

Understanding collaboration among nonprofit organizations: Combining resource dependency, institutional, and network perspectives

Organizational Analysis (BPOLO2005E)

Oral exam based on written product (EC)

Group number:

BSc International Business and Politics

Date of Submission: 3 January 2022

Examiner: Marius Gudmand-Høyer

Number of standard pages (excluding front page and bibliography): 20

Number of characters: 45529

Reference system: Harvard

Introduction -

This synopsis will analyse the case text “Understanding collaboration among nonprofit organizations: Combining resource dependency, institutional, and network perspectives” by Chao Guo and Muhittin Acar (2005). In the case, five hypotheses based on Resource Dependency Theory (RDT), Institutional Theory and Network Theory (NT), are tested to explain what factors lie behind the decisions of nonprofit organisations to develop more or less formal types of collaborations with other nonprofits. The paper will be structured as follows: firstly, the fundamentals of RDT will be presented where basic elements of the theory applied to the case will be introduced, as well as its explanatory power of the case. Then, a juxtaposition will follow, where NT will be applied to the case and discussed in relation to RDT. In the perspective part, Rational Choice Institutionalism (RCI) will be presented as an additional theory to further our understanding of the case. Lastly, an evaluation of RDT will be offered as well as an introduction to further discussion. As RDT is the most prominently used theory in the case text, it has been chosen for the examination of the fundamentals and theoretical evaluation.

Fundamentals -

This part of the paper will first discuss how the basic elements of RDT are applied to the case to understand collaboration among nonprofit organisations. Secondly, this part will analyse what resource dependency allows to explicate about the case of collaboration among nonprofit organisations. The second part will be carried out through the focus on two core assumptions of the theory, that are indirectly applied to the case, and which explanations these can give. It will become clear why elements of RDT are crucial to the explanation of collaboration among nonprofit organisations.

While an emphasis on production efficiency, functions, and leadership has once dominated the field of organisational analysis and could help explain nonprofit collaboration and collaboration forms, the case starts by taking a distinctive standpoint. By applying and extending the argument of Bielefeld and Galaskiewicz (1998), this case excludes the above-mentioned factors and does not associate these with explanations for the extent of formality of collaborative activities among nonprofit organisations. Instead, this case explores which factors influence collaboration, and in particular why and when these organisations choose between either formal or informal collaboration forms. Thus, by taking the above mentioned stand, the authors Guo and Acar, dismiss nonprofit organisations as closed systems, but rather view them as open systems which is a perspective that emphasises interchange as an essential factor underlying the organisational environment's viability (Buckley, 2007). In continuation of this, the case applies core elements of resource dependency to support the analysis of the case, and test the assumptions of the theory through hypothesis testing.

First, an important assumption of the theoretical framework is indirectly applied to the case, namely that "organisations are embedded in their environments and depend on external resources to operate and survive" (Biermann and Harsch, 2017, p. 138). Scholars of resource dependency argue that to obtain these external resources that are crucial for the organisation, they must engage in exchanges with other organisations within their environment. Hence, organisations critically depend on one another for the supply of essential resources and ultimately survival (Katz, Maguire and Roncek, 2002). Applied to the case of collaboration, the increasing use of alliances and partnerships among nonprofit organisations, can be explicated by this assumption of resource dependency. Thus, nonprofit organisations engage

in different forms of collaborations to acquire critical resources such as personnel, authority, legitimacy, information, and finances to ensure their survival within the organisational environment (Biermann and Harsch, 2017)

A further layer of dependence is added to the study of the case through the discussion of government grants as a resource. Although applied to the theoretical frameworks of institutionalism in the text, RDT is able to explain why dependence on government grants, one important resource according to RDT, can enhance collaboration among nonprofit organisations. Government grants can at first be viewed as a wonderful bonus, but will eventually become a necessity for which without the organisations would not survive. Thus, they become somewhat 'addicted' to resources like governmental funds (Pfeffer, 1990). As it is the government that decides on how and where to allocate the capital among the organisations it maintains a great deal of power, especially since the government is the largest funder for many nonprofit organisations (Acar and Guo, 2005). In the case of collaboration, governments have made changes to the process of obtaining funds as applicants "must demonstrate their commitment to sharing organisational resources or formal coordination of services with other service providers, and are often required to file joint grant applications" (Acar and Guo, 2005, p. 347). This enhances collaboration among nonprofit organisations. Through the lens of resource dependency, this explains why nonprofit organisations enter into formal types of collaborative activities. They are 'addicted' to the funding provided by governments, and they depend heavily on this type of external resource for the survival of the organisation (Pfeffer, 1990). Conversely, those nonprofit organisations who do not rely as heavily on government funding, as they would attain this kind of resource elsewhere, are less likely to engage in these types of activities.

A second essential assumption of RDT that is indirectly applied, is correlated to dependence on resources from other nonprofit organisations. While it is important for organisations to acquire critical resources from suppliers, it is equally important to maintain a balance of managing resource dependence and preserving organisational autonomy. Managing resource dependence indicates the extent of power an organisation might have. If an organisation has obtained or created a resource that they have effective control of, and which others depend on, they have a great deal of power through the exchange of resources (Pfeffer, 1990; Katz,

Maguire and Roncek, 2002). Pfeffer refers to this as the 'New Golden Rule', "the person with the gold makes the rules" (1990). For an organisation to create great dependence of others, and hence power, the resource must be essential, implying that the resource has to be something an organisation cannot function without (Biermann and Harsch, 2017). Managing dependencies and sustaining organisational autonomy is according to scholars of resource dependency correlated to one another. Organisational autonomy can be secured through the control of organisational resources, however, as the dependence on external resources increases the autonomy of an organisation decreases. Organisations, therefore, have to strategically select which resources they want to require and at what cost (Pfeffer, 1992; Biermann and Harsch, 2017).

Key elements of RDT, managing dependencies and sustaining organisational autonomy, furthermore explain which types of collaborations nonprofit organisations choose to enter and why. Collaboration among nonprofit organisations can help acquire essential resources, however, not without the cost of autonomy (Gray & Wood, 1991, p. 79). The trade-off can therefore help explain why some nonprofit organisations in the case enter into collaborations while others do not. The trade-off also has implications for which type of collaboration the nonprofit organisation chooses to enter into. The authors distinguish between two types of collaboration, formal and informal. Entering into a formal type of collaboration means that the nonprofit organisation will stand to gain strong critical resources, but lose a greater deal of organisational autonomy. This is for example the case with joint ventures, which is described as a formal type of collaboration. If a nonprofit organisation were to enter a joint venture, their control over resources would decline as they would be pooled and shared with the collaborator (Collins, Hillman and Withers, 2009). This may indicate why joint ventures and mergers are not a common practice among the respondents of the survey in the case.

Although the concept of trade-off is not directly tested in the case, findings show that formal types of collaboration among nonprofit organisations are rare compared to those of informal. Hence, it could provide an explanation as to why informal types of activities are still the most favourable. Furthermore, through the lens of resource dependency, formal types of collaborations arguably intensify the trade-off further. This could explain why nonprofit organisations with greater resource scarcity, hence smaller organisations, are more likely to

give up their autonomy, enter into formal types of collaborative activities and gain access to critical resources. Conversely, those nonprofit organisations with a larger resource sufficiency are more inclined to enter into informal types of collaborative activities to reduce the loss of organisational autonomy, rather than formal types of collaborations (Singer and Yankey, 1991). However, it should be noted that this trade-off does not always prevent larger organisations from entering into formal types of collaborations, as is tested and shown in the case. According to the findings, larger organisations may be more favourable to formally collaborate with as they have more resources to share than what smaller ones have, and smaller organisations may not want to lose autonomy for the sake of acquiring critical resources.

This part of the paper has discussed how basic elements of RDT are applied to the study of the case. While the text emphasises the use of the three theoretical frameworks, RDT has had a huge influence on the study of collaboration among organisations in the past decade (Guo & Acar, 2005), and likewise a great influence on the study of this particular case. It is through the assumptions of the theory, and the testing of these, that the case applies both the elements of resource dependency but also what the theory allows to explicate about the case analysed. Thus, it can be concluded that, although one assumption of the theory was rejected in the case, resource dependency arguably still has explanatory power. Nonprofit organisations are increasingly forming partnerships, alliances, and collaborations to acquire critical resources. In particular, those that they cannot survive without, such as government funding. While informal types of collaborations have become increasingly popular to pursue, formal types of collaborations are still rarely seen. Nonprofit organisations are less inclined to enter such collaborations, as the cost of organisational autonomy could be too high.

Juxtaposition -

The case includes several theories in its attempt to examine “the factors associated with the extent of formality of the collaborative activities among nonprofit organizations” (Acar & Guo, p. 342). This implies that there are multiple relevant theories which can be utilised in the investigation of collaboration between nonprofit organisations and the degree of formality of collaboration. Guo and Acar suggest that NT, outlined by Mark Granovetter in his work “The Strength of Weak Ties” (1973) can explain collaboration from a social perspective putting

emphasis on the relations between nonprofit organisations. NT is not included in Scott and Davies' layered model (Davis and Scott, 2016). Nevertheless, it can be argued that NT, given that its primary focus is the effect of linkages between organisations, is an open systems theory, as open systems theories primarily deal with organisation's external environments. The study of Guo and Acar can be considered an open systems study due to its concern with environmental and contextual factors within collaboration between nonprofit organisations, and the researchers state to have "collected information on various environmental and contextual factors associated with the choice of nonprofit collaboration forms" (Guo & Acar, 2005, p. 357). Therefore, it is logical to make use of multiple open systems theories, including both RDT and NT.

Though the theories can both be considered open systems theories, NT does still provide insights which RDT lacks in regards to why some nonprofit organisations collaborate more formally than others. While RDT touches upon how alliances can be considered resources, and thus are essential to the survival of nonprofit organisations, it does not go into depth with the details and social aspects of collaboration between nonprofit organisations. Georg Simmel described NT as a way of understanding agency based on relationships (Ross et al., 1955), and NT takes further steps in analysing relationships along with the impact of the dynamics within interorganisational relationships than RDT. By putting emphasis on how relationships with high degrees of trust and commitment create scope for cooperation between organisations, NT provides a theoretical framework which enables us to look into how the character of relationships between organisations affect to what degree nonprofit organisations collaborate formally or informally (Larson, 1992). NT thereby suggests that organisations within networks with a high degree of trust and commitment are inclined to collaborate formally. Granovetter argues that trust between organisations grows from continuous collaboration as continuous relationships and transactions create economic incentive to be trustworthy (Granovetter, 1973). Following this assumption, formal collaboration as joint ventures and mergers are more likely to occur between nonprofit organisations within networks with a high degree of trust and where organisations show high degrees of commitment. Since trust is conditioned by continuous relationships, it is reasonable to believe that nonprofit organisations that have been in the same network for a longer period of time are more likely to engage in formal collaborations. This notion of NT can therefore also be linked to the fifth hypothesis of the case, that: "An older

organization is more likely to develop formal types of collaborative activities” as older organisations are inclined to have more developed networks with larger degrees of trust from years of collaboration (Acar and Guo, 2005, p. 349; Foster & Meinhard, 2002). In comparison, RDT outlines that organisations form alliances to gain resources, but does not go into depth with how trust and commitment affect collaboration and the degree of formality within collaboration between organisations.

A key concept within NT is the notion of embeddedness put forward by Granovetter, which is the assumption that organisations are embedded in multiple networks and that these networks at once provide opportunities for organisations and constrain their actions (1985). While RDT also notes how organisations are embedded in their environments, RDT scholars have met criticism for lacking focus on the constraints of strategic choice that are embedded in organisations’ institutional environments (Galaskiewicz, 1985; Oliver, 1990). Therefore, the constraints of strategic choice embedded in organisational networks’ their ability to affect the degree of collaboration between nonprofit organisations is an insight NT provides, which RDT does not. RDT instead puts emphasis on how organisations are embedded due to their dependence on external resources in order to thrive and survive. NT does not go into depth with how organisations’ are dependent on external resources and therefore does not provide insights on how an organisation’s resources impact to what degree of formality it collaborates. This insight would be missing if only NT was applied to the case, and RDT was not.

NT scholar Ronald Burt has elaborated on the notion that embedded networks can constrain organisations’ actions. Embeddedness can become a liability if for instance a key player exits the network or institutional forces require instant reorganisation of markets, which is highly inconvenient for organisations (Burt, 1995). Specifically, the constraints of embeddedness in networks can help explain why some nonprofit organisations chose not to collaborate or to collaborate more informally. RDT, on the contrary, explains lack of collaboration or more informal types of collaboration in light of organisations’ reluctance to give up autonomy. According to RDT scholars, collaboration is a tradeoff between gaining access to further resources and giving up autonomy over current resources (Gray & Wood, 1991). Restating, NT and RDT both provide explanations to why some organisations choose to collaborate informally. Nevertheless, the two theories present different explanations, as NT is concerned

with social constraints and RDT is concerned with giving up autonomy and control of resources following collaboration. Thus, the theories both provide important insights to explaining why some nonprofit organisations chose to collaborate more formally than others. Nevertheless, if only NT was applied and RDT was left out, important insights on dependence of allies and networks as critical resources would be missing. NT is not able to explain how the dependence of critical resources can create power dynamics between networks, and hence why some forms of collaboration in given contexts are more effective to engage in than others to obtain these critical resources.

Granovetter elaborates on how collaboration and strong networks can provide opportunities by introducing the notion of “weak ties”, which are the ties that connect multiple individual networks to each other. NT assumes that networks are gathered in clusters, and it is the weak ties that connect these clusters. It is through these weak ties organisations gain access to new information and are able to form alliances outside networks, which makes the notion of weak ties particularly important in understanding degrees of collaboration (Granovetter, 1973). Granovetter’s notion of weak ties can be applied to the importance between board linkages and collaboration which is put forward in the case, as board linkages can link different networks to each other. The case focuses specifically on board linkages and refers to a study by Galaskiewicz and Rauschenbach, which finds that non profit art organisations receive more corporate contributions when they have more corporate executives on their boards since the nonprofit organisations use board linkages to gain access to further company foundations and contribution committees (1988). It is argued that board linkages are used to expand or connect networks as nonprofit organisations use these linkages to gain access to other nonprofit organisations which can be potential partners for higher degrees of cooperation. This may lead to more formal types of cooperation. Therefore, board linkages can explain formal degrees of collaboration in nonprofit organisations as it is stated in the fourth hypothesis of the case, that “The more linkages an organization has with other nonprofits through its board, the more likely it will develop formal types of collaborative activities” (Acar and Guo, 2005, p. 348).

Research suggests that organisations further use board linkages to assess the potential risks of building alliances through information they gather from these boardlinks (Gulati & Westphal, 1999). Thus, existing networks and linkages to other networks help organisations evaluate

whether to further engage in collaboration. Through the lense of RDT, weak ties, such as case board linkages, can be perceived as a critical resource as it is through these that organisations gain access to resources outside their own sympathy groups, namely information and funding. This adds a layer of dependence, as nonprofit organisations would want to gain access to these. While NT provides deep insight on the importance of board linkages in gaining resources which complement resource dependency, it would not be able to explain the power dynamics of the dependence of such a resource as weak ties. Therefore, if only NT was applied to the case, the element of dependence on gaining resources would be missing, and insights to why nonprofit organisations seek to gain new resources through weak ties would not be provided.

Summing up, RDT and NT have multiple similarities. NT can complement RDT in the examination of collaboration between nonprofit organisations with specific insights to the social aspects of collaboration including embeddedness and trust between collaborating organisations. While the two theories can both provide important insights to the issue of understanding the degree of collaboration between nonprofit organisations, they cover different aspects of explaining the formality of collaboration. RDT is concerned with power and autonomy over resources and puts emphasis on how alliances can be a tool to achieve and control further resources, but does not go further into the characteristics of these alliances. NT goes more into depth with the relations between nonprofit organisations, enabling us to look into how the characteristics of these relationships affect the level of formality in collaboration.

Perspective -

Introducing RCI, an additional theory that provides explanatory power of nonprofit collaboration offers new perspectives on organisational behaviour and the case text. RCI as an analytical approach to organisational analysis is seen as a part of the wider genre of “new institutionalisms”. These approaches emerged from the more macro-institutional focus of traditional institutionalism and offer a bigger focus on meso- and micro-level structures. RCI borrows concepts from “new economics of organisation” such as transaction costs and theories of agency (Hall and Taylor, 1996). According to RCI, actors have a fixed set of preferences; the attainment of preferences can lead to collectively sub-optimal outcomes; they behave highly strategically, calculative and are affected by how others are likely to behave (the “calculus approach”); the creation of institutions involves voluntary agreements by relevant actors while

its survival is determined by its benefits relative to alternate institutional forms. Thus, organisational structure is based on the concepts of minimising “transaction, production or influence costs” (1996, p. 13). The role of institutions becomes the rule setter and organisations will thus behave in specific ways as long as others do the same and institutions incentivise structures that shape individual choices (Farrell, 2018; Heikkila and Isett, 2004). Institutionalism also highlights that the survival of organisations improves through conforming to norms and social expectations created by the institutional environment (for example, see Meyer and Rowan, 1977).

Worth noting are the similarities and differences between RCI and RDT. Importantly, both RCI and RDT are so-called open system theories. However, while RDT is categorised as a natural model, RCI has not been classified by Davis and Scott’s layered model (2016). RCI includes both elements of the natural models (which “old” Institutional Theory falls under) and rational models, that highlight organisations’ pursuit of specific goals and highly formalised social structures. RDT analyses organisations on the ecological, or macro, level, while RCI puts a bigger focus on the micro and meso level (2016). Furthermore, organisations concern themselves with building legitimacy and acceptance with stakeholders according to both theories. RDT here puts focus on access to resources in relation to other actors and highlights how resource scarcity encourages organisations to adapt to attain these resources. RCI, on the other hand, looks at the way in which organisations’ actions are seen as legitimate within its broader organisational field (Hessels and Terjesen, 2008). In the coming paragraphs, RCI will be applied to key assumptions and findings of the case text, offering additional theoretical perspectives and explanations for the understanding of the case.

Firstly, institutions shape the environment in which non-profit organisations operate, which come with legal and regulatory requirements that encourage collaborative relationships. As highlighted in the case, mandates from higher authorities can provide incentives for collaboration between nonprofit organisations that would not have emerged voluntarily (Acar and Guo, 2005). Meyer and Rowan argue that institutional rules often function as “myths” that are then incorporated by organisations. By adhering to institutional rules, nonprofits thus gain legitimacy, resources, stability, and enhance their chances of survival (1977). This leads to, as proposed by Warren, “contexts, in which interaction is dictated by a higher authority, and

contexts that permit the organisation to make a decision to interact, including, for example, federations and voluntary trade associations” (Oliver, 1990, p. 243). In line with RCI, organisations confronted with such dictations from authorities will perform a cost-benefit analysis of the possible consequences of noncompliance (such as loss of government funding) to determine whether they will enter into collaborations with other organisations. Thus, institutions dictate the nature of collaboration and can influence in which form the collaboration between organisations will play out, and organisations make rational choices based on costs and benefits of whether to collaborate or not.

Governments also incentivise “nonprofit collaboration as a means to cut costs, reduce duplication of efforts, and integrate services” (Sharfman et al., 1991, in Acar and Guo, 2005, p. 347). The attainment of government funds often requires nonprofit organisations to demonstrate sharing of resources, formal coordination of services and filing of joint grant applications, leading to pressures from funding agencies toward more formal collaboration (2005). Meyer and Rowan argue that many formal organisational structures develop as reflections of rationalised institutional rule (1977), which can be expanded to formal interorganisational structures. In line with RCI, institutions, such as governments, impose structures that shape the choices of individual organisations. As governments are one of the most important funding sources for nonprofit organisations, they need to behave strategically to establish a stable flow of resources from government funding, and thus often form interorganisational relationships (Lu, 2015). Even in cases where government grants do not require formalised agreements, institutions might still encourage more formal collaborations between grant recipients. The case authors thus expect that nonprofits that receive government funding are more likely to be engaged in formal types of collaborations. This is supported by their findings - nonprofits with one or two sources of government funding are more likely to be engaged in formal types of collaborations than those that receive no government funding (2005).

Institutional theorists have suggested that institutional environments influence organisations to justify their activities and output in order to appear to agree with established norms, rules, beliefs, or expectations. According to Oliver, organisations enter into agreements to “demonstrate or improve its reputation, image, prestige, or congruence with prevailing norms

in its institutional environment” (1990, p. 246). Collaborations increase the image and reputation of organisations through, for example, appointments of members of prestigious organisations to sit on a board of directors or publicising social responsibility or charitable activities with the aim to seem more legitimate towards stakeholders, the general public and “resource-granting agencies” (1990, p. 246). Furthermore, organisations that are seen as legitimate are both more likely to receive resources and enjoy credibility and stability (Lu, 2015). Nonprofit organisations will attempt to form collaborations towards organisations that they view as having considerably higher legitimacy than themselves. This is, according to Wiewel and Hunter, especially true for new organisations, as their ability to create affiliations with known organisations is linked to increased legitimacy. Since the focus here is put on more informal types of collaboration, such as “provision of training, money, or facilities, or the exchange of information” (1985, p. 483), this is consistent with the case findings - older organisations are more likely to enter formal agreements while young organisations are more likely to enter informal agreements (Acar and Guo, 2005).

As explained by Acar and Guo (2005), while informal types of collaborative activities among nonprofit organisations have become popular, formal types are still relatively rare. Furthermore, the findings suggest that medium and larger organisations are more likely to enter formal agreements than informal ones (Foster and Meinhard, 2002). This can, according to RCI, be prescribed to organisations’ desire to pursue their interests through rational decision making; non profit organisations have independent preferences and aim for autonomy (Yue, 2021). Formal agreements, such as mergers, can furthermore increase influence costs of organisations (Chicago Booth Review, 2005). A similar conclusion can be drawn to other formal collaborations such as joint programs, parent subsidiaries, and joint ventures, since they can decrease autonomy of the organisations involved. The reason for why smaller organisations are less likely to collaborate in more formal ways, is thus that risks to autonomy can be higher for smaller organisations when entering formalised collaboration, which discourages them from entering such agreements (Acar and Guo, 2005). Since the risk to autonomy is consequently smaller for medium or large organisations, this discouragement might not be as strong and they are thus more likely to develop deeper and more formal relationships with other organisations.

Environmental uncertainty can lead to formal collaborations, since they increase stability, predictability, and dependability in their relations with other organisations (Oliver, 1990). Uncertainty stems from factors such as resource scarcity, lack of perfect knowledge, availability of exchange partners, and available rates of exchange, and since organisations, according to RCI, behave strategically, calculatively, and in relation to how others are likely to behave, nonprofit organisations will aim for reduced uncertainty. Through formal collaboration with other organisations, agreements can “serve as coping strategies to forestall, forecast, or absorb uncertainty in order to achieve an orderly, reliable pattern of resource flows and exchanges” (1990, p. 246). Environmental uncertainty could offer a possible explanation for across-industry differences in entering formal agreements. As the case shows, nonprofit organisations operating within the health services industry and arts and culture industry are more likely to enter formal agreements, while those in the social services or educational and research industry are less likely to do so (Acar and Guo, 2005). Through the lens of RCI, this would suggest that uncertainty within the former industries might be higher than the latter, and that this leads to more collaboration to ensure predictability. However, due to the lack of literature on the subject, RCI can merely offer a speculative explanation for across-industry differences.

Following the above application of RCI, combining rational and institutionalist theory equips us with a clearer understanding of the case. In the context of why some nonprofit organisations choose to enter formal arrangements, this helps us gain more explanatory power of organisational behaviour by adding how institutions shape the environment in which nonprofits operate, including rules, norms, funding and reputation building, as well as adding to the concept of rationality to explain organisational desire for autonomy and stability.

Evaluation -

This section of the paper will evaluate theoretical and empirical validity of RDT. This will be done by briefly outlining the central focus of the theory, followed by a description of the descriptive assumptions. This will be followed by elaborating on the prescriptive priorities. From this follows a summary and discussion of central objections to the theory, evaluating critical cautions of the assumptions and conclusions of the theory, and using relevant empirical corroboration from the overall literature on RDT. The discussion will also emphasise the

normative implications of using these theories to analyse organisations. Finally, this section will briefly indicate, having the entire text in mind, which questions we would like to discuss at the oral exam.

In RDT, an organisation is characterised as an open system, dependent on contingencies in the external environment, by being critically dependent on other organisations for the provision of vital resources, and that this dependence is often reciprocal (Collins, Hillman and Withers, 2009; Drees and Heugens, 2013). Differences in behaviour of organisations result from external and internal agents controlling critical resources, which influence management decisions (Nienhüser, 2008). For RDT's analysis there are a number of underlying prescriptive factors that look at what determines behaviour of organisations and the actors within both an inter- and an intraorganisational context.

RDT sees organisations as an open natural system. Here, “natural” meaning that organisations are theorised as collectivities, whose participants are pursuing multiple interests and decision making of organisations and actors within is seen as attempting to increase or maintain individual or organisational power or survival (Davis and Scott, 2016). This results in organisational actions often emerging “regardless of considerations of profit or efficiency” (Davis and Scott, 2016, p. 234). Accordingly, “open” meaning that the organisation is characterised by its interaction with its surrounding environment. As Pfeffer and Salancik put it: “to understand the behavior of an organization you must understand the context of that behavior—that is, the ecology of the organization” (Collins, Hillman and Withers, 2009, p. 1404). In RDT organisations must obtain resources through exchange with other organisations in an environment characterised by asymmetrical interdependencies and uncertainty (Katz, Maguire and Roncek, 2002).

RDT also strongly emphasises the role of power in both inter- and intraorganisational relationships. Whoever controls critical resources has the power over organisations and participants who need those resources (Nienhüser, 2008). The framework for power is based on power dependency theory as devised by Emerson. Here power is conceived as plus-sum relational, situational, and, potentially, reciprocal. Power is not characterised on an individual level, but is a property of a social relation (Davis and Scott, 2016, pp. 203-207). Organisations

work to increase their power in any given relation, by reducing their dependence, and attempt to reduce other organisations' power over themselves (Collins, Hillman and Withers, 2009). Power within an organisation is determined by actors most able to cope with an organisation's critical problems. These power dynamics can however be contradicting. The power-maximising behaviour of a dominant sub-group within an organisation, might be detrimental to the organisation as a whole (Nienhüser, 2008). An organisation is also able to use its power to affect the environment, which dictates its existence and behaviour (Katz, Maguire and Roncek, 2002, p. 476). Actors are seen as acting on environmental pressures and opportunities perceived through bounded rationality. RDT postulates that the main driver of managerial behaviour is the reproduction of own power, while guarantee of organisation survival is a secondary condition (Nienhüser, 2008). Organisations can draw on varied strategies and diverse repertoires to enhance autonomy (Davis and Scott, 2016). Combining this with RDT's view on power, efficiency of organisational behaviour is seen as a means to an end for the purpose of retaining or increasing power.

The prioritisation of these features in RDT encourages that certain things should be done in an organisation. RDT prescribes that as organisations are constrained and affected by their environment, they should attempt to increase their autonomy. The presence of uncertainty and dependence triggers strategies to reduce uncertainty (Nienhüser, 2008). Actions are devised by management of organisations, to reduce power imbalances and manage mutual interdependencies (Casciaro and Piskorski, 2005). Pfeffer and Salancik outline five actions that can be taken to minimise environmental dependencies; mergers/vertical integration, joint ventures (JVs), boards of directors, political action, and executive action (Collins, Hillman and Withers, 2009, p. 1405). These actions occur in different environments.

As mergers are a complete organisational absorption, and JVs are only partial, RDT analyzes these actions similarly. Mergers are explained in RDT through three rationales; reduction of competition, manage interdependence with input or output, and to diversify (Collins, Hillman and Withers, 2009, p. 1405). The industrial environments leading to firms to choose mergers as their course of action are characterised by being highly dependent on resources and where uncertainty is high, which as explained earlier happens when resources are concentrated to a moderate extent. This is as industrial environments characterised by medium levels of

concentration are the only ones where there are enough actors to increase uncertainty while there being few enough for a switch in suppliers to reduce resource dependency (Nienhüser, 2008, p. 12). JVs most commonly occur between interdependent firms. Organisations embark on JVs so as to reduce power imbalances and manage mutual interdependencies (Casciaro & Piskorski, 2005). This allows organisations to set their boundaries at what Santos and Eisenhardt (2005, p. 495) call the “point that maximizes strategic control over crucial external forces”. The empirical support for these theoretical prescriptions is strong. The level of magnitude of dependency in industrial environments is a strong predictor for the likelihood for mergers to occur (Collins, Hillman and Withers, 2009; Nienhüser, 2008). RDT is often combined with other theoretical approaches as RDT has difficulty offering exhaustive explanations of the factors that play into these decisions. As an example, Gulati (1995) integrates the prescriptions of RDT with the view of the socially embedded context of firms offered by NT to more exhaustively explain JVs. RDT thus offers a strong, although not exhaustive theoretical explanation of JVs.

Within RDT executive succession and board of directors is a large focus of analysis. As internal politics of organisations is theorised through power maximising actors acting through bounded rationality, executive succession will be determined by actors, whose main priority is to maintain and enhance their power (Collins, Hillman and Withers, 2009; Nienhüser, 2008). Boards can manage environmental dependencies and should reflect environmental needs. The size and composition of boards are “rational organizational responses to the conditions of the external environment” (Collins, Hillman and Withers, 2009, p. 1408). Another tool for reducing uncertainty through boards is by interlocking boards of directors. If the resources of an organisation were mainly controlled by one individual, then the probability of cooptation would increase. Furthermore, Pfeffer and Salancik (1978) highlight four resources that boards contribute to organisations; guidance and counsel, access to information, preferential access to resources, and legitimacy. Boards exist to minimise uncertainty, are highly dependent on environmental factors, and, in and of themselves, contribute resources to organisations (Collins, Hillman and Withers, 2009).

Overall, RDT has strong explanatory power in how organisations interact with each other, how environmental factors influence organisational behaviour, and what certain changes in the

environment does to organisational behaviour. The empirical backing of the descriptive and prescriptive priorities of RDT is strong, although rarely exhaustive, as RDT-based analysis often incorporates other theoretical perspectives to fully enlighten the factors that play into organisational behaviour (Drees and Heugens, 2013; Collins, Hillman and Withers, 2009; Nienhüser, 2008). There are however critical cautions to be aware of. Firstly, Donaldson, who comes from a contingency theory standpoint, emphasises how the view of economic and efficiency factors as only being a means to an end for the purpose of retaining or increasing power, is problematic. He argues that there is not sufficient rationale as to why all organisations should be viewed as mainly political systems instead of technical or economic systems. Furthermore, he sees the distribution of power as resulting from rational processes geared to organisational goals (Nienhüser, 2008, pp. 25-26).

Another point of criticism is in the theoretical conception of resources and power. Here the view is that RDT confines itself to material resources and needs to better take symbolic resources into perspective (Tolbert, 1985). Similar arguments in relation to the conception of power are offered by Clegg and Rura-Polley (Nienhüser, 2008, p. 27), who emphasise that resources and power are socially constructed, and highlight the objective nature of resources in RDT. RDT does have elements of the social constructivism of resources and their value, in the bounded rationality of individuals in organisations, where a level of subjectivity and social construction exists in the assessment of the value of resources. These criticisms are thus valid, but can also easily be integrated in RDT by emphasising symbolic resources and influences of the bounded rationality of individual actors.

Although RDT has relatively strong explanatory power on interorganisational interaction, the basic assumptions and ideas underlying the theory offer some normative implications for our understanding of organisations. First of all, the varying definitions of what a resource is can be problematic. Much of RDT research, due to problems in quantifiability, ignored various symbolic resources. For the theory to make sense, one has to limit the scope of what a resource is, but in doing so every researcher makes a normative decision, which can promulgate serious personal and cultural biases. Furthermore, by viewing organisations natural and their participants as being power-maximising, RDT furthers a view of the foundation of human nature and interaction as being based on self-interested opportunism. One can on the grounds

of RDT easily see the world as being corrupted by organisations and actors so powerful, that they are able to withstand change in the environment, who only perform at the lowest level of performance possible to sustain their power. Another problem lies in the bounded rationality underlying behaviour. If behaviour is a bounded rationality perception of resource limitations, and both organisations and actors become addicted to acquiring resources, then how can organisations adequately avoid long-term consequences to this behaviour? Finally, RDT's focus on power and lack of representation of non-managerial actors in organisations, can easily be used to justify exercises of power that are exploitative.

The only actors within organisations, that the theory considers, are those in managerial positions. Thus, organisational interactions, where all managing actors within organisations benefit, would be seen as win-win situations, even if this situation would drastically hurt non-managerial actors, such as workers.

On the basis of our analysis, we generally find RDT to be a strong theoretical approach in explaining various layers of organisational interaction. The basic descriptive priorities, although bleak, are realistic in human behaviour, and the prescriptive priorities fostered are logically linked and empirically corroborated. Although there are normative issues and somewhat of a lack of exhaustive theoretical explanatory power, the theory generally strongly contributes to our understanding of not only organisations, but also their participants. Based on our analysis, we in our group want to further explore the theoretical and normative shortcomings of not only RDT, but also NT and RCI, and apply these theories to more tangible cases, which surround us in our everyday lives. Furthermore, we wish to expand on the debate between rational and natural models of organisations, which this paper has touched upon.

Bibliography

- Acar, M. and Guo, C. (2005). Understanding Collaboration Among Nonprofit Organizations: Combining Resource Dependency, Institutional, and Network Perspectives. *Nonprofit and Voluntary Sector Quarterly*, 34(3), pp.340–361.
- Bielefeld, W. and Galaskiewicz, J. (1998). *Nonprofit organizations in an age of uncertainty: A study of organizational change*. New York: A. De Gruyter.
- Biermann, R. and Harsch, M. (2017). Resource Dependence Theory. In: *The Palgrave Handbook of Inter-organizational Relations in World Politics*. London, United Kingdom: Palgrave Macmillan.
- Buckley, W. (2007). Organizations as Open Systems. In: *Organizations: Rational, Natural and Open Systems*. London & New York: Routledge, p.87.
- Burt, R.S. (1995). *Structural holes : the social structure of competition*. Cambridge, Mass. Harvard Univ. Press.
- Casciaro, T. and Piskorski, M.J. (2005). Power Imbalance, Mutual Dependence, and Constraint Absorption: A Closer Look at Resource Dependence Theory. *Administrative Science Quarterly*, 50(2), pp.167–199.
- Chicago Booth Review (2005). *Why Mergers Fail: Beyond Culture Clashes*. [online] The University of Chicago Booth School of Business. Available at: <https://www.chicagobooth.edu/review/why-mergers-fail-beyond-culture-clashes> [Accessed 30 Dec. 2021].
- Collins, B.J., Hillman, A.J. and Withers, M.C. (2009). Resource Dependence Theory: A Review. *Journal of Management*, [online] 35(6), pp.1404–1427. Available at: <http://brianjcollins.com/2009%20JOM.pdf>.
- Davis, G.F. and Scott, W.R. (2016). *Organizations and organizing : rational, natural and open systems perspectives*. New York ; London: Routledge.

Drees, J.M. and Heugens, P.P.M.A.R. (2013). Synthesizing and Extending Resource Dependence Theory. *Journal of Management*, 39(6), pp.1666–1698.

Farrell, H. (2018). The Shared Challenges of Institutional Theories: Rational Choice, Historical Institutionalism, and Sociological Institutionalism. *Knowledge and Institutions*, [online] pp.23–44. Available at: https://link.springer.com/chapter/10.1007/978-3-319-75328-7_2 [Accessed 29 Dec. 2021].

Foster, M.K. and Meinhard, A.G. (2002). A Regression Model Explaining Predisposition to Collaborate. *Nonprofit and Voluntary Sector Quarterly*, 31(4), pp.549–564.

Galaskiewicz, J. (1985). Interorganizational Relations. *Annual Review of Sociology*, 11(1), pp.281–304.

Galaskiewicz, J. and Rauschenbach, B. (1988). The corporation-culture connection: A test of interorganizational theories. In: *Community organizations: Studies in resource mobilization and exchange*. New York, Oxford: Oxford University Press.

Granovetter, M. (1985). Economic Action and Social Structure: The Problem of Embeddedness. *American Journal of Sociology*, 91(3), pp.481–510.

Granovetter, M.S. (1973). The Strength of Weak Ties. *American Journal of Sociology*, 78(6), pp.1360–1380.

Gray, B. and Wood, D.J. (1991). Collaborative Alliances: Moving from Practice to Theory. *The Journal of Applied Behavioral Science*, [online] 27(1), pp.3–22. Available at: <https://journals.sagepub.com/doi/abs/10.1177/0021886391271001>.

Gulati, R. (1995). Social Structure and Alliance Formation Patterns: A Longitudinal Analysis. *Administrative Science Quarterly*, 40(4), p.619.

Gulati, R. and Westphal, J.D. (1999). Cooperative or Controlling? The Effects of CEO-Board Relations and the Content of Interlocks on the Formation of Joint Ventures. *Administrative Science Quarterly*, 44(3), p.473.

Hall, P.A. and Taylor, R.C.R. (1996). Political Science and the Three New Institutionalisms. *Political Studies*, 44(5), pp.936–957.

Heikkila, T. and Isett, K.R. (2004). Modeling Operational Decision Making in Public Organizations. *The American Review of Public Administration*, [online] 34(1), pp.3–19. Available at: http://dlc.dlib.indiana.edu/dlc/bitstream/handle/10535/3235/heikkila--modeling_operational_decision_making_in_public_organizations_an_integration_of_two_institutional_theories.pdf?isAllowed=y&sequence=1 [Accessed 29 Dec. 2021].

Hessels, J. and Terjesen, S. (2008). Resource dependency and institutional theory perspectives on direct and indirect export choices. *Small Business Economics*, [online] 34(2), pp.203–220. Available at: <https://link.springer.com/article/10.1007/s11187-008-9156-4> [Accessed 30 Dec. 2021].

Katz, C.M., Maguire, E.R. and Roncek, D.W. (2002). The Creation of Specialized Police Gang Units. *Policing: An International Journal of Police Strategies & Management*, 25(3), pp.476–478.

Larson, A. (1992). Network Dyads in Entrepreneurial Settings: A Study of the Governance of Exchange Relationships. *Administrative Science Quarterly*, 37(1), p.76.

Meyer, J.W. and Rowan, B. (1977). Institutionalized Organizations: Formal Structure as Myth and Ceremony. *American Journal of Sociology*, [online] 83(2), pp.340–363. Available at: <https://www.jstor.org/stable/2778293> [Accessed 30 Dec. 2021].

Nienhüser, W. (2008). Resource Dependence Theory – How Well Does It Explain Behavior of Organizations? *Management Revue*, 19(1-2), pp.9–32.

Oliver, C. (1990). Determinants of Interorganizational Relationships: Integration and Future Directions. *Academy of Management Review*, 15(2), pp.241–265.

Pfeffer, J. (1990). Resources, Allies and the New Golden Rule. In: *Managing with Power: Politics and Influence in Organizations*. Boston: Harvard Business School Press, pp.83–110.

Pfeffer, J. and Salancik, G.R. (1978). *The external control of organizations : a resource dependence perspective*. Stanford, Calif.: Stanford Business Books.

Ross, E.J., Simmel, G., Wolff, K.H. and Bendix, R. (1955). Conflict; The Web of Group Affiliations. *The American Catholic Sociological Review*, 16(2), p.131.

Santos, F.M. and Eisenhardt, K.M. (2005). Organizational Boundaries and Theories of Organization. *Organization Science*, 16(5), pp.491–508.

Sharfman, M.P., Gray, B. and Yan, A. (1991). The Context of Interorganizational Collaboration in the Garment Industry: An Institutional Perspective. *The Journal of Applied Behavioral Science*, 27(2), pp.181–208.

Singer, M.I. and Yankey, J.A. (1991). Organizational metamorphosis: A study of eighteen nonprofit mergers, acquisitions, and consolidations. *Nonprofit Management and Leadership*, 1(4), pp.357–369.

Tolbert, P.S. (1985). Institutional Environments and Resource Dependence: Sources of Administrative Structure in Institutions of Higher Education. *Administrative Science Quarterly*, 30(1), p.1.

Yue, F. (2021). *Why Are International Organizations Actively Participating in China's Belt and Road Initiative?* [Master Thesis] pp.1–46. Available at:
https://projekter.aau.dk/projekter/files/414453905/Master_Thesis___Yue_Fang.pdf [Accessed 30 Dec. 2021].