

**CDSSES 2020****IV International Scientific Conference "Competitiveness and the development of socio-economic systems" dedicated to the memory of Alexander Tatarkin****POSTMODERN AND METAMODERN PHILOSOPHY ON  
INSTITUTIONAL THEORY OF ORGANIZATIONS**

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**Abstract**

Modern economic science has an extensive and varied methodological toolkit for studying various economic phenomena, one of which is organization — the proposed explanation of the emergence and termination of existence based on the transactional approach. Institutionalists prioritize the rules (institutions) that structure the interaction of economic agents within the firm to reveal the firm's nature. Differences in views on nature are explained by researchers' methodological choice, which is due to methodological pluralism, their modern scientific community in the context of the transition from postmodern to metamodern. The study's relevance lies in the fact that now in economic science, there is no comprehensive analysis of the evolution of economic knowledge development in conjunction with philosophical knowledge development — the philosophy of postmodern and metamodern poses before the economic theory of organizations. The present study fills this gap, revealing the influence of the philosophy of postmodern and metamodern on the formation and development of organizations' institutional theory. The study aims to identify the general development logic of the institutional theory of organization and the relationship with the philosophy of postmodern and metamodern. The research methodology includes methodological institutionalism, method of rational reconstruction of scientific knowledge, comparative analysis method, analysis method, and synthesis. The study results are to identify the impact of postmodern and metamodern on organizations' institutional economic theory.

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*Keywords:* Economic methodology, institutional theory of organizations, institutional theory, philosophy of metamodern, philosophy of postmodern



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## 1. Introduction

Economic reality and its evolution are closely related to the consciousness and will of man. The development of the human personality occurs under various external and internal factors: economic, cultural, historical, institutional, technological, etc. Human consciousness's evolution is reflected in his understanding of the general "picture of the world" and his place in this world. The development of philosophical knowledge, on the one hand, reflects the development of human consciousness, and on the other hand, it affects the evolution of human consciousness itself. Economic knowledge is formed both under the influence of economic practice and under the influence of natural science and humanitarian knowledge development. In turn, economic knowledge also changes man's economic practice and is one of the factors of its evolution. Thus, there is a cumulative inverse causal relationship between human consciousness, economic activity, economic knowledge, and philosophical knowledge.

Russian and foreign economists and philosophers were engaged in studying the relationship between philosophical knowledge and the economic activity of people. The researchers' focus was most often the questions of the methodology of economic science in the context of its relationship with philosophical knowledge, less often - the issues of the relationship of forms and methods of management with a particular philosophical paradigm. Even less often in modern scientific discourse, the influence of the philosophy of postmodern and metamodern on the economic theory of organizations of individual schools of modern economic science is presented.

In our opinion, the problem of the influence of the philosophy of postmodern and metamodern on the institutional economic theory of organizations is the least discussed, although it belongs to the fundamental problems of economic science. The study of this problem will allow a deeper understanding of the general logic of the relationship of philosophical knowledge, economic knowledge and economic practice (theoretical aspect), as well as reveal the patterns of evolution of modern economic and non-economic organizations in the context of the challenges of postmodern and metamodern).

The relevance of this formulation of the research problem is determined by the fact that modern socio-economic reality is characterized by a transition from postmodern to metamodern and if the challenges of postmodern have already emerged and realized, then the challenges of metamodern are still being formed.

## 2. Problem Statement

Modern economic organizations conduct their activities in the context of the transition from postmodern to metamodern. Changes in society's dominant philosophical paradigm are explicitly or implicitly reflected in the perception of the economic agent (producer / consumer) of the socio-economic reality and its activities in this reality. As a result, the forms of coordination of economic activity, including economic organizations, are changing. Changes are taking place in modern economic organizations, which can only partly be explained by the influence of objective scientific, technical and economic factors (Kleiner, 2011; 2019; 2020; Sharipov et al., 2020; Yan et al., 2019). The influence of subjective factors caused by human consciousness's evolution and the corresponding changes in the dominant philosophical paradigm is increasing.

The institutional economic theory of organizations is one of the relatively young theories of modern economics. The formation and development of the institutional economic theory of organizations took place in the postmodern era, but its relationship with the philosophy of postmodernity, in our opinion, has not been sufficiently studied. At the turn of 20-21h centuries. The formation of a new philosophical paradigm - the paradigm of metamodern - began, but the philosophy of postmodernity persists. In this regard, organizations' institutional economic theory is the most attractive object from studying the influence of philosophical paradigms on the evolution of economic knowledge and economic practice.

The research problem is to identify the influence of postmodern and metamodern philosophy on organizations' institutional theory.

### **3. Research Questions**

The research questions are as follows:

- to identify the influence of postmodern philosophy on the evolution and current state of the institutional economic theory of organizations;
- to reveal the influence of the philosophy of metamodern on the institutional economic theory of organizations;
- to identify the challenges of postmodern and metamodern to the institutional economic theory of organizations.

### **4. Purpose of the Study**

The study aims to identify the general logic of the development of organizations' institutional economic theory concerning the philosophy of postmodern and metamodern.

### **5. Research Methods**

The research methodology includes both general scientific methods and methods and tools of individual scientific schools of economic theory, including:

- methodological institutionalism (this methodological principle consists in the recognition that institutions determine human behavior in the socio-economic environment),
- the method of rational reconstruction of science (this method made it possible to study scientific ideas, concepts, theories from modern problems of economic science),
- method of comparative analysis (this method made it possible to compare various institutional theories of organizations based on the criteria of conformity of the philosophy of postmodern and metamodern),
- method of analysis and synthesis (this method made it possible to formulate the conclusion).

## 6. Findings

The development of man and humankind took place under the influence of objective and subjective factors. The author considers natural resources, climatic conditions, availability of trade routes, and objective factors. The author refers to subjective factors as mental patterns, characteristics of culture and public opinion, knowledge, science and others. Subjective factors are associated with a person and depend on him, and objective factors are not associated with a person and do not depend on him. The relationship between objective and subjective factors is realized through economic activity. It is economic practice, labor aimed at interacting with objective factors to ensure human life, that determines human consciousness changes. Changes in consciousness are reflected in changes in mental patterns, cultural norms and other subjective factors. The relationship "objective factors - human consciousness - subjective factors" is a cumulative recurrent cause-and-effect relationship. Changes in subjective factors allow a person to create new labor tools and transform objective factors, creating a socio-economic environment between a person and the natural environment. The socio-economic environment is a system of objects and relationships created by man, reflecting the state of human consciousness and its changes. Human consciousness includes many aspects, but we will highlight only two of them: 1) the idea of the surrounding reality "picture of the world", 2) the idea of oneself in this surrounding reality. Answers to the questions: "What is the world?" and "What am I in the world?" traditionally given by philosophy (religious and / or non-religious). The dominance in the public consciousness of this or that philosophical trend in a certain historical period is called "the era of classicism / modern / postmodern."

The result of people's economic activity always changes in the economic environment, changes in human consciousness, and then - changes in mental patterns, knowledge, science, and art. An essential component of the socio-economic environment are institutions that are not economic factors but regulate economic relations (access to economic factors, distribution of economic resources and incomes, etc.). Institutions reflect a person's ideas about the surrounding reality and a person's ideas about his place in this reality. Institutions evolve in an inextricable connection with technology (Sazanova & Kuznetsov, 2020), public consciousness and organizations. People create organizations for personal and / or collective results. Organizations are closely related to institutions and technology. Organizations evolve under the influence of both objective and subjective factors. Changes in economic activity are reflected in the minds of people and the organizations they create.

Previous studies (Sazanova & Ryazanova, 2020) showed that the evolution of philosophical knowledge influenced the development of economic knowledge, that the ideas of classical philosophy were reflected in classical political economy and Marxism, the ideas of modern philosophy were developed in neoclassical economic theory and the theory of socialism, the ideas of postmodern philosophy were reflected in neoclassical synthesis and traditional "old" institutionalism, and the ideas of metamodern philosophy influence modern economic theory. The content of this influence is of greatest interest.

In the Russian scientific discourse, the ideas of metamodern have not yet found their proper development. The impact of metamodern ideas on organizational economics is even less discussed.

Meanwhile, in our opinion, the philosophy of metamodern is spreading de facto in an implicit form not only in the world, but also in Russia.

What is "metamodern" (metaxis (Greek) - fluctuations)? Metamodern as a direction of philosophy is a logical development of the ideas of modernity and postmodernity (Bunnell, 2015; Freitas Pastori, 2018). Metamodern strives to overcome the opposition between modernity and postmodernity (Baciu et al., 2015). The philosophy of modernity was based on understanding development as a progressive linear process, when any changes are always for the better. The reflection of the ideas of modernity in the economy was the formation and development of large enterprises, enterprise systems, and socio-economic systems organized by the type of enterprises (capitalism, socialism) (Rumyantsev, 2011; 2012). During the modern era, the main form of economic organization was the firm (capitalism) and the industrial enterprise (socialism).

The postmodern era is characterized by relativism of goals and means of achieving them, deconstruction, fragmentation, emphasis on the playful beginning, and tolerance (Akker et al., 2017). Reflection of postmodernism ideas in the economy was the rejection of socio-economic systems based on a rigid hierarchy. The dismantling of the socialist system, in our opinion, is a confirmation of the fact that the spread of ideas, even in an implicit form, affects formal institutions, organizations, and systems. New forms of commercial and non-commercial organizations began to develop actively: divisional, matrix, design and others. The sector of financial and non-financial services began to develop more actively in comparison with industry. The emergence and active spread of digital technologies have further changed the structure of the economy, social institutions, and people's consciousness. The main idea of the metamodern is the idea of oscillations (oscillations), that is, changes in the system's position around the equilibrium point. But unlike physicists, philosophers focus not on the point of equilibrium, but on the vibrations themselves. Now let's try to understand what this means in relation to people's economic activity, whether it happens in the economy and economic organizations.

The economic theory of organizations is one of the main theories of modern economic science. Marshall can be considered the founder of the economic theory of organizations, who proved that an economic organization is an independent participant in economic processes, that is, a factor of production. Marshall suggested using the production function as the main analytical tool for analyzing the firm, which allows one to determine the combination of resources required to achieve the optimal, in terms of costs and output, production volume. The firm's neoclassical theory based on the theory of marginal profit analyzes the firm's behavior in the economy as a special case of the optimizing behavior of the individual, taking into account the characteristics of the competitive market environment. Institutional economic theory, based on the principle of methodological institutionalism (Kirdina-Chandler & Kleiner, 2016), pushes the boundaries of the neoclassical approach and offers an explanation of the emergence, development and end of the existence of a firm based on the transactional approach. In an effort to reveal the nature of the firm, institutionalists give priority to the rules (institutions) that structure the interactions of economic agents within the firm. Differences in views on the nature of organizations are explained by the methodological choice of researchers, which is due to the methodological pluralism inherent in the modern scientific community in the context of the transition from postmodern to metamodern.

The institutional economic theory of organizations to the greatest extent, in our opinion, reflects the influence of postmodern and metamodern ideas on economic knowledge. Institutionalism went through several stages in its development: 1) traditional "old" institutionalism (late 19th - early 20th centuries); 2) neo-institutionalism, new institutionalism and institutional-evolutionary economics (since the 1980s). At the first stage, institutional theory was formed as the opposition of neoclassicism (holism instead of atomism and evolutionism instead of linearity), but in general, representatives of traditional "old" institutionalism shared the idea of progress and the leading role of technology in the development of socio-economic systems.

The institutional theory of organizations of the "old" institutionalism viewed organization as a technostructure and institutions as collective actions aimed at controlling individual actions. The fundamental difference between institutional theory of organization and neoclassical organization theory was that institutionalists sought to look inside the organization and understand the "nature of the firm."

The neoinstitutional theory of organization (firm) used the theory of transaction costs as a universal theoretical tool, which made it possible to explain: 1) why there is an organization based on hierarchical relationships, and 2) what determines the size of the organization. The formation of the neoinstitutional theory of organization reflected the influence of postmodern ideas while maintaining the overall picture of the modern world. In neoinstitutional economic theory, organization is only one of the forms of coordination of the activities of economic agents (postmodern), but it plays a key role in the economic system and its interests are reduced to the interests of a rational economic agent (modern). The organization always strives to maximize its target function, acting in conditions of resource and institutional constraints. The progressive development of an organization is determined by the dynamics of investment and innovation (modernity).

The theory of organization of new institutionalism considers organization as one of the forms of contractual relations between economic agents. It is no longer an organization, but contracts that serve as mechanisms for coordinating the actions of economic agents and a central element of the economic system. The rationality of economic agents can be complete, limited, procedural. The ownership of assets within the organization ceases to be single and indivisible but becomes a "bundle of powers". The internal environment of an organization and its behavior in the external environment is determined by the dynamics of transaction costs, formal and informal rules, as well as the system of property rights. The organization strives to achieve a satisfactory result, operating in conditions of resource, institutional and informational constraints. Various options for combining the value of different types of transaction costs, rules, property rights determine the nature of the firm and its efficiency. Thus, the new institutional economic theory of organization reflects more the philosophy of the postmodern than the neoinstitutional one.

Institutional evolutionary economic theory of organization considers it as a living organism, functioning in the external environment under the influence of innate and acquired characteristics. The organization is based on routines as carriers of the key characteristics of the organization. On the one hand, routines ensure the stability of the organization, and on the other hand, they themselves are the object of selection. The process of selecting routines occurs under the influence of external and internal factors, which does not necessarily lead to the selection of the best, more effective routines. Investment

processes are not continuous and progressive, and economic agents within organizations do not strive to be only innovators. As a rule, they "change roles": agents-innovators who have successfully invested in the past period of time become conservatives in the present and want to get a beneficial effect from the investment; Conservative agents invest investment income and become innovative agents (Maevsky et al., 2016). Thus, the dynamics of organizations in the economic environment is determined by the fluctuations of economic agents between the opposite states of "innovator" and "conservator". It is obvious that it is the institutional evolutionary economic theory of organizations that, to a greater extent than all the above-described institutional theories of organizations, reflects the philosophy of metamodern.

## **7. Conclusion**

Economic knowledge develops in close relationship with economic practice and human consciousness. Economic practice transforms the world around a person, which, in turn, changes a person's consciousness. Changes in a person's understanding of the "picture of the world" and their place in it determine changes in economic knowledge and economic activity. Between philosophical knowledge, economic knowledge, and people's economic activity, there is a close, but not always realized by the person himself, the relationship. Philosophical knowledge is formed in a person's mind under the influence of his activities, including economic. Human transformation of the surrounding world changes the "picture of the world" in his mind, which, in turn, affects the economic relations of people, institutions and organizations created by people.

The evolution of organizations' institutional economic theory took place under the influence of changes in economic practice and changes in philosophical and economic knowledge. The study of the content of organizations' economic theory at various stages of the development of institutionalism made it possible to reveal the influence of the philosophy of postmodern and metamodern on the nature of organizations, the driving forces of their development and target functions. It has been established that the economic theory of organizations of traditional "old" institutionalism reflects the basic ideas of modern philosophy; neoinstitutional economic theory of organizations reflects the ideas of modernity, but contains elements of postmodern philosophy; the theory of organizations of new institutionalism is based on the philosophy of postmodernism; institutional evolutionary economic theory of organizations, to a greater extent than all of the above, reflects the ideas of the philosophy of metamodern.

Thus, the ideas of postmodern and metamodern are realized both in the organizations themselves, and in economic theory in general and the institutional economic theory of organizations, in particular.

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