

THE  
EXTERNAL  
CONTROL  
OF  
ORGANIZATIONS

A Resource Dependence  
Perspective

*Harper & Row, Publishers*

NEW YORK

HAGERSTOWN

SAN FRANCISCO

LONDON



# CONTENTS

	PREFACE	xi
ONE	AN EXTERNAL PERSPECTIVE ON ORGANIZATIONS	1
	OVERVIEW	2
	The Environment as Treated in the Social Sciences	5
	INTERNAL VERSUS EXTERNAL PERSPECTIVES ON ORGANIZATIONS	6
	The Importance of Individuals in Organizations	9
	BASIC CONCEPTS FOR A CONTEXTUAL PERSPECTIVE	10
	Organizational Effectiveness	11
	Organizational Environment	12
	Constraints	14

	THE ROLE OF MANAGEMENT	16
X	The Symbolic Role of Management	16
	The Possibilities of Managerial Action	18
	SUMMARY	19
<i>TWO</i>	ORGANIZATION AND SOCIAL CONTEXT DEFINED	23
	INTEREST GROUPS AND COALITIONS: ORGANIZATIONS AS MARKETS FOR INFLUENCE AND CONTROL	24
	COMPETING DEMANDS	27
	ORGANIZATIONAL BOUNDARIES AND THE PARTIAL INCLUSION OF PARTICIPANTS	29
	ORGANIZATIONAL EFFECTIVENESS	33
	SUMMARY	36
<i>THREE</i>	SOCIAL CONTROL OF ORGANIZATIONS	39
	INTERDEPENDENCE	40
	THE SOCIAL CONTROL OF ORGANIZATIONAL CHOICE	43
	Resource Importance	46
	Discretion over Resource Allocation and Use	47
	Concentration of Resource Control	50
	Dependence	51
	✓ Countervailing Power and Asymmetric Dependence	52
	EMPIRICAL EXAMINATIONS OF INTERORGANIZATIONAL INFLUENCE	54
	Israeli Managers	54
	Sales Interdependence and Affirmative Action	56
	SUMMARY	59
<i>FOUR</i>	THE ORGANIZATIONAL ENVIRONMENT AND HOW IT IS KNOWN	62
	DIMENSIONS OF THE ENVIRONMENT	63
	THE INTERCONNECTEDNESS OF ORGANIZATIONS	69
	THE ENACTMENT PROCESS—HOW ENVIRONMENTS ARE KNOWN	70
	The Enacted Environment	71

	DETERMINANTS OF THE ENACTMENT PROCESS	74
	PROBLEMS IN ENVIRONMENTAL ENACTMENT	78
	Misreading Interdependence	79
	Misreading Demands	80
	Commitment to the Past	82
	Conflicting Demands	82
	THE ASSESSMENT OF EXTERNAL DEMANDS	84
	Determining Interest Groups	84
	Weighting Interest Groups	85
	The Criteria of Groups	85
	The Impact of Actions on Criteria	86
	SUMMARY	88
<i>FIVE</i>	MANAGING ORGANIZATIONAL DEMANDS: ADAPTATION AND AVOIDANCE	92
	AN ENVIRONMENT OF CONFLICTING INTERESTS	93
	ORGANIZATIONAL COMPLIANCE	94
	AVOIDING INFLUENCE AS AN ORGANIZATIONAL RESPONSE	95
	MANAGING THE CONDITIONS OF SOCIAL CONTROL	97
	Control of Demands	97
	Controlling the Definition of Satisfaction	99
	Controlling the Formation of Demands	100
	Factors Affecting Discretion in Behavior	101
	Visibility of Behavior's and Outcomes	104
	MANAGING AND AVOIDING DEPENDENCE	106
	Organizational Change Strategies	106
	Strategies for Avoiding Resource Dependence	108
	Strategies for Avoiding Control	109
	SUMMARY	110
<i>SIX</i>	ALTERING ORGANIZATIONAL INTERDEPENDENCE: CONTROLLING THE CONTEXT OF CONTROL	113
	USING MERGER TO COPE WITH INTERDEPENDENCE	114
	PATTERNS OF VERTICAL MERGERS	115
	Alternative Explanations for Mergers	117

Results	118
Specific Industry Results	118
MERGERS WITHIN THE SAME INDUSTRY:	
REDUCING COMPETITIVE UNCERTAINTY	123
Competitive Interdependence	124
DIVERSIFICATION: DETERMINING	
INTERORGANIZATIONAL DEPENDENCE	126
Diversification by Israeli Firms	128
United States Government Contractors and	
Diversification	130
ORGANIZATIONAL GROWTH	131
Mergers, Growth, and Profitability	133
Executive Motivation and Organizational Growth	136
Growth and Stability	137
SUMMARY	139
<i>SEVEN</i> THE NEGOTIATED ENVIRONMENT:	
ESTABLISHING COLLECTIVE STRUCTURES	
OF INTERORGANIZATIONAL ACTION	143
NORMATIVE COORDINATION OF	
INTERDEPENDENCE	147
INTERORGANIZATIONAL COOPERATION: THE	
CASE OF JOINT VENTURES	152
A Model of Uncertainty Reduction	154
PATTERNS OF JOINT VENTURE ACTIVITY	157
COOPTATION: THE USE OF INTERLOCKING	
BOARDS OF DIRECTORS	161
Loss of Organizational Autonomy	164
INTERLOCKING DIRECTORATES AND	
COMPETITIVE UNCERTAINTY	165
SIZE AND COMPOSITION OF CORPORATE	
BOARDS OF DIRECTORS	167
Cooptation and Organizational Performance	169
HOSPITAL BOARDS OF DIRECTORS	170
Environmental Linkage and Organizational Effectiveness	173
ORGANIZED COORDINATION OF	
INTERDEPENDENCE: ASSOCIATIONS,	
COALITIONS, AND CARTELS	175
Trade Associations	177
Cartels	179
SUMMARY	182

<i>EIGHT</i>	THE CREATED ENVIRONMENT: CONTROLLING INTERDEPENDENCE THROUGH LAW AND SOCIAL SANCTION	188
	RATIONALIZATION OF POLITICAL CHOICE	191
	ORGANIZATIONAL LEGITIMACY	193
	The Case of the American Institute for Foreign Study	197
	REGULATION: STATE MANAGEMENT OF THE ECONOMIC ENVIRONMENT	202
	Benefits of Regulation	204
	Occupational Licensing	208
	Relationship Between the Regulated and the Regulator	210
	THE ORGANIZATION AS A POLITICAL ACTOR	213
	SUMMARY	222
 <i>NINE</i>	 EXECUTIVE SUCCESSION: A MECHANISM FOR ENVIRONMENTAL EFFECTS	 225
	A MODEL OF ENVIRONMENTAL EFFECTS	228
	ORGANIZATIONAL CONTEXT AND INTRAORGANIZATIONAL POWER	230
	Indeterminacy in the Contingency-Power Relationship	234
	EXECUTIVE SUCCESSION AND ORGANIZATIONAL POWER	236
	Organizational Context and Administrator Tenure	238
	Organizational Context and the Characteristics of Administrators	242
	EXECUTIVE DISCRETION AND ORGANIZATIONAL DECISION MAKING	244
	EXECUTIVE RECRUITMENT AND INTERFIRM COORDINATION	247
	Interfirm Coordination and the Model of Organizational Change	251
	SUMMARY	252
 <i>TEN</i>	 THE DESIGN AND MANAGEMENT OF EXTERNALLY CONTROLLED ORGANIZATIONS	 257
	A RESOURCE DEPENDENCE PERSPECTIVE	258
	THREE MANAGERIAL ROLES	262

The Symbolic Role of Management	263
The Responsive Role of Management	265
The Discretionary Role of Management	266
DESIGNING EXTERNALLY CONTROLLED ORGANIZATIONS	268
Scanning the Environment	268
Loosening Dependencies	271
Coping with Conflicting Demands	272
The Chief Executive Position	275
Organizational and Political Structures	277
DESIGNING ORGANIZATIONAL ENVIRONMENTS	278
ORGANIZATIONAL FUTURES	281
INDEX	289