

# THE GENERAL CONCEPT OF A NEO-INSTITUTIONAL CAUSAL SPHERE IN COMPANY MANAGEMENT

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## Abstract

**Background.** The general concept of a neo-institutional causal sphere was developed in response to the question about what company management, understood as practice, is from the perspective of dynamic changes taking place in a broadly defined coherent causal sphere. A critical analysis of the literature on new institutional economics, psychology, and sociology, observation of the socio-economic reality, and the author's long experience in managing companies became the prime movers behind the formulation of the concept presented in this paper.

**Research aims.** As a result of the search for answers to the key question, two hypotheses emerged. The first one concerns understanding a company as a collection of activities in the form of socio-economic phenomena, whereas the other is related to human activity within a company, which shapes the neo-institutional manufacturing system. It is a process of the direct achievement of the organization's objectives using appropriate tools. However, the most important subject here is the contracting man. In this context, the author of the article proposes a thesis according to which company management practice, as defined by the neo-institutional perspective, should be oriented towards broad-aspect determinism of a coherent causal sphere.

**Methodology.** In order to support his thesis, the author first presents issues concerning a company from the neo-institutional perspective, providing a background for the concept of a coherent causal sphere. The second part of the paper discusses a coherent causal sphere identified with the dynamic environment of a company. And finally, the author defines functions of company management in the context of a coherent causal sphere, which have a chance of forming a new direction in modern company management.

**Key findings.** The main conclusions include three elements. The first concerns the concept of the company in a neo-institutional approach. The second conclusion speaks of the existence of a coherent causal sphere, which is a reflection of the holistic environment of enterprises, in a neo-institutional approach. The most important conclusion comes down to the statement. The practice of managing a company in the neo-institutional sense should be oriented towards the broad-aspect determinism of the coherent causal sphere.

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## INTRODUCTION

The general concept of a neo-institutional causal sphere is an original proposal for discussion as part of new institutional economics and management sciences. It was mostly formulated based on a critical review of literature on new institutional economics as well as psychology, sociology, and philosophy. Its final form was also influenced by the author's long experience in company management. Considering an axiom that management concerns socio-economic phenomena, the author presented himself with the following scientific problem: What is company management, understood as practice, from the perspective of dynamic changes taking place in a broadly defined coherent causal sphere?

When he was looking for an answer to this question, two hypotheses emerged. According to the first one, a company should be understood as a collection of activities in the form of socio-economic phenomena, whereas the other is related to human activity within a company, which shapes the neo-institutional manufacturing system. It is a process of the direct achievement of the organization's objectives using appropriate tools, with its main subject being the contracting man. In this context, the main thesis of the paper was formulated, which the author uses to prove that the practice of company management, as defined by the neo-institutional perspective, should be oriented towards broad-aspect determinism of a coherent causal sphere.

In order to support the thesis, the author first presents at length issues concerning a company from the neo-institutional perspective, providing a background for the concept of a coherent causal sphere. The second part of the paper discusses a coherent causal sphere identified with the dynamic environment of a company. And finally, the author defines functions of company management in the context of a determining coherent causal sphere. All deliberations are linked by a certain directive that presents the most important elements and rules of managing a company within a coherent causal sphere.

## **A COMPANY FROM THE NEO-INSTITUTIONAL PERSPECTIVE AS A BACKGROUND FOR THE CONCEPT OF A COHERENT CAUSAL SPHERE**

The methodological background for the discussion on the general concept of a coherent causal sphere in company management is provided by two hypotheses. The first one concerns the company. It was formulated based on a critical review of literature, observation of socio-economic phenomena, but perhaps mostly based on the author's long experience in managing companies. This hypothesis comes down to an assumption that a company should be understood as a collection of activities in the form of socio-economic phenomena. These activities are manufacturing in nature and take place within the company. On the other hand, the nature of socio-economic phenomena should be related to the issues of (1) the company's orientation towards external and internal customers, (2) interpersonal relationships, (3) roles present within the company, (4) people perceived from the perspective of the contracts concluded, and (5) internal added value resulting from the activity within the company.

### **Contemporary concepts of a company**

Contemporary economics is not indifferent to issues concerning the company itself, while economists representing different schools of economic thought who deal with this issue try to come up with its objective definition.

The theory of business enterprise developed by economics takes as its starting point the neoclassical theory which attempts to explain the essence of a business enterprise by analyzing its relationships with the outside world. At the same time, by principle so to speak, it does not deal with its interior, treating all processes taking place there as a kind of a black box (Borowski, 2013, p. 79).

A completely different, or novel, perception of a company was proposed by R. Coase, who introduced the concept of transaction costs, thus trying to describe manufacturing mechanisms taking place in an organized, hierarchical structure corresponding with a company (Coase, 1937, pp. 390–391). This thought is continued in the works

by O. E. Williamson, who in his article “The Modern Corporation, Origins, Evolution, Attributes” states that

... the criterion for organizing commercial transactions is assumed to be the strictly instrumental one of cost-economizing. Essentially this takes two parts: economizing on production expense and economizing on transaction costs. In fact, these are not independent and need to be addressed simultaneously (Williamson, 1981, p. 1547).

When talking about a company, economic sciences more and more frequently look inside it in search for solutions oriented towards the above-mentioned economizing on production expense and transaction costs. Since the times of R. Coase and O. E. Williams, there has been many theories describing a company and its operation. Due to editorial limitations, it is impossible to describe them all here.

Apart from the definitions of a company provided by economic sciences and the management sciences, one should mention briefly the practical aspect. There are more and more definitions emphasizing the managerial perspective on a company.

Managerial theories remove some assumptions of the orthodox theory... and focus on the conflict of interests between shareholders and managers, which changes the motivation behind the actions of managers who, instead of maximizing profits, attempt to maximize sales, the company's growth and some types of expenditure (Borowski, 2013, p. 80).

Theories within the current of new institutional economics similarly oppose neoclassical economics. Thanks to a very strong emphasis on the role of institutional determinism in undertaking activities inside the company, everything that seems to be of significance for the company's functioning in the socio-economic environment is underscored. This discussion about a coherent causal sphere adopts such an approach to companies which operate within an extensive, dynamic stream of institutions that limit but also enable the undertaking of certain activities inside them.

## **Orientation towards external and internal customers**

The above general image of a company from the perspective of selected economic currents needs to be supplemented by a strong emphasis

on people as activity within a company is not something abstract but refers to a specific subject, meaning people. Both the literature and the practice of organizational management say much about external customers. It would be hard to disagree with these statements, and so it is safe to argue that each company should be oriented towards external customers.

However, if we treat a company as a collection of activities taking place within it, it has to be noted that only a few activities or procedures are directly linked with external customers. Each company includes a great number of processes, activities and behaviors that are necessary for its effective and efficient operation, but if all activities taking place within the company should have their purpose, it is worth identifying their direct beneficiaries. In this context, economic sciences use the term 'internal customers' which, as a matter of fact, covers all company employees, who are seen not only as sources of costs, but mostly as owners of specific resources that are necessary for the company's operation (Balon & Dziadkowiec, 2010, pp. 18–19). The literature provides many definitions of this group of customers, yet for the purpose of this discussion external customers can be viewed from the perspective of the already mentioned collection of socio-economic activities within the company.

Every company deals with a large number of different activities. Some of them are very complicated and frequently require complex resources accompanied by specialist knowledge, skills and experience of those undertaking them. Other activities are elementary and routine, and their simplicity results directly from the uncomplicated nature of the product/service they produce. However, all these activities share one characteristic. Effects and results of all activities taking place in the company have their recipients, who in turn carry out their own tasks within the company. What should be emphasized is that the activities discussed here are always performed by people. Even in companies with a high level of automation or robotization of manufacturing processes, there are workers who undertake specific activities within the company. At this point, relationships between individual activities emerge. However, in the context of this discussion, such a statement will not suffice. It has to be strongly emphasized that behind all activities taking place within the company there are always people. People are the most important subjects who use their knowledge, skills and experience, thus becoming owners of the activities

taking place within the company. From this perspective, the statement that company management should be oriented towards external and internal customers equally seems justified.

## **Roles within the company**

In order to present and justify the general concept of a coherent causal sphere, the company is perceived from the neo-institutional perspective. Such an approach is a result of a critical review of literature mostly on the current of new institutional economics, but also on psychology and sociology. It is not without significance for the development of this concept that the author has long experience in managing companies. In consequence, all activities undertaken by people within the company are mostly perceived from the perspective of issues discussed by the theories of institution, transaction costs, contracts, and property rights. In order to facilitate the neo-institutional understanding of a company, one has to briefly discuss the issue of roles within the company and relationships developed there, and to define contracting man and the main goal of his activity within the company.

It was already said that people are the main subjects performing specific activities within the hierarchical structure of a company. This discussion, however, does not concern the activities themselves but the roles performed by people. This article is by no means about the classical (as it may be called today) determination of roles, such as task-related, personal, dysfunctional or idealistic roles (Kromer & Jackiewicz, 2015, p. 95). The approach to the roles of team members adopted here is much closer to the one found in the JD-R model, based on the hypothesis “that team work engagement mediates the relationship between social resources of the team and performance, as measured by the supervisor’s rating” (Torrente et al., 2012, pp. 106–112).

The necessity for the existence of specific roles within a company is to a large extent determined by the characteristics of activities, which are in turn determined by the structure of the expected results and effects of activities. Thus, people who meet requirements in terms of competence become owners of these activities, taking on responsibility for the achievement of certain results. This situation, however, should be perceived from the neo-institutional perspective. Each role that needs to be performed within the company is subject to institutional determinism. It should be very strongly emphasized that the stream

of institutions can limit and, at the same, enable and/or streamline the performance of specific roles by people. Analyzing this image by the criteria of property rights, it can be said that anyone who is an owner of a specific activity has a limited possibility of making decisions about the way this activity is carried out. The area within one's property rights is the space governed by people, while the remaining area is the space beyond the control of the activity owner due to property boundaries, and so the owner cannot assume any responsibility for the decisions made there. Thus, it can be said that people carrying out specific activities within the company perform the role of activity owners. This is where we see the first element that can be referred directly to company management and the distribution of responsibility for activities taking place within the company. However, if the process owner has a certain 'ownership package' necessary to carry out a given activity, he also has the right, or even duty, to conclude specific contracts within the company, which will make it possible for the activity owner to perform his tasks in an optimum way. This gives rise to another role of people acting within the company, which is the role of a contractor. Anyone performing tasks within the company in accordance with a specific 'ownership package' and based on the contracts concluded within the company is thus obliged to carry out his tasks in an effective and efficient manner. In the context of neo-institutional theoretical grounds, it can be said that such a person has the possibility of looking for and adopting such solutions that will lead to the economizing on costs of activities and transaction costs, as mentioned above. Based on specific property rights, the person can choose such contract solutions that will result in the selection of optimum solutions making it possible to carry out activities in an effective and efficient manner. In this context, it can be said that the activity owner performs the role of a manager of the activity he was entrusted with in the company.

### **Human relationships within the company**

The neo-institutional approach to a company can also be presented from the perspective of all relationships occurring during the performance of activities within it. It is important to state here that these activities bear all the hallmarks of socio-economic phenomena. The relationships between people can be described from the perspective of, for example, the theory of attribution, the theory of expected value, the goal

theory, the theory of self-determination, the theory of self-efficacy, or the theory of self-sufficiency. One can also frequently encounter psychological approaches in which interpersonal relationships are treated as factors driving human activity (Martin & Dowson, 2009, pp. 327–365). There is no doubt that the relationships have to be perceived from the perspective of interpersonal communication in a broad psychological, behavioral and environmental context, while communication can or even should be considered in different ways. It is enough to mention the issues of communication/relationships as (1) extensive areas defining the field of communication, (2) types of task-oriented or social roles, (3) objects or characteristics of the environment, or (4) changing messages (Knapp & Daly, 2002, p. 13). For the purposes of this discussion, interpersonal relationships will be additionally described from the perspective of the most important theories of new institutional economics.

It seems appropriate to first present interpersonal relationships in the context of the theory of institutions. Without going into details of institutions, suffice it to say that they should be treated as customary ways of regulating the society's vital processes with regard to this society's material environment (Veblen, 1971, p. 173). The contemporary current of new institutional economics treats institutions as a kind of structure of diverse formal or informal stimuli that shape the way people act in the economy (North, 1990, p. 97). In this context, it can be said that interpersonal relationships will constitute a certain institution (institution of relationships) that will determine people's activity within the company in an essential or substructural way. It is important to note here that the institution of interpersonal relationships can either limit or enable/streamline the undertaking of certain activities within the company. However, in accordance with the concept of institutional change (Ménard & Shirley, 2005, p. 676), it has to be clearly emphasized that the institution of relationships also undergoes/can undergo changes. Thus, one could ask about factors determining these changes. For the purpose of this paper, it should suffice to say that one of the factors behind changes in the institution of interpersonal relationships are the relationships themselves. It is easy to imagine that the very way people act within the company can have a significant effect on the relationships between people to whom these activities are addressed.

The above thought will be elaborated on by presenting interpersonal relationships taking place within the company from the perspective of the theory of property rights. In very simple terms, property rights can be described from two angles. First of all, there is a distinction between the types of rights arising out of the holding of property rights. These are rights to (a) access, (b) obtain, (c) manage, (d) exclude, and (e) alienate. On the other hand, there are five classes of holders of such rights: (1) complete holders, (2) owners, (3) applicants, (4) authorized users, and (5) authorized participants (Ostrom & Hess, 2010, p. 11). The types of rights listed depend directly on the holder class. Thus, in this context, one can talk about possible interpersonal relationships within the company. Individual company employees, by belonging to different classes of right holders, get the possibility of exercising their property rights by using the relationships occurring within the company in a number of ways (see Table 1).

The neo-institutional approach to a company and to all activities taking place within it makes it also necessary to relate interpersonal relationships to issues connected with the contracting process. Thus, if relationships are common and very important phenomena within the company, it can be expected that they will be used to achieve specific goals, so they can be treated as intentional. This assumption may lead to a thesis that every person holding certain relationship rights within a company will attempt to conclude adequate contracts with other employees. It is worth remembering that each employee has

**Table 1.** Bundles of property rights related to the ownership position

Types of rights to relationships	Classes of property right holders				
	Complete holders	Owners	Applicants	Authorized users	Authorized participants
Access to relationships	X	X	X	X	X
Obtaining relationships	X	X	X	X	–
Relationship management	X	X	X	X	–
Exclusion from relationships	X	X	–	–	–
Relationship alienation	X	–	–	–	–

Source: Own work based on Ostrom & Hess, 2010, p. 11.

specific tasks to fulfil, being part of the company's operational activity. In view of the above, it can be said that based on appropriate rights, employees are able to create different configurations directly oriented towards optimum performance of the activities they were entrusted with. One could even say that the negotiating or bargaining power of each employee depends to a large extent on the level of rights to interpersonal relationships. This is another justification for the role of an owner of an activity that is performed by the company employees.

The above statements nearly directly give rise to another aspect of the neo-institutional approach to a company. If a person acting within the company, using the rights to relationships held, negotiates contracts with other players, one could ask about the purpose of such contractual negotiations. In this context, it is difficult to disagree with O. E. Williamson, who claims that optimum performance of activities within the company is possible by selecting an effective direction of contracting, which makes it possible to order all institutional factor in such a way that through the selection of an adequate contracting concept one can obtain an optimum level of economizing on transaction costs (Williamson, 1998, pp. 39–42). In this context, it seems justified to say that the logic behind transaction costs forces a person acting within the company to organize interpersonal relationships so as to generate an optimum level of savings with limited rationality, at the same time protecting them from the threats of opportunism. This is possible by selecting an adequate path of contracting, considering the complexity of the required resources and the necessity to introduce proper security mechanisms (Williamson, 2000, pp. 600–603). Thus, a person acting within the company with use of their rights under the influence of a broad stream of institutional factors, in the process of contracting gets involved in such interpersonal relationships that make it possible to perform their tasks in a way that is optimum from the point of view of transaction costs.

### **Contracting man as an acting subject**

Another element that frequently emerged in the above discussion was its subject. It is definitely the person performing specific activities within the company, and in the economic context presented this person should be defined as the contracting man. The first sign of this term was the role of a contractor, as part of which the contracting man,

using his rights, establishes (contracts) relationships that enable him to perform activities within the company in an optimum way. It is worth presenting here a possibility of contracting within the company based on the effective direction of contracting, which answers the question about the purpose of selecting the way of establishing relationships within the company (Williamson, 1998, p. 37).

First of all, one has to mention the possibilities of contracting which oscillate around different factors occurring *ex ante* a contract. This allows to overcome any shortages in resources diagnosed by the contracting man. In this context, the contracting man can choose to establish relationships in accordance with the concept of property rights or the concept of agency. The first one clearly emphasizes the rights to establish relationships within the company, which arise out of the property right, the right to specific benefits arising out of these rights, and the right to change the form of interpersonal relationships (Furubotn & Pejovitch, 1974, p. 4). This infers that the ways of establishing relationships within the company allow to minimize problems connected with the existence of negative institutional factors thanks to holding adequate property rights. On the other hand, the way of contracting relationships within the company with use of the concept of agency assumes that the contracting man transfers some of his rights onto the so-called agents, which may result in the risk entailed by the very transfer of some of the rights. Such a form of establishing relationships is, however, properly secured at the stage of adequate *ex ante* arrangements and negotiations concerning the existing stimuli and institutional factors (Jensen & Meckling, 1976, pp. 305–360).

Adopting the effective direction of contracting, the contracting man gets the chance to make strategic decisions also from the perspective of future transaction costs. Such an approach strongly emphasizes the stage of contract execution. In the context of this discussion, it can be said that this is the stage when the contracting man maintains active relationships with other employees within the company. With regard to this, there are two further possible concepts of contracting: the concept of management and the concept of measurement. Even though both these concepts lean towards maintaining the legitimacy of property rights and *ex ante* arrangements, there is one significant new element. Namely, the emphasis is strongly placed on private settlement of disputes arising out of interpersonal relationships established within the company. This indicates that apart from a number of

ex ante determinants, there are also those ex post the establishment of interpersonal relationships (Williamson, 1998, pp. 41–42). Thus, starting with J. Buchanan's claim, it can be said that the concept of management becomes the science of contracts, and so the contracting man attempts to make an optimum choice, remaining a specialist in institutional plans (Buchanan, 1975, p. 229). It should be equally strongly emphasized that in the process of contracting within the company, it is not enough to focus on ex ante stimuli. In the interpersonal reality, the phenomenon of permanent negotiations seems to dominate, and this makes it possible to say that the concept of management seems to be the one commonly used by the contracting man within the company. The last concept of contracting within the company comes down to measuring the ambiguity or inconsistency that emerged during the performance of the contracted interpersonal relationships within the company (Ouchi, 1980, pp. 130–135).

### **Human manufacturing activity and internal added value as the purpose of the human activity within the company**

The four aspects of a company from the neo-institutional perspective discussed above have one common characteristic that is crucial for the further discussion. Regardless of the fact whether these activities are oriented towards external and internal customers, roles, relationships, or contracting processes, they are all intentional, which comes down to the performance of specific activities within the company. On the other hand, companies are established to achieve their specific goals, which are mentioned by representatives of nearly all schools of economic thought (Gorynia, 1999). The aim of this article is not to discuss different concepts of a company. Suffice it to say that it will mention the most important goals of a company outlined within the behavioral concept, meaning production and sales goals, achievement of a specific share in the market, goals related to the profit level, and goals related to having adequate stocks of raw materials and resources (Cyert & March, 1963). However, regardless of the way the company's goals are defined, it is safe to say that their achievement will only be possible if adequate activities are performed within the company in an effective and efficient way. All activities mentioned in this paper can be performed thanks to human manufacturing activity. At this point, it seems justified to propose the other hypothesis of this discussion,

which is as follows: human activity within the company shapes the neo-institutional manufacturing system. It is a process of the direct achievement of the organization's objectives using appropriate tools, with its main subject being the contracting man.

Every human activity within the company is performed by employees under the influence of a wide stream of institutional determinants. They constitute a broad array of factors that either enable and/or streamline or limit activities within the company. It is worth emphasizing that these are not the only factors significant for the effectiveness and the efficiency of human activity rooted in the classically understood management process (i.e. hierarchical structure, process models, managerial decisions and operational plans). When talking about institutions that determine the human activity within the company, one should think about a broadly defined institutional sphere that goes beyond mere economic factors (Derkacz, 2018, pp. 25–37). In this context, economic factors are frequently accompanied by factors from political, geopolitical, social, and ideological areas (Kirdina & Sandstrom, 2010, pp. 6–8). This is where the neo-institutional nature of institutional determinism of human activity within the company emerges. The way employees perform their tasks does not only depend on the processes defined within the company (to put it very simply), but also on all kinds of socio-economic institutions. Thus defined, human activity within the company forms a kind of a neo-institutional manufacturing system, which should be understood as all operational mechanisms in the company that are to instrumentally enable people to perform adequate activities. Effectiveness and efficiency of the manufacturing mechanism are also to a large extent determined by another collection of institutions. In slightly simpler terms, it can be said that everything that takes place within the company – acting people and manufacturing processes – depends greatly on a wide stream of institutional determinism.

Talking about the neo-institutional manufacturing system, one cannot limit oneself to issues connected with institutional determinism as there are a few more equally important characteristics that arise from the neo-institutional approach to a company adopted here. The first characteristic of the neo-institutional manufacturing system is that it should be oriented towards external and internal customers equally. It is not difficult to see that in the thicket of activities taking place within the company, only some (usually a small percentage of

all activities) are directly linked with external customers. A great majority of activities taking place within the company 'sell' their results and effects to the owner of the next activity, who is a different employee. In this context, it can be said that every person acting within the company, being an owner or co-owner of a specific activity, also assumes the role of an internal provider and recipient. And this is where another characteristic of the neo-institutional manufacturing system emerges, revealing its transactional nature.

If all activities performed within the company can be treated as internal transactions of exchange, then all issues connected with the contracting process almost naturally come to mind. Selection of an adequate form of contract enables the acting man to establish relationships with other company employees, which will constitute a company network of interpersonal relationships. Such a network enables effective and efficient performance of business activities, which in turn make it possible for the company to achieve its goals. Even though it is to a large extent a result of the author's managerial practice, it is worth mentioning that adequate relationships within the company, established as a result of the contracting man's needs, can be sources of added value, which will bear the hallmarks of strictly social characteristics that go beyond economic values. Thus, every activity of the contracting man within the company, despite having by nature economic assumptions, is perceived as a socio-economic phenomenon that is performed under the influence of a wide stream of institutional determinism.

### **Definition of a company from the neo-institutional perspective**

The aim of the above discussion was to present two key issues. The first one comes down to a statement that a company should be understood as a collection of activities in the form of socio-economic phenomena, while the other directly concerns people or, more specifically, their activity within the company, which shapes the neo-institutional manufacturing system. The literature more and more frequently provides different concepts of a company which clearly emphasize such elements as relationships with stakeholders having an effect on profitability (Freeman et al., 2004, pp. 364–365), however, considering the above

discussion it seems reasonable to make an attempt to present a company in a more holistic context of the neo-institutional perspective.

From this perspective, a company should be mostly perceived through the lens of people who, by accepting their different roles, perform their assigned activities within the company. In order for these activities to be effective and efficient, every person has a possibility of negotiating different contracts that regulate the stream of interpersonal relationships within the company. Considering the fact that human activity within the company can be oriented towards external and – perhaps mostly – internal customers, it has to be emphasized that there is a broad array of potential added values. When adding to the above issues connected with broadly defined institutional determinism, it is difficult not to see the socio-economic nature of phenomena taking place within the company. Thus, it can be said that everything that within the company, the way individual activities are performed, and what decisions are taken by the contracting man depend on institutions. And institutions limit but also enable or facilitate the performance of activities by the contracting man within the company, and so they constitute a very wide stream of institutional determinism.

## **METHOD: A COHERENT CAUSAL SPHERE AS THE DYNAMIC ENVIRONMENT OF A COMPANY**

The presented discussion on a coherent causal sphere in company management bears all the hallmarks of conceptual work, which is why the author needs to use an adequate research methodology. In consequence, the author to a large extent relies on a critical review of literature on new institutional economics, sociology, psychology, and philosophy. It is not without significance for the final form of the concept presented that the author has long experience in managing companies. On account of this, observation method was also used, making it possible to identify many socio-economic phenomena taking place within the company and different interpersonal relationships. The whole discussion on the issues presented here is methodologically bound by the author's use of analysis and logical structure that contributed directly to the formulation of the general concept of a coherent causal sphere in company management.

Using the results of conceptual work, one has to clearly emphasize the fact that the concept of a coherent causal sphere mostly draws on new institutional economics. According to T. Veblen, “each community can be seen as economic mechanism consisting of what we call economic institutions. These institutions are usual ways of life processes’ regulation in the society with regard to the material environment in which it exists” (Veblen, 1971, p. 173). This original definition of an institution is clearly reflected in the contemporary new institutional economics, where it is treated as a kind of a structure of diverse formal or informal stimuli that shape the way people function within the economy (North, 1990, p. 97). Also the critical analysis of S. Kirdina’s works was of great significance for the definition of a coherent causal sphere, as it gave rise to the concept of an institutional matrix that is a specific image of the socio-economic reality perceived from the perspective of economic, political and ideological projections (Kirdina & Sandstrom, 2010, pp. 6–8). Thus, the extensively discussed collection of different institutions became a holistic description of the socio-economic reality, which not only limits but also enables people to undertake specific activity. It is worth mentioning that apart from many classifications and typologies of institutions one can find in the literature of the neo-institutional current, these determinants can be distinguished in terms of their effect on the acting man. This division was first presented by the author, who divided institutions into essential and subtractional. The first group includes determinants fundamental to human activity, which shape the essences of this activity, while the other determines human activity by influencing it without changing its foundations (cf. Derkacz, 2018, pp. 25–26).

The final determinant that made it possible to formulate the concept of a coherent causal sphere was the analysis of literature on phenomenology and psychology. If activity of the contracting man, presented here from the neo-institutional perspective, should be characterized by subjective intentionality, then the institutional sphere, discussed in detail within new institutional economics, should also refer to the man as is. If so, then when talking about the actual sphere determining human activity, one should focus on the real world he “knows of, and so has it – more or less clearly – on his existential horizon” (Trzópek, 2013, p. 105). The physical world that is identified here with a coherent causal sphere, will be a source of stimuli motivating to take specific actions. A coherent causal sphere is thus understood as actual space

that gives rise to a wide stream of essential and substructural institutions determining the activity of people who aim to perform specific activities within the company. However, when this causal sphere is perceived from the perspective of the acting subject, it has to be added that all institutions should be knowable, explicable, and even predictable for the subject. Perceived subjectively, a coherent causal sphere should also include institutions that instrumentally become certain resources enabling optimum human activity, as a result of which the effort made by the person becomes justified, and the related requirements are perceived as challenges worthy of the effort and involvement.

Thus, it has to be clearly emphasized that the coherence of transformations is understood here in accordance with the psychological concept of behavioral coherence. According to its definition, behavioral coherence refers directly to someone who is certain or believes that (1) different stimuli from the external and internal environment are ordered, predictable, and explicable; (2) there are resources available, which allow him to meet the requirements arising out of the existence of these stimuli; and (3) these requirements are perceived as challenges worthy of his effort and involvement (por. Gierowski & Rajtar, 2003, pp. 133–134). In view of the above, it can be said that “the ... sense of coherence introduces order into the chaos of the world, but the means leading to it can be different...” Behavior depends on the cognitive and emotional interpretation of a situation, which – in the case of people with a high sense of coherence – is an interpretation that clearly structures the situation, giving it meaning and opening up possibilities of activity, however, this meaning can be very different, and so the behavior can be different (Cieciuch, 2006, p. 934).

Coherence understood in this way can be related to the neo-institutional causal sphere, in which the contracting man performs specific activities within the company. In this context, it can be said that for the contracting man, a dynamic causal sphere is a source of a wide stream of essential and substructural institutions which on the one hand enable, but on the other hand limit his activity. Moreover, such contracting man has adequate resources allowing him to undertake this activity, which has a specific purpose that enhances his involvement.

## FUNCTIONS OF COMPANY MANAGEMENT AND A COHERENT CAUSAL SPHERE

The concept of a coherent causal sphere discussed above reveals three specific activities that are significant for the process of company management. By direct reference to the contracting man, the concept shows (1) the existence of different types of institutions from the external and internal environment, which should be ordered, predictable, and explicable. Then, there are (2) available resources that allow the contracting man to meet the requirements arising out of the existence of such stimuli, and (3) the requirements that are perceived as worthy of people's effort and involvement within the company. One can infer from them specific functions of neo-institutional management. However, it has to be noted that these functions will depend on whether neo-institutional management is oriented towards (A) the contracting man or (B) institutional determinism of a coherent causal sphere. This is how the four main functions of the neo-institutional company management got revealed within a dynamic, coherent causal sphere (see Table 2).

**Table 2.** Functions of management within a coherent causal sphere

	<b>Orientation towards institutions of a coherent causal sphere</b>	<b>Orientation towards the contracting man</b>
<b>Ordered, predictable and explicable institutions</b>	<b>A.</b> Diagnosing institutional factors and creating an ordered 'array' of institutions determining the activity of the contracting man within the company. Modelling institutional determinism (on the level of strategic/tactical planning) that has an effect on the way activities are performed within the company.	<b>B.</b> Planning activities in the context of institutional determinism. Explaining the relationships between the quality of activities and institutional factors.
<b>Availability of resources allowing to meet the requirements</b>		<b>C.</b> Managing a stream of resource feeds necessary to perform activities within the company in an optimum way.
<b>Challenges worthy of employees' effort and involvement</b>		<b>D.</b> Management through motivation, knowledge and common goals of activities performed within the company.

Source: Own work.

The first function of neo-institutional management that should be presented is the one oriented towards institutions of a coherent causal sphere. It is worth noting that management is treated here as a process determining a specific managerial cycle. These functions should be performed starting with function A, and ending with function D, and so on, which follows from the characteristics of the functions of neo-institutional management proposed in the article. In this context, the first function to be performed within a managerial cycle mostly consists in diagnosing all factors and determinants that have – or may have – an essential and/or substractional effect on the way activities are carried out within the company. Bearing in mind that these institutions can either limit or enable/facilitate the performance of these activities, it would be worth developing their ordered catalogue so as to make it possible to perform further managerial functions in an optimum way. With regard to the function oriented towards institutions of a coherent causal sphere, it has to be added that some modelling of institutional determinism is necessary. The aim of this activity is to create a bundle of relationships linking institutional factors to the process structure within the company. Thanks to this, it is possible to manage the company's internal processes in an optimum way from the perspective of the acting contracting man.

The second perspective of neo-institutional management creates a certain set of managerial functions. Activities within the management process focus on three functions. The first of them (function B) arises out of the claim that there are different institutions coming from a coherent causal sphere, which should be ordered, predictable and explicable from the perspective of the contracting man acting within the company. This function comes down to the necessity to plan activities within the company based on a pre-developed model of institutional determinism. Moreover, this function covers adequate managerial activities aiming to explain to employees all defined relationships between the quality of activities within the company and the determinism of institutional factors. The performance of this function of neo-institutional management by the managerial staff can be deemed effective and efficient only when the wide stream of institutions is ordered, predictable and comprehensive from the perspective of the employees concerned. Another function of this perspective is related to the availability of all resources making it possible to meet the requirements the contracting man encounters within the company

(function C). It has to be clearly emphasized that these requirements do not only arise out of the nature of the activity but perhaps mostly out of the operating institutions of a coherent causal sphere, which can limit but also enable/facilitate the performance of these activities. In this context, it can be said that this function comes down to the management of streams of resource feeds necessary to perform activities within the company in an optimum way. The last function of neo-institutional management concerns the issue of employees' involvement in the performance of their assigned tasks (function D). Its main aim is a situation in which people acting within the company decide that the challenges they face are worthy of their effort and involvement. Thus, performance of this function mostly consists in managing employee teams through motivation, knowledge and common goals of activities performed within the company.

The above descriptions of the four functions of neo-institutional management clearly reveal significant elements that define a coherent causal sphere. It is also worth emphasizing that these functions are complementary, meaning that their performance should bear the hallmarks of a managerial cycle. The performance of the next function is optimum provided that the requirements of the previous function have been met. The necessity for a cyclical character of management also results from dynamic fluctuations occurring within a specific causal sphere. In this context, one can quote a popular saying that the only unchanging thing is that everything changes.

## **COMPANY MANAGEMENT PRACTICE WITHIN A COHERENT CAUSAL SPHERE**

The aim of the above discussion was to answer the key research question: What is company management, understood as practice, from the perspective of dynamic changes taking place in a broadly defined coherent causal sphere? The discussion, set in the context of new institutional economics, has revealed the necessity for a redefinition of the notion of a company. As a result of the neo-institutional approach to management, a few elements have been strongly emphasized. First of all, one has to mention interpersonal relationships existing within the company. From this perspective, a company is treated as a complex network of relationships between people who pursue specific business

goals within the company. Then, one has to mention the role of the contracting man. All employees, regardless of the rights held, perform their tasks using contracting mechanisms (entering into contracts). All tasks are performed in an intentional way using necessary resources and under the influence of a wide stream of institutional factors. This is why all employees, when becoming the contracting man, assume the role of a contractor of their activity within the company. The last element that needs to be mentioned is the very activity undertaken within the company. On account of a strongly psychological and sociological approach to economics and management, the author views every activity in terms of a socio-economic phenomenon. Everything that takes place within the company bears the hallmarks of purely economic (business) but also social activities. A company is not an entity alienated from the human reality. Wherever we go, there are people who, while performing activities within the company that employs them, remain parents, neighbors, association members, music lovers, or extreme sports enthusiasts. In short, every employee is a human being whose life goes beyond the company.

However, even thus perceived, a company is an entity with its own goals and tasks, and various activities are undertaken within it in order to fulfil them. This company activity, mostly performed by the contracting man, does not exist in some ontological vacuum. Everything that takes place within the company is subject to institutional determinism. The article very clearly presents all factors that enable but also limit the performance of such activities. This gave rise to the concept of a coherent causal sphere, which is not a thoughtless mechanism enslaving people. A coherent causal sphere is a source of a wide stream of institutions that can be ordered, predictable and comprehensive. The coherent causal sphere presented above formed the basis for the determination of the most important functions of company management. Thus, management appeared as a very important and dynamic activity oriented towards people and a wide stream of institutions from a coherent causal sphere.

The author presented a concept the theoretical justification of which lies in the assumption that the practice of company management from the neo-institutional perspective should be oriented towards broad-aspect determinism of a coherent causal sphere. Such a claim, together with the conceptual character of the above article, determines in a way the nearest future of the concept of a coherent causal sphere

in company management. It can be expected that, should the concept be acknowledged by academic and managerial circles, further research will be undertaken in order to gather and systematize a catalogue of institutions that already are subjects of neo-institutional company management. By assuming new functions described above, management will become a tool for ordering institutional determinism, which, by being predictable, will become comprehensible for people acting within the company. Moreover, neo-institutional management will be aimed at providing business processes that will make it possible to perform activities so that they become a starting point for the effort and involvement of the contracting man within the company.

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# OGÓLNA KONCEPCJA NEOINSTYTUCJONALNEJ SFERY PRZYCZYNOWEJ W ZARZĄDZANIU PRZEDSIĘBIORSTWEM

## Abstrakt

**Tło badań.** Ogólna koncepcja neoinstytucjonalnej sfery przyczynowej powstała w odpowiedzi na pytanie, czym jest zarządzanie firmą, rozumiane jako praktyka, w świetle dynamicznych przemian zachodzących w szeroko rozumianej koherentnej sferze przyczynowej. Krytyczna analiza literatury z zakresu nowej ekonomii instytucjonalnej, psychologii i socjologii, obserwacje rzeczywistości społeczno-gospodarczej oraz wieloletnie doświadczenie autora w zarządzaniu firmami stały się głównymi czynnikami sprawczymi powstania prezentowanej tu koncepcji.

**Cel badań.** Poszukiwania odpowiedzi na kluczowe pytanie przyczyniły się do ujawnienia się dwóch hipotez. Pierwsza z nich dotyczy rozumienia firmy jako zbioru aktywności o charakterze zjawisk społeczno-gospodarczych. Druga zaś mówi o aktywności ludzkiej w granicach firmy, która to kształtuje neoinstytucjonalny system wytwórczy. Jest on procesem bezpośredniej realizacji celów organizacji przy wykorzystaniu odpowiednich narzędzi. Najważniejszym jednak podmiotem jest tu sam człowiek kontraktujący. W tym oto kontekście autor artykułu stawia tezę, w której twierdzi, iż praktyka zarządzania firmą w rozumieniu neoinstytucjonalnym powinna być zorientowana na szerokoaspektowy determinizm koherentnej sfery przyczynowej.

**Metodologia.** Dla udowodnienia tezy autor w pierwszej kolejności przedstawia zagadnienia dotyczące firmy w ujęciu neoinstytucjonalnym, co stanowi swoiste tło dla koncepcji koherentnej sfery przyczynowej. W drugiej części artykułu mowa jest o koherentnej sferze przyczynowej, która została utożsamiona z dynamicznym otoczeniem firmy. Na koniec autor definiuje funkcje zarządzania firmą w kontekście determinującej koherentnej sfery przyczynowej, które mają szansę stać się nowym kierunkiem w zarządzaniu współczesną firmą.

**Kluczowe wnioski.** Do głównych wniosków należy zaliczyć trzy elementy. Pierwszy dotyczy koncepcji firmy w ujęciu neoinstytucjonalnym. Drugi wniosek mówi o istnieniu koherentnej sfery przyczynowej, która jest odzwierciedleniem holistycznego otoczenia przedsiębiorstw, w ujęciu neoinstytucjonalnym. Najważniejszy wniosek sprzeczny jest do twierdzenia, że praktyka zarządzania firmą w rozumieniu neoinstytucjonalnym powinna być zorientowana na szeroko-aspektowy determinizm koherentnej sfery przyczynowej.

**Słowa kluczowe:** ekonomika biznesu, organizacja wewnętrzna, zachowanie organizacyjne, wybór instytucjonalny, zarządzanie neoinstytucjonalne