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**THE
EXTERNAL
CONTROL OF
ORGANIZATIONS**
A Resource Dependence
Perspective

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Harper & Row, Publishers

NEW YORK

HAGERSTOWN

SAN FRANCISCO

LONDON

Sponsoring Editor: John Greenman
Project Editor: Renée E. Beach
Designer: Howard Leiderman
Production Supervisor: Stefania J. Taffinska
Compositor: American Book-Stratford Press, Inc.

Art Studio: Vantage Art, Inc.

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Library of Congress Cataloging in Publication Data
Pfeffer, Jeffrey.

The external control of organizations.

Includes index.

1. Industry—Social aspects. 2. Inter-organizational relations. I. Salancik, Gerald R., joint author. II. Title.

HD60.P46 658.4'08 77-13907

ISBN 0-06-045193-9

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PREFACE

This book is about how organizational environments affect and constrain organizations and how organizations respond to external constraints. It is also a guide to designing and managing organizations that are externally constrained.

Although the ideas of open systems theory, organization and environment, and social constraint are not new, such ideas really have not had much impact on research and training in management and organizational behavior. After some pro forma acknowledgment of social constraints, the environment, and open systems, most authors spend much of their time, space, and research documentation dealing with the same old concepts out of which organizational behavior grew—leadership, motivation, task design, communication, and control. There are no such pro forma bows in this book. We take seriously the idea of social constraint on organizational action, and we indicate here how it can influence organizational behavior and design. Our intent is simple—to provoke additional thought, research attention, and concern

for the ideas of resource interdependence, external social constraint, and organizational adaptation. In other words, this is not another industrial psychology book in disguise. We hope to set out and to provide empirical demonstrations of an external control perspective for organizational behavior.

In the first chapter, the themes and ideas to be used throughout the book are introduced. We also present some reasons why the external perspective is not more widely adopted for understanding organizational behavior. We define some possible roles for management by introducing the ideas of managers as symbols, managers as adapters to social constraints, and managers as manipulators of their organizational environments.

In the second chapter we examine organizations as coalitions of interests that face an environment of competing, frequently conflicting, demands and that need resources from that environment. Boundaries are defined in terms of control over activities, and effectiveness is defined in terms of survival, for example, the ability to attract and maintain resources.

Chapter Three illustrates how the social control of organizations comes about. The basic components of control—the factors that provide external constraint over organizational actions—are enumerated and described. The framework of social control is illustrated using an empirical study of the autonomy of Israeli managers and the response of United States defense contractors to affirmative action pressure.

The environment and how it is perceived by the organization is considered in Chapter Four. We assert that various dimensions of the environment are not as independent as one might believe from reading the literature and that they become known to the organization through a process of enactment. We explore the various determinants of the enactment process, and include some discussion about how organizations get into trouble with their social environments. We conclude the chapter by describing a framework that may be used descriptively to analyze organizational actions or prescriptively to plan and design strategies.

The next four chapters describe organizational strategies for coping with external constraints. Chapter Five considers the possibilities of adapting to external demands or avoiding demands; Chapter Six examines altering patterns of interdependence through growth, merger, and diversification; Chapter Seven explores the establishment of collective structures of interorganizational behavior through the use of interlocking directorates, joint ventures, industry associations, and normative restraints; and Chapter Eight discusses creating the organizational environment through law, political action, and altering the definitions of the legitimacy.

In examining the external control of organizations and organizational adaptations and responses, one must not neglect the mechanism that produces organizational action. This topic is the focus of Chapter Nine, in which executive recruitment and succession are examined and related to the organization's context and to adaptation and change. The book concludes with a review of the resource dependence perspective, some further analysis of the roles of management, and the implications of this perspective for organizational design and predicting organizational futures.

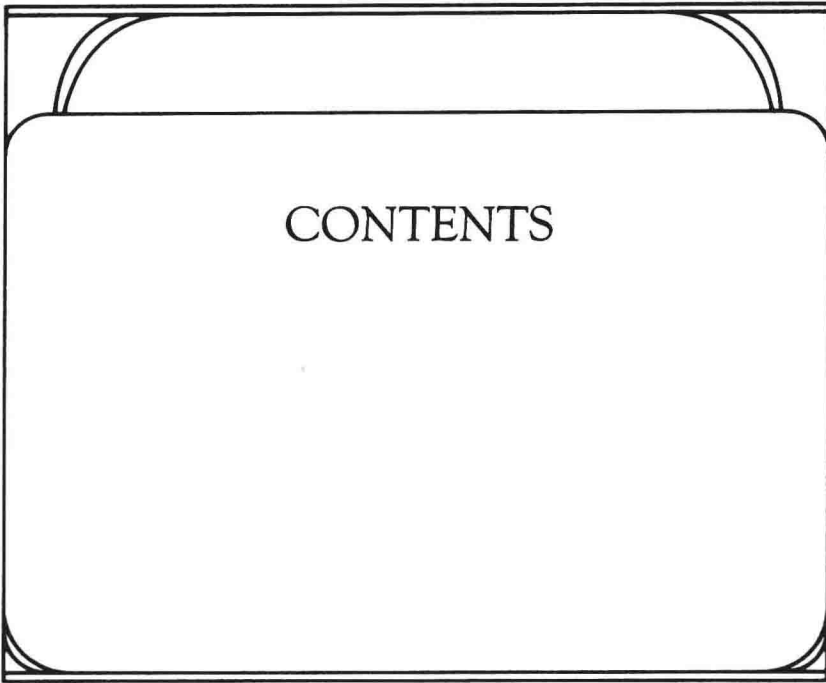
We have attempted to develop a theoretical perspective that offers new insights for analyzing organizations and to assemble empirical evidence consistent with this perspective. The book is intended as a spur to further research on social constraint and external control.

It is appropriate to conclude by acknowledging gratefully those interdependencies which, rather than acting as constraints, made the end product. Special thanks are in order to Betty Kendall, Ellen McGibbon, and Helen Way, who provided the most extraordinary typing service we have ever seen in the most cheerful and helpful manner, and to Joe Garbarino who graciously made their services available through the Institute of Business and Economic Research at Berkeley. We dedicate this book to Susan, Tina, Sonia, and Fuzzy, those who control our critical contingencies and who have become such important parts of our social context.

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CHAPTER ONE

AN EXTERNAL PERSPECTIVE ON ORGANIZATIONS

The central thesis of this book is that to understand the behavior of an organization you must understand the context of that behavior—that is, the ecology of the organization. This point of view is important for those who seek to understand organizations as well as for those who seek to manage and control them. Organizations are inescapably bound up with the conditions of their environment. Indeed, it has been said that all organizations engage in activities which have as their logical conclusion adjustment to the environment (Hawley, 1950:3).

At first glance, this position seems obvious. An open-systems perspective on organizations is not new (Katz and Kahn, 1966), and it is generally accepted that contexts, organizational environments, are important for understanding actions and structures. One of the purposes of this introductory chapter, besides elaborating the perspective we are going to be developing throughout the book, is to note that, in spite of the apparent obviousness of this position, much of the literature on organizations still does not recognize the importance of context; in-

deed, there are some reasons why such a neglect of contextual factors is likely to be maintained.

OVERVIEW

Most books about organizations describe how they operate, and the existence of the organizations is taken for granted. This book discusses how organizations manage to survive. Their existence is constantly in question, and their survival is viewed as problematic. How managers go about ensuring their organization's survival is what this book is about.

Our position is that organizations survive to the extent that they are effective. Their effectiveness derives from the management of demands, particularly the demands of interest groups upon which the organizations depend for resources and support. As we shall consider, there are a variety of ways of managing demands, including the obvious one of giving in to them.

The key to organizational survival is the ability to acquire and maintain resources. This problem would be simplified if organizations were in complete control of all the components necessary for their operation. However, no organization is completely self-contained. Organizations are embedded in an environment comprised of other organizations. They depend on those other organizations for the many resources they themselves require. Organizations are linked to environments by federations, associations, customer-supplier relationships, competitive relationships, and a social-legal apparatus defining and controlling the nature and limits of these relationships. Organizations must transact with other elements in their environment to acquire needed resources, and this is true whether we are talking about public organizations, private organizations, small or large organizations, or organizations which are bureaucratic or organic (Burns and Stalker, 1961).

Even seemingly self-contained organizations require some transactions with their environment for survival. The convents and abbeys which flourished during the Middle Ages were designed to be virtually self-sufficient. Needs were kept to a minimum; foods were grown within; and many required utensils, tools, and clothing were made by the abbey's available labor. An attempt was made, consciously, to isolate the organizations as much as possible from the secular world outside. But, abbeys were peopled by people, usually of one sex, and humans are mortal. This meant that new members had to be recruited from the outside, which required the organization to maintain relations with sources of recruits—prisons, wealthy families with illegitimate offspring, and so forth. Recruitment from the outside, therefore, im-