

CHANGING ORGANIZATIONS

BUSINESS NETWORKS IN
THE NEW POLITICAL ECONOMY

DAVID KNOKE

Foundations of Social Inquiry



Changing Organizations

*Business Networks
in the
New Political Economy*

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Published in 2001 in the United States of America by Westview Press, 5500 Central Avenue, Boulder, Colorado 80301-2877, and in the United Kingdom by Westview Press, 12 Hid's Copse Road, Cumnor Hill, Oxford OX2 9JJ

Find us on the World Wide Web at www.westviewpress.com

Library of Congress Cataloging-in-Publication Data

Knoke, David

Changing organizations : business networks in the new political economy / by David Knoke.

p. cm. — (Foundations of social inquiry)

Includes bibliographical references and index.

ISBN 0-8133-3453-5 (pbk.)

1. Business networks—United States. 2. Strategic alliances (Business)—United States.
3. United States—Foreign economic relations. I. Title. II. Series.

HD69.S8 K58 2000

658'.044—dc21

00-63302

The paper used in this publication meets the requirements of the American National Standard for Permanence of Paper for Printed Library Materials Z39.48-1984.

10 9 8 7 6 5 4 3 2 1

Changing Organizations

Foundations of Social Inquiry

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This one is for Maggie

Acronyms

ADR	alternative dispute resolution
CAS	complex adaptive systems
CAD/CAM	computer-assisted design and manufacturing
ESOP	employee stock ownership plans
FEC	Federal Election Commission
FILM	firm internal labor market
GIS	global information sector
HRM	human resources management
IPO	initial public offering
JIT	just-in-time
LBO	leveraged buyout
LTIP	long-term incentive plan
MDF	multidivisional form
MNC	multinational corporation
MSF	multisubsidiary form
NBF	new biotechnology firm
NLRB	National Labor Relations Board
PAC	political action committee
PIG	public interest group
QC	quality circle
SFN	small-firm network
SIC	Standard Industrial Classification
SMO	social movement organization
SPC	statistical process control
TQM	total quality management

Preface

Mr. Gittes, you may think you know what you're dealing with, but believe me, you don't.

—Robert Towne, *Chinatown* (1974)

The origins of this book lie in the three decades I spent teaching, reading about, and conducting research on organizations ranging from small neighborhood associations, to national lobbying coalitions, to strategic alliances among international information sector corporations. Two overarching themes integrate the seemingly divergent facets of this volume. First, understanding changing organizational behavior requires observers to view the U.S. political economy as a system within which money and power intimately interconnect across all levels of analysis. Organizations are not just the unitary, utility-maximizing production functions depicted by neoclassical economic models. They also consist of numerous social actors pursuing divergent interests and goals that conflict and realign over time. The collective actions emerging from such malleable systems are best analyzed as joint outcomes of market processes and political power interacting within and between organizations.

Second, network relations are indispensable for explaining the continual transformations of organizational structures and processes. Network analysis encompasses wide-ranging phenomena, from employee careers and work team relations to collective action in organizational populations. This multilevel scope, combined with an emphasis on recurring interactions among social actors, gives network analysts vigorous conceptual and empirical tools for investigating dynamic organizational change. The information exchanges and resource transactions at the heart of network analysis reveal how economic and political influences shape organizational behaviors, from international corporations forming joint ventures, to business and labor coalitions lobbying the government, to employees cooperating within high-performance work teams. The dual themes of political

economy and network analysis, interweaving the diverse trends and developments in organizations throughout the twentieth century, help us to anticipate plausible directions for organizational change in this century.

However, the general orientations offered by the political economy and network perspectives lay an insufficient foundation on which to build a comprehensive account of changing organizations. Additional primary approaches are indispensable to constructing more thorough analytic interpretations. Many key concepts, ideas, principles, theories, and methods useful in explaining organizational actions come from a loose collection of disciplines best described as "organization studies." Their practitioners span traditional fields, including sociology, business management, economics, law, political science, public administration, social psychology, history, and journalism. Rather than treating these disciplines as competing and irreconcilable perspectives, I tried to determine where those diverse schemas might contribute toward more inclusive explanations of events. Some applications of these alternative perspectives yielded contradictory implications, whereas others simply offered few insights into specific components of organizational change. Still, these incomplete accounts should spur organization studies theorists and researchers to stronger efforts at integrating their distinct approaches into more comprehensive explanations.

For an overview of the book's specific substantive conclusions, readers should consult the concluding section of each chapter. Here I briefly describe the common elements in their format. Each chapter focuses on specific topics in organizational change, primarily at the macro level of whole organizations, organizational fields, or populations, rather than at the level of individual persons or organizational roles. An introductory anecdote illustrates these topics, followed by explicit definitions of key concepts and principles relevant to analyzing the issues under consideration. Where available, time-series charts graphically display trends in particular organizational behaviors. I gather eclectic evidence about these issues from journalistic accounts, censuses, governmental reports, in-depth case studies, sample surveys, and quantitative data analyses. The bulk of this evidence concentrates on the large U.S. corporations that dominated the American political economy during the twentieth century. My relative neglect of smaller, entrepreneurial, nonprofit, voluntary, governmental, and international organizations reflects not only the more meager research attention paid to these other organizational forms but also the limited space available to treat them in greater depth.

I review relevant research literatures, concentrating on recent publications, from the many disciplines that make up organization studies. I try to contrast alternative theoretical explanations and interpretations of organizational change. I hope that I fairly represent various analysts' views, despite my particular biases toward network and power explanations. Most

chapters include one or more detailed data analyses that illustrate how applications of research methods lead to substantive conclusions. Because my disposition toward organizational networks motivated several such analyses, the Appendix offers an introduction to basic network analysis concepts and methods. I try to assess the range of empirical findings about the substantive topics and their implications for alternative theoretical explanations of organizational change. I offer suggestions about how conflicting results might be reconciled and where future research efforts could contribute to explicating the causes and consequences of organizational change.

I spend much of my professional life trying to squeeze a few grains of insight into organizational behavior from the stubborn stones of reality. If the conjectures in this book inspire others to take up the study of changing organizations, then I will consider my time well spent.

Acknowledgments

I greatly appreciate the research grants provided by the National Science Foundation to myself and several co-investigators to conduct the National Associations Survey, two National Policy Domain Studies, and two National Organizations Studies. Grants-in-aid from the University of Minnesota's College of Liberal Arts and Graduate School supported research on the global information sector, and a single-quarter leave and a sabbatical gave me time to begin and to finish writing this book.

During the many years this project gestated, I benefited greatly from the steadfast counsel of talented editorial staff at Westview Press: Jill Rothenberg, Margaret Loftus, Lisa Wigutloff, Adina Popescu, Andrew Day, David McBride, Michelle Trader, and Sharon DeJohn. Sage advice from series editors Scott McNall and Charles Tilly and from manuscript reviewers Dan Chambliss and John Lie significantly enhanced the final product.

I owe an immense intellectual debt to the authors of the countless articles, chapters, reports, and books cited in this volume, which taught me almost everything I know about organization studies. I especially thank my collegial friends who read individual chapters and gave much encouragement and many useful suggestions, which I tried to incorporate, not always successfully: Howard Aldrich, Paul Burstein, Joseph Galaskiewicz, Anne Genereux, Arne Kalleberg, Naomi Kaufman, Patrick Kenis, David Krackhardt, Nicole Raeburn, Verta Taylor, Emanuela Todeva, Andrew Van de Ven, and Song Yang.

Most important, I am grateful to Margaret Frances Knoke for her exceptional editorial work on the manuscript, which vastly improved its quality; for sharing her passionate and brilliant insights about organizational life; and, best of all, for being a wonderful daughter to Joann and me.

*Edina, Minnesota
June 19, 2000*

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