Introduction to the Classic Edition

The External Control of Organizations had three central themes, each of which represented somewhat of a change in direction for the field of organization studies at the time of its publication. One way of assessing the impact of the book, the evolution of its ideas over time, and exploring its position in the field today is to investigate how these three themes have unfolded over the succeeding years in both empirical research and subsequent theorizing.

The first, and perhaps the most central, theme was the importance of the environment or the social context of organizations for understanding what decisions got made about issues ranging from who to hire (Salancik, 1979; Pfeffer and Leblebici, 1973), the composition of boards of directors (Pfeffer, 1972a; 1973), and what alliances and mergers to seek (Pfeffer, 1972b; Pfeffer and Nowak, 1976). The general premise was that social context mattered (Weick,1996), a theme that can be found in much of the research that Salancik and I did both together and individually. The importance of the environment for understanding organizations was a natural extension of the ideas of open systems theory (e.g., Katz and Kahn, 1978; Yuchtman and Seashore, 1967) then gaining currency. The idea was that if you wanted to understand organizational choices and actions, one place to begin this inquiry was to focus less on internal dynamics and the values and beliefs of leaders and more on the situations in which organizations were located and the pressures and constraints that emanated from those situations. In that sense, *The External Control of Organizations* was quite consistent with the ideas of situationism in social psychology (Bowers, 1973; Jones, 1998). An emphasis on the importance of context for understanding organizations led naturally to questioning the extent to which leaders made a difference in organizational performance (e.g., Lieberson and O'Connor, 1972; Pfeffer, 1977). The shift in direction for the field of organi-

zation studies was an increased emphasis on the environment as a way of understanding organizations.

The External Control of Organizations viewed organizations as being embedded in networks of interdependencies and social relationships (Granovetter, 1985). The need for resources, including financial and physical resources as well as information, obtained from the environment, made organizations potentially dependent on the external sources of these resources—hence the characterization of the theory as *resource dependence*. Dependencies are often reciprocal and sometimes indirect. Therefore, the book is filled with network and relationship imagery, even though there was almost no attempt to explicitly employ network methodology to analyze data in the studies summarized therein.

A second important theme was that although organizations were obviously constrained by their situations and environments, there were opportunities to do things, such as coopting (Selznick, 1949) sources of constraint, to obtain, at least temporarily, more autonomy and the ability to pursue organizational interests. Indeed, because of the effect of external constraints on both profits (e.g., Burt, 1983) and decision autonomy (Pfeffer, 1972c), organizations possessed both the desire and, occasionally, the ability to negotiate their positions within those constraints using a variety of tactics. In other words, Salancik and I argued that strategic choice was both possible (Child, 1972) and sometimes, although not inevitably, efficacious because the strategies to overcome constraint sometimes worked (Pfeffer, 1973; Burt, 1983). The change in emphasis for the field was in seeing organizational strategy as focused not just on products and customers but also on suppliers and other entities in the environment, including governmental organizations, that ultimately affected the flow of resources to those organizations. In that sense *The External Control of Organizations* anticipated the growing interest in supply chains and value chain management.

As organizations try to alter their environments, they become subject to new and different constraints as their patterns of interdependence change, which the organizations then try to further negotiate. The image presented is one of dynamic interaction and evolution of organizations, environments, and interorganizational relations over time as the various social actors maneuver for advantage. Again the limits of both the authors' methodological training and the available empirical methods and data did not result in explicitly dynamic models showing the evolution of both environments and organizational decisions and structures over time. But the metaphor of dynamic interaction is implicit in the book as is the image of organizations acting strategically to manage their resource dependencies.

The third major theme was the importance of the construct of power for understanding both intraorganizational and interorganizational behavior. The importance of social power as an idea is an almost inevitable outgrowth of the focus on dependence and interdependence (Blau, 1964; Emerson, 1962) and the constraints that result from dependence and attempts to manage or mitigate those

constraints. The emphasis on power as opposed to economic efficiency distinguishes resource dependence from transactions cost theory (Williamson, 1975), which is also concerned with interorganizational relationships among buyers, sellers, and competitors (e.g., Williamson and Ouchi, 1981). The idea that power was important for understanding organizations, as contrasted, for instance, with rationality or efficiency, was yet another way in which resource dependence ideas represented somewhat of a shift in focus for organization studies.

Resource dependence maintained that some organizations had more power than others because of the particularities of their interdependence and their location in social space. For instance, the government was a substantial provider of resources to a number of industries such as defense contractors (and education and health care currently), but itself was less dependent on its suppliers because there were often multiple suppliers of desired goods and services. Hence, organizations that relied heavily on government contracts were typically, although not invariably, more dependent on the government than it was on them (Salancik, 1979). As a consequence, the government could force numerous policies and decisions on those organizations—for instance in education, compelling universities to provide the same athletic opportunities for women as they do for men, and in earlier times, encouraging affirmative action to hire women and minorities.

External resource dependencies also affected internal power dynamics. The people, groups, or departments inside organizations that could reduce uncertainty (Hinings, et al., 1974), manage important environmental dependencies, and help the organization obtain resources held more power as a result of their critical role in ensuring organizational survival if not success (Salancik and Pfeffer, 1974; Salancik, Pfeffer, and Kelly, 1978). So, for instance, power evolved inside electric utilities from engineers to lawyers and business specialists as the critical issues shifted from more technical concerns of building and operating power plants to dealing with an increasingly complex and contentious regulatory environment and managing highly leveraged capital structures in ever more dynamic financial markets (Pfeffer, 1992).

Other Theories of Organizations and Environments

The 1970s saw the emergence of two other important theories that focused on organizations and their environments, population ecology (e.g., Hannan and Freeman, 1989) and institutional theory (e.g., Meyer and Rowan, 1977). There originally were, and to some extent still are, important theoretical differences among the theories, although resource dependence theory and institutional theory have grown somewhat closer together over time. One way of comparing and contrasting the theories is to briefly explore how each deals with the three foci of environmental determinism, strategic choice, and the connection between external constraints and internal dynamics.

Population ecology, like resource dependence, focuses on the effects of the environment on organizations and also shares a concern with the material conditions of that environment, particularly the dimension of population density (e.g., Carroll and Wade, 1991; Hannan and Carroll, 1992), a variable that represents the intensity of competition for resources. Population ecology focuses primarily on organizational birth and mortality of organizational forms or types of organizations as the primary dependent variables. The argument is that it is through differential rates of births and deaths that the prevalence of organizational forms in the population changes (Hannan and Freeman 1989). Organizational adaptation is deemphasized by ecological theory. Adaptation is presumed to be relatively rare both because of inertial forces (Hannan and Freeman, 1984) inside organizations and because change is difficult to accomplish successfully, with evidence indicating that mortality increases when organizations try to change their fundamental characteristics (e.g., Amburgey, Kelly, and Barnett, 1993; Carroll, 1984).

Both resource dependence and population ecology emphasize the importance of the environment for understanding organizations. However, there are some important differences in the perspectives. The five principal differences between population ecology and resource dependence are as follows. First, resource dependence admits much more possibility of organizations altering their environments, while population ecology takes selection processes resulting from competition, for instance, and other dimensions of the environment more as a given. Second, resource dependence includes more possibility and, indeed, likelihood of organizational change and adaptation in response to external forces. In population ecology, by contrast, differential selection through birth and death processes constitutes the primary way in which organizational populations change. Third, resource dependence focuses more on organizational decisions—such as who to put on boards of directors, what other companies to merge with, how to achieve legitimacy through altering internal structures and processes, while population ecology is largely silent about how organizational structures and behaviors emerge to be selected.

These three differences mean that there is much more of a place for strategic choice in resource dependence theory, a somewhat ironic fact given the use of population ecology in understanding corporate strategy (e.g., Burgelman, 1990). However, industrial organization economics, another perspective employed to understand business strategy (e.g., Porter, 1980) also has some of this flavor of environmental determinism. The emphasis in early industrial organization economics conceptions of strategy mostly was on being in the right industry, and once in that industry, except for deciding on whether to compete on the basis of differentiation or cost, organizational decisions were quite circumscribed, dealing mostly with entry and exit into markets. However, particularly in later work Porter (1985) incorporated more possibilities for organizational action with an increased focus on internal processes.

A fourth difference is that population ecology, because of its study of birth

and death processes which occur over time, is more explicitly longitudinal than most empirical studies in the resource dependence tradition. However, there is nothing inherently static in resource dependence predictions and, as noted above, there is a dynamic aspect to arguments about changes in organizations and environments over time in response to the actions of the focal and other organizations.

The fifth difference is that population ecology is largely silent about the causes of internal organizational dynamics such as contests for power, leadership succession, and similar issues. In theory, of course, such processes could be modeled using a natural selection logic, but with few exceptions (e.g., Barnett and Carroll, 1995) population ecology has remained true to its name, focused primarily on the dynamics of organizational populations (e.g., Carroll and Hannan, 2000).

Institutional (or as it is sometimes called, neoinstitutional) theory began much like resource dependence with an emphasis on the effects of the social environment on organizations. The environment presumably imposed constraints on organizations that affected how they looked—their structures—and what they did—their practices. The difference was that institutional theory tended to emphasize social rules, expectations, norms, and values as the source of pressures on organizations to conform, rather than the patterns of transactions and exchanges that formed the focus for resource dependence. Scott (1995: 33), for instance defined institutions as "cognitive, normative, and regulative structures that provide stability and meaning to social behavior."

> The cognitive approach focuses on the actors' shared frameworks of interpretation, which allow them to acquire a common definition of the situation. . . . The normative conception is more evaluative in nature, and legitimacy takes on a moral tone—doing what others expect as "appropriate" for one's role. The regulative view looks to formal and informal rules as constraining and regularizing behavior, and legitimacy consists in conforming to those rules (Davis and Greve, 1997: 6).

Note the absence of resource interdependence in the discussions of where constraints originate. Moreover, early institutional theory largely neglected issues of power and interests that were prominent in resource dependence (e.g., DiMaggio, 1988). It was as if institutional rules and social expectations had a life of their own, rather than being themselves the outcomes of contests among various social actors trying to mold the institutional environment to their advantage. In that sense, early versions of institutional theory tended to downplay the potential for strategic choice, for organizations to actively shape their environments, seeing social rules and norms as taken-for-granted and therefore less malleable. More recently, however, institutional accounts have broadened to incorporate the idea of contests over legitimacy, norms, and values, and the possibility of changing the normative order through strategic actions and interactions (e.g., Scott, et al., 2000).

All three theories, then, emphasize the importance of the environment. Re-

source dependence and recent versions of institutional theory both speak to the possibility of organizations engaging in strategic actions to obtain support from the environment, and both also speak more to the connections between the environment and internal decisions than does population ecology. In fact, legitimacy, something emphasized by institutional analysis, was seen in resource dependence as one more resource to be acquired, possibly through the cooptation (Dowling and Pfeffer, 1975) of elites. The principal difference between resource dependence and recent versions of institutional theory is their relative emphasis on the material conditions of the environment as contrasted with cultural norms, values, and social expectations.

Resource Dependence as Theory and Metaphor

As of the spring of 2002, there were 2,321 citations to *The External Control of Organizations*. Moreover, there was little evidence that the pace of citation to a book almost 25 years old was diminishing. For instance, from 1996 to 2002 there were 846 citations, while from 1992 to 1996 there were 499 citations. Some 58% of the total citations received since the book's publication in 1978 had been received in the most recent ten year period.

On the one hand, one might interpret these data as reflecting the success of resource dependence ideas. Yet, there is a limited amount of empirical work explicitly extending and testing resource dependence theory and its central tenets. Instead, studies of interorganizational relations increasingly rely on ideas from structural sociology that emphasize network position more than resource interdependence (e.g., Anand and Piskorski, 2002). It has been suggested that one of the sources of the success of resource dependence ideas has been that they are as much a metaphorical statement about organizations, not particularly open to being tested or disproved. Without denying the metaphorical use of resource dependence language and ideas, however, it seems clear that the book makes a number of potentially falsifiable empirical predictions.

For reasons of space, it is impossible to review all of the subsequent empirical work that is relevant to evaluating resource dependence theory. In what follows, I selectively summarize some of the major streams of work that has emerged, using the three basic themes of the theory as an organizing framework.

Environmental Effects on Organizations

Although the title of the book speaks to external control, and an important premise is that decisions made inside organizations reflect pressures emanating from the environment, there is actually very little research that has explored the operation of external constraints on organizational decisions (e.g., Pfeffer, 1972c; Salancik, 1979). Rather, much of the empirical exploration has focused on the relationship between resource dependence and organizational decisions

that might be construed as being made in response to dependence, such as efforts to absorb or coopt constraint.

There is one important exception to this statement, however, which is Christensen's work on sustaining and disruptive technologies (e.g., Christensen, 1997; Christensen and Bower, 1996). Christensen's study of the disc drive industry revealed an interesting anomaly: the industry's leading, established firms led in the development of sustaining technical changes (Christensen and Bower, 1996: 204) while "the firms that led the industry in introducing *disruptive* architectural technologies . . . tended overwhelmingly to be *entrant* rather than established firms" (p. 205). This occurred even though case study evidence revealed that, in virtually all cases, the new, disruptive technologies had been known by and even, in some instances, developed inside of existing, established firms. The answer as to why new technologies were not adopted by existing firms comes from considerations of resource dependence: "a firm's scope for strategic change is strongly bounded by the interests of external entities (customers, in this study) who provide the resources the firm needs to survive" (Christensen and Bower, 1996: 212). Although Christensen's insights are certainly compatible with resource dependence, to this point there has not been the quantitative empirical work to support the insights generated from the case studies. Specifically, studies of strategic change might consider both the extent to which a given firm is dependent on various customers and the particular demands of those customers to provide further demonstration of the Christensen insights.

The first and most logical extension of the ideas in *The External Control of Organizations* was to take the network imagery implicit in the argument and actually operationalize and extend the ideas using network measures and methods. Ron Burt and I were at the University of California at Berkeley at the same time and knew each other, and he used some of our data on resource flows in the economy in his paper on interlocking directorates (Burt, Christman, and Kilburn, 1980) and in his analysis of mergers (Burt, 1980). Burt (1983) developed much more quantitatively precise measures of external constraint, using the intuition that dependence was a function both of the extent to which a given firm or industry segment had a higher proportion of its transactions with some other segment or set of firms, and with the extent to which that sector was itself concentrated, so that coordinated action could be pursued against the interests of the focal firm.

The availability of data on directors and therefore, the ability to construct data sets assessing the extent and structure of director interlocking produced a surge of research in the relationship between resource dependence and the composition and structure of boards of directors, including the relationship between financial dependence and the presence of bankers on corporate boards (see, for instance, Allen, 1974; Mizruchi and Stearns, 1988). Even though many things have changed in corporate governance and the legal and economic environment

over the years, research on interlocking directorates has for the most part has moved on to consider the *effects* of ties on various outcomes such as the diffusion of merger activity (Haunschild, 1993), organizational structures (e.g., Palmer, Jennings, and Zhou, 1993; Burns and Wholey, 1993), and anti-takeover defenses such as poison pills (Davis, 1991). It would be useful to revisit resource dependence and other predictions concerning determinants of the size and composition of corporate boards to see if the original findings are replicated and as a way of exploring scope or moderating conditions for the theory.

Just such a replication and extension was undertaken by Finkelstein (1997) with respect to mergers. His analysis found that resource dependence results were replicated using more recent data. However, using more sophisticated analytical methods and less aggregated data (finer grained industry categorizations) reduced the magnitude of resource dependence effects. Finkelstein (1997: 803) found no evidence that resource dependence effects had diminished over time—"in fact, some of the strongest findings emerged for the three most recent time periods." Finkelstein also found that conditions of anti-trust enforcement affected the ability of resource interdependence to predict patterns of mergers.

Organizational Efforts to Manage Environmental Constraint

In a sense, a number of the studies cited in the preceding section represent organizational efforts to manage constraints. Analyses of mergers, joint ventures, and board of director interlocks often show that these actions follow patterns of transactional interdependence, presumably to cope with that interdependence and the uncertainty that dependence generates. For instance, Gulati and Gargiulo's (1999) study of alliances in three industries spanning several countries and nine years concluded that resource interdependence predicted alliance formation. Their study also showed the effects of network structure, because the specific other organizations that partner in alliances depends on the position those partners have in the social network. In other words, companies seek to build alliances to manage dependence but do so with companies that are in a social position to be trusted.

Other attempts to manage constraints can involve intervening in public policy and the political process. As Schuler, Rehbein, and Cramer (2002: 659) noted: "government policy . . . determines the rules of commerce, the structure of markets (through barriers to entry and changes in cost structures due to regulations, subsidies, and taxation); the offerings of goods and services that are permissible; and the size of markets based on government subsidies and purchases." Unfortunately, the use of political means to manage resource dependence is not often investigated. Apparently many people have bought into the free market rhetoric of business and government and not bothered to note the pervasiveness of quotas, tariffs, and numerous forms of direct and indirect interventions designed to provide one firm or sector advantages. Analyzing the political activi-

ties—political action committee contributions, the number of people in a firm's Washington office, and the number of lobbyists and political consultants retained by each firm, Schuler, et al. (2002: 668) found that companies that relied heavily on government contracts "lobbied and contributed to campaigns to maintain close ties with the policy makers responsible for their livelihoods."

Virtually all of the research treating organizational responses to interdependence has a strange omission—any consideration of whether these various cooptive strategies are successful, or at an even more refined level, the conditions under which the various strategies work and when they don't. Two exceptions to this statement would be Burt's (1983) analyses of profits and Pfeffer's (1973) study showing that hospitals that optimally structured their boards to manage interdependence enjoyed greater effectiveness. Although there have been some studies of the effects of, for instance, interlocking directorates on various corporate behaviors (see Mizruchi, 1996 for a review), there is much less research than there should be on the effects of various cooptive relations and political strategies on organizational outcomes, including not only profitability but also the reduction of uncertainty, potentially measured as a reduction in variation in performance or other outcomes.

How Environmental Constraint Affects Internal Organizational Dynamics

The External Control of Organizations argued that there was a connection between external interdependence and internal organizational processes, and this connection was mediated by power. Specifically, those people or subunits which could best cope with critical organizational uncertainties came to have relatively more power inside the organization (e.g., Perrow, 1970; Hickson, et al., 1971), and used that power to ensure that their view of what should be done, including who should succeed to various positions, prevailed. Although there have been numerous studies of executive succession since that time, most of those studies have focused on whether insiders or outsiders came to power, with some concern with the functional backgrounds of newly appointed CEOs. The studies have focused their search for explanations on conditions of ownership, financial performance, and the composition of the board of directors (e.g., the proportion of insiders) rather than on the links between the external environment and the frequency and other dimensions of successions (e.g., Ocasio, 1994). Other research has sought to tie the functional backgrounds of senior executives to the strategic decisions (e.g., Hambrick and Mason, 1984) organizations make, but there is little research that attempts to explore the complete connection between environmental constraint and internal organizational dynamics, including outcomes other than who occupies critical organizational positions and their backgrounds.

There is, however, certainly evidence consistent with the resource de-

pendence view of executive succession. Fligstein (1987) traced the rise of finance to power in U.S. corporations to changes in the institutional environment and particularly the rise in power of the capital markets and the need for skill in raising capital and managing relationships with share owners. Thornton and Ocasio (1999), studying the higher education publishing industry, noted that as publishing transitioned from an industry in which books and their quality were important to one in which financial results were viewed as more critical, the determinants of succession changed accordingly.

This quick overview of the basic premises of resource dependence theory indicates that supporting evidence has continued to accumulate. However, there is much less systematic study of resource dependence predictions than there might be, and second, in very few cases are resource dependence predictions tested against alternatives. Therefore, in spite of (or perhaps because of) the widespread acceptance of resource dependence logic, much empirical work remains to be done.

Challenges and Critiques

In the years since *The External Control of Organizations* was published, a number of theoretical challenges and critiques have appeared. Some researchers have argued that resource dependence, with its focus on transactional interdependence, overlooks other important environmental effects on organizations. This must certainly be true, as nowhere did Salancik and I claim that resource interdependence accounted for everything about organizations.

Donald Palmer has offered two alternative views of the environment that are different in their focus from resource dependence. One perspective speaks to the importance of place, of geography, of physical location on interorganizational relations. "Social theory tends to ignore the spatial character of social action and structure. . . . Contemporary organization and class theory are written as if corporations, their administrative and productive activities, and their leaders are not situated in a physical world" (Kono, Palmer, Friedland, and Zafonte, 1998: 865). For instance, Kono, et al. (1998), studying directorate interlocks, found that they had a spatial dimension and the determinants of within locale and across locale directorate ties were different. There is little doubt that geography matters (Friedland and Palmer, 1984), and organizational research would be well served to explore the effects of proximity on numerous phenomena, including interorganizational relations. However, space probably matters more or less depending on the time period, as communication technologies and even norms about economic and social relations at a distance have changed. In that regard, the Kono, et al. study, which used 1964 data, could probably stand replication using more recent data. And the scope conditions for the effects of geography could be profitably explored. Moreover, even in the context of the impor-

tance of physical location, "the results indicate that resource dependence relations influence interlocking" (Kono, et al., 1998: 891).

Palmer's second important contribution to the delimiting of resource dependence ideas was to note that resource dependence ignores social class. Again focusing on interlocking directorates, Palmer (1983) argued that director ties did not so much bind organizations together as organizations were places where class relations were formed, reproduced, and reaffirmed. "According to the interorganizational approach, organizations are entities that possess interests. . . . According to the intraclass approach, individuals within the capitalist class or business elite are actors who possess interests. Organizations are the agents of these actors" (Palmer, 1983: 40–42). Palmer found that when directorate ties were broken, they were not often reconstituted, which called into question the idea that interlocking directorates served to manage dependence relations. Of course, it is possible that both perspectives have some validity, and again research could profitably examine the scope conditions of the organizational and the social class approaches.

A third critique of resource dependence comes from those who argue that in the contemporary world, the power of the financial markets and increasingly boundaryless production processes has made the sorts of actions and strategic choices described in *The External Control of Organizations* no longer as important or relevant (e.g., Davis and McAdam, 2000). The basic idea is as follows. Resource dependence presumes some level of managerial discretion—to do things like engage in mergers, constitute boards of directors, and make decisions to manage environmental dependence. This is an accurate statement, and indeed, the assumption of managerial discretion and choice is one important way that resource dependence differs not only from transactions cost theory but many other economic approaches with their presumption that organizations do not invariably or inevitably seek efficiency and are not so constrained that they must do so at all moments. Recently, however, there has been a shift from what might be termed managerial capitalism to investor capitalism (Useem, 1996). This shift has at once reduced the discretion of organizations and increased the role of markets. So, for instance, banks (Davis and Mizruchi, 1999) are no longer as central in the social structure of industry because they are no longer as important in the allocation of financial resources.

But the events of 2001 and 2002 in corporate America speak to the relevance of resource dependence ideas and the importance of social relations even in, or perhaps particularly in, a world dominated by financial markets. As we now know, the market prices of financial instruments were affected by the coverage and recommendations of analysts. These analysts worked for investment banks, securities firms, and commercial banks such as Citicorp that purchased securities firms and investment banks. In order to get underwriting business, analysts provided favorable coverage and banks provided preferred access to initial public offerings for top managers at firms whose business they were

seeking. Securities firms such as Merrill Lynch and banks such as J. P. Morgan Chase participated in the underwriting and syndication of complex financial instruments including the off-balance sheet partnership entities at Enron, now known to have been an attempt to artificially inflate the company's financial performance.

At the same time, accounting firms, dependent on companies not only for auditing work but for the more lucrative and higher margin tax and information system consulting business, tended not to be as aggressive as they might be in questioning dubious financial transactions and various maneuvers designed to artificially inflate earnings and hide debt. It would be useful to see the extent to which resource dependence—the extensiveness of financial relations between various entities and the dependence of the firms on those transactions—could account for the variation in the extent to which various accounting firms and investment banks engaged in questionable behavior. It would also be interesting to explore the extent to which director ties help us understand these actions. But the idea that there is some efficient market for corporate control that provides effective discipline over managerial behavior and delimits managerial discretion seems almost ludicrous, given both what occurred with respect to executive compensation and the ties between companies and their bankers and the consequences of those relationships for decisions about investment ratings and financing activities.

This is not to say that resource dependencies will necessarily predict or explain what occurred—we need to do the empirical analyses to answer that question. But at first glance, corporate behavior can be more readily explained by resource dependence ideas than by ideas of efficient markets or even investor capitalism. In the end, managers seemed to have plenty of discretion to both enrich themselves, engage in mergers and other transactions that did not build economic value, and to use their power to influence transactions to constrain the independence of presumably independent entities such as accounting firms, banks, and even, some might argue, federal regulatory authorities such as the Securities and Exchange Commission.

Yet another challenge for resource dependence, somewhat more subtle than those considered to this point, comes from the analysis of social networks and network structures. As Piskorski and Anand (2002: 3–4) noted:

> The resource dependence view . . . suggests that organizations develop relationships with other organizations based on interdependencies between their exogenous endowments or resources. . . . An alternative view . . . emphasizes the role of prior exchanges of an organization determining the structure of subsequent ties.

One alternative is, then, that the history of social ties matters. Another alternative comes from Burt's (1992) analysis of structural holes. Here the idea is that network structure itself provides opportunities for brokerage, and there is an opportunity to profit from linking organizations that are not otherwise linked to

each other. Yet a third alternative conceptualization of network relations and social ties comes from Podolny's (1993) emphasis on status. Status is determined by the status of the other organizations the focal organization interacts with. Possession of high status confers a number of benefits including higher revenues and lower costs. There is, therefore, little incentive for high status organizations to form alliances with lower status ones. In each instance, network structure and history are presumed to be critical, *not* the nature or importance of the transactional interdependencies implicated in the network. it would be interesting and useful to see to what extent transactional interdependence moderates or provides even an alternative way of explaining interorganizational relations for those theories that to this point have focused primarily on network structure and status.

With few exceptions (e.g., Piskorski and Anand, 2002), however, these network-social embeddedness theories of interorganizational relations have not been compared with predictions that might emerge from a resource dependence approach. Anand and Piskorski found that, under certain circumstances, resource endowments *can* substitute for network positions in predicting the organization's ability to develop commercial ties. They argued that "both resources and network positions need to be considered in a single model in order to understand the dynamics of interorganizational networks" (Piskorski and Anand, 2002: 33).

Some New Directions for Resource Dependence

My colleague and co-author Jerry Salancik was fond of saying, "success ruins everything." To some extent, the very success of resource dependence theory has also been a problem. The idea, seemingly now widely accepted, that organizations are constrained and affected by their environments and that they act to attempt to manage resource dependencies, has become almost so accepted and taken for granted that it is not as rigorously explored and tested as it might be. In fact, the original work may not even be read. The book has been out of print for a long time. And, as Mizruchi and Fein (1999: 653–654) perceptively noted:

> classic works are frequently described as often cited but rarely read. This accounts for the surprise that readers often experience when they actually go back and read such works. The fact that classic works in a field are often cited and discussed without being carefully read (or read at all) suggests the possibility that these works can become social constructions.

It is quite likely that this is to some extent the fate that has befallen *The External Control of Organizations*. To remedy this problem, throughout this chapter, and in what follows, I provide some suggestions for specific research that might be done that would more directly and proximately engage resource dependence theory.

Finkelstein's (1997) effort to explore the scope or boundary conditions of resource dependence—does the effect vary over time, are there impacts of different public policy regimes—represents only a small beginning to what ought to be a much larger systematic effort to examine resource dependence in context. For instance, we have seen in social psychology that many theories of cognition, with their assumption of individualism, are culturally specific and that phenomena such as the fundamental attribution error—the tendency to overattribute causation to individuals—disappears in other countries (e.g., Morris and Peng, 1994). Resource dependence, and for that matter, other theories of interorganizational relations (e.g., Burt, 1992) begin with an emphasis on the focal organization and how that organization maneuvers to obtain advantage. Perhaps in more collectivist cultures, predictions of resource dependence would not be supported or would look different than they do in cultures in which competition and the seeking of competitive advantage and resource accumulation are emphasized.

Studying the adoption of the multidivisional form, Armour and Teece (1978) found performance effects initially but not subsequently, when adoption was more complete. In a similar way, it may be that the effectiveness of strategies of cooptation for enhancing organizational performance would diminish as such strategies became more widely adopted and implemented. However, as already noted, in order to examine this phenomenon we would need more studies of the *consequences* of organizational efforts to manage environmental dependence.

Resource dependence predicts that organizations will attempt to manage the constraints and uncertainty that result from the need to acquire resources from the environment. However, the theory is largely silent concerning which of the various cooptive strategies organizations will use, and how the use of these strategies varies over time and other circumstances. Haunschild and Beckman (1998) did study whether complementary sources of information affected the impact of interlocks on behavior, but did not study whether complementary sources of information or cooptive relations affected the structure or prevalence of interlocks.

Just as the study of strategy has broadened its focus to consider a range of internal actions organizations may take, to build competencies and internal resources, to enter and leave markets, and to compete on bases ranging from innovation to cost, it would be useful for studies of strategy in a resource dependence tradition to consider the externally-oriented, sometimes non-market based actions companies undertake to provide competitive leverage. Such strategies include political activities, coopting political elites—for instance, by hiring them upon their leaving government service—and even litigation.

It would also be informative to consider how product market competition and capital market changes affect both the ability of resource dependence to explain organizational actions and the effects of those actions on organizational

outcomes. To the extent that competition increases pressures for isomorphism, competition might be expected to lead to more similarity in interorganizational behavior. And, Davis's and others' claims about the effects of the changes in the capital markets and other macroeconomic changes on managerial discretion and, consequently, on resource dependence predictions, warrant empirical examination. There is no question that the structure of markets has changed, with increased globalization and with changes in the concentration of share ownership and in the regulatory structure of both financial and product markets. Using resource dependence, and other, theories to empirically explore the effects of such changes on organizations would seem to be a worthwhile undertaking.

To conclude this list of new or expanded directions, I would be remiss if I did not address public policy concerns. Organization theory has been, for the most part, content to be silent in discussions of public policy, particularly policies dealing with economic actors and markets. Instead, discussions of markets, competition, and regulation are left largely to economists. As someone who has personally experienced the results of the deregulation of electricity markets in the form of rolling blackouts and soaring utility bills, and as an observer of the failure of governmental regulation to prevent the continued consolidation of numerous industries or to oversee the operation of markets for the benefits of consumers or the general well being, it seems to me that we ought to offer some competing logics for understanding markets and economic actors. Resource dependence was originally developed to provide an alternative perspective to economic theories of mergers and board interlocks, and to understand precisely the type of interorganizational relations that have played such a large role in recent "market failures."

Providing a detailed road map of what a resource dependence approach to public policy and the analysis of contemporary market failures would look like is well beyond the scope of this brief introductory chapter. Suffice it to say that it would be both informative and useful to examine both interorganizational relations such as mergers and board interlocks and the relations between the regulated and regulators using the basic concepts and hypotheses outlined in this book. We should then take these insights and attempt to derive policy prescriptions based on what we have learned. It seems to me that organization theory generally, and theories of organizations and their environments more specifically, have much to say about the contemporary world of corporate governance, regulatory failure, and self-dealing.

The overriding theme of this introduction to the reissued book is that resource dependence theory, although in many respects quite successful, has been too readily accepted as an obligatory citation and not often enough engaged empirically, either in concert or contrast with other theories of organizations and their environments or to further develop the theory itself. It is my hope that the republication of the original book will make the many ideas and insights of *The External Control of Organizations* accessible to new genera-

tions of organizations scholars. By so doing, perhaps the study of resource dependence, as a theory not just as a metaphor, will be reinvigorated.

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