Political Perspectives on Inter-Organizational Networks

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CHAPTER 17

POLITICAL PERSPECTIVES ON INTER-ORGANIZATIONAL NETWORKS

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POLITICAL PERSPECTIVES IN INTER-ORGANIZATIONAL NETWORKS

WE examine political perspectives on inter-organizational relationships, which refer primarily to the disciplines of political science and political sociology and their diverse approaches to theorizing and empirically investigating relationships among organizations. We review recent work in both political science and political sociology on a broad range of topics, including political institutions and governance, voting and social movement participation, social capital formation, public policy-making and implementation, and systems of political opportunity and influence. The scope ranges from local communities, to national polities, to the international system. The common thread weaving together these diverse

topics is social network analysis, which explains how the structure of interactions connecting political actors affects perceptions, attitudes, and actions, and in turn, how political behaviours transform network structures (Knoke 2001; Knoke and Yang 2008). In this approach, organizations are proactive agents that strategically manage their diverse network connections to reduce uncertainties arising from their pursuit of organizational advantage (Galaskiewicz 1985). Although we draw ideas from general theories of social networks and organizational behavior, our specific objective in this chapter is to demonstrate how those concepts and propositions enable us better to understand and explain the political relationships among organizations.

Theoretical Approaches to Inter-organizational Political Relations

Diverse organizational theorists concur that organizations are constrained by their resource situations and external environments, and that a large portion of those environments is constituted of the inter-organizational relations in which individual organizations are embedded (Pfeffer and Salancik 1978; Aldrich 1979; Granovetter 1985). Resource dependence on environments and differential organizational goals leads simultaneously to interdependence and conflict among organizations (Scharpf 1978). Anthony Downs's (1967) assertion of widespread inter-organizational conflict assumes that all organizations operate in multiple environments where they inevitably come into some degree of competition and conflict with other organizations. To resolve or reduce those conflicts, to carry out collective actions (Knoke 1990*b*), to acquire control over essential resources (Pfeffer and Salancik 1978), or to maximize organizational performances, organizations form a variety of horizontal and hierarchical network relationships. From a political perspective, these inter-organizational relations—and related concepts of autonomy, dependence, cooperation, conflict, competition, control, dominance, coordination, coercion, force, and even violence—are generally shaped by the generation and dynamic distribution of power among organizations (see also Huxham and Beech, this volume).

Because power enables organizations to realize their goals, Figure 17.1 conceptualizes in greater detail the dynamic patterns of power generation and distribution among organizations. The distribution of resources, regulations concerning rights and duties under inter-organizational relations beyond specific individual

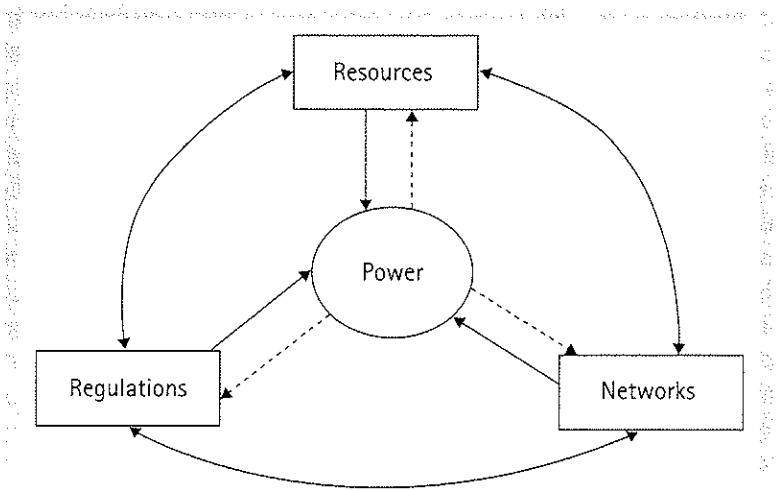

Fig. 17.1 Dynamic patterns of power generation and distribution among organizations

organizations, and positions occupied within inter-organizational networks facilitate and constrain the generation and distribution of power among organizations (revised after Pfeffer and Salancik 1978; Pfeffer 1992, 1997). In the alternative political science and political sociology perspectives on inter-organizational power discussed below, the power over which organizations struggle is generated from three main analytic sources: resources, regulations, networks. In turn, power affects each source: gaining or losing resources, changing or maintaining beneficial regulations, shifting positions within critical inter-organizational networks. Figure 17.1 uses solid straight arrows to indicate the main dynamic mechanisms in the generation and distribution of power among organizations, our primary concern in this chapter. Dashed straight arrows show the reciprocal influence of power on its main sources. Curved arrows represent mutual influences among the three power sources. In this section, we discuss five broad theoretical approaches, from the viewpoints of political science and political sociology, to conceptualizing these sources of political power in inter-organizational relationships.

Governance Networks In this approach, power comes mainly from state constitutional, legislative, regulatory, and rule-based legitimate authority that imposes checks and balances on the permissible competitive and cooperative relationships among private-sector organizations. From a political perspective, policy decisions in democratic states are not reached through formally rational processes, but rather through political influence, compromise, accommodation, and negotiation and bargaining. This perspective emphasizes the acquisition and maintenance of power

to affect binding policy decisions as a primary reason why organizations interact politically, forming coalitions and attempting to influence public policy decisions.

A well-known example is the institutional structure of the US federal government, a tripartite system that separates power into legislative, executive, and judicial branches, and reserves other powers to state and local governments. As designed by the Framers of the 1789 US Constitution, the federal system of checks and balances was undoubtedly the result of bargaining and compromise among the conflicting interests of the thirteen original states. However, its functioning since then only gives a superficial appearance of rational decision-making, barely disguising the constant struggles among contending political parties and organized interest groups to influence the outcomes of public policy decisions at all levels of government.

Many analysts have explicitly examined governance systems as inter-organizational authority networks. For example, Deil Wright (1990) traced the changing patterns of influence and authority role relations between and within US central and peripheral governmental organizations. The historically successive emergent key concepts of federalism, intergovernmental relations, and intergovernmental management reflected the increasing complexities in implementing policies and administering programmes which cross jurisdictional lines. Other scholars have compared the inter- and intragovernmental authority relationships of unitary and federal states in Europe, Canada, Australia, and India (e.g. Zimmerman 1993; Schmidt 2001; Braun 2003; Chhibber and Kollman 2004). The federated governance form also occurs among organizations within the private sector, such as labour union councils and chambers of commerce, and their authority structures can also be examined as types of inter-organizational linkage networks (Provan 1983).

Power Structure Networks Power in this perspective derives mainly from occupancy of important positions within structures of informal political networks (see also Kenis and Oerlemans, this volume). In general terms, 'power is an aspect of the actual or potential interaction between two or more social actors' (Knoke 1990*a*:1), whether among persons or larger collectivities, such as corporations or nation states. Based on theoretical definitions of power provided by Weber, Knoke (1990*a*: 2) defined power as 'a relationship of one social actor to another and it is specific to a situation'. Any complex political system can be regarded as a social network whose basic units 'are not individuals, but positions or roles occupied by social actors and the relations or connections between these positions' (p. 7). In this sense, organizations as social actors interact in two basic power networks, influence and domination relations. Knoke identified four fundamental types of political power networks, formed by crossing low and high levels of influence and domination relations: coercive, authoritative, egalitarian, and persuasive power (p. 5). Examples of informal political exchange systems include urban inter-organizational networks (Galaskiewicz 1979, 1989) and national pressure group systems (Walker 1983; Salisbury 1984). Some international relations scholars have applied social network analysis to examine how transnational and intergovernmental organizations try to promote peace and cooperation among member states. Hafner-Burton and Montgomery (2006), for instance, argued that conflicts between states are shaped not only by internal attributes such as political regimes and gross domestic product, but also by relative positions of power created by intergovernmental organization memberships and characterized by significant disparities and by common beliefs generated by social networks of intergovernmental organizations.

Social Capital Networks For political scientists in particular, social capital constitutes a prominent conceptualization of power as persuasion or influence through social network relations (see also, Nahapiet, this volume). High levels of social capital correlate with high confidence in political institutions (Brehm and Rahn 1997), high satisfaction with government and political engagement (Putnam 1993), and positive effects on government performance (Boix and Posner 1998). Theorists and researchers have defined social capital in a variety of ways. For sociologists, social capital was originally defined as resources embedded in social relations that could facilitate collective action, leading to alternative forms of social capital analysed as network closure (Coleman 1990) or structural holes (Burt 1992). This approach treats social capital as endogenous. However, political scientists strayed considerably from that original formulation of social capital, recasting it as a feature of political culture and thereby treating it, like cultural values generally, as an exogenous variable (Jackman and Miller 1998). But, because empirical tests of the exogenous social capital were deficient, Jackman and Miller urged political scientists to return to treating social capital as endogenous, emphasizing trust relations in social networks. 'Because political exchanges are carried out in the absence of a rigorous accounting system, such as a money economy, trust is the vital ingredient in any informal dominance system' (Knoke 1990*a*: 14). No doubt, a return to analysing network relations within which trust is created would facilitate the application of social capital concepts to the study of inter-organizational power relations.

Resource Dependence Networks The bases of power-dependence in this approach are resource inequalities in inter-organizational networks. Resource dependence theorist put great emphasis on the importance of gaining access to and control over 'critical resources' controlled by other organizations as the driving force in the formation of inter-organizational bonds (Laumann *et al.* 1978; Pfeffer and Salancik 1978). Organizational interdependencies are mutual dependencies that develop to reduce uncertainties stemming from dyadic relationships and from other environmental conditions, such as the market. They arise whenever organizations don't have full control over the resources necessary for carrying out a desired action to

accomplish an organizational goal. Various resources—including financing, information, political support, legitimacy, and strategic allies—are vitally important as sources of organizational power (Pfeffer 1992). More power accrues to organizations that own or possess a resource, control access to resources, control the actual use of resources, or make the rules regulating a resource (Pfeffer and Salancik 1978). Organizations controlling more highly demanded resources, or that can reduce the most uncertainty about resource flows, typically enjoy greater power in any inter-organizational relationship. According to Pfeffer and Salancik, resource exchanges vary on two important dimensions: the magnitude of an exchange and the criticality of a resource. Criticality measures an organization's ability to survive without the resource. Thus, resource stability is very important and unpredictable variability in resource flows, by disturbing organizational interdependencies, threatens to break apart organizational coalitions.

By forming alliances for acquiring critical resources, organizations risk losing their autonomy and independence. 'Organizations seek to form that type of inter-organizational exchange relationship which involves the least cost to the organization in loss of autonomy and power' (Cook 1977: 74). Bonacich and Roy's (1986) research showed that interfirm relations shape corporate power. Networks among organizations comprise a substantial part of their environments, acting as an 'external control of organization' where 'organizational activities and outcomes are accounted for by the context in which the organization is embedded' (Pfeffer and Salancik 1978). Laumann *et al.* similarly defined environment as an opportunity structure: 'a sub-network within which exchange relations tend to be confined as a function of the resources involved, legal or institutional constraints on permitted partner, geographical proximity, functional similarity, or preexisting organizational overlap' (1978: 471). Within any opportunity structure, some actors usually have better access than others to different parts of the complete network.

Policy Domain Networks This last theoretical approach to inter-organizational relations integrates multiple bases of power. The organizational state model—analysing the national policy domains of liberal political democracies—blends elements of political networks, resource dependence, elite, and pluralist power structure theories (Laumann and Knoke 1987; Knoke *et al.* 1996). A policy domain is a component of the political system organized around substantive issues (Burstein 1991). Political relations involve exchanges of policy information, resources, and political support among organizational actors, including political parties, government agencies, legislative and judicial bodies, interest groups, and social movement organizations. Policy networks in policy domains consist of consequential political actors that form temporary, event-specific coalitions seeking to influence public policy decisions through collective action. Therefore, 'policy formation and policy implementation are inevitably the result of interactions among a plurality of separate actors with separate interests, goals, and strategies' (Scharpf 1978: 347). All durable interactive relationships including that of hierarchical authority are based on exchange, be it symmetrical or asymmetrical. For his policy coordination study, Scharpf (1978) combined resource dependence and network linkage and found that mutual dependency and direct relations set the preconditions for applications of influence strategies in inter-organizational policy coordination.

Empirical Research on Political Inter-organizational Relations

This section briefly reviews empirical research, conducted during the past two decades by political scientists and sociologists, on political aspects of inter-organizational networks.

Participation in Elections

The great majority of empirical research on political party attachments and voting behaviour by political scientists and sociologists applies various models of individual decision-making in which the social attributes of voters—such as education, race, religion, and gender—and their social psychological attitudes towards issues and candidates jointly affect electoral choices (e.g. Sanders 2003; Brooks and Manza 2004; Ashbee 2005). For example, the long-running dispute over whether political class-cleavages are declining or persisting in Western democracies hinges on analyses of survey data trends to reveal the relative importance of stratification positions, subjective class identifications, and social and economic policy preferences on voting decisions (Brooks and Manza 1997; Clark and Lipset 2001). But, because electoral surveys collect information only from individual respondents, data are usually unavailable to examine the political impacts of respondents' personal networks or other household members (for an exception, see Johnston *et al.* 2005). Without indicators of micro-level contexts, researchers cannot model these alternative sources of political socialization and voting influence.

A small, but steady, stream of research on political partisanship has carried on the social network legacy of Paul Lazarsfeld and Bernard Berelson. Their studies of two small American communities in the 1940s depicted the flow of political information as a two-step process: political party messages are first conveyed by mass media organizations to opinion leaders, thence through interpersonal communication

networks to ordinary voters (Lazarsfeld *et al.* 1948; Berelson *et al.* 1954). They also hypothesized that cross-pressured voters—embedded in personal networks that expose them to contradictory political cues from organizations such as political parties, unions, workplaces, and churches—would either delay their vote decisions or not turn out on election day. Subsequent researchers uncovered consistent evidence that social networks affect individuals' political attitudes and behaviours. Burstein (1976) found that the party choices of Israeli men were more strongly related to their network ties than to standard background attributes, such as class or ethnicity. The partisan composition of personal networks and political discussions among members influenced voting turnout and party choices in Switzerland, Great Britain, the USA, and the Netherlands (Knoke 1990*c*; Zuckerman *et al.* 1994; Epple 1995; Nieuwbeerta and Flap 2000).

Robert Huckfeldt and his colleagues were the most diligent recent advocates for advancing the networks-and-politics research agenda. Using community and national survey data, they showed that interpersonal political communication outweighs mass media effects on voting decisions, while parties and voluntary associations are more influential among the less-interested voters (Beck *et al.* 2002); that varying patterns of agreement and disagreement within political discussion networks have diverse consequences for political opinion formation (Huckfeldt *et al.* 2004); and that an absence of contrary viewpoints in personal communication networks limits the political engagement of American, German, and Japanese citizens (Huckfeldt *et al.* 2005; see also Huckfeldt and Sprague 1987; Huckfeldt *et al.* 1995; Baybeck and Huckfeldt 2002). Taken collectively, the partisanship studies strongly imply that the structures and contents of discussion networks influence citizens' political involvements.

Social Movement Organizations

In social movement studies, network-based explanations of mobilization have predominated since the 1980s, so the conventional wisdom now is that 'organizations and pre-existing networks are the basis of movement mobilization' (Zhao 1998: 1494). Inter-organizational relations and interpersonal networks play an important role in recruitment and mobilization of social movements. Snow, Zurcher, and Ekland-Olson proposed the hypothesis that 'movements which are linked to other groups and networks will normally grow at a more rapid rate and normally attain a larger membership than will movements which are structurally more isolated and closed' (1980: 797). Some analysts have studied social movements as though they were composed primarily of formal organizations, from fairly centralized to totally decentralized, that act much like businesses. However, social movement organizations (SMOs) comprise only one component of any social movement, which involves broadly based collective actions by relatively powerless challenger

groups using extra-institutional means to promote or resist social change. An SMO identifies its goals with the preferences of a social movement or a countermovement and attempts to implement those goals by mobilizing resources and recruiting members (McCarthy and Zald 2003: 173). Studies of SMOs focus on inter-organizational exchanges, including coalition-building (Rucht 1989; Hathaway and Meyer 1994; Sawer and Groves 1994; Diani 1995; Ansell 2001), overlapping memberships (Schmitt-Beck 1989; Diani 1995; Carroll and Ratner 1996), and the role of advocacy groups, public interest groups, and movement organizations in policy networks (Broadbent 1998). Direct ties between movement organizations include most prominently the exchange of information and the pooling of mobilization resources (Curtis and Zurcher 1973; Jones *et al.* 2001), indirect ties from shared personnel (Carroll and Ratner 1996), and shared linkages to third parties, whether private or public-sector organizations.

Social movement researchers working within a political process perspective mostly agree that movement emergence depends on three broad factors: organizational networks, political opportunity, and cultural framing or other interpretative processes (McAdam 1999: viii). Doug McAdam's investigation of student recruitment to the high-risk 1964 Mississippi Freedom Summer campaign found that activists who went to the South had more organizational affiliations and extensive prior and current ties to other participants than did volunteers who ultimately withdrew (McAdam 1988; see also McAdam and Fernandez 1990; McAdam and Paulsen 1993). In the case of the Polish People's Republic, Osa (2003) demonstrated the important role of social networks for social movements in the most restrictive political environments such as the Leninist state. She found that 'protest peaks arise when the inter-organizational structures in the opposition domain reach their highest degree of development' (Osa 2003: 101). For the case of Italian environmental politics, Diani and Forno (2002) suggested that, compared with protest initiatives promoted by unconnected groups, those initiatives by coalitions of SMOs are more likely to have a broader scope and to target higher-level political institutions. Diani (1995) examined the network roles of activists (both centrality and brokerage) in generating links between SMOs, which he regarded as a specific form of social capital that creates favourable ground for inter-organizational cooperation. In Milan, centrality (in-degree) and brokerage measures reflect different dynamics within movement networks (Diani 2003). Organizations identified by many other SMOs as alliance partners were more likely to be connected to media and political institutions, and thus in the best position to act as a 'representative' of the movement to the broader public sphere. In contrast, occupying a brokerage position in the movement network doesn't necessarily imply a public role; however, brokerage positions are crucial for the integration of movement networks.

Building on network concepts and methods, some social movement researchers contributed to reformulating classic concepts of the political process approach from

a relational perspective, for example, alliance and oppositional fields, protest cycles, and political opportunities. Tilly and Wood (2003) used network analysis to chart significant changes in Britain between 1828 and 1834 in patterns of attachment and claim-making relationships among different social groups (including royalty, parliament, local and national officials, trade, and workers). Oliver and Myers (2003) explored network mechanisms in diffusion processes and protest cycles, focusing on three processes: the flow of information, the flow of influence, and the construction of joint action. In contrast, Broadbent (2003) presented a non-Western case—the environmental movement in Japan—and added cultural and social contexts to the analysis of social movements. He found that Japanese networks operated mostly in terms of block recruitment rather than individual recruitment; in particular, vertical ties between elites and citizens strongly shaped local movements' 'political opportunities'.

Social Capital

During the past two decades, social capital emerged as a transcendent theoretical concept in virtually all social science disciplines (see also, Nahapiet, this volume). Each field developed its own definitions, substantive applications, and preferred empirical measures and methods (Devine and Roberts 2003; Van Deth 2003). In this section, we contrast the divergent approaches of political science and political sociology in applying social capital principles to explain political behaviours. Many political scientists emphasize a civic culture or civic voluntarism model, which depicts citizen participation in non-political institutions and organizations as generating the subjective orientations (norms, values, and attitudes) necessary to support competitive political parties and democratic institutions. Sociologists pay more explicit attention to how social capital embedded in structural relationships gives people access to political resources through their direct and indirect network ties.

In its initial formulation by Gabriel Almond and Sidney Verba (1963), the civic culture model hypothesized that stable democratic societies are sustainable only when citizens believe that they are capable of influencing their governments. The higher their socio-economic status, the more likely people are to acquire the essential resources—time, money, organizational and communication skills—to engage in political action and influence. In addition to their workplaces and religious organizations, people develop civic skills by participating in voluntary associations; for example, attending meetings, giving speeches, taking part in collective decision-making (Verba and Nie 1972; Verba *et al.* 1995). Small organizational settings enable ordinary citizens to understand how formal organizations function, socialize them to support democratic norms and values, and motivate them to apply those civic skills by participating in larger political arenas.

Robert Putnam modified the civic volunteerism model to emphasize the importance of high levels of individual and community social capital for robust civic engagement. He defined social capital as 'features of social organizations, such as networks, norms, and trust that facilitate action and co-operation for mutual benefit' (Putnam 1993: 35–6; Putnam 2000). However, his empirical indicators largely concentrated on connecting indicators of voluntary association participation and voter turnout to people's attitudes toward parties, politicians, and political institutions. Norms of generalized reciprocity and trust, both key ingredients of social capital, generate more political efficacy, cooperation, and participation in public affairs, and thus, through a virtuous cycle, further increase participants' social capital. Many political scientists have found positive co-variations among social capital, trust, confidence in institutions, and civic engagement in the USA and other countries (e.g. Brehm and Rahn 1997; Rice and Ling 2002; Teorell 2003; Caiani 2004; Lowndes 2004).

Putnam's numerous critics chided him for faulty data, incoherent theorizing, and failure to elucidate the specific micro-mechanisms through which bonding and bridging forms of social capital might instil in association members such pro-social orientations as generalized trust, cooperativeness, reciprocity, and initiative (see Ladd 1996; Edwards and Foley 1998; Foley and Edwards 1999; Rotberg 1999; Boggs 2001). In advocating an alternative approach, Jackman and Miller (1998: 47) castigated theorists who 'strayed from the original treatment of social capital, which casts it as endogenous'. By relying on the classical civic culture model of unchanging values, political science 'treats trust and related values as exogenous, where durable cultural norms drive political and economic performance' (p. 57). Instead of conflating group membership and trust, Jackman and Miller argued, a better theoretical perspective is to treat social capital as endogenous, exemplified in the original structural formulations of social capital by sociologists such as Pierre Bourdieu (1986); James Coleman (1988); and Nan Lin (2001). The core principle is that social capital consists of the resources controlled by network alters to which an ego-actor may gain access for individual or group benefits. Thus, social capital resides neither in an individual's attitudes and beliefs, nor in group norms, but involves the joint relationships between two or more actors.

A few political sociologists have applied structural network versions of social capital to civic engagement and political behaviour. For example, members embedded in a voluntary association's communication network are more easily mobilized to contact government officials about matters of concern to their organization (Knoke 1982). In the USA, the declining membership rosters of older, national voluntary associations are eclipsed by rising rates of participation in local, special-purpose networks that emphasize service, advocacy, and self-help (Wuthnow 1998). Brokering political deals among opposing interest groups is, of course, the primary job description for politicians from dog catcher to the Secretary General of the

United Nations. Other analysts noted the need to develop structural explanations of how state agencies and political parties, through public policy-making for social welfare, foster or erode the conditions necessary for the production and institutionalization of social capital relations (Lowndes and Wilson 2001; Rothstein 2001; Kumlin and Rothstein 2005). The initial enthusiasm of international organizations, like the World Bank, Internation Monetary Fund (IMF), and United Nations (UN), over applying social capital concepts to create programmes for economic development and democratization (Schuurman 2003) apparently has been supplanted by scepticism that civil society alone can alleviate problems of underdevelopment without substantial state involvement.

Policy Domains

Applications of inter-organizational network perspectives are particularly fruitful for developing theories and conducting empirical analyses of policy domains. A policy domain comprises the interest groups, legislatures, and governmental executive agencies involved in setting agendas, formulating policies, advocating positions, organizing collective political actions, and deciding on proposals to deal with such substantive policy problems as health, education, labour, and social welfare (Laumann and Knoke 1987; Burstein 1991). In advanced societies, the enlargement and technical complexity of many policy domains compelled greater participation by professionals, consultants, and research experts. Kenis and Schneider's (1991) definition is comprehensive:

> A policy network is described by its actors, their linkages and its boundary. It includes a relatively stable set of mainly public and private corporate actors. The linkages between the actors serve as channels for communication and for the exchange of information, expertise, trust and other policy resources. The boundary of a given policy network is not in the first place determined by formal institutions but results from a process of mutual recognition dependent on functional relevance and structural embeddedness.

Policy domain researchers seek to explain the formation of inter-organizational networks and the results of policy influence activities for interest groups, governments, and the policy domain as a whole. Comparative policy network analysts examine the historical origins of national differences in domain structural relations among state institutions and organized interest groups, and their consequences for policy processes and outcomes (Börzel 1998). Alternative policy network models proposed by British, German, and American scholars reflect transformation in their national polities towards the end of the twentieth century. British political scientists conceptualized a 'policy community' of self-organizing groups from government bureaucracies and related pressure organizations (Wilks and Wright 1987; Jordan 1990; Rhodes 1990; Marsh and Rhodes 1992), for example, Marsh and Smith's (2000)

dialectical model of policy network change involving mutual relations among structure, agency, contexts, and policy outcomes. They applied the model to explain shifting British agricultural policy since the 1930s. During the Conservative governments of Prime Ministers Thatcher and Major, which emphasized privatization and market-based solutions, British interest groups enjoyed increased policy influence, as revealed by their extensive informal relations within policy communities. Policy-making power shifted from entrenched corporatist subgovernments, which had consensually controlled policy agendas, towards more volatile interest group intermediation and government ministerial consultations (Richardson 2000). As the state sector became 'hollowed out', new intergovernmental management turned policy networks into 'a pervasive feature of service delivery in Britain' (Rhodes 1996). Rhodes worried that growing autonomy might thwart market competition reforms as policy networks resisted central state control.

The Germanic perspective on policy domains treats networks as a distinct form of governance, providing an alternative to both bureaucratic and market mechanisms for resolving policy conflicts (Börzel 1998). With the transformation of structural relationships between civil society and the German state, particularly after reunification, scholars explained how 'webs of relatively stable and ongoing relationships... mobilize dispersed resources so that collective (or parallel) action can be orchestrated toward the solution of a common policy problem' (Kenis and Schneider 1991: 21). Mutually interdependent governmental and private-sector interest organizations jointly coordinate public policy-making through their disaggregated problem-solving interactions. Because the central state possesses insufficient legitimate authority to impose its political preferences, coordinated inter-organizational policy blocks comprise the informal institutionalized framework through which political resources can be mobilized for successful policy bargaining and collectively binding decisions (Marin and Mayntz 1991; Mayntz 1993; Benz 1995). For example, Jörg Raab (2002) examined the policy network governance system that emerged around the *Treuhandanstalt*, a state agency charged with rapidly privatizing East German enterprises following reunification. Both formal and informal institutional factors were especially important in forging multiple horizontal linkages among the public and private organizations with interests in shipbuilding and steel, thus enabling them to engage in effective multilateral negotiations to settle the fate of those large but inefficient companies.

An inter-organizational perspective on policy networks informs the organizational state model applied to comparative analyses of the US national energy and health policy domains and the US, German, and Japanese labour policy domains (Laumann and Knoke 1987; Knoke *et al.* 1996; Knoke 1998). National policy-making is conducted by formal organizations, with elite individuals acting as agents for organizational principals. In every domain, a few organizations participate in many policy issues and multiple policy events. Temporary coalitions assemble to fight collectively for influence over governmental policy decisions. Communication and

resource exchange networks allow domain organizations to identify a policy event's potential partners and opponents. Opposing organizational coalitions with shared policy preferences then pool their political resources and attempt to sway governmental decision-makers to select that policy option most favourable to their interests. After the decision is made, coalitions disintegrate while new events propel the formation of organized interest constellations. Despite the continual micro-level flux, national policy domains remain comparatively durable macro-systems with quite persistent participants, boundaries, and cleavage structures (Burstein 1991; Knoke 2004).

Business Groups and State Intervention

Business groups are sets of legally separate firms bound through formal and/or informal inter-organizational relations, which are neither short-term strategic alliances nor fully integrated entities (Granovetter 2005) (see also, Lazerson and Lorenzoni this volume). Antitrust laws in the United States, although somewhat inconsistently enforced, have discouraged routinized cooperation among sets of firms (Fligstein 1990). During their more corporatist eras, European states included peak associations, such as trade unions and producer associations, as intermediaries in governance with explicit responsibilities to help decide and implement public policies binding on their members (Lehmbruch 1979; Schmitter 1989). The Japanese state's encouragement and coordination facilitated the successes of its postwar economic cooperation system, the *keiretsu*. A study of 197 large Japanese firms over twenty-four years (Lincoln *et al.* 1996: 67), found that member firms of the Big Six *keiretsus* had lower average profits, but less profit volatility, than non-member firms:

> Weak companies benefit from group affiliation (they recover faster), while strong ones do not (they are subsequently outperformed by independent firms). Thus, there is much less variability in the performance of *keiretsu* firms as compared to the independents.

Several East Asian societies also developed distinctive business groups, including *chaebol* (Korea), *guanxi qiye* (Taiwan), and *qiye jituan* (China). In Indonesia, the persistent need to gain protection from military generals pushed business groups in the direction of becoming large conglomerates 'clustered around centers of politico-bureaucratic power' (Robinson 1986: 267), especially for the important Chinese-owned groups during the Suharto period.

The state's role in the formation and development of business groups has been explored by many researchers and scholars (e.g. Keister 2000; Maman 2002; Barnes 2003; Tsui-Auch and Lee 2003). The general orientation of the state towards economic development and business interests is likely to shape the structures of its business groups. An important explanation for diversified business group formation is to avoid economic policy distortions (Ghemawat and Khanna 1998).

One mechanism is that a specific country's policy framework, such as the tax code in India and many developing countries, plays an important role in encouraging group formation. A second mechanism is that the formation of business groups can influence the reduction of general competitive intensity within an economy. Even when business groups are inefficient organizational forms, they are more able to survive by gaining access to resources conferring advantages on the group's affiliates relative to non-group firms. They can use their connections to policy-makers to lobby for limits on competitive intensity (Ghemawat and Khanna 1998). Generally speaking, two forms of state intervention are: (1) external restriction by law, regulations, and policy; and (2) direct involvement by shareholding, assignment of officials, and control of capital by state-owned banks. In addition, a special situation occurs when government officials and party officers directly set up their own business groups (such as in China's emerging market).

Chinese business groups have a variety of connections to the Chinese state. Some are affiliated with the central government, and some partially owned and controlled by provincial and municipal governments. To keep to the Chinese socialist road with Chinese characteristics, the state must control the main economic features, and publicly owned property must dominate the national economy. Under this kind of state intervention, particular interfirm relations were formed in the name of the Chinese business groups. For example, in his study of the illicit asset stripping of Chinese state firms, Ding (2000) analysed some forms of the Chinese business groups. The managers could strip off a firm's best equipment or most profitable segments and turn these assets over to newly created companies. They could allocate productive assets to the relatives of the firm's employees to set themselves up as subcontractors, for example, of the state firm's *zi gongsi* (subsidiary companies), *fushu qiye* (appended enterprises), *fuzhu qiye* (auxiliary enterprises), *sanchan* (business in the tertiary sector), *fuwu gongsi* (service companies), and so on. Through these complex network methods, state-owned property flows into the manager's private cashbox. As a result, within a business group, the state firms have poor performance and productivity, and private firms present positive firm performance.

In China's transition economy, relationships of business groups to the government and party still remain important because groups need the resources controlled by both central and local governments. In the sense of resource mobilization, business structures affect firm performance. Lisa Keister's (1998) study of Chinese business groups found that interlocking directorates positively affected firm performance and productivity, due to the quicker flows of information about market conditions and technological innovations, and because member firms can more easily exchange resources. Firms in business groups with board interlocks, and those whose groups included finance companies and joint ventures, financially outperformed firms whose business groups lacked such ties. Keister showed that business groups with members connected to foreign firms also perform better

(Keister 2000). Efforts to reform the Chinese financial and banking systems have been very slow, because the Chinese state tightly regulates banks, in order to control the assets of business groups and firms (Keister 2002).

International Relations

Economic and political sociologists have applied network analysis methods to model the changing economic, political, and social structural relationships among nations. States are conceptualized as units of analysis that simultaneously engage in numerous types of interactions, such as flows of information, financial transactions, exchanges of commodities and services, direct foreign investments, cultural ties, tourist travel, membership in intergovernmental organizations and scientific associations, diplomatic recognition and military assistance treaties, and armed conflicts. By analysing these multiplex linkages among nations, network researchers sought to identify the jointly occupied positions in the international system, the structural relations among these positions, and the changing power structure hierarchy among nations as globalization proceeds relentlessly. In this section, we review recent empirical research on international relations that has applied network concepts and methods.

In a seminal effort to model the world system, David Snyder and Edward Kick (1979) applied blockmodel analysis methods to four binary matrices of relations (exports, diplomatic exchanges, treaties, and military interventions) to identify structurally equivalent positions among 118 nations. Using 1960s data, they concluded that a ten-block solution corresponded to the pattern posited in Immanuel Wallerstein's world system theory and similar dependent development perspectives. A core position was occupied by advanced capitalist nations (the USA, Canada, Western Europe, Australia, Japan, South Africa); two or three semi-peripheral blocks contained communist and less-developed nations; and six peripheral blocks were comprised of underdeveloped African, Asian, and South American countries. Consistent with dependency and world system hypotheses, location within the periphery or semi-periphery reduced national economic growth rates from 1955 to 1970 relative to the prosperous core nations, even controlling for initial development level, education, and other factors. Subsequently, refined block-model and hierarchical cluster analyses of more recent international networks uncovered evidence that structural positions in the world system were related to: internal warfare and external military incursions (Kick 1983); to the widening income inequality between nations (Kick 1987); to economic growth and social welfare (Nemeth and Smith 1985; Kick and Davis 2001); to financial transactions in the telecommunications and credit card networks (Barnett and Salisbury 1996); and to the international division of labour and national structural autonomy (Smith and Nemeth 1988; Sacks *et al.* 2001). Between 1965 and 1980, the world system's core

position expanded from four to ten nations, while several others graduated from the periphery to the semi-periphery, implying that the global economy facilitated economic development rather than being a purely zero-sum transfer of wealth from poor to rich nations (Smith and White 1992).

Applying an alternative method of role equivalence analysis, Ronan Van Rossem (1996) questioned the tripartite world system model as a general paradigm of development. His data on five international networks for 163 countries from 1980–89 found four distinct roles: core, semi-periphery, and two peripheries. But these roles were not as geographically clustered as previous structural equivalence analyses, and they exerted only small and often non-significant effects on trade and investment dependency. Some very large countries with lower development, such as China and India, also occupied the core role along with highly developed nations, reflecting their capacities to create dependencies for others while escaping dependency themselves. Van Rossem proposed a reconceptualization of the world system model. 'Rather than determining dependency and economic performance, the world system creates the environment in which dependency and development take place. Internal social, economic, and political structures and actors become vital factors in development, and can modify the effects of the international environment' (1996: 524). The loose connections between world system role and dependency could serve as a driver of change and upward mobility for the peripheral nations as well as for stagnation and exploitation by the core states.

Increasing numbers of researchers in several disciplines are applying network analysis methods to investigate central issues of globalization and international relations (e.g. Hargittai and Centeno 2001). Inspired by Manuel Castells's musings about the rise of a global network society, geographers mapped the cliques and hierarchical relations among world cities, for example, using airline passenger flows to identify the global cities crucial to sustaining the international order (Smith and Timberlake 1993, 2001; Smith 2004; Derudder and Taylor 2005). Other geographers argued for treating networks as the foundational units of analysis for understanding the global economy (Dicken *et al.* 2001). Political scientists demonstrated how transnational advocacy networks among human rights organizations could more effectively protest against abuses and free political prisoners (Keck and Sikkink 1998). Transnational coalitions of non-governmental organizations have risen dramatically as mechanisms for influencing international financial institutions to fund relief and development projects (Yanacopulos 2005*a*, 2005*b*). Political sociologists revealed how networks of corporations and elite policy groups may be forming a transnational capitalist ruling class (Carroll and Carson 2003), while transnational social movement networks facilitate the mobilization of civil society groups in coordinated global actions for democratic change (Smith 2004). These diverse studies barely hint at the great potential for network analysis to illuminate many facets of international relations.

Foreign Aid

Inter-organizational relations play an important role in foreign aid to developing nations. Who will receive aid from such international financial institutions (IFIs) as the IMF and World Bank? Under what conditions will patrons provide aid, how must programmes be implemented, and what are the consequences? Answering these questions involves taking into account the relationships among leading donor countries, international institutions, and recipient countries. For example, take IMF lending to Africa. Specifically, inter-organizational relations include the relations between the political and economic organizations of leading donor countries, the IMF, and African borrowing countries. Africa has been on the front-line of IMF policy-based lending for about three decades, yet it has made little substantial progress in achieving economic growth nor in implementing the reform policies that the IMF encourages. To determine why IMF programmes rarely achieve their goals, inter-organizational relations from a political perspective have been explored explicitly and implicitly. For example, Vaubel (1986) implicitly advanced a principal–agent interpretation, in which the IMF is the agent and its principals are those industrial countries supplying most of its lending resources. Although the principals prefer that the IMF enforce recipient accountability to their interests, the Fund has no motivation to comply because its incentives are not closely aligned with the principals' interests.

Randall Stone (2004) gave an opposite reason: the principals frequently intervened to prevent consistent IMF loan enforcement. Political conditionality that superseded the nominal financial conditionality undermined the credibility of the loans-for-reform contract, and 'borrowers know that their access to financing really depends upon connections with donor-country patrons' (Stone 2004: 577). To show this point, Stone provided a recent example in which Pakistan's access to IMF financing was suspended when it conducted a nuclear weapons test, but was restored in 2001 when Pakistan agreed to cooperate with the US-led military operation against the Taliban government of Afghanistan. In Stone's interpretation, to measure African countries' relation with the advanced industrial countries—in fact, the relations of patronage—Stone (2004) analysed three variables: foreign aid flows, membership in post-colonial international institutions, and voting in the UN General Assembly (Barro and Lee 2003). The ties between African nations and the USA, France, and Great Britain were especially important. France and Britain were the major African colonial powers and remain the only ones with sufficient clout as donors to the IMF to appoint their own executive directors. By contrast, the USA plays an important role in Africa because of its unique position as the only global superpower.

Stone argued that, although donor nations give aid for many reasons, the distribution of aid across countries reflects the donors' relative priorities. Membership in post-colonial international institutions is more significant in revealing that donors favour some countries over others. For example, South Africa was readmitted to the Commonwealth after the end of *apartheid*, while Zimbabwe was recently expelled after the Mugabe government came under severe international criticism for confiscating white farmers' land-holdings. Members are expected to respect human rights and pursue recommended economic policies, and in return they receive benefits of foreign aid and trade preferences. France has pursued the most consistent and vigorous policy of nurturing ties to its former African colonies and has applied an explicit carrot-and-stick approach to foreign aid. Stone (2004) uses the similarity of African votes in the UN General Assembly to measure their political affinity for potential foreign patrons. If the borrowing countries received large amounts of US aid, belonged to French or British post-colonial international institutions, or had voting postures in the UN similar to France, IMF programme conditions were enforced less rigorously. Not only were foreign aid flows impacted by relations between donor countries and African borrowing countries, but the patrons also interfered with policy implementation. Therefore, Stone (2004) concluded that the IFIs must become independent of the donor nations, because continual interference by those principals leads to failure of the IFI agents to enforce lending programme requirements.

Another recent examination of the origins and the lending policies and practices of two regional development banks (the Inter-American Development Bank (IDB) and the European Bank for Reconstruction and Development) further demonstrated how global politics played an important role in developing IFIs and how the relationships between regional banks and donor and client countries became politically distorted (Barria and Roper 2004). Concerns over the spread of communism in Latin America in the 1950s led to the creation of the IDB. After the Soviet Union collapsed, democracy and human rights became more central, and constrained lending to post-communist regimes. Thus, international politics drove the terms of economic transitions in those countries most needing foreign aid. In such cases, the power inequalities in economic resource dependence and other relationships influence inter-organizational relations and organization performance. However, according to Fukuyama (2004), even though the IMF and other IFIs are nominally independent, when borrowing countries lack a strong and effective central state, foreign aid cannot lead to improvements and may even worsen matters. But, the IFIs cannot bypass the recipient national governments and local institutions to implement grassroots programmes directly. That strategy, by further weakening central state capacity, would only worsen conditions in the long run. Therefore, Fukuyama argued, international financial institutions like the World Bank and IMF should help borrowing nations to strengthen their state capacities and improve the skills of their public administrations in implementing foreign aid programmes.

Researching Inter-organizational Political Relations

This section discusses methodological issues in designing inter-organizational political network research projects, data collection procedures, and network analysis. The central question is how researchers can expand, improve, and integrate the analysis of inter-organizational relations by explicitly using political perspectives.

Some methodological pitfalls are uneasily resolved in designing research to analyse inter-organizational political networks. First, inter-organizational political relations appear to be purposive activity that contributes to organizations' political goals of obtaining greater power. Thus, analysts often consciously or unconsciously treat an organization as a rational actor; that is, an organization is analogous to a person. Second, under certain constraining conditions, organizational choices and decisions that are intended to reach a particular objective may result in unexpected consequences. Furthermore, inside every organization are interest groups with their own, frequently conflicting, organizational goals that may make an organization clearly distinguishable from an assumed unitary rational actor.

Designers of inter-organizational political network research, data collection procedures, and network data analysis methods must consider at least two broad aspects—the choices made inside an organization and the environmental constraints on the realization of those choices—which together have real effects on inter-organizational relations. The former includes the number of actors, unitary versus multiple conflicting goals (usually arising from common, conflicting, or mixed interests), the degree of rationality attributed to organizational decision-makers (on these three elements, see Bendor and Hammond 1992), and similar or different means of obtaining goals. Environmental constraints on goal attainment include organizational resources, external regulation by other organizations, and positions in inter-organizational networks.

Regarding organizational decision-making, Allison's classic *Essence of Decision* (1971; see also Allison and Zelikow 1999), a case study of the 1962 Cuban missile crisis, explored three models of decision-making in general, and of foreign policy-making in particular. Allison contrasted three 'conceptual lenses' for explanation of foreign policy decisions: the rational actor model, the organizational process model, and the bureaucratic politics model. The rational actor model explains national choices as purposive goal-directed behaviours. This approach to international relations postulates that the government of a sovereign state behaves as if it were a unitary actor. The organizational process model (relabelled as 'organizational behaviour' in 1999) explains foreign policy outputs as the products of bureaucratic routines, programmes, and standard operating procedures. The bureaucratic politics model explains foreign policy outcomes as the result of bargaining games among players in positions. According to Bendor and Hammond (1992), the internal logics of all three of Allison's models are very problematic. We cannot explicate those problems here, but note how they reveal methodological issues in the analysis of inter-organizational relations. Allison's models and Bendor and Hammond's rethinking of them provide a thoughtful benchmark for further critical thinking about alternative approaches to inter-organizational political relations.

Different assumptions inevitably lead analysts to construct different explanatory models. We are concerned that researchers think through the implications of three key assumptions: First, an organization may be treated either as a unitary rational actor or decomposed into multiple actors. Allison's second and third models decompose governments into multiple actors, potentially bringing those models closer to reality. However, assuming inter-organizational political relations among multiple actors is more complicated than assuming a unitary rational actor. Second, a rational actor assumption leads to a simple utility calculus. In contrast, whenever powerful subunits or interest groups inside an organization have competing goals, that organization is better treated as a non-unitary actor. In such cases, analysts should consider the choices of inter-organizational relations as a result of bargaining among internal subunits. Third, based on March and Simon (1958), an organization is smarter than individuals. They emphasized organizational process, such as routines and procedures, that enable choice side. As Bendor and Hammond pointed out, Allison for his own purposes emphasized the constraining choice side, that is, the negative side. Organizations differ from individuals, but as Bendor and Hammond again criticized, Allison quickly moved from individual to organizational limits on rationality. Finally, choices of inter-organizational relations are constrained not only by internal interactions (strategic games among interest groups and sub-units), but also by environmental constraints of regulations, resources, and positions in social networks.

More generally, many possible elements may produce mistakes in collective decisions. We borrow insights from Jared Diamond's (2005) explanations of how societies survive or fail. Although Diamond explored how societies, not organizations, made choices over the last 13,000 years, his road map for success can be used to check how organizations make mistaken decisions. First, a group may fail to anticipate a problem before the problem actually arrives. Second, when the problem does arrive, the group may fail to perceive it. Third, after they perceive it, they may fail even to try to solve it. Finally, they may try solve it but may not succeed. Many elements may contribute to these successive 'failures'. Our purpose in citing Diamond's road map is to argue that organizational choices in inter-organizational relations have many options and outcomes not assumed by the perfect rational actor model. Therefore, if researchers rely methodologically only on the motives and choices of individual organizations to explain inter-organizational networks, they may reach wrong conclusions. This point adds yet another difficulty to designing and conducting good research projects on inter-organizational political relations.

As mentioned above, after choices are made, success or failure in reaching goals is still constrained by such environmental conditions as organizational resources, regulation by other organizations, and positions within inter-organizational networks. Combining choices and environments with many other elements relevant to inter-organizational relations, we believe that interest groups, multiple organizational goals, and power sources must remain the primary concerns in studying inter-organizational political relations.

A methodological issue relevant to data collection is the relationship between inter-organizational networks and personal networks embedded in different organizations. Relations among persons from two or more organizations may mutually shape inter-organizational relations. An example comes from Hughes, John, and Sasse's (2002) ruling/decision-making elites in Novosibirsk, Russia, who held key positions in powerful organizations (such as private firms, business associations, local/regional governments and administrations, and central/state government agencies), and the influence of these elite personal networks on inter-organizational networks in the post-communist transition. They treated the ruling elite networks as a spatial distribution of the community power network, through which a more networked system of urban governance was shaped. Another example of personal networks influencing inter-organizational relations is Lisa Keister's (1998) study of Chinese business groups. She pointed out that one way business group interlinks affect organizational performance is through interlocking directorates. Personal relations have important effects in facilitating interlocking directorates in particular, and inter-organizational networks in general. In methodological terms, analysts still need to think about and figure out the connections between personal networks and inter-organizational ties.

Political scientists and political sociologists can apply the many existing social network tools to measure inter-organizational political relationships—such as cliques, centrality, and structural equivalence—although much room remains to improve methods of identifying and measuring prescriptive patterns of needed inter-organizational political networks (Knoke and Yang 2008). For example, Laumann and Knoke's (1987) investigation of social choice in national energy and health policy domains featured multiple design and data collection procedures for identifying the core organizations, interviewing organizational informants, identifying domain activities and events, and measuring issue linkages.

Inter-organizational networks political perspectives cover many of the substantive areas discussed above, including participation in elections, social capital, social movement organizations, policy domains, business groups and state intervention, international relations, and foreign aid. In the current era of globalization, inter-organizational political networks grow increasingly important in people's lives. Multinational corporations and interstate political relations are key factors reshaping the international order. In one way or another, researchers,

politicians, and policy-makers can expand, improve, and integrate the analysis of inter-organizational relations by explicitly applying political perspectives. The framework encompassing power and its three main sources can expand to new research areas and integrate future analyses exploring inter-organizational relations.

Conclusions

We undertook a journey from theoretical approaches to inter-organizational political relations, to empirical research, and to research methodologies. This route allowed us to explore the nature and form of inter-organizational political relations. While our excursion could not settle some key problems related to research design, such as how complex organizational decision-making affects inter-organizational political networks, it sketched a map to guide scholars, researchers, even policy-makers in their further work.

Applying the framework of power and its three sources, we charted five theoretical approaches to inter-organizational political relations onto an encompassing road map. Governance networks, the first approach, emphasizes the role of regulations in power generation and distribution, such as state constitutional, legislative, regulatory, and rule-based legitimate authority. In contrast, the power structure networks approach favours networks and conceptualizes power as coming mainly from occupancy of important positions within structures of informal political networks. The social capital perspective also emphasizes network relations. In this approach, social capital constitutes a prominent conceptualization of power as persuasion or influence through social network relations. In contrast to the preceding three approaches, resource dependence theory is premised on gaining access to and control over 'critical resources'. It definitely considers power as originating from resource inequalities in inter-organizational networks. Finally, the policy domain networks approach to inter-organizational relations integrates multiple bases of power in a more explicit way. Indeed, each of these five approaches cannot simply ignore any of the three power sources, but, more or less explicitly, devotes attention to all of them.

We reviewed above empirical research that includes participation in elections, social capital, policy domains, business groups and state intervention, international relations, and foreign aid. The empirical investigations conducted by political scientists and sociologists during the past two decades demonstrated applications of five basic theoretical approaches to inter-organizational relations. For example, intergovernmental relations within a nation and international relations are determined

primarily by the power mechanism (or three power sources: regulations, resources, and networks), but with differential weight. In the example of patronage relations in foreign aid, IMF lending to African nations is strongly affected by the resources controlled by patron countries. Although an (allegedly) independent organization, the IMF cannot effectively implement its decisions on the basis of relevant rules and regulations. Despite occupying a key network position between patron and recipient countries, the IMF's resources depend on patron countries. Therefore, in this situation, resources are the key source of power in inter-organizational political relations. From this example, we argue that empirical studies must identify which of the three power sources—resources, regulations, or networks—weighs more than the others. How to apply the integrated framework in analysing specific cases is the central problem. Key tasks in solving this problem include identifying regulations, measuring resources, and mapping networks.

In conclusion, during the present era of globalization and organizational societies, a political perspective, built on the mechanisms that generate and distribute power, contributes to a better understanding of inter-organizational networks. It provides an integrated framework and precise theoretical and conceptual lenses through which to view the broader contexts of inter-organizational relations.

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CHAPTER 18

PERSPECTIVES ON INTER-ORGANIZATIONAL RELATIONS IN ECONOMIC GEOGRAPHY

HENRY WAI-CHUNG YEUNG

INTRODUCTION

ECONOMIC geography is an academic discipline that is fundamentally concerned with describing and explaining the spatial organization of economic activity (see Clark *et al.* 2000; Sheppard and Barnes 2000; Barnes *et al.* 2003). This spatiality of the economy can be analysed in relation to location in space, place, and scale of economic processes and outcomes. While locational analysis is often a straightforward exercise of mapping spatial differentiation, the incorporation of place and scale in the analytical lexicons of economic geography offers much more sophistication in economic-geographical interpretations. Specifically, a grounded concern for *places* allows us to explore how economic processes are embedded inextricably in the social, cultural, institutional, and political contexts of these places. A consideration of