



Encyclopedia of Governance

Resource Dependency Theory

Contributors: **Author:**Matthew E. Archibald

Edited by: Mark Bevir

Book Title: Encyclopedia of Governance

Chapter Title: "Resource Dependency Theory"

Pub. Date: 2007

Access Date: November 15, 2020

Publishing Company: SAGE Publications, Inc.

City: Thousand Oaks

Print ISBN: 9781412905794

Online ISBN: 9781412952613

DOI: <http://dx.doi.org/10.4135/9781412952613.n469>

Print page: 836

© 2007 SAGE Publications, Inc. All Rights Reserved.

This PDF has been generated from SAGE Knowledge. Please note that the pagination of the online version will vary from the pagination of the print book.

Resource dependency theory is based on the principle that an organization must engage in transactions with other actors and organizations in its environment in order to acquire resources. While transactions between organizational and environmental actors are advantageous, they also create dependencies that are not. The focus of the theory is on the relationship between resource acquisition and its related organizational behaviors. Resources the organization needs may be scarce, not always readily obtainable, or under the control of noncooperative actors. The resulting unequal exchange generates differences in power, authority, and access to further resources. This leads to a rise in dependencies. To avoid dependencies, organizations develop strategies (as well as internal structures) that will enhance their bargaining position in resource-related transactions. Such strategies include taking political action, increasing the scale of organizational operations, diversification, and developing interorganizational linkages. Strategies, like diversifying product lines, lessen an organization's dependence on other actors and improve its power and leverage.

Dependencies between organizations shift power, influence, and sometimes even administrative control to external agents. As the dynamics of power relationships between organizations change, they adjust their strategies to meet those changes. One of the assumptions of resource dependency theory is that uncertainty clouds an organization's control of resources and makes its choice of dependence-lessening strategies imperative. As environmental uncertainty and environmental dependencies increase, the need for external linkages increases. For example, declining profits may lead to expanding business activity through diversification and strategic alliances with other companies.

Research using resource dependency theory seeks to observe organizational adaptations to dependencies. Adaptation consists in aligning internal organizational elements with environmental pressures. By internalizing responses for managing dependent relationships, an organization enhances its performance. Organizations also adapt by attempting to alter their environments. This contrasts sharply with classic organizations' perspectives in which firms are seen as closed systems. Closed systems frameworks argue that rational use of resources, personal motivation, and individual capabilities determine organizational success, while other actors in the environment figure minimally. In open systems frameworks, the environment, consisting of other organizations, institutions, professions, and the state, predominates. An organization will be effective insofar as it correctly reads the environment and adjusts its responses to those contingencies.

There are two main strategies for protecting an organization from environmental uncertainty. The first tactic is to protect an organization's technical core from the kinds of environmental dependencies that threaten to disrupt its central activities. These buffering strategies provide a measure of coordination and control over resources that otherwise create greater dependence on external actors. Buffering is accomplished by coding, stockpiling, leveling, forecasting, and adjusting the scale of operations. Buffering strategies aimed at reducing environmental uncertainty involve coding all inputs as appropriate or not, or stockpiling materials. Coding inputs as appropriate or not is not limited to industrial or even for-profit enterprises. Human service agencies and hospitals guarantee organizational control by coding clients and patients into appropriate categories. Stockpiling allows organizations to collect and retain input materials in order to guard against gaps in supply as well as the instability of price fluctuations. Forecasting reduces uncertainty by using statistical techniques to anticipate changes and fluctuations in inputs and outputs. Statistical models of some sophistication are used to forecast changes in the environment. Last, large size translates into the power to dominate production, influence prices, and control decision making throughout the system.

The second adaptive tactic involves trying to manipulate other organizations and actors in the environment through bridging or boundary-spanning strategies. While buffering strategies protect the technical purposes of the organization, bridging strategies are oriented toward protecting the entire organization. To that end, an organization creates linkages with exchange partners, competitors, and regulators. Because organizations are interdependent, bridging strategies involve maintaining control over organizational boundaries. Bridging strategies increase coordination between organizations by balancing out inequalities of power or by reducing other uncertainties in the environment, such as competition. Bridging encompasses bargaining, contracting, cooptation, hierarchical contracting, joint ventures, strategic alliances, mergers, the creation of associations, and political action linked to the state.

Bargaining, contracting, and hierarchical contracting involve negotiating with external actors, such as

suppliers and buyers. Hierarchical contracting stipulates a series of rights and mechanisms for resolving disputes. Nonetheless, it undermines the autonomy of some of the contracting parties. Cooptation is a coordinating strategy that includes external actors in the decision-making structure of the organization, often in the form of board memberships, liaison roles, and interorganizational brokers. Nonprofits, for instance, usually have interlocking directorates with individuals on different boards. This increases access to resources, reduces uncertainty, and enhances legitimacy. Strategic alliances are another way in which organizations seek to control their environments. These involve agreements to share information and activities but fall short of redesigning the organization. Joint ventures and mergers are also excellent strategies for stabilizing environmental uncertainty. Mergers are the most dramatic form of strategic intervention in the organizational environment. There are several types of mergers: vertical, horizontal, and diversification. Vertical mergers assimilate needed resources in relation to production, horizontal mergers acquire competitors, and diversification involves combining types of diverse enterprises. Associations allow organizations to work in concert in the form of coalitions, leagues, cartels, and coordinating councils. These structures constitute sector governance systems. Last, organizations may seek to exert their influence on government at the federal, state, or local level. Access to the political and legal system in its various forms is one of the most potent means for eliminating competition, establishing favorable legislation, and lessening environmental dependencies.

Matthew E. Archibald

<http://dx.doi.org/10.4135/9781412952613.n469>

See also

- [Interorganizational Coordination](#)
- [Organizational Structure](#)
- [Organization Theory](#)
- [Structural Contingency Theory](#)

Further Readings and References

- Aldrich, H. E., & Pfeffer, J. Environments of organizations. *Annual Review of Sociology* 279–105 (1976). <http://dx.doi.org/10.1146/annurev.so.02.080176.000455>
- Pfeffer, J., & Salancik, G. R. (1978). *The external control of organizations*. New York: Harper & Row.
- Scott, W. R. (2003). *Organizations: Rational, natural and open systems* (5th ed.). Thousand Oaks, CA: Sage.
- Thompson, J. D. (1967). *Organizations in action*. New York: McGraw-Hill.
- Zald, M. N. (1970). Political economy: A framework for comparative analysis. In M. N. Zald (Ed.), *Power in organizations* (pp. 221–261). Nashville, TN: Vanderbilt University Press.