



Interorganizational Relationships

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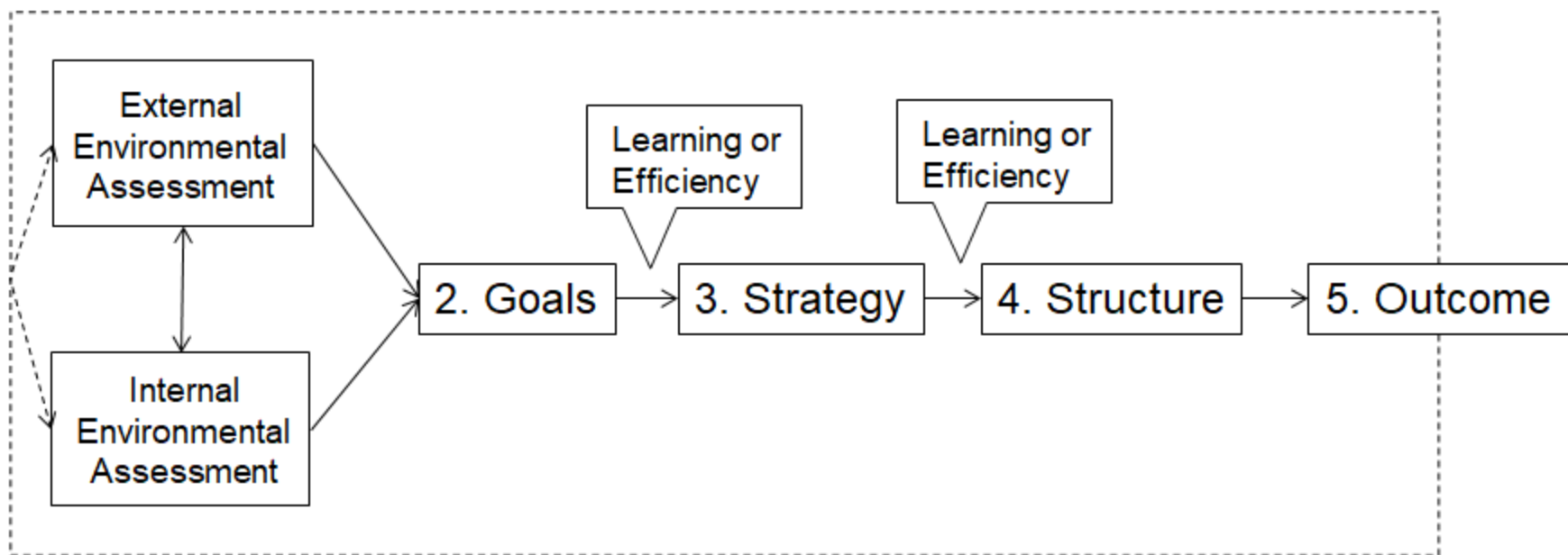


Toyota

Keiretsu - tight network of suppliers that learns and prospers alongside the parent organization

- has seen significant reduction in design, and production times half that of the industry average

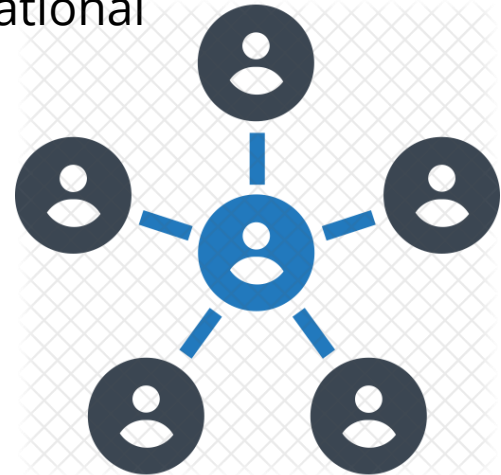
1. Tells you what you should do



6. Outcome Assessment – have you been successful?

Purpose of This Chapter

- To explain how businesses work together to survive in the dynamic environment.
- To explain the recent trend in organizing.
 - Dense web of relationships among organizations.
- To explain how to manage a whole set of interorganizational relationships.





Interorganizational Framework

Organizational Relationship

Organization Type

Dissimilar

Similar

Competitive

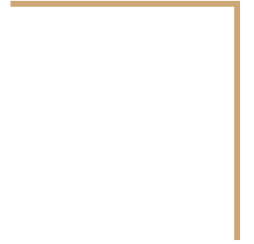
**Resource
Dependence**

Population Ecology

Cooperative

Collaborative
Network

Institutionalism



Interorganizational Relationships

Interorganizational Relationships are the relatively enduring resource transactions, flows, and linkages, that occur among two or more organizations.

Organizational Ecosystem

An organizational ecosystem is a system formed by the interaction of a community of organizations and their environment.



Interorganizational Framework



		Organization Type	
		Dissimilar	Similar
Organizational Relationship	Competitive	Resource Dependence	Population Ecology
	Cooperative	Collaborative Network	Institutionalism

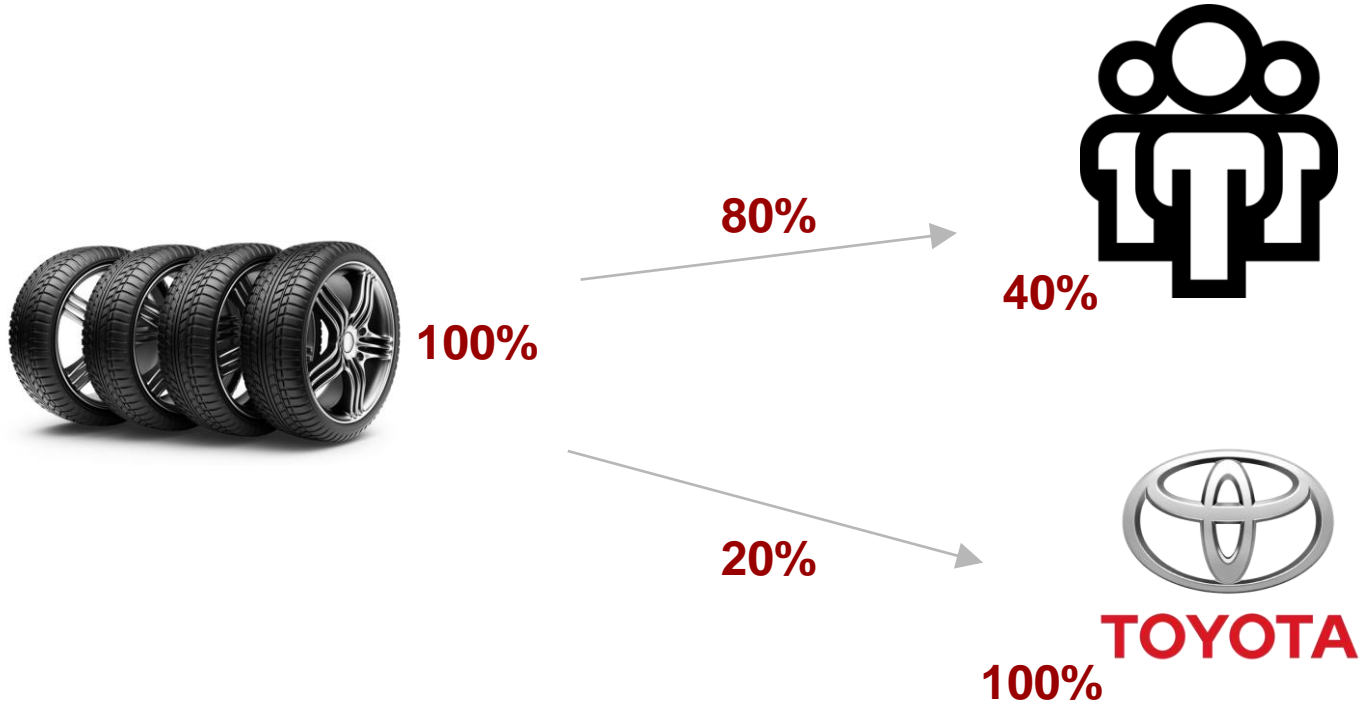
Resource Dependence

- ***Resources-dependence theory*** - it describes rational ways organizations deal with each other to reduce dependence on the environment.
 - Organizations try to minimize their dependence on other organizations for the supply of important resources available.
 - Organizations succeed by striving for independence and autonomy.

The amount of
dependence on a
resource is based on:

1. The importance of the resources to the organization.
 2. How much power those who control the resource have over its allocation and use.
-

Toyota Example Tied to Resource Dependence Theory



Resource Dependence: GSS

Goals → Operative Goals (resource acquisition)

Strategy → Defender and Low-Cost Leadership

Structure → Vertical Structure - Functional Grouping

Resource Dependence: Collaborative Framework

ENVIRONMENTAL CHANGE		STABLE	Low Uncertainty	Low-Moderate Uncertainty
			<ol style="list-style-type: none"> 1. Mechanistic structure; formal, centralized 2. Few departments 3. No integrating roles 4. Current operations orientation; low speed response 	<ol style="list-style-type: none"> 1. Mechanistic structure; formal, centralized 2. Many departments, some boundary spanning 3. Few integrating roles 4. Some planning; moderate speed response
ENVIRONMENTAL CHANGE		UNSTABLE	High-Moderate Uncertainty	High Uncertainty
			<ol style="list-style-type: none"> 1. Organic structure, teamwork; participative, decentralized 2. Few departments, much boundary spanning 3. Few integrating roles 4. Planning orientation; fast response 	<ol style="list-style-type: none"> 1. Organic structure, teamwork; participative, decentralized 2. Many departments differentiated, extensive boundary spanning 3. Many integrating roles 4. Extensive planning, forecasting; high speed response
			SIMPLE	COMPLEX
			ENVIRONMENTAL COMPLEXITY	



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Collaborative Networks

- ***Collaborative-Network perspective*** - where organizations allow themselves to become dependent on other organizations to increase value and productivity for both.
 - Organizations join together to become more competitive and to share scarce resources.
 - Organizations partner with other organizations and/or suppliers



Why Collaboration?

Major reasons for interorganizational collaboration:

- Sharing risks when entering new markets.
- Reducing costs.
- Enhancing organizational profile in selected industries or technologies.
- Improving innovation, problem solving and performance.
- Easing entering global markets.
- Adding value to both parties.



From Adversaries to Partners

Traditional Orientation (*adversarial*):

- Low dependence
- Suspicion and competition
- Detailed performance measures, closely monitored
- Efficacy and own profits
- Limited information and feedback
- Legal resolution of conflict
- Separate resources
- Short-term contracts
- Contract limiting the relationship

New Orientation (*Partnership*):

- High dependence
- Trust, addition of value to both sides, and high commitment
- Problems discussed
- Equity, fair dealing, both profit
- Share key information, problem feedback, and discussion
- Mechanisms for close coordination, people on-site
- Involvement in production, shared resources
- Long-term contracts
- Business assistance beyond the contract

Collaborative Networks: GSS

Goals → All operative goals (overall performance, resource acquisition, market share, innovation and change, etc.)

Strategy → Prospector - Differentiation

Structure → Horizontal Structure - Hybrid Structure

Collaborative Networks: Contingency Framework

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		STABLE	UNSTABLE
ENVIRONMENTAL CHANGE	STABLE	<p style="text-align: center;">Low Uncertainty</p> <ol style="list-style-type: none"> 1. Mechanistic structure; formal, centralized 2. Few departments 3. No integrating roles 4. Current operations orientation; low speed response 	<p style="text-align: center;">Low-Moderate Uncertainty</p> <ol style="list-style-type: none"> 1. Mechanistic structure; formal, centralized 2. Many departments, some boundary spanning 3. Few integrating roles 4. Some planning; moderate speed response
	UNSTABLE	<p style="text-align: center;">High-Moderate Uncertainty</p> <ol style="list-style-type: none"> 1. Organic structure, teamwork; participative, decentralized 2. Few departments, much boundary spanning 3. Few integrating roles 4. Planning orientation; fast response 	<p style="text-align: center;">High Uncertainty</p> <ol style="list-style-type: none"> 1. Organic structure, teamwork; participative, decentralized 2. Many departments differentiated, extensive boundary spanning 3. Many integrating roles 4. Extensive planning, forecasting; high speed response
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Population Ecology

Population-Ecology Perspective - focuses on organizational diversity and adaptation within a population of organizations

Population - set of organizations engaged in similar activities

- Why are there so many significant forms of variation appearing within organizational populations?

Population Ecology: Hannan and Freeman

Why is it so difficult for organizations to change?

NOTE: in this model it is the changing *environment* that determines which organizations survive and which fail

- the model likens business success to evolution
 - ex. Deer and Wolves
- Old organizations struggle to change while new organizations are built around the “new” environment



Population Ecology: Organizational Form and Niche

Organizational Form - organizations specific technology, structure, products, goals, and personnel which can be selected or rejected by the environment

Niche - domain of unique environmental resources and needs

Population Ecology: Process of Ecological Change



Population Ecology: Strategies for Survival

Struggle for Existence

Generalists - wide niche and/or domain, offering a broad range of services/products

Specialists - focused on providing a narrower range of goods/services or is serving a narrower market of individuals



Population Ecology: Toyota

- Low Price, high mileage vehicles
 - US Manufacturing couldn't make these changes quickly enough



Population Ecology: GSS

Goals → Innovation and Change

Strategy → Focused Differentiation, Prospector

Structure → Hybrid Structures

Population Ecology: Contingency Framework

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Institutionalism

Institutional Perspective - how organizations succeed through congruence between an organization and the expectations from its environment

Institutional Environment - composed of the norms and values put forth by stakeholders

Legitimacy - a general perspective that an organization's actions are desirable, and adhere to societal norms

Institutionalism: Organizational Design

There are two essential dimensions to any organizations

- 1) **Technical Dimension** - day-to-day work, technology, operational requirements etc.
- 2) **Institutional Dimension** - the most visible to the public

Institutionalism: Institutional Similarity

Institutional Similarity - emergence of a common structure and approach among organizations in the same field

Isomorphism - force that causes one unit to resemble other units

Three Forces

- 1) **Mimetic Forces** - pressure to copy or model other organizations in the face of uncertainty
- 2) **Coercive Forces** - external pressures exerted on an organization to adopt structures, techniques, or behaviors similar to others
- 3) **Normative Forces** - pressures to change to achieve standards of professionalism, and to adopt techniques that are considered effective

Institutionalism: GSS

Goals → Overall Performance

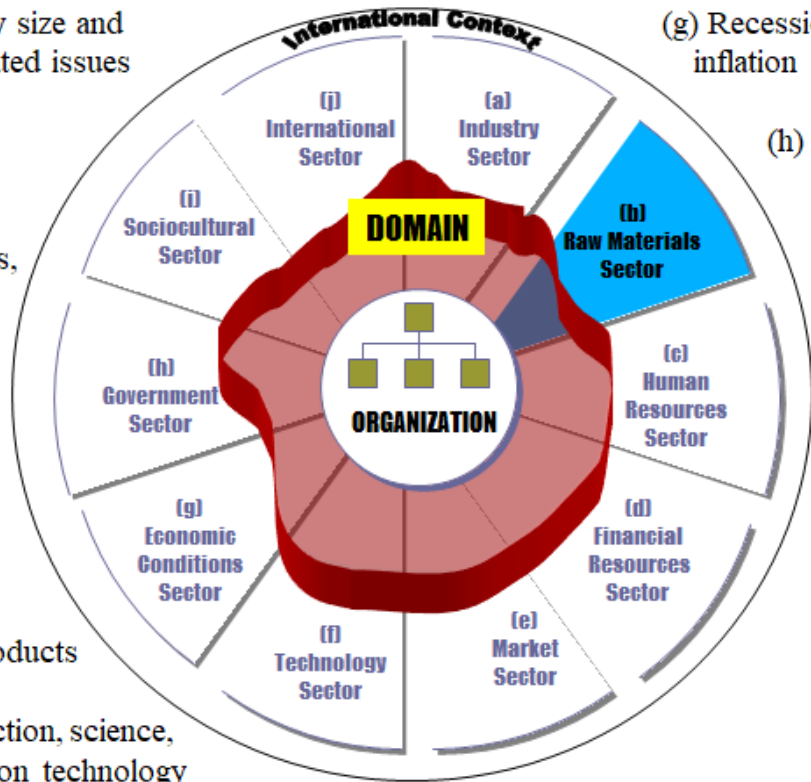
Strategy → Low-Cost Leadership, Analyzer

Structure → Divisional Grouping

Institutionalism: Contingency Framework

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- (a) Competitors, industry size and competitiveness, related issues
- (b) Suppliers, manufacturers, real estate, services
- (c) Labor market, employment agencies, universities, training schools, employees in other companies, unionization
- (d) Stock markets, banks, savings and loans, private investors
- (e) Customers, clients, potential users of products and services
- (f) Techniques of production, science, computers, information technology



- (g) Recession, unemployment rate, inflation rate, rate of investment, economics, growth
- (h) City, state, federal laws and regulations, taxes, services, court system, political processes
- (i) Age, values, beliefs, education, religion, work ethic, consumer and green movements
- (j) Competition from and acquisition by foreign firms, entry into overseas markets, foreign customs, regulations, exchange rates

Thank You for Listening
Questions?



Bibliography

Tamny, John. "The Unions Didn't Bankrupt Detroit, But Great American Cars Did." *Forbes*, Forbes Magazine, 22 July 2013, www.forbes.com/sites/johntamny/2013/07/21/the-unions-didnt-bankrupt-detroit-but-great-american-cars-did/#78eaf77e2958.