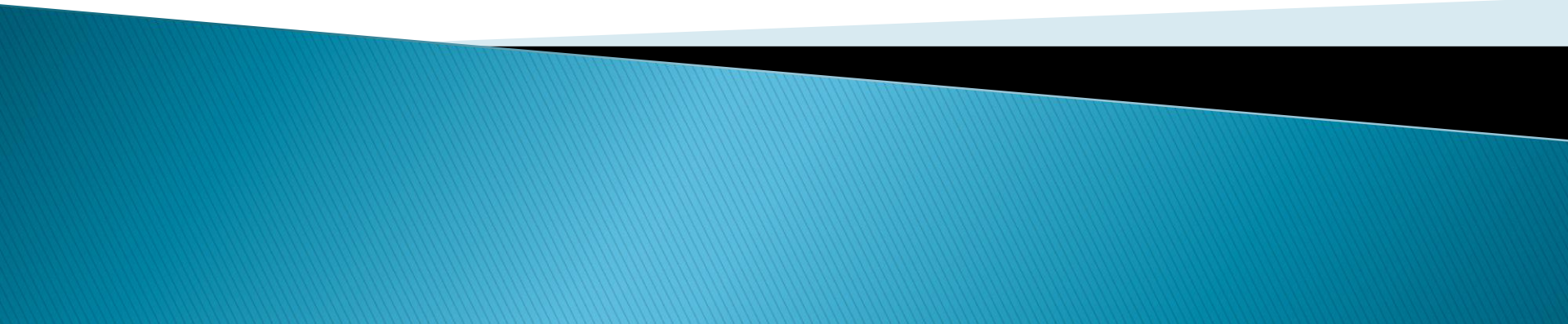


Relationships Between Organizations



Organizational Ecosystems

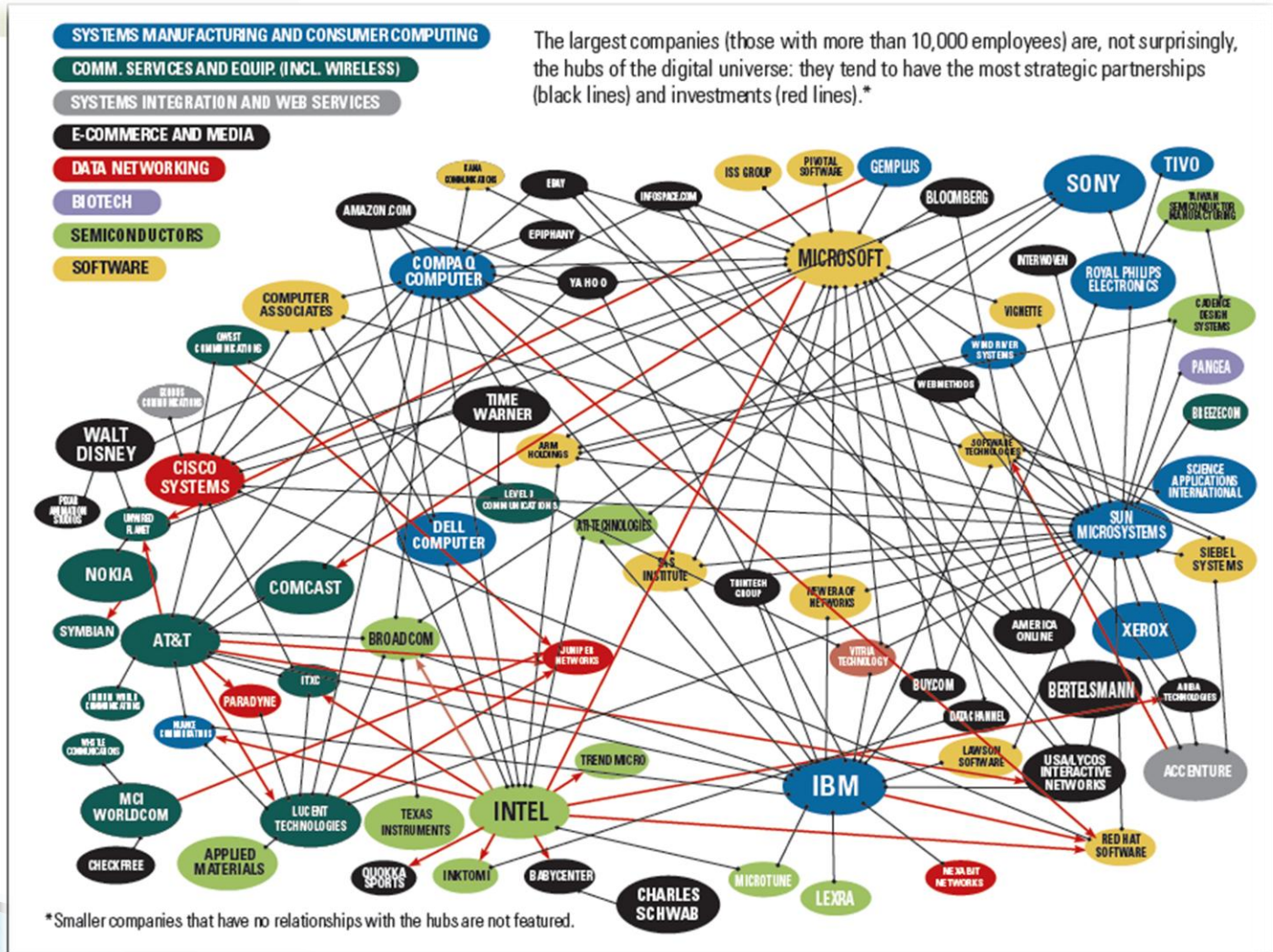
Interorganizational relationships – resource transactions, flows, and linkages that occur among two organizations

Organizational ecosystem – a system formed by the interaction of a community of organizations and their environment

Is Competition Dead?

- ▶ Changing technology and new regulations present organizations with international competition
- ▶ Organizations are involved in complex networks; the number of corporate alliances are increasing
- ▶ *Traditional competition no longer exists*

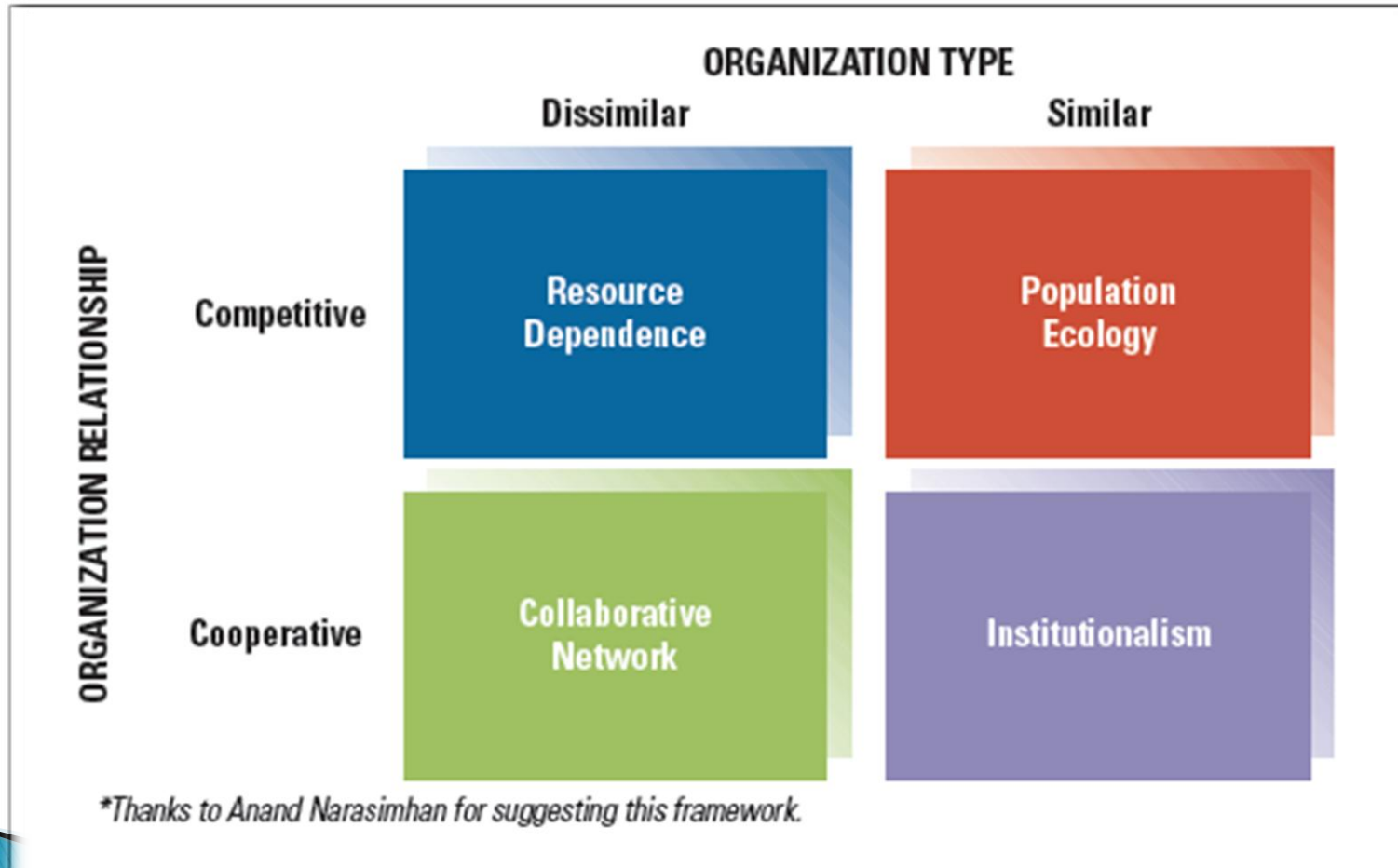
Organizational Ecosystem



The Changing Role of Competition

- ✓ In ecosystems, managers move beyond traditional responsibilities
- ✓ Managers must think about horizontal processes
- ✓ The old role of management relied on operation roles and boundaries
- ✓ *Collaborative roles are becoming more important for success*

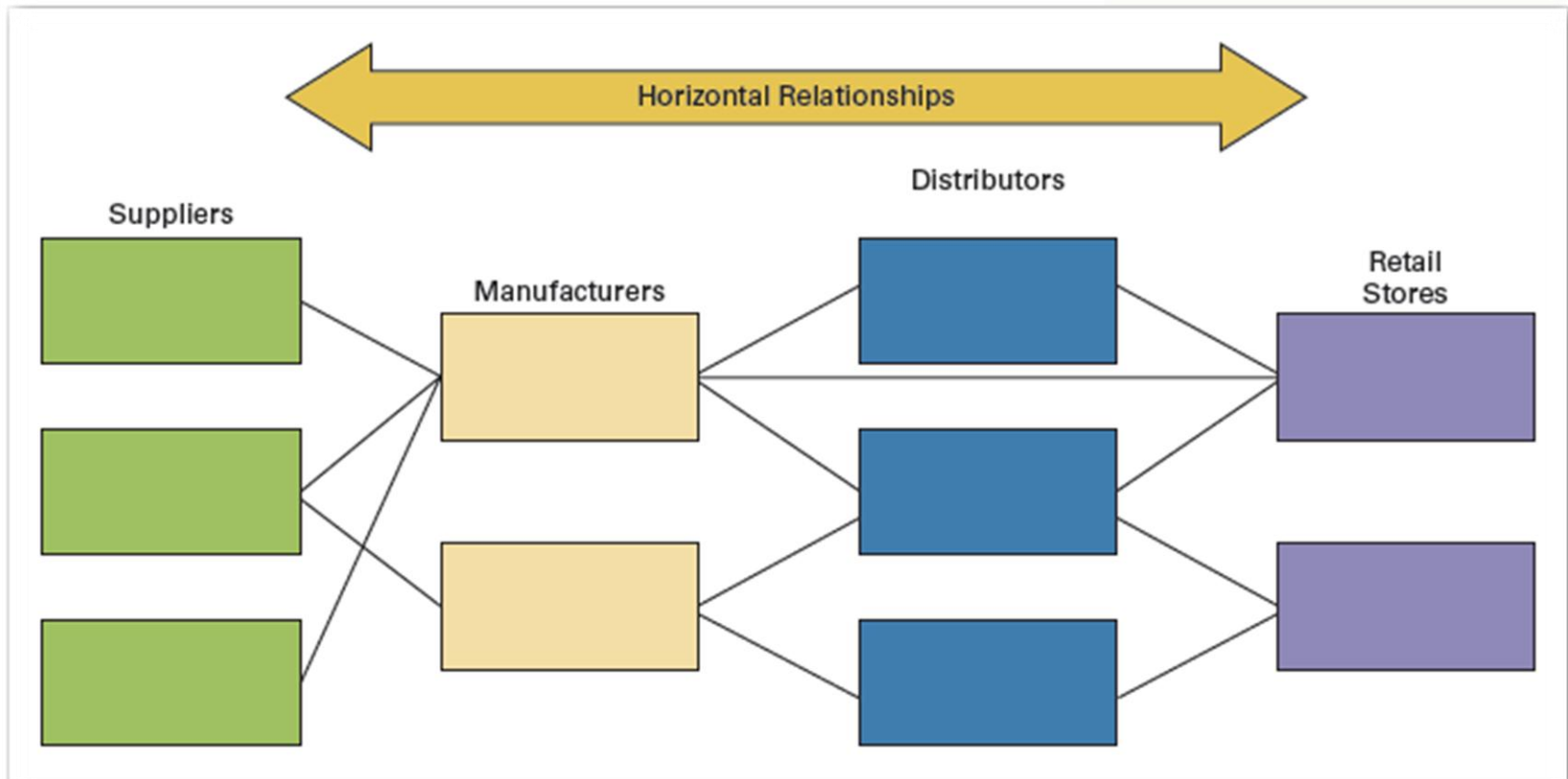
A Framework for Interorganizational Relationships



Resource Dependence

- ▶ Locking in resources through long-term supplier relationships is a common resource-dependence theory
- ▶ *Supply chain management* refers to managing the sequence of suppliers and purchasers
- ▶ Large independent companies can have power over small suppliers

A Basic Supply Chain Model



Source: Global Supply Chain Games Project, Delft University and the University of Maryland, R. H. Smith School of Business, http://www.gscg.org:8080/opencms/export/sites/default/gscg/images/supplychain_simple.gif (accessed February 6, 2008).

Collaborative Networks

- ✓ Emerging alternative to resource dependency
- ✓ Companies join together to become more competitive and to share scarce resources
- ✓ Alliances require managers who are good at building networks
- ✓ Companies can share risk and cooperation is a prerequisite for greater innovation, problem solving, and performance

Changing Characteristics of Interorganizational Relationships

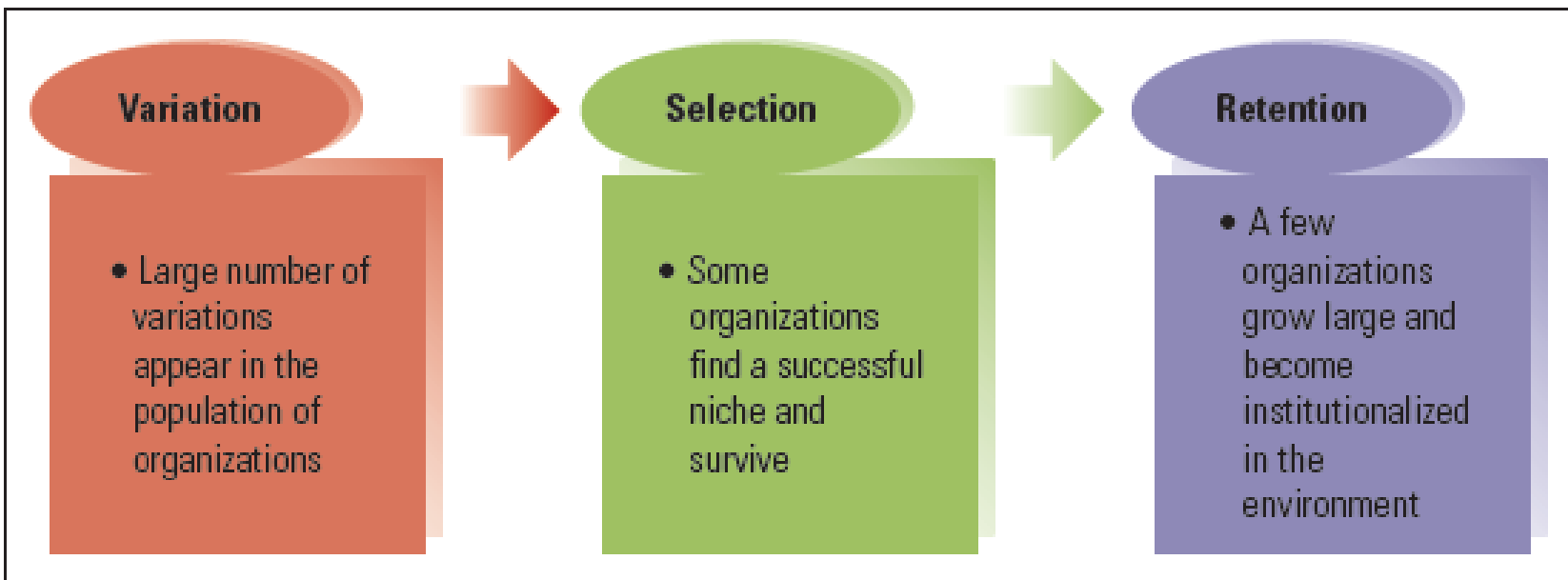
Traditional Orientation: Adversarial	New Orientation: Partnership
<p>Low dependence</p> <p>Suspicion, competition, arm's length</p> <p>Detailed performance measures, closely monitored</p> <p>Price, efficacy, own profits</p> <p>Limited information and feedback</p> <p>Legal resolution of conflict</p> <p>Minimal involvement and up-front investment, separate resources</p> <p>Short-term contracts</p> <p>Contract limiting the relationship</p>	<p>High dependence</p> <p>Trust, addition of value to both sides, high commitment</p> <p>Loose performance measures; problems discussed</p> <p>Equity, fair dealing, both profit</p> <p>Electronic linkages to share key information, problem feedback, and discussion</p> <p>Mechanisms for close coordination; people on site</p> <p>Involvement in partner's product design and production, shared resources</p> <p>Long-term contracts</p> <p>Business assistance beyond the contract</p>

Sources: Based on Mick Marchington and Steven Vincent, "Analysing the Influence of Institutional, Organizational, and Interpersonal Forces in Shaping Inter-Organizational Relations," *Journal of Management Studies* 41, no. 6 (September 2004), 1029–1056; Jeffrey H. Dyer, "How Chrysler Created an American Keiretsu," *Harvard Business Review* (July–August 1996), 42–56; Myron Magnet, "The New Golden Rule of Business," *Fortune* (February 21, 1994), 60–64; and Peter Grittner, "Four Elements of Successful Sourcing Strategies," *Management Review* (October 1995), 41–45.

Population Ecology

- ▶ Organizational diversity and adaptation within a population of organizations
- ▶ Population is a set of organizations engaged in similar activities
- ▶ The theory notes that large, established organizations often become dinosaurs
 - They have difficulty adapting
 - The changing environment determines survival or failure
- ▶ Heavy investments can limit organizational adaptation
- ▶ Model looks at *organizational form*
- ▶ Organizational *niche* can help aid in the survival of an organization

Elements in the Population–Ecology Model of Organizations



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Strategies for Survival

*Organizations struggle for existence
(competition)*

- ▶ ***Generalist strategies*** – wide niche or domain, broad range of products or services to a broad market
- ▶ ***Specialist strategies*** – narrow range of goods or services that serve a narrow market

Institutionalism

- ▶ Institutional perspective:
 - Manage survival
 - Balance expectations of environment
- ▶ Institutional Environment
 - Norms and values of stakeholders
 - Adopt structures and processes to please outsiders
- ▶ Legitimacy – an organization's actions are desirable, proper, and appropriate

Institutional View and Organizational Design

Technical Structure

- ▶ Day-to-day work
- ▶ Technology
- ▶ Operating requirements

*Governed by norms
and rationality of
efficiency*

Institutional Structure

- ▶ Visible to the public

*Governed by
expectations of the
public*

Three Mechanisms for Institutional Adaptation

	Mimetic	Coercive	Normative
Reason to become similar: Events:	Uncertainty Innovation visibility	Dependence Political law, rules, sanctions	Duty, obligation Professionalism— certification, accreditation
Social basis: Example:	Culturally supported Reengineering, benchmarking	Legal Pollution controls, school regulations	Moral Accounting standards, consultant training

Source: Adapted from W. Richard Scott, *Institutions and Organizations* (Thousand Oaks, CA: Sage, 1995).