

Preview: Forthcoming Book

Transaction Cognitions

*How thinking shapes
economic possibilities*

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Who should read it?

This book is written for members of a **new core intellectual community** that some have called economic pracademics: individuals who are searching for a thoughtful and thorough explanation of how thinking affects economic possibilities.

This community includes:

- Individuals with cross-disciplinary interests,
- Academicians in practice,
- Practically oriented academics,
- Policy makers,
- Thought leaders in business and economics,
- Thoughtful leaders or future leaders of organizations.

What parts of this book will appeal to the cross-disciplinary reader?

Transaction Cognitions lays out the argument for an integrated theory of economic “thinking and doing” that builds upon Dr. Mitchell’s Heizer Award winning thesis research, his path-breaking work in stakeholder theory, and his internationally renowned, award-winning teaching program in entrepreneurship at the University of Victoria. Mitchell now holds a joint appointment with Peking University (China’s Harvard/Oxford) where both in Beijing and Victoria, he uses the principles of the new transaction cognition theory to teach the cross-disciplinary topic of global entrepreneurship: the creation of new (value-adding) transactions and transaction streams anywhere on the globe.

What ideas will appeal to practically oriented academics?

Finally, the practically oriented scholar will have access to a sensible explanation for wealth creation in the new vocabulary of the thinking age—the natural successor to the information age—by an award-winning member of the world’s new-generation thinker-leaders: economic pracademics. Economic pracademics are the new highly educated but exceptionally pragmatic community of cross-disciplinarians who are searching for solutions to some of the world’s toughest economic questions, using multiple disciplines: Why rich and poor? What is entrepreneurship, really? Where can we find economic security? In this, his first full-length book, Dr. Ron Mitchell builds upon his noteworthy research and teaching to lay out the argument for an integrated theory of economic “thinking and doing” that finally makes sense. This read is a must for those of us who would be willing to do something, if we only knew what. This new work is full of ideas for the right kind of “something.”

What is in this book for thought leaders in business and economics?

For those of us who realize that globalized thinking is our only hope or our worst nightmare—*Transaction Cognitions* presents a carefully reasoned and imminently

understandable explanation of the thorniest problems of economic accomplishment. In this book Dr. Ron Mitchell lays out the steps needed to move an integrated theory of economic “thinking and doing” that builds upon his award winning research and teaching, into concrete actions for today’s business and economic leaders.

What will interest thoughtful leaders or future leaders in organizations?

Thoughtful leaders or future leaders in organizations will receive a thorough and well-reasoned explanation of why Napoleon Hill was right: That thinking IS related to growing rich individually and collectively, and this book will show how—using the latest powerhouse theories from the top levels of academia. In *Transaction Cognitions* the questions are answered: What is a transaction? How is it related to our most fundamental thinking patterns? Can the processes of generating economic independence be taught? These concepts—well communicated, and well understood—can form the foundation of your future leadership success.

So why should you read Transaction Cognitions?

- You may be frustrated that the various disciplines that you follow, draw upon, and hope will yet explain continuing economic turbulence and disparities, are not yet talking well together;
- You may have a conviction that solutions to the toughest socioeconomic problems will involve the integration and utilization of multiple disciplines;
- You are aware of the necessity for rigor within each intellectual domain that you know must be utilized to make sense of an increasingly complex but information-rich economic environment;
- You are disappointed that the uniqueness of each “academic silo” discourages cross-disciplinary dialogue at a time when this very dialogue is critical.

In two paragraphs what are the contents of this book?

Since William James (1890) suggested that, “we become what we think about,” scholars, policy makers, and leaders of organizations have been fascinated with a unique phenomenon: How thinking shapes economic possibilities (e.g., *Think and Grow Rich*, Napoleon Hill, 1960). Transaction cognitions, the topic of this book, allow us to explain in a theoretically rigorous but practically simple manner, how underlying reasons for world-renowned successes such as Microsoft, or the rise of the quality movement in Japan and North America, flow from the same mechanisms that underlie 70-fold differences between first tier and fourth tier GDP per capita. The common denominator? The fundamental structure of the transaction. The mechanism? Transaction cognitions.

Transaction cognitions are the thinking models that human beings use to shape the organizations and institutions that lead to economic achievement. The fundamental structure of the transaction—that in every transaction an individual produces some “work” for other persons—suggests three distinct and necessary thinking models that are termed: transaction cognitions. Cognitions themselves have been defined as all processes

by which sensory input is transformed, reduced, elaborated, stored, recovered, and used (Neisser, 1967). Transaction cognition theory, as developed in this book, decomposes a transaction into its three basic elements: the individual, other persons, and the work, and explains how variability in human economic performance can be attributed to variability in cognitions related to these elements of the transaction, and what this means for human economic possibilities.

Please explain how the book is structured.

In the five parts of *Transaction Cognitions*, I explore the idea of transaction cognitions:

1. What they are,
2. How you get them,
3. What they do,
4. How they do it, and
5. Why they matter.

To accomplish this, I integrate recent insights from new institutional economics (e.g., transaction cost economic theory [Williamson, 1975, 1985, 1991, 1996]), social cognition (e.g., expert information-processing theory [Glaser, 1984]), management (e.g. stakeholder theory [Mitchell, Agle, Wood, 1997]), and entrepreneurship (e.g., entrepreneurial cognition theory [Mitchell, et al., 2002, forthcoming]) to produce a cogent explanation for the economic accomplishments and failures of the “thinking age,” the natural successor to the information age.

This book is organized according to a conceptual model that explains how: (1) human beings use transaction cognitions, to (2) organize exchange relationships, that (3) utilize market imperfections, to (4) create value. *Transaction Cognitions* explores how thinking affects both organizational and institutional factors in economic relationships to shape economic outcomes.

To best describe how thinking shapes economic outcomes, I introduce the notion of effectiveness of the socioeconomic interface. It is a synonym for the creation of value, by which I mean processes where worth, utility, return, or some equivalent in goods, services or money, result from socioeconomic interactions. Essentially the idea is that human beings create relationships that manifest themselves as transactions, organizations, and economies and that act as tools in their respective interactions with other individuals, and with groups and societies.

Arrow (1969: 515) described socioeconomic interface as a social friction point. Where there is an effective socioeconomic interface, friction is minimized, value is created, and desired economic outcomes are achieved. Where the socioeconomic interface is ineffective, socioeconomic friction increases, and value is either lost or is not created at all. I suggest herein that we can trace the economic problems of individuals, organizations, and economies to ineffective socioeconomic interfaces. In this book I make the connection between thinking—transaction cognitions—and economic

possibilities, by closely examining the impact of transaction cognitions on the effectiveness of the socioeconomic interface.

Each of the five main parts (main parts are numbered with roman numerals) has several chapters (numbered with ordinary numerals). Each chapter begins with a skim story, an anecdote that condenses the main idea in the chapter. Deeper discussions of these ideas follow, in the dive topics. For the convenience of the reader, all the skim stories and dive topics are summarized in “Chapter Summaries,” an enhanced guide to the book’s contents, which is, effectively, an annotated bibliography.

After the last chapter in each main part, there are two extra sections: conceptual applications, and a reading list. These sections have practical purposes. For example a conceptual applications section might include websites that can assist the reader to further explore ideas that have been introduced, sections from a scholarly paper that, as an example, might have operationalized theory presented in the preceding part, managerial checklists of possible “to do” items for follow-up application, or selected applications strategies for the practical implementation of particular concepts.

The purpose of the reading list section is to enable further pursuit or investigation of key concepts introduced within that part of the book. Unlike the complete references section in the appendixes, the reading list section contains brief summaries of articles recommended for further reading, along with a rationale for their link to that part of the book. Thus, for example, the reading list section might be useful for prompting further discussion on a topic within a graduate seminar.

Finally, *Transaction Cognitions* concludes with appendixes that contain support materials for the book such as detailed examples and measurement instrumentation, full references for the works cited throughout the text, a name index, subject index, and a glossary.

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