): Knowledge and Social Capital: Foundations and Applications. Boston: Butterworth, pp. 17 – 41.
[14] COLLIER, P. (1998): Social Capital and Poverty. Social Capital Initiative. [World Bank Working Paper, No. 4.] Washington: World Bank, pp. 1 – 28.
[15] CYERT, R. – HEDRICK, Ch. (1972): Theory of the Firm: Past, Present and Future: An Interpetation. Journal of Economic Literature, *10*, No. 2, pp. 398 – 412.
[16] DEMSETZ, H. (1993): The Theory of the Firm Revisited. In: O. Williamson and S. Winter (ed.): The Nature of the Firm-Origins, Evolution and Development. Oxford: Oxford University Press, pp. 159 – 178.
[17] DEMSETZ, H. (1996): The Structure of Ownership and the Theory of the Firm. In: L. Putterman and R. Kroszner (ed.): The Economic Nature of the Firm. Cambridge: Cambridge University Press, pp. 345 – 353.
[18] FAMA, E. E. (1980): Agency Problems and the Theory of the Firm. The Journal of Political Economy, *88*, No. 2, pp. 288 – 307.
[19] FAMA, E. E. – JENSEN, C. M. (1983): Separation of Ownership and Control. Journal of Law and Economics, *26*, pp. 301 – 325.
[20] FLIGSTEIN, N. – DAUBER, K. (1989): Structural Change in Corporate Organization. Annual Review of Sociology, *15*, pp. 73 – 96.
[21] FUKUYAMA, F. (1995): Trust. New York: Simon&Schuster. 457 pp.
[22] GRANT, M. R. (1997): The Knowledge Based View of the Firm: Implications for Management Practise. Long Range Planning, *30*, No. 3, pp. 450 – 454.
[23] HANNAN, T. M. – FREEMAN, J. (1977): The Population Ecology of Organizations. American Journal of Sociology, *82*, No. 5, pp. 929 – 964.
[24] JENSEN, M. – MECKLING, W. (1976): Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure. Journal of Financial Economics, No. 3, pp. 305 – 360.
[25] JONES, A. B. (1999): Knowledge Capitalism. Oxford: Oxford University Press. 237 pp.
[26] KAY, N. (1984): The Emergent Firm. Knowledge, Ignorance and Surprise in Economic Organisation. New York: St. Martins Press. 226 pp.
[27] KLEIN, B. – CRAWFORD, R. – ALCHIAN, A. (1996): Vertical Integration, Appropriable Rents and the Competitive Contracting Process. In: L. Putterman and R. Kroszner (ed.): The Economic Nature of the Firm. Cambridge: Cambridge University Press, pp. 105 – 124.
[28] KNUDSEN, Ch. (1995): Theories of the Firm, Strategic Management, and Leadership. In: C. Montgomery (ed.): Resource Based and Evolutionary Theories of the Firm: Towards a Synthesis. Boston: Kluwer Academic Publishers, pp. 179 – 217.

[29] KRISHNA, A. – SHRADER, E. (1999): Social Capital Assessment Tool. Prepared for the Conference on Social Capital and Poverty Reduction. Washington: World Bank, pp. 1 – 21.
[30] LEIBENSTEIN, H. (1979): A Branch of Economics is Missing: Micro-micro Theory. Journal of Economic Literature, *17*, pp. 477 – 502.
[31] MACHLUP, F. (1946): Marginal Analysis and Empirical Research. The American Economic Review, *36*, No. 4, pp. 519 – 554.
[32] MARSHALL, A. (1961): Principles of Economics. 8th ed. London: MacMillan&Co LTD. 731 pp.
[33] MOE, T. (1984): The New Economics of Organizations. American Journal of Political Science, *28*, No. 4, pp. 739 – 777.
[34] NELSON, R. R. – WINTER, G. S. (1973): Toward Evolutionary Theory of Economic Capabilities. The American Economic Review, *63*, No. 2, pp. 440 – 449.
[35] NELSON, R. R. – WINTER, S. (1982): An Evolutionary Theory of Economic Change. Cambridge: Belknap Press. 437 pp.
[36] NORTH, C. D. (1988): Institution, Economic Growth and Freedom: An Historical Introduction, Freedom, Democracy and Economic Welfare. Vancouver: Fraser Institute, pp. 3 – 47.
[37] OLIVER, L. A. – EBERS, M. (1998): Networking Network Studies: An Analysis of Conceptual Configurations in the Study of Inter-organizational Relationships. Organisation Studies, *19*, No. 4, pp. 549 – 583.
[38] PAPANDREOU, A. (1952): Some Basic Problems in the Theory of the Firm. In: B. Haley (ed.): A Survey of Contemporary Economics. Illinois: American Economic Association, pp. 183 – 222.
[39] PENROSE, E. (1980): The Growth of the Firm. New York: M. E. Sharpe. 265 pp.
[40] PITELIS, Ch. (1991): Market and Non-market Hierarchies. Theory of Institutional Failure. Oxford: Blackwell. 254 pp.
[41] PORTES, A. (2000): Social Capital: Its Origins and Applications in Modern Sociology. In: E. Lesser (ed.): Knowledge and Social Capital: Foundations and Applications. Boston: Butterworth, pp. 43 – 67.
[42] PRAHALAD, C. K. – HAMEL, G. (1990): The Core Competence of the Corporation. Harvard Business Review, May – June, pp. 79 – 91.
[43] PUTTERMAN, L. – KROSZNER, S. R. (1996): The Economic Nature of the Firm. Cambridge: Cambridge University Press. 371 pp.
[44] PUTNAM, R. (1995): Bowling alone: America's Declining Social Capital. Journal of Democracy, *6*, No. 1, pp. 65 – 78.
[45] RAVIX, J. Th. (2002): Edith Penrose and Ronald Coase on the Nature of the Firm and the Nature of the Industry. In: Ch. Pitelis (ed.): The Growth of the Firm: The Legacy of Edith Penrose. Oxford: Oxford University Press, pp. 165 – 178.
[46] RICHARDSON, G. B. (1972): The Organization of Industry. The Economic Journal, *82*, No. 327 September, pp. 883 – 896.
[47] ROSS, A. S. (1973): The Economic Theory of Agency: The Principal’s Problem. The American Economic Review, *63*, No. 2, pp. 134 – 139.
[48] SCHULTZ, W. Th. (1960): Capital Formation by Education. The Journal of Political Economy, *68*, No. 6, pp. 571 – 583.
[49] WILLIAMSON, O. (1971): The Vertical Integration of Production. The American Economic Review, *61*, No. 2, pp. 112 – 123.
[50] WILLIAMSON, O. (1975): Markets and Hierarchies: Analysis and Antitrust Implications. New York: The Free Press. 286 pp.
[51] WILLIAMSON, O. (1981): The Economics of Organization: Transaction Cost Approach. American Journal of Sociology, *87*, No. 3, pp. 548 – 577.
[52] WINTER, G. S. (1975): Optimization and Evolution in the Theory of the Firm. In: H. R. Day and Th. Grooves (ed.): Adaptive Economic Models. New York: Academic Press, pp. 73 – 113.
[53] WINTER, G. S. (1993): On Coase, Competence, and the Corporation. In: O. E. Williamson and G. S. Winter (ed.): The Nature of the Firm-Origins, Evolution and Development. Oxford: Oxford University Press, pp. 179 – 195.