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External Control of Organizations: A Resource Dependence Perspective

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. . . 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 chapter] 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; indeed, 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). . . .

The fact that organizations are dependent for survival and success on their environments does not, in itself, make their

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existence problematic. If stable supplies were assured from the sources of needed resources, there would be no problem. If the resources needed by the organization were continually available, even if outside their control, there would be no problem. Problems arise not merely because organizations are dependent on their environment, but because this environment is not dependable. Environments can change, new organizations enter and exit, and the supply of resources becomes more or less scarce. When environments change, organizations face the prospect either of not surviving or of changing their activities in response to these environmental factors. . . .

Both problems of using resources and problems of acquiring them face organizations, but the use of resources always presupposes their existence. A good deal of organizational behavior, the actions taken by organizations, can be understood only by knowing something about the organization's environment and the problems it creates for obtaining resources. What happens in an organization is not only a function of the organization, its structure, its leadership, its procedures, or its goals. What happens is also a consequence of the environment and the particular contingencies and constraints deriving from that environment.

Consider the following case, described by a student at the University of Illinois. The student had worked in a fast-food restaurant near the campus and was concerned about how the workers (himself) were treated. Involved in what he was studying the student read a great deal about self-actualizing, theories of motivation, and the management of human resources. He observed at the restaurant that workers would steal food, make obscene statements about the boss behind his back, and complain about the low pay. The student's analysis of the situation was a concise report summarizing the typical human relations palliatives: make the boring, greasy work more challenging and the indifferent management more democratic. The student was asked why he thought management was unresponsive to such suggestions. He considered the possibility that management was cruel and interested only in making a profit (and the operation was quite profitable). He was then asked why the employees permitted management to treat them in such a fashion—after all, they could always quit. The student responded that the workers needed the money and that jobs were hard to obtain.

This fact, that the workers were drawn from an almost limitless labor pool of students looking for any kind of part-time employment was nowhere to be found in the student's discussion of the operation of the restaurant. Yet, it was precisely this characteristic of the labor market which permitted the operation to disregard the feelings of the workers. Since there were many who wanted to work, the power of an individual worker was severely limited. More critical to the organization's success was its location and its ability both to keep competition to a minimum and to maintain a steady flow of supplies to serve a virtually captive market. If the workers were unsatisfied, it was not only because they did not like the organization's policies; in the absence of any base of power and with few alternative jobs, the workers had neither the option of voice nor exit (Hirschman, 1970).

More important to this organization's success than the motivation of its workers was its location on a block between the campus and dormitories, the path of thousands of students. Changes in policies and facilities for housing and transportation of students would have a far greater effect than some disgruntled employees. Our example illustrates, first, the importance of attending to contextual variables in understanding organizations, but also that organizational survival and success are not always achieved by making internal adjustments. Dealing with and managing the environment is just as important a component of organizational effectiveness.

A comparison of the phonograph record and the pharmaceutical industries (Hirsch, 1975) illustrates this point more directly. These two industries, Hirsch noted, are strikingly different in profitability. This difference in profits is more striking because the industries in many ways are otherwise similar: both sell their products through intermediaries, doctors in the case of pharmaceuticals, disc jockeys in the case of records; both introduce many new products; both protect their market positions through patent or copyright laws. What could account for the difference in profit? Hirsch argued that the pharmaceutical industry's greater profits came from its greater control of its environment; a more concentrated industry, firms could more effectively restrict entry and manage distribution channels. Profits resulted from a favorable institutional environment. Aware of the importance of the institutional environment for success, firms spent a lot of strategic effort maintaining that environment. They would engage in activities designed to modify patent laws to their advantage and in other efforts to protect their market positions.

The Environment as Treated in the Social Sciences

The social sciences, even if not frequently examining the context of behavior, have long recognized its importance. The demography of a city has been found to affect the particular form of city government used, and particularly the use of a city manager (Kessel, 1962; Schnore and Alford, 1963). Some political economists have argued that party positions are developed with reference to the distribution of preferences for policies in the population (e.g., Davis and Hinich, 1966), which means that political platforms are affected by context. The importance of external influences on individual voting behaviors has been recognized, while participation in political activities, as well as other forms of voluntary associations, is also partially determined by the context, particularly the demographic and socioeconomic dimensions of the community.

As in the case of political science, some theorists writing about organizational behavior have recognized that the organization's context shapes the activities and structures of formal organizations. Katz and Kahn (1966) argued for the necessity of viewing organizations as open systems, and Perrow (1970) forcefully illustrated the analytical benefits to be gained by considering the environment of the organization in addition to its internal operating characteristics. Bendix (1956) showed how ideologies shaped the use of authority in organizations, and Weber (1930) proposed a theory of economic development that held the religion of a country to be critical. He suggested that the development of mercantile capitalism depended on a legitimating ideology which stressed hard work and delayed gratification, such as that provided by Protestantism, as contrasted with Catholicism.

Economists were even more explicit in giving critical importance to the context of organizations, but they tended to take the environment as a given. Competition is a critical variable distinguishing between the applicability of models of monopoly, oligopoly, imperfect competition, or perfectly competitive behavior. The study of oligopoly is explicitly the study of interorganizational behavior (e.g., Phillips, 1960; Williamson, 1965; Fellner, 1949). And, the study of antitrust policy implicitly recognizes the fact that organizations do make efforts to limit or otherwise manage the competitiveness of their environments.

In recent years, it has become fashionable for those writing about management and organizations to acknowledge the importance of the open-systems view and the importance of the environment, particularly in the first chapter or in a special section of the book. Except for some special terminology, however, the implications of the organization's context for analyzing and managing organizations remains undeveloped. . . . Prescriptions for, and discussions of, the operation of organizations remain predominantly concerned with the internal activities, organizational adjustments, and the behavior of individuals.

INTERNAL VERSUS EXTERNAL PERSPECTIVES ON ORGANIZATIONS

The interest in intraorganizational phenomena is not difficult to understand. First, internal processes are the most visible. Walking into any organization, one finds people who are involved in a variety of activities important to the performance of the organization. As Perrow (1970) aptly noted, at first glance, the statement that organizations are, after all, composed of people is patently obvious. . . . People inside the organization are visible, accessible, and willing to express their opinions. They are a convenient, if not always adequate, research focus.

In addition to convenience, attention to intraorganizational phenomena is fostered by a cognitive bias to attribute causality to the actions of individuals. Research on the behavior of individuals asked to select causative factors suggests that while actors and participants in an event tend to attribute the outcome to situational factors, observers tend to interpret outcomes as the result of the personal motivation and capabilities of the actors (Jones and Nisbett, 1971). The observers of organizations and organizational behavior share this bias. In one recent illustration of this phenomenon (Wolfson and Salancik, 1977), individuals were given the task of controlling an electric car as it traveled over a model track. Unknown to the individuals, their performance was controlled by alterations in the amount of electrical power reaching various sections of the track. All the actual subjects were motivated to do well, but observers tended to see a performer's success as reflecting the amount of effort expended. In fact, it was the result of the experimenter's manipulation of electricity. . . .

Kelley (1971) perceptively noted that attributions are guided not only by the desire to be correct, but also to provide a feeling of control over situations. Clearly, by attributing outcomes to individual action, the observer has a theory of behavior that implies how to control outcomes. When one does not like what is going on, the simple solution is to replace the individual or change the activities. When, on the other hand, a model is used which attributes causality to contextual factors, one faces a much more difficult task in altering activities or outcomes. Therefore, the feelings of control that derive from attributing organizational actions to individuals reinforce the perceptual and cognitive biases, tending to produce a consistent, self-reinforcing system of perception and attribution that emphasizes the importance of individual action. . . .

The Importance of Individuals in Organizations

The basic, important question of how much of the variance in organizational activities or outcomes is associated with context and how much with individuals has been infrequently addressed. Pfeffer (1977) noted various theoretical reasons for expecting that individuals would have less effect on organizational outcomes than would an organization's context. First, he argued that both personal and organizational selection processes would lead to similarity among organizational leaders. This means that there is a restriction on the range of skills, characteristics, and behaviors of those likely to achieve positions of importance in organizations. Second, even when a relatively prominent position in the organization has been achieved, the discretion permitted to a given individual is limited. Decisions may require the approval of others in the organization; information used in formulating the decisions comes from others; and persons may be the targets of influence attempts by others in their role set—these social influences further constrain the individual's discretion. Finally, it is simply the case that many of the things that affected organizational results are not controlled by organizational participants. In the case of business firms, the economic cycle, tariff and other regulations, and tax policies are either not subject to control by the organization or are controlled only indirectly through persuasion. In school districts, budgets and educational demands, which are largely a function of state legislative action, local economic growth, and demographic factors are largely outside the control of the district administration. Considering all these factors, it is not likely administrators would have a large effect on the outcomes of most organizations.

In a study of 167 companies, Lieberson and O'Connor (1972) attempted to partition variance in sales, profit, and profit margin to the effects of year (economic cycle), industry, company, and finally, administrators. While the estimate of administrative impact varied by industry and was largest in the case of profit margin, the magnitude of the administrative effect was dwarfed by the impact of the organization's industry and the stable characteristics of a given organization. Extending this perspective, Salancik and Pfeffer (1977) examined the effects of mayors on city budget categories for a sample of 30 United States cities. These authors found that the mayoral impact was greatest for budget items such as parks and libraries not directly the subject of powerful interest-group demands, but that, in general, the mayor accounted for less than 10 percent of the variation in most city budget expenditures.

The conditions under which there would be more or less administrative effect is an important issue, and the theoretical perspective developed in this book will suggest some answers. But, it is fair to state that, based on the presently available research evidence, there is much less evidence for profound administrative effects than is reflected in the predominance of an internal orientation in the literature on organizations.

BASIC CONCEPTS FOR A CONTEXTUAL PERSPECTIVE

. . . In the remainder of this chapter, we will briefly describe a number of key concepts that develop this perspective. These concepts will assist in bringing coherence to the large body of work on organization and environment and will provide us with the tools for systematically understanding the effect of environments on organizations and the effect of organizations on environments.

Organizational Effectiveness

The first concept is organizational effectiveness. . . . The effectiveness of an organization is its ability to create acceptable outcomes and actions. It is important to avoid confusing organizational effectiveness with organizational efficiency, a confusion that is both widespread and more a real than a semantic problem. The difference between the two concepts is at the heart of the external versus internal perspective on organizations. Organizational effectiveness is an *external* standard of how well an organization is meeting the demands of the various groups and organizations that are concerned with its activities. When the automobile as a mode of transportation is questioned by consumers and governments, this is an issue of the organizational effectiveness of automobile manufacturers. The most important aspect of this concept of organizational effectiveness is that the acceptability of the organization and its activities is ultimately judged by those outside the organization. As we shall see, this does not imply that the organization is at the mercy of outsiders. The organization can and does manipulate, influence, and create acceptability for itself and its activities.

The effectiveness of an organization is a sociopolitical question. It may have a basis in economic considerations, as when an individual declines purchase of a product because it is priced too high. The concept is not restricted, however, to decisions that are economically motivated. Rather, it reflects both an assessment of the usefulness of what is being done and of the resources that are being consumed by the organization.

Organizational efficiency is an *internal* standard of performance. The question whether what is being done should be done is not posed, but only how well is it being done. Efficiency is measured by the ratio of resources utilized to output produced. Efficiency is relatively value free and independent of the particular criteria used to evaluate input and output. Because efficiency involves doing better what the organization is currently doing, external pressures on the organization are often defined internally as requests for greater efficiency. . . .

The difference between efficiency and effectiveness can be illustrated easily. In the late 1960s, Governor Ronald Reagan of California curtailed the amount of money going to the state university system. He was concerned that state university campuses, particularly Berkeley, were indoctrinating students in radical, left-wing ideas. In response to these political pressures and to forestall further budget cuts, the administrators attempted to demonstrate that they were educating students at an ever lower cost per student. Not surprisingly, this argument had little impact on the governor; indeed, it missed the point of his criticism. Producing revolutionaries at lower cost was not what the governor wanted; rather, he questioned whether the universities produced anything that justified giving them state funds.

Organizational Environment

The external basis for judging organizational effectiveness makes the concept of environment important. The concept of environment, however, is elusive. In one sense, the environment includes every event in the world which has any effect on the activities or outcomes of the organization. Primary schools are a part of other organizations' environment. Thus, when primary schools fail to teach reading and grammar properly, some organizations may be affected more than others. An organization which does not require people to read as part of their task may be minimally affected. Other organizations may feel profound effects, as in the case of universities which found themselves spending more and more resources teaching basic reading, grammar, and mathematics skills. Even more affected were publishers, who found it necessary to rewrite many of their textbooks at a seventh- or eighth-grade reading level. The Association of American Publishers had to revise the pamphlet "How to Get the Most Out of Your Textbook" because the college students for whom it was written could not understand it.

Although one can conceive of an organization's environment as encompassing every event that affects it, doing so would not be useful for understanding how the organization responds. Every event confronting an organization does not necessarily affect it. A baking company which has a large inventory of sugar will be less affected by changes in the price of sugar than one which must purchase supplies on the open market continually. Thus, one reason why elements of an environment may have little impact is that the organization is isolated or buffered from them. A second reason why organizations do not respond to every event in the environment is that they do not notice every event, nor are all occurrences important enough to require a response. The term "loosely coupled" has been used to denote the relationship between elements in a social system, such as those between organizations. The effects of organizations on one another are frequently filtered and imperfect (March and Olsen, 1975; Weick, 1976). Loose-coupling is an important safety device for organizational survival. If organizational actions were completely determined by every changing event, organizations would constantly confront potential disaster and need to monitor every change while continually modifying themselves. The fact that environmental impacts are felt only imperfectly provides the organization with some discretion, as well as the capability to act across time horizons longer than the time it takes for an environment to change.

Perhaps one of the most important influences on an organization's response to its environment is the organization itself. Organizational environments are not given realities; they are created through a process of attention and interpretation. Organizations have information systems for gathering, screening, selecting, and retaining information. By the existence of a department or a position, the organization will attend to some aspects of its environment rather than others. Organizations establish subunits to screen out information and protect the internal operations from external influences. Organizational perception and knowledge of the environment is also affected because individuals who attend to the information occupy certain positions in the organization and tend to define the information as a function of their position. If the complaint department is located in the sales division, the flow of information may be interpreted as problems with the marketing and promotion of the product. If it is located in the public relations department, the complaints may be seen as a problem in corporate image. If the function were located in the production department, the complaints might be interpreted as problems of quality control or product design. Since there is no way of knowing about the environment except by interpreting ambiguous events, it is important to understand how organizations come to construct perceptions of reality.

Organizational information systems offer insight to those seeking to analyze and diagnose organizations. Information which is not collected or available is not likely to be used in decision making, and information which is heavily represented in the organization's record keeping is likely to emphatically shape decisions. Some organizations, such as Sears, collect information on a regular basis about worker opinions and morale, while others do not. It is inevitable that those organizations not collecting such information will make decisions that do not take those factors into account. Information systems both determine what will be considered in organizational choice and also provide information about what the organization considers important. . . . Information, regardless of its actual validity, comes to take on an importance and meaning just because of its collection and availability.

The kind of information an organization has about its environment will also vary with its connections to the environment. Organizational members serve on boards of directors, commissions, and are members of clubs and various other organizations. By sending representatives to governmental hearings or investigatory panels, organizations learn about policies that may affect their operations. Research personnel in industry maintain regular contacts with university research projects that may result in knowledge vital to their interests. In one instance, the director of research for the Petroleum Chemicals Research Division of the Ethyl Corporation, a major producer of lead additives for gasoline, made a personal visit to a university research group one month after it had received a large grant to study the impact of lead in the environment (Salancik and Lamont, 1974). Ethyl had learned of the project from contacts in the government. As the project's major objective was to determine the impact of lead on the environment so that policies regarding the manufacture, sale, and distribution of lead might be assessed, the project was of obvious concern to Ethyl.

How an organization learns about its environment, how it attends to the environment, and how it selects and processes information to give meaning to its environment are all important aspects of how the context of an organization affects its actions.

Constraints

A third concept important for understanding organization-environment relationships is constraint. Actions can be said to be constrained whenever one response to a given situation is more probable than any other response to the situation, regardless of the actor responding. That is, constraint is present whenever responses to a situation are not random. A person driving down a city street will tend to drive between 25 and 35 miles per hour. The same person on a state or federal highway will tend to drive between 50 and 65 miles per hour. What-ever the reason, the fact that behavior—of drivers, for example—is not random or, in other words, is somewhat predictable suggests that something is constraining behavior in these situations.

Constraints on behavior are often considered to be undesirable, restricting creativity and adaptation. However, in most cases action is not possible without constraints, which can facilitate the choice and decision process. Consider an undergraduate student attempting to decide on a course of study for a given semester. At a large university, there may be hundreds of courses, and if there were no constraint, literally millions of possible program combinations could be constructed. Deciding among these millions of programs would, of course, be difficult and time consuming, if not impossible. Fortunately, program choices are constrained. First, there may be a limit on the number of courses a student is allowed to take, and then, there is the constraint of not being able to be in two places at the same time. A third constraint is that some courses are defined as being appropriate for certain categories of student, such as graduate courses or freshman courses, while others have necessary prerequisites that limit their being chosen. Further constraints are added by general university requirements, and then, requirements particular to the student's own department and chosen degree program. Thus, out of millions of possible programs of study, only a few options will be feasible, permitted by all the various constraints. Instead of facing a difficult information-processing task, the student need choose only among a very limited set of alternatives.

Behavior is almost inevitably constrained—by physical realities, by social influence, by information and cognitive capacity, as well as by personal preferences. And, in many cases, constraints can be manipulated to promote certain behaviors. In the study of human behavior, when an experimenter designs an experimental situation, he presupposes that he has imposed enough constraints on the situation so that most individuals will behave as he predicts. In a similar fashion, the behavior of larger social units, such as groups and formal organizations, is generally constrained by the interests of others—governments, consumers, unions, competitors, etc.

The concept of constraint explains why individuals account for relatively little variance in the performance and activities of organizational systems. Every individual operates under constraint. Even leaders are not free from it. In a recent study of leadership behavior in an insurance company, it was found that the extent to which supervisors were able to do as their workers wanted was inversely related to the extent to which the supervisors were constrained by other departments (Salancik et al., 1975). Supervisors forced to coordinate and meet the demands of other departments had to behave in ways necessary to meet those demands; they did not have the opportunity to satisfy the desires of their subordinates. The point is that behaviors are frequently constrained by situational contingencies and the individual's effect is relatively small.

THE ROLE OF MANAGEMENT

We have emphasized the importance of contexts, or situational contingencies, as determinants of organizational behavior. We have attempted to question the internal perspective of organizational functioning and the concomitant belief in the omnipotence of individual administrative action. We have not, however, defined the role of the manager out of existence. It is important to conclude this introductory chapter by making explicit our view of the role of the manager within the theoretical perspective we are developing.

The Symbolic Role of Management

As has been noted by others (e.g., Kelley, 1971; Lieberson and O'Connor, 1972), individuals apparently desire a feeling of control over their social environments. The tendency to attribute great effect to individual action, particularly action taken by persons in designated leadership positions, may be partially accounted for by this desire for a feeling of personal effectiveness and control. Thus, one function of the leader or manager is to serve as a symbol, as a focal point for the organization's successes and failures—in other words, to personify the organization, its activities, and its outcomes. Such personification of social causation enhances the feeling of predictability and control, giving observers an identifiable, concrete target for emotion and action. . . .

The symbolic role of administrators is, occasionally, constructed with elaborate ritual and ceremony. The inauguration of the president is an uncommon event invested with pomp and expectation. This even though three months earlier both voters and commentators were saying that there was no difference between the candidates. The ritual, however, is necessary.

Why organizations vary in the ritual they associate with their offices of power is little understood. One possibility is that more care and trouble is taken in selecting and installing organizational leaders when they do have influence. Another possibility is just the reverse. The very impotence of leadership positions requires that a ritual indicating great power be performed. People desire to believe in the effectiveness of leadership and personal action. When, in fact, administrators have only minor effects, it might be plausibly argued that ritual, mythology, and symbolism will be most necessary to keep the image of personal control alive. When the administrator really does make a difference and really does affect organizational performance, his effect will be obvious to all and there will be little need to make a show of power and control. It is only when the administrator makes little or no difference that some symbol of control and effectiveness is needed.

It is interesting to note that the ritual of the inauguration of American presidents has grown over time as the executive bureaucracy has grown. The president personally probably has come to have less and less effect on the basic operations of government, while the rituals associated with the office have increased in scope and grandeur.

That managers serve as symbols is not to deny their importance. Important social functions are served by the manipulation of symbols. The catharsis achieved by firing the unsuccessful football coach or the company executive, or by not reelecting some political figure, is too real to dismiss as unimportant. Those who remain in the organization are left with the hope that things will be improved. And, belief in the importance of individual action itself is reinforced—a belief which, even if not completely true, is necessary to motivate individuals to act at all.

The manager who serves as a symbol exposes himself to personal risks. He is accountable for things over which he has no control, and his personal career and fortunes may suffer as a consequence. The sportscasters' cliche that managers are hired to be fired reflects a great amount of truth about all managers. One of the reasons for having a manager is to have someone who is responsible, accountable for the organization's activities and outcomes. If the manager has little influence over these activities or outcomes, it is still useful to hold him responsible. His firing itself may permit loosening some of the constraints facing the organization.

Since most organizational researchers have assumed that managers were the critical element in actual organizational outcomes, the symbolic role of management has been virtually neglected, except for the brief mention by Mintzberg (1973). We would argue that this is one of the more important functions of management, deserving of more explicit empirical attention.

The Possibilities of Managerial Action

Saying that managers are symbols to be held accountable does not suggest many purposeful actions for them; yet, there are many possibilities for managerial action, even given the external constraints on most organizations. Constraints are not predestined and irreversible. Most constraints on organizational actions are the result of prior decision making or the resolution of various conflicts among competing interest groups. For instance, the requirement for companies doing business with the government to develop (and, possibly, implement) affirmative action hiring plans for recruiting minorities and women did not suddenly materialize. This constraint has a lengthy history and resulted from the interaction of a variety of groups and individuals. The fact that a constraint exists indicates that sufficient social support has been mustered to bring it into existence. In the social context of organizations, behind every constraint there is an interest group that has managed to have that constraint imposed. Since this is the case, the constraint is potentially removable if it is possible to organize the social support and resources sufficient to remove it.

The social context of an organization is, itself, the outcome of the actions of social actors. Since many constraints derive from the actions of others, one important function of management is influencing these others as a means of determining one's own environment. Organizations frequently operate on their environments to make them more stable or more munificent. One function of management, then, is to guide and control this process of manipulating the environment. Much of this book will describe just how organizations attempt to influence and control their social context.

Another component of managerial action involves both the recognition of the social context and constraints within which the organization must operate and the choice of organizational adjustments to these social realities. Even when there is no possibility for managerial alteration of the social environment, management can still be difficult, for recognizing the realities of the social context is not easy or assured. Many organizations have gotten into difficulty by failing to understand those groups or organizations on which they depended for support or by failing to adjust their activities to ensure continued support.

One image of the manager we have developed is that of an advocator, an active manipulator of constraints and of the social setting in which the organization is embedded. Another image is that of a processor of the various demands on the organization. In the first, the manager seeks to enact or create an environment more favorable to the organization. In the second, organizational actions are adjusted to conform to the constraints imposed by the social context. In reality, both sets of managerial activities are performed. We would like to emphasize that both are problematic and difficult. It requires skill to perceive and register accurately one's social context and to adjust organizational activities accordingly. And, it requires skill to alter the social context that the organization confronts. Both images of the role of management imply a sensitivity to the social context in which the organization is embedded and an understanding of the relationship between the organization and its environment. Both, in other words, require the adoption of an external orientation to guide the understanding of organizational functioning.

SUMMARY

. . . We have noted that we are dealing with the problems of the acquisition of resources by social organizations, of the organization's survival, as well as of the use of such resources within organizations to accomplish something. To acquire resources, organizations must inevitably interact with their social environments. No organization is completely self-contained or in complete control of the conditions of its own existence. Because organizations import resources from their environments, they depend on their environments. Survival comes when the organization adjusts to, and copes with, its environment, not only when it makes efficient internal adjustments.

The context of an organization is critical for understanding its activities. Despite considerable pro forma acknowledgement of the environment, managers and researchers continue to attribute organizational actions and outcomes to internal factors. Such attributional processes flow from cognitive and perceptual biases that accompany the observation of organizations, as well as from the desire to view social behavior with a feeling of control. These attributions have led to the neglect and serious underestimation of the importance of social context for understanding organizational behavior. Studies estimating the effects of administrators (e.g., Lieberson and O'Connor, 1972; Salancik and Pfeffer, 1977) have found them to account for about 10 percent of the variance in organizational performance, a striking contrast to the 90 percent of the intellectual effort that has been devoted to developing theories of individual action.

While organizational actions are constrained, and contextual factors do predict organizational outcomes and activities, there are several perspectives on the role of management in organizations consistent with such a theoretical position. In the first place, management serves as a symbol of the organization and its actions. Managers are people to fire when things go poorly, an act that reinforces the feeling of control over organizational actions and results. The symbolic role of management, though as yet unexplored, can be systematically empirically examined. In addition to its symbolic role, management can adjust and alter the social context surrounding the organization or can facilitate the organization's adjustment to its context. Both activities require understanding the social context and the interrelationship between context and the organization. Even as a processor of external demands, management has a problematic task. Many organizational troubles stem from inaccurate perceptions of external demands or from patterns of dependence on the environment. Indeed, we would argue that the image of management as a processor of demands is one that implies a high degree of skill and intelligence. After all, anyone can make decisions or take actions—it requires much more skill to be correct.

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