CHAPTER

5 Interorganizational Relationships

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Learning Objectives

After reading this chapter you should be able to:

1. Describe an organizational ecosystem and the changing role of management in interorganizational relationships.
2. Identify types of resource-dependence relationships and their power implications.
3. Explain the role of collaborative networks and the interorganizational shift from adversaries to partners.
4. Describe key concepts of the population-ecology perspective, including organizational form and niche and the process of change.
5. Compare three mechanisms that lead to institutional similarity identified by the institutional view of organizations.

Chapter Outline

Before reading this chapter, please check whether you agree or disagree with each of the following statements:

MANAGING BY DESIGN QUESTIONS

1 **Organizations should strive to be as independent and self-sufficient as possible so that their managers aren't put in the position of "dancing to someone else's tune."**

I AGREE ________ I DISAGREE ________

2 **The success or failure of a startup is largely determined by the smarts and management ability of the entrepreneur.**

I AGREE ________ I DISAGREE ________

3 **Managers should quickly copy or borrow techniques being used by other successful companies to make their own organization more effective and to keep pace with changing times.**

I AGREE ________ I DISAGREE ________

Great news! U.S. manufacturing has been booming in recent years, with industrial companies reporting strong sales and profits and an increase in factory hiring. Now here's the bad news. Some of those companies have had to shut down production lines and absorb higher costs because suppliers of everything from engines to electronic components have not been keeping up with the increase in demand. Oshkosh Corporation halted production of its mobile cranes several times in one recent quarter because the company could not get the parts it needed. Machinery maker Caterpillar has had to pay higher prices for parts, even accepting incomplete orders, to keep production going. Managers at Leggett & Platt, which makes parts for forklifts, say they're paying employees more in overtime to expand production and are considering more permanent ways to increase capacity. Manufacturers that spent years making their supply chains as lean and efficient as possible are paying the price now, with suppliers hesitant "to jump on adding capacity because they've been burned badly before," says Shiv Shivaraman, a consultant who advises auto and machinery makers on supply chains and production processes.[1]

Having the parts and supplies when they are needed is a concern for every organization, and companies often establish personal relationships with key suppliers to make sure they'll have the resources they need. Supply chain and partnership relationships are highly important, because organizations join together and depend on one another in a variety of ways. Consider the turmoil in the healthcare industry. Medical costs and health insurance rates continue to rise, and large health insurance companies have been slow to find innovative solutions to inefficiencies in the system. Three of the largest and most influential companies in the United States—Amazon, Berkshire Hathaway, and JPMorgan Chase—recently joined together to form an independent healthcare company to serve their 1.2 million employees. Leaders say the goal of the non-profit organization, named Haven, is to change the way their employees experience healthcare so that it is simpler, better, more efficient, and lower cost.[2]

Today's organizations encounter numerous complex problems because of the complexity and uncertainty of the environment, as discussed in the previous chapter. Thus, a widespread organizational trend is to reduce separation and increase collaboration between companies, sometimes even between competitors. Apple and Google compete fiercely in some areas, but they teamed up for Apple to use the Google Cloud platform as part of the infrastructure for Apple's iCloud storage service.[3]

In many industries, the business environment is so complicated that no single company can develop all the expertise and resources needed to stay competitive. Why? Globalization and rapid advances in technology, communications, and transportation have created amazing new opportunities, but they have also raised the cost of doing business and made it increasingly difficult for any company to take advantage of those opportunities on its own. In this new economy, webs of organizations are emerging. Collaboration and partnership is the new way of doing business. Organizations think of themselves as teams that create value jointly rather than as autonomous companies that are in competition with all others.

Purpose of This Chapter

This chapter explores the most recent trend in organizing, which is the increasingly dense web of relationships among organizations. Companies have always been dependent on other organizations for supplies, materials, and information. The question involves the way these relationships are managed. At one time it was a matter of a large, powerful company tightening the screws on small suppliers. Today a company can choose to develop positive, trusting relationships. The notion of horizontal relationships described in Chapter 3 and the understanding of environmental uncertainty in Chapter 4 are leading to the next stage of organizational evolution, which is a web of horizontal relationships *across* organizations. Organizations can choose to build relationships in many ways, such as appointing preferred suppliers, establishing agreements, business partnering, joint ventures, or even mergers and acquisitions.

Interorganizational research has yielded perspectives such as resource dependence, collaborative networks, population ecology, and institutionalism. The sum total of these ideas can be daunting because it means managers no longer can rest in the safety of managing a single organization. They have to figure out how to manage a whole set of interorganizational relationships, which is a great deal more challenging and complex.

5.1 Organizational Ecosystems

Interorganizational relationships are the relatively enduring resource transactions, flows, and linkages that occur among two or more organizations.[4] Traditionally, these transactions and relationships have been seen as a necessary evil to obtain what an organization needs. The presumption has been that the world is composed of distinct businesses that thrive on autonomy and compete for supremacy. A company may be forced into interorganizational relationships depending on its needs and the instability and complexity of the environment.

A new view described by James Moore argues that organizations are now evolving into business ecosystems. An **organizational ecosystem** is a system formed by the interaction of a community of organizations and their environment. An ecosystem cuts across traditional industry lines.[5] For example, wireless service providers, handset manufacturers, makers of computer chips and other hardware, operating system and software providers, and applications developers are involved in an ecosystem for smartphones.[6] A similar concept is the *megacommunity approach*, in which businesses, governments, and nonprofit organizations join together across sectors and industries to tackle huge, compelling problems of mutual interest, such as energy development, world hunger, or cybercrime.[7]

BRIEFCASE

As an organization manager, keep these guidelines in mind:

Look for and develop relationships with other organizations. Don't limit your thinking to a single industry or business type. Build an ecosystem of which your organization is a part.

5.1a Is Competition Dead?

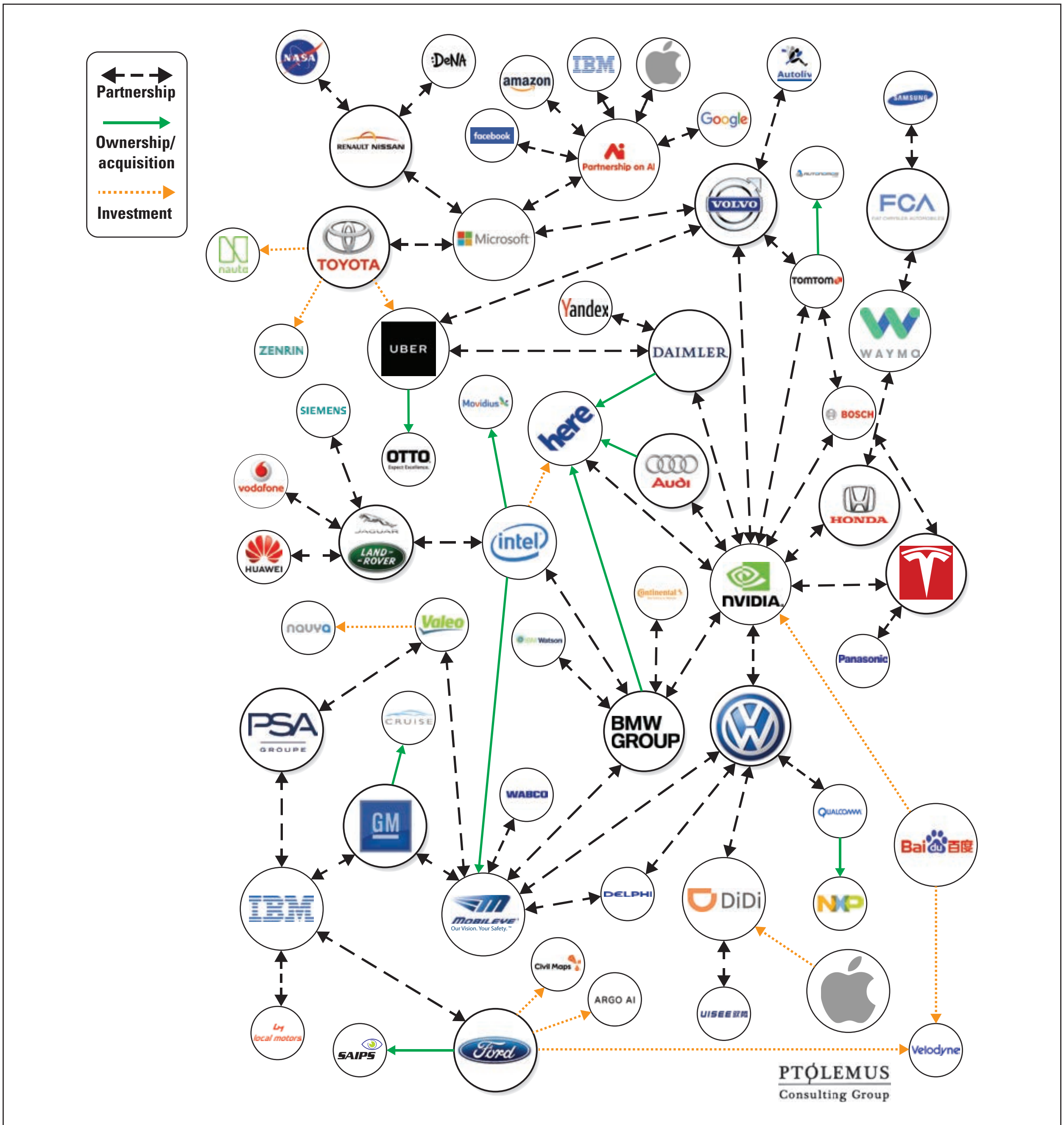
No company can go it alone under a constant onslaught of international competitors, changing technology, and new regulations. Organizations around the world are embedded in complex networks of confusing relationships—collaborating in some markets, competing fiercely in others. The U.S. retailer Walmart and Japan's large e-commerce business Rakuten formed a strategic alliance to help both companies better compete against Amazon. In the auto industry, Ford and Volkswagen have joined together in the production of pickup trucks and delivery vans that the two companies will sell under their own names in South America, Africa, and Europe, and they are discussing ways to share innovations in the development of electric and self-driving cars.[8]

Traditional competition, which assumes a distinct company competing for survival and supremacy with other stand-alone businesses, no longer exists because each organization both supports and depends on the others for success, and perhaps for survival. However, most managers recognize that the competitive stakes are higher than ever in a world where market share can crumble overnight, and no industry is immune from almost instant obsolescence.[9] In today's world, a new form of competition is in fact intensifying.[10]

For one thing, companies now need to co-evolve with others in the ecosystem so that everyone gets stronger. Consider the wolf and the caribou. Wolves cull weaker caribou, which strengthens the herd. A strong herd means that wolves must become stronger themselves. With co-evolution, the whole system becomes stronger. In the same way, companies co-evolve through discussion with each other, shared visions, alliances, and managing complex relationships.

Exhibit 5.1 illustrates the complexity of an ecosystem by showing the myriad overlapping relationships among companies involved in the development of self-driving and autonomous vehicles. Since the time this partnership map was created, some of the connections have changed. Ecosystems constantly change and evolve, with some relationships growing stronger while others weaken or are terminated. The changing pattern of relationships and interactions in an ecosystem contributes to the health and vitality of the system as an integrated whole.[11]

EXHIBIT 5.1
An Organizational Ecosystem



Source: Autonomous Vehicle Partnership Map, Autonomous Vehicle Global Study 2017, Ptølemus Consulting Group, https://www.ptolemus.com/autonomous-vehicle-global-study-2017/autonomous-vehicle-partnership-map/

In an organizational ecosystem, conflict and cooperation exist at the same time. For example, consider the case of Apple and Samsung.

IN PRACTICE

Apple and Samsung

Samsung is Apple's most ferocious rival in the smartphone wars. The companies spent the better part of seven years suing and countersuing over the look, feel, and features of their phones before reaching an undisclosed settlement in mid-2018. Yet Samsung is also the biggest supplier of many key parts used in Apple's iPhones and iPads, including OLED displays and DRAM chips. One report indicates that Samsung earns around $110 from each iPhoneX sold by Apple.

When Apple first began collaborating with Samsung, the two companies didn't really compete, but that changed when Samsung got into producing smartphones that today eclipse the iPhone in terms of units shipped. Apple managers have tried to find alternate suppliers for some of the parts it uses from Samsung, but it isn't easy. The two firms have worked together for a decade to build custom chips, and Samsung is the only company producing the chips and OLED displays at the volume Apple needs. Apple executives realized Samsung had ambitions to compete with their company, but they needed the technology that only Samsung could deliver in large quantities. Samsung, meanwhile, needed the sales to Apple. Apple remains Samsung's biggest customer.

In early 2019, Apple and Samsung announced a partnership offering iTunes movies, TV shows, and other content on rival Samsung's television sets, tying the two companies even closer. "These are two of the largest companies on the planet deeply tied at the hip and directly competitive," said David Yoffie, a professor at Harvard Business School. "That makes this stand out compared with almost any relationship you can think of."[12]

Some companies believe cooperation is essential to success. Google, for example, has a whole team dedicated to giving away technology to the competition. Other companies, such as Apple, are less willing to cooperate, although they do so when it clearly benefits them.[13] In general, cooperation has become the rule in many industries and especially in high-tech firms. The business press is full of articles that talk about *frenemies* and *coopetition*, reflecting the trend toward companies being both friends and enemies, co-operators and competitors. Many companies that long prided themselves on independence have shifted to an ecosystem approach. Mutual dependencies and partnerships have become a fact of life. Is competition dead? Companies today may use their strength to achieve victory over competitors, but ultimately cooperation carries the day.

5.1b The Changing Role of Management

Within business ecosystems managers learn to move beyond traditional responsibilities of corporate strategy and designing hierarchical structures and control systems. Managers have to look beyond the boundaries of their own company and build relationships with a network of partners. For example, Tesla Motors owes much of its success to its managers' ability to establish successful partnerships. When Tesla began selling its first all-electric Roadster in 2008, the company had to build a market and a reputation from scratch. Tesla's production was also plagued by technical problems and a shortage of cash. Managers overcame these problems by turning rivals into partners. Tesla managers worked out an alliance with Daimler (the maker of Mercedes) in 2009 that gave the new organization access to first-class engineering, along with an infusion of cash that helped save the start-up from bankruptcy. An alliance with Toyota the following year enabled Tesla to buy the only remaining large-scale auto manufacturing plant in California, as well as gave it the chance to learn large-scale auto manufacturing from one of the best. More recently, Tesla has joined with Panasonic Corporation to jointly invest in a $5 billion lithium-ion battery plant.[14]

If a top manager looks down to enforce order and uniformity, the company is missing opportunities for new and evolving external relationships.[15] In this new world, managers think about horizontal processes rather than vertical structures. Important initiatives are not just top down; they cut across the boundaries separating organizational units. Moreover, horizontal relationships now include linkages with suppliers and customers, who become part of the team. Business leaders can learn to lead economic co-evolution. Managers learn to see and appreciate the rich environment of opportunities that grow from cooperative relationships with other contributors to the ecosystem. Rather than trying to force suppliers into low prices or customers into high prices, managers strive to strengthen the larger system evolving around them, finding ways to understand this big picture and how to contribute.

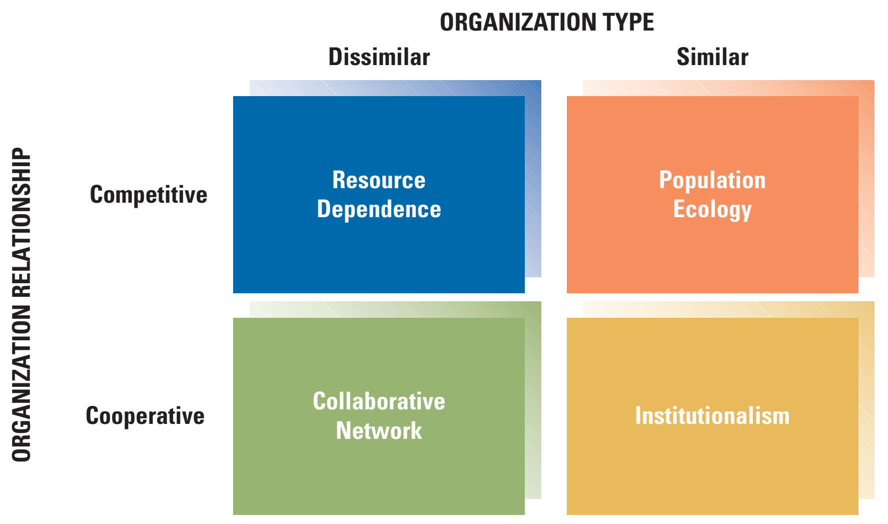
This is a broader leadership role than ever before. Managers in charge of coordinating with other companies must learn new executive skills. For example, investigations found that the inability of managers to collaborate and communicate effectively across organizational boundaries played a significant role in the 2010 BP-Transocean Deepwater Horizon oil spill. One question raised by investigators concerned an argument between a BP manager and a Transocean manager that occurred on the rig the day of the explosion. BP and Federal agency managers also had trouble collaborating effectively in clean-up efforts.[16]

A study of executive roles by the Hay Group distinguished between *operations roles* and *collaborative roles*. Most traditional managers are skilled in handling operations roles, which have traditional vertical authority and are accountable for business results primarily through direct control over people and resources. Collaborative roles, on the other hand, don't have direct authority over horizontal colleagues or partners, but are nonetheless accountable for specific business results. Managers in collaborative roles must be highly flexible and proactive. They achieve results through personal communication and assertively seeking out needed information and resources.[17]

The old way of managing relied almost exclusively on operations roles, defending the organization's boundaries and maintaining direct control over resources. Today, though, collaborative roles are becoming more important for success. When partnerships fail, it is usually because of an inability of the partners to develop trusting, collaborative relationships rather than due to the lack of a solid business plan or strategy. In successful alliances, people work together almost as if they were members of the same organization.[18] Consider the U.S. war against terrorism. To fight terrorism, the U.S. government not only collaborates with governments of other countries but also with numerous private security companies. At the Pentagon's National Military Command Center, employees of private contracting firms work side-by-side with military personnel monitoring potential crises worldwide and providing information to top leaders. "We could not perform our mission without them," said Ronald Sanders, former chief of human capital at the Office of the Director of National Intelligence. "They serve as our reserves, providing flexibility and expertise we can't acquire. Once they are on board, we treat them as if they're part of the total force."[19]

5.1c Interorganizational Framework

Appreciating the larger organizational ecosystem is one of the most exciting areas of organization theory. The models and perspectives for understanding interorganizational relationships ultimately help managers change their role from top-down management to horizontal coordination across organizations. Exhibit 5.2 shows a framework for analyzing the different views of interorganizational relationships. Relationships among organizations can be characterized by whether the organizations are dissimilar or similar and whether relationships are competitive or cooperative. By understanding these perspectives, managers can assess their environment and adopt strategies to suit their needs. The first perspective is called resource-dependence theory, which was described briefly in Chapter 4. It describes rational ways organizations deal with each other to reduce their dependence on the environment. The second perspective is about collaborative networks, wherein organizations allow themselves to become dependent on other organizations to increase value and productivity for all. The third perspective is population ecology, which examines how new organizations fill niches left open by established organizations and how a rich variety of new organizational forms benefits society. The final approach is called institutionalism, which explains why and how organizations legitimatize themselves in the larger environment and design structures by borrowing ideas from each other. These four approaches to the study of interorganizational relationships are described in the remainder of this chapter.



*Thanks to Anand Narasimhan for suggesting this framework.

EXHIBIT 5.2
A Framework of Interorganizational Relationships*

REMEMBER THIS

- At one time organizations considered themselves autonomous and separate, trying to outdo other companies. Today more organizations see themselves as part of an ecosystem.
- In an ecosystem, the organization may span several industries and will be anchored in a dense web of relationships with other companies. Organizations may compete and collaborate at the same time, depending on the location and issue.
- In business ecosystems, the role of management is changing to include the development of horizontal relationships with other organizations. Collaboration skills with other organizations are becoming more important.
- Relationships among organizations can be organized into a framework by whether the organizations are dissimilar or similar and whether relationships are competitive or cooperative.
- Four perspectives that explain relationships among organizations are resource dependence theory, collaborative networks, population ecology, and institutionalism.

5.2 Resource Dependence

Resource dependence represents the traditional view of relationships among organizations. As described in Chapter 4, **resource-dependence theory** argues that organizations try to minimize their dependence on other organizations for the supply of important resources and try to influence the environment to make resources available.[20] Organizations succeed by striving for independence and autonomy. When threatened by greater dependence, organizations will assert control over external resources to minimize that dependence.

When organizations feel resource or supply constraints, the resource-dependence perspective says they maneuver to maintain their autonomy through a variety of strategies, several of which were described in Chapter 4. One strategy is to adapt to or alter the interdependent relationships. This could mean purchasing ownership in suppliers, developing long-term contracts or joint ventures to lock in necessary resources, or building relationships in other ways.

5.2a Types of Resource-Dependence Relationships

Organizations operating under the resource-dependence philosophy will do whatever is needed to avoid excessive dependence on other organizations and maintain control of resources and outcomes, thereby reducing their uncertainty. Exhibit 5.3 shows a hierarchy of resource-dependence relationships. The strategies at the top of the hierarchy offer managers more direct control over joint outcomes so that the organization can maintain its autonomy, whereas those at the bottom offer less direct control.

Acquisition/Merger. This type of relationship offers the greatest amount of control over joint outcomes because the acquiring firm absorbs all of the resources, assets, and liabilities of the target organization. For example, both Uber and its ride-hailing rival Lyft have bought bike-rental companies to offer customers cheaper and faster means of travel in dense cities where bike rentals and electric scooter rental firms vehicles, and the price of the mineral has soared.[33] Power relationships in various industries are always shifting. Managers in industries ranging from pharmaceuticals to banking are wrestling with the growing power of Amazon. Consider the relationship between JPMorgan Chase and the giant of e-commerce.

IN PRACTICE

JPMorgan Chase and Amazon

Twenty years ago, JPMorgan Chase's revenue dwarfed that of Amazon. Today, things have shifted in the other direction. Amazon had its first $200 billion sales year in 2018, while revenue at JPMorgan Chase for 2018 was around $131 billion. The retailer's market value is more than twice that of the banking firm.

Amazon and JPMorgan Chase have long had a close relationship. Amazon struck a credit card deal with JPMorgan Chase in 2002, when Amazon's business consisted mostly of selling books and CDs online. A few years before that, Amazon founder and CEO Jeff Bezos had tried to hire Jamie Dimon to be Amazon's president. Dimon turned down the offer, saying it wasn't the right time to make such a dramatic change. "I had this vision I'd never wear a suit again. I'd live in a houseboat," Dimon told a CNBC reporter about considering the decision. Dimon joined JPMorgan Chase in 2004, becoming its CEO the following year. Over the next couple of decades, Amazon's sales—and its power—soared. When time came to renegotiate the credit card agreement, Amazon asked for a far higher percentage of card revenue and other concessions. Dimon might not have been happy, but he eventually signed off on the deal because Amazon was too big and powerful to put the relationship at risk.

Since then, the fortunes of the two companies have become increasingly intertwined. As described at the beginning of this chapter, the two have joined with Berkshire Hathaway in a healthcare venture, and they also partner in other ways. A key consideration of the shifting power dynamics for Dimon and JPMorgan is the question of Amazon potentially making a move into providing its own financial services. Dimon began thinking about the issue a few years ago and put together a team to consider various ways Amazon might get into financial services and how JPMorgan could fit in. As Amazon continues to grow larger and more powerful, Dimon and other executives at JPMorgan Chase want to find ways to be a partner rather than a casualty.[34]

REMEMBER THIS

- The resource-dependence perspective is the traditional view of interorganizational relationships, arguing that organizations try to avoid excessive dependence on other organizations. In this view, organizations devote considerable effort to controlling the environment to ensure ample resources while maintaining independence.
- Types of resource-dependence relationships include acquisitions or mergers, joint ventures, strategic alliances, supply sourcing, trade associations, and board interlocks.
- Power affects an organization's influence in a partnership. Power relationships among organizations are always changing, with some organizations increasing their power and others becoming less influential.

5.3 Collaborative Networks

The **collaborative-network perspective** is an emerging alternative to resource-dependence theory. Companies join together to become more competitive and to share scarce resources. Large aerospace firms partner with one another and with smaller companies and suppliers to design next-generation jets. Large pharmaceutical companies join with small biotechnology firms to share resources and knowledge and spur innovation. Consulting firms, investment companies, and accounting firms may join in an alliance to meet customer demands for expanded services.[35] Five leading medical groups spanning several states and millions of patients joined in a consortium to share electronic data, including patient health records. Geisinger Health System, Kaiser Permanente, Mayo Clinic, Intermountain Healthcare, and Group Health Cooperative believe using and sharing digitized patient records can help healthcare providers make smarter decisions and provide better care, such as referring a patient to a specialist in another system.[36] Corporate alliances require managers who are good at building personal networks across boundaries. How effective are you at networking? Complete the questionnaire in the "How Do You Fit the Design?" box to find out.

HOW DO YOU FIT THE DESIGN?

PERSONAL NETWORKING

Are you a natural at reaching out to others for personal networking? Having multiple sources of information is a building block for partnering with people in other organizations. To learn something about your networking, answer the following questions. Please answer whether each item is Mostly True or Mostly False for you in school or at work.

	Mostly True	Mostly False
1. I learn early on about changes going on in the organization and how they might affect me or my job.	_______	_______
2. I network as much to help other people solve problems as to help myself.	_______	_______
3. I join professional groups and associations to expand my contacts and knowledge.	_______	_______
4. I know and talk with peers in other organizations.	_______	_______
5. I act as a bridge from my work group to other work groups.	_______	_______
6. I frequently use lunches to meet and network with new people.	_______	_______
7. I regularly participate in charitable causes.	_______	_______
8. I maintain a list of friends and colleagues to whom I send holiday cards.	_______	_______
9. I maintain contact with people from previous organizations and school groups.	_______	_______
10. I actively give information to subordinates, peers, and my boss.	_______	_______

Scoring: Give yourself one point for each item marked as Mostly True. A score of 7 or higher suggests very active networking. If you scored 3 or less, reaching out to others may not be natural for you and will require extra effort.

Interpretation: In a world of adversarial relationships between organizations, networking across organizational boundaries was not important. In a world of interorganizational partnerships, however, many good things flow from active networking, which will build a web of organizational relationships to get things done. If you are going to manage relationships with other organizations, networking is an essential part of your job. Networking builds social, work, and career relationships that facilitate mutual benefit. People with large, active networks tend to enjoy and contribute to partnerships and have broader impact on interorganizational relationships.

5.3a Why Collaboration?

Why all this interest in interorganizational collaboration? Some companies have moved away from the idea of remaining independent to allow themselves to develop mutually dependent relationships with other organizations and accomplish things none of the organizations could do alone. There has been a tremendous surge in the formation of strategic alliances, for example, over the past three decades, with both large established firms and small entrepreneurial firms taking advantage of the benefits of collaboration.[37] Some key reasons for collaboration include sharing risks when entering new markets, mounting expensive new programs and reducing costs, and enhancing the organization's profile in selected industries or technologies. Cooperation and collaboration are prerequisites for greater innovation, adaptation, problem solving, and performance.[38] Partnerships are also a major avenue for entering global markets, with both large and small firms developing partnerships overseas and in North America. Joint ventures with organizations in other countries, for example, make up a substantial portion of U.S. firms' foreign investment and entry strategies.[39]

North American companies traditionally have worked alone, competing with each other and believing in the tradition of individualism and self-reliance, but they have learned from their international experience just how effective interorganizational relationships can be. Both Japan and Korea have long traditions of corporate clans or industrial groups that collaborate and assist each other. North Americans typically have considered interdependence a bad thing, believing it would reduce competition. However, the experience of collaboration in other countries has shown that competition among companies can be fierce in some areas even as they collaborate in others. It is as if the brothers and sisters of a single family went into separate businesses and want to outdo one another, but they will help each other out when push comes to shove.

1 Organizations should strive to be as independent and self-sufficient as possible so that their managers aren't put in the position of "dancing to someone else's tune."

ASSESS YOUR ANSWER

ANSWER: *Disagree.* Trying to be separate and independent is the old way of thinking. This view says organizations should minimize their dependence on other firms so that they don't become vulnerable. Today, though, successful companies see collaboration as a better approach to maintaining a balance of power and getting things done.

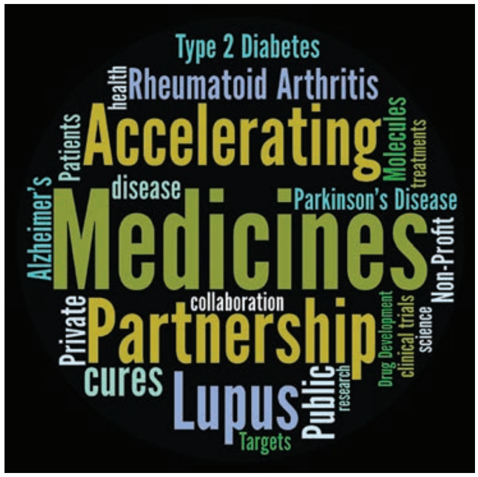
Interorganizational linkages provide a kind of safety net that encourages long-term investment, information sharing, and risk taking. Organizations can achieve higher levels of innovation and performance as they learn to shift from an adversarial to a partnership mindset.[40] Consider the following examples:

- To make "The Lego Movie," Denmark-based Lego A/S negotiated partnerships with several companies, such as digital studio Animal Logic, which developed the animation and visual effects, and Warner Brothers Pictures, which provided financing and distribution. Thanks to partnerships, "The Lego Movie" was made on a $60 million budget and it grossed more than $450 million in the year following its release.[41]

- Ford Motor Company and Toyota compete fiercely to sell cars and trucks, but to fend off new rivals such as Alphabet getting into the auto business, Toyota teamed with Ford to integrate Ford's apps platform into Toyota vehicles. [42]
- A study by PwC (PricewaterhouseCoopers) found that 27 percent of responding CEOs said they were considering or were already working with a competitor in some type of partnership.[43]
- Roche Holding AG and AstraZeneca PLC developed a partnership to share data on early-stage drug design to increase the odds of developing safe and effective drugs. The data will also be shared with a third company, MedChemica Ltd., which specializes in scrutinizing chemical compounds to pinpoint chemical structures that might create safety problems. The companies say they hope other pharmaceutical companies will join the data-sharing partnership, leading to the creation of safer, more effective drugs.[44] Pharmaceutical companies have until recently been protective of their research data, but there is a noted trend toward collaboration, such as the Accelerating Medicines Partnership.

IN PRACTICE

Accelerating Medicines Partnership



National Institutes of Health (NIH)

Companies have spent billions of dollars racing to beat one another to find breakthrough drugs for diseases like Alzheimer's. Now, 12 biopharmaceutical and life sciences companies have joined with the National Institutes of Health (NIH), the Food and Drug Administration (FDA), and numerous non-profit agencies in a collaborative agreement to find new cures and reduce the time and cost of finding them. The companies will share scientists, tissue and blood samples, and research data. By collaborating, the scientists hope to interpret Alzheimer's, Type 2 diabetes, autoimmune disorders such as lupus and rheumatoid arthritis, and Parkinson's disease in a way none of the companies have been able to do on their own and identify targets for new drugs.

Called the Accelerating Medicines Partnership, the group includes companies that compete vigorously, such as Bristol-Myers Squibb, Pfizer, GlaxoSmithKline, Eli Lilly, Sanofi, and Merck. The pact prevents any company from using a discovery until the project makes data on the discovery public. "The moment the project results are out," said David Wholley of the NIH, "all-out competition resumes to develop the winning drug."

Getting the pact pulled together wasn't easy. At times, some of the participants "weren't even talking with one another." Jan Lundbert, who leads Eli Lilly & Company's research laboratories, said figuring out how to collaborate despite being rivals had a "bonding role: Do we respect each other as scientists and as human beings?"[45]

5.3b From Adversaries to Partners

Fresh flowers are blooming on the battle-scarred landscape where once-bitter rivalries once took place. In North America, collaboration among organizations initially occurred in nonprofit social service and mental health organizations, where public interest was involved. Community organizations collaborated to achieve greater effectiveness and better use of scarce resources.[46] With the push from international competitors and international examples, hard-nosed American business managers soon began shifting to a new partnership paradigm on which to base their relationships.

Exhibit 5.4 provides a summary of this change in mindset.[47] Rather than organizations maintaining independence, the new model is based on interdependence and trust. Performance measures for the partnership are loosely defined, and problems are resolved through discussion and dialogue. Managing strategic relationships with other firms has become a critical management skill, as discussed in this chapter's BookMark. In the new orientation, people try to add value to both sides and believe in high commitment rather than suspicion and competition. Companies work toward equitable profits for both sides rather than just for their own benefit. The new model is characterized by lots of shared information, including electronic linkages and face-to-face discussions to provide feedback and solve problems. Sometimes people from other companies are on site to enable very close coordination. Partners develop equitable solutions to conflicts rather than relying on legal contracts and lawsuits. Contracts may be loosely specified, and it is not unusual for business partners to help each other outside whatever is specified in the contract.

BRIEFCASE

As an organization manager, keep these guidelines in mind:

Seek collaborative partnerships that enable mutual dependence and enhance value and gain for both sides. Get deeply involved in your partner's business, and vice versa, to benefit both.

EXHIBIT 5.4

Changing Characteristics of Interorganizational Relationships

Traditional Orientation: Adversarial	New Orientation: Partnership
Low dependence	**High dependence**
Suspicion, competition, arm's length	Trust, addition of value to both sides, high commitment
Detailed performance measures, closely monitored	Loose performance measures; problems discussed
Price, efficacy, own profits	Equity, fair dealing, both profit
Limited information and feedback	Electronic linkages to share key information, problem feedback, and discussion
Legal resolution of conflict	Mechanisms for close coordination; people on site
Minimal involvement and up-front investment, separate resources	Involvement in partner's product design and production, shared resources
Short-term contracts	Long-term contracts
Contract limiting the relationship	Business assistance beyond the contract

Sources: Based on Mick Marchington and Steven Vincent, "Analysing the Influence of Institutional, Organizational, and Interpersonal Forces in Shaping Inter-Organizational Relations," *Journal of Management Studies* 41, no. 6 (September 2004), 1029–1056; Jeffrey H. Dyer, "How Chrysler Created an American Keiretsu," *Harvard Business Review*, July–August 1996, 42–56; Myron Magnet, "The New Golden Rule of Business," *Fortune*, February 21, 1994, 60–64; and Peter Grittner, "Four Elements of Successful Sourcing Strategies," *Management Review*, October 1995, 41–45.

BOOKMARK 5.0 HAVE YOU READ THIS BOOK?

Managing Strategic Relationships: The Key to Business Success

By Leonard Greenhalgh

What determines organizational success in the twenty-first century? According to Leonard Greenhalgh, author of *Managing Strategic Relationships: The Key to Business Success*, it's how successfully managers support, foster, and protect collaborative relationships both inside and outside the firm. In separate chapters, the book offers strategies for managing relationships between people and groups within the company and with other organizations. Effectively managing relationships generates a sense of commonwealth and consensus, which ultimately results in competitive advantage.

MANAGING RELATIONSHIPS IN A NEW ERA

Greenhalgh says managers need a new way of thinking to fit the realities of the new era. He offers the following guidelines:

- *Recognize that detailed legal contracts can undermine trust and goodwill.* Greenhalgh stresses the need to build relationships that are based on honesty, trust, understanding, and common goals instead of on narrowly defined legal contracts that concentrate on what one business can give to the other.
- *Treat partners like members of your own organization.* Members of partner organizations need to be active participants in the learning experience by becoming involved in training, team meetings, and other activities. Giving a partner organization's employees a chance to make genuine contributions promotes deeper bonds and a sense of unity.
- *Top managers must be champions for the alliance.* Managers from both organizations have to act in ways that signal to everyone inside and outside the organization a new emphasis on partnership and collaboration. Using ceremony and symbols can help instill a commitment to partnership in the company culture.

A PARTNERSHIP PARADIGM

To succeed in today's environment, old-paradigm management practices based on power, hierarchy, and adversarial relationships must be traded for new-era commonwealth practices that emphasize collaboration and communal forms of organization. The companies that will thrive, Greenhalgh believes, "are those that really have their act together—those that can successfully integrate strategy, processes, business arrangements, resources, systems, and empowered workforces." That can be accomplished, he argues, only by effectively creating, shaping, and sustaining strategic collaborative relationships.

Managing Strategic Relationships: The Key to Business Success, by Leonard Greenhalgh, is published by The Free Press.

In this new view of partnerships, dependence on another company is seen to reduce rather than increase risks. Greater value can be achieved by both parties. By being entwined in a system of interorganizational relationships, everyone does better because they help one another. This is a far cry from the belief that organizations do best by being autonomous. The partnership mindset can be seen in a number of industries. For example, aircraft manufacturers EADS, Embraer, and Boeing have teamed up to develop aviation biofuel.[48] Top medical centers, such as the Mayo Clinic, the MD Anderson Cancer Center, and Community Health Systems, have formed partnerships with networks of clinics or smaller nonprofit hospitals to expand their services and leverage their brands.[49] Auto companies have formed numerous partnerships to share development costs for self-driving vehicles.

By breaking down boundaries and becoming involved in partnerships with an attitude of fair dealing and adding value to both sides, today's companies are changing the concept of what makes an organization.

REMEMBER THIS

- The collaborative-network perspective is an emerging alternative to resource dependence. Organizations welcome collaboration and interdependence with other organizations to enhance value for all.
- Many executives are changing mindsets away from organizational autonomy toward collaboration, often with former corporate enemies.
- The new partnership mindset emphasizes trust, fair dealing, and achieving profits for all parties in a relationship.

5.4 Population Ecology

This section introduces a different perspective on relationships among organizations. The **population-ecology perspective** differs from the other perspectives because it focuses on organizational diversity and adaptation within a population of organizations.[50] A **population** is a set of organizations engaged in similar activities with similar patterns of resource utilization and outcomes. Organizations within a population compete for similar resources or similar customers, such as financial institutions in the Seattle area or car dealerships in Houston, Texas.

Within a population, the question asked by ecology researchers is about the large number and variation of organizations in society. Why are new organizational forms that create such diversity constantly appearing? The answer is that individual organizational adaptation is severely limited compared to the changes demanded by the environment. Innovation and change in a population of organizations take place through the birth of new types of organizations more so than by the reform and change of existing organizations. Indeed, organizational forms are considered relatively stable, and the good of a whole society is served by the development of new forms of organization through entrepreneurial initiatives. New organizational form meets the new needs of society more than established organizations that are slow to change.[51]

What does this theory mean in practical terms? It means that large, established organizations often become dinosaurs and perish. Consider that among the companies that appeared on the first *Fortune 500* list in 1955, only 71 stayed on the list for 50 years. Some were bought out or merged with other companies. Others simply declined and disappeared. Large, established firms often have tremendous difficulty adapting to a rapidly changing environment. Hence, new organizational forms that fit the current environment emerge, fill a new niche, and over time take away business from established companies.[52] According to the population-ecology view, when looking at an organizational population as a whole, the changing environment determines which organizations survive or fail. The assumption is that individual organizations suffer from structural inertia and find it difficult to adapt to environmental changes. Thus, when rapid change occurs, old organizations are likely to decline or fail, and new organizations emerge that are better suited to the needs of the environment. For example, when Blockbuster couldn't adapt to Netflix's impact on how people watch movies at home, the company's 9,000 video rental stores declined by March 2019 to a single store in Bend, Oregon, where managers say they have no intention of closing.

KEY CONCEPTS

coercive forces
collaborative-network perspective
generalist
institutional environment
institutional perspective
institutional similarity
interorganizational relationships
joint venture
legitimacy
mimetic forces
niche
normative forces
organizational ecosystem
organizational form
population
population-ecology perspective
resource-dependence theory
retention
selection
specialist
strategic alliance
struggle for existence
trade association
variation

DISCUSSION QUESTIONS

1. The concept of business ecosystems implies that organizations are more interdependent than ever before. From personal experience, do you agree? Explain.
2. How do you feel about the prospect of becoming a manager and having to manage a set of relationships with other companies rather than just managing your own company? Discuss.
3. Assume you are the manager of a small firm that is dependent on a large manufacturing customer that uses the resource-dependence perspective. Put yourself in the position of the small firm, and describe what actions you would take to survive and succeed. What actions would you take from the perspective of the large firm?
4. Many managers today were trained under assumptions of adversarial relationships with other companies. Do you think operating as adversaries is easier or more difficult than operating as partners with other companies? Discuss.
5. Discuss how the adversarial versus partnership orientations work between you and other students in your course. Is there a sense of competition or collaboration for grades? Is it possible to develop true partnerships if your grade depends on the work of others? Explain.
6. The population-ecology perspective argues that it is healthy for society to have new organizations emerging and old organizations dying as the environment changes. Do you agree? Why would European countries pass laws to sustain traditional organizations and inhibit the emergence of new ones?
7. Discuss how the process of variation, selection, and retention might help explain innovations that take place within an organization.
8. Do you believe that perceived legitimacy really motivates a large, powerful organization such as Walmart? Is acceptance by other people a motivation for individuals as well? Explain.
9. How does the desire for legitimacy result in organizations becoming more similar over time?
10. How do mimetic forces differ from normative forces? Give an example of each.

CHAPTER 5 WORKSHOP The Shamatosi[77]

Instructions

1. Divide into groups of three. Half the groups, on one side of the room, are "1s" and the other half are "2s."
2. The 1s are Pharmacology; the 2s are Radiology. Read *only* your own role, not the other one.
3. Any students not in a negotiating group can be assigned to observe a specific negotiation meeting.
4. Both groups want to purchase Shamatosi plants owned by DBR.
5. Each group has 10 minutes to prepare a negotiation strategy for meeting with the other side.
6. One Pharmacology group meets with one Radiology group so that all groups meet with one counterpart.
7. You have 15 minutes to try and negotiate a possible agreement to purchase Shamatosi plants from DBR.
8. You should decide whether you can form an agreement to move ahead jointly or whether you will go into competition with each other. An agreement would consider the price offered for the plants, how the cost is shared, to where plants will be delivered (which company), and how plants are best utilized.
9. Groups report to the whole class on results of negotiation. Observers can comment on their observations, such as level of trust and/or disclosure and ease/difficulties of reaching an agreement between companies.
10. Instructor leads a discussion on interorganizational agreements, decision-making, and joint ventures.

Role of Team from Pharmacology, Inc.:

Dr. Bernice Hobbs, a biological researcher for Pharmacology, Inc., a major pharmaceutical company, has monitored with mounting concern the reports from Brazil's Amazon rainforest. Everything from world weather patterns to providing an estimated one in four ingredients in medicine is tied to securing the world's rainforests. But over the past decade, scientists and pharmaceutical companies, along with environmental groups and others, have observed with alarm the destruction of the rainforests, and with it the destruction of entire species of plant, animal, and insect life.

As Hobbs monitors the situation, she is particularly concerned about conditions with regard to a particular plant found in limited quantities near the Rio Negro. Rainforest trees have shallow roots because the major nutrients for growth are located near the surface level. Biologists discovered a rare tiny plant growth called Shamatosi embedded among the trees near the Rio Negro. For a number of years, researchers have explored potential medical uses for these tiny plants.

Dr. Hobbs has been working with the leaves of the tiny Shamatosi plant and has discovered the plant's potential as a cancer-suppressing drug after breast cancer surgery. For a number of years, the leading drug in this category has been Tamoxifen, a synthetic drug described as "remarkable" and credited with saving more lives than any other oncological drug by the lead investigator for a major breast cancer research group. However, research has also shown that Tamoxifen raises the risk of cancer in the lining of the uterus and can lead to blood clots in the lungs. There is also a growing level of concern as Tamoxifen resistance has developed. The medicine developed by Hobbs may avoid these problems and bring a new treatment into the list of options for doctors and their patients. But more research is needed. Hobbs needs to have access to as many leaves as possible from the Shamatosi plant.

DBR, the Brazilian timber company, has possession of several thousand Shamatosi plants from this year's season that have been replanted in portable crates. Your company, Pharmacology, Inc., has authorized $1.5 million for your team to bid to obtain the plants. You cannot go over this budget. Your team will meet with a team from Radiology, Inc., which also wants to purchase the Shamatosi plants from DBR, about a possible agreement for purchasing and using the plants for research.

Role of Team from Radiology, Inc.:

Dr. Alberto Dominguez, a biochemist for Radiology, Inc. who has expertise in treating radiation exposure, monitors with mounting concern the reports from Brazil's Amazon rainforest. Everything from world weather patterns to providing an estimated one in four ingredients in medicine is tied to securing the world's rainforests. But over the past decade, scientists and pharmaceutical companies, along with environmental groups and others, have observed with alarm the destruction of the rainforests, and with it the destruction of entire species of plant, animal, and insect life.

As Dominguez monitors the situation, he is particularly concerned about conditions concerning a particular plant found in limited quantities near the Rio Negro. Rainforest trees have shallow roots because the major nutrients for growth are located near the surface level. Biologists discovered a rare tiny plant growth called Shamatosi embedded among the trees near the Rio Negro. For a number of years, researchers have explored potential medical uses for these tiny plants.

Dr. Dominquez has been working with the roots of the Shamatosi plant in response to incidents involving radiation exposure. The worldwide expansion of nuclear facilities, the lessons from the 1986 Chernobyl disaster, and the resulting cases of thyroid cancer among thousands of children and adolescents, led to intensive research by Dominguez and his colleagues to provide the swiftest response with the most powerful medicine. For years, Potassium iodide (KI) was issued in kits provided by organizations such as the Centers for Disease Control. However, KI was found deficient in protecting many body parts, such as the liver and intestines. Dominguez discovered the tiny Shamatosi plant, and his research indicated the potential for medicines from the root of this plant to provide additional protection, even for incidents of large-scale or prolonged exposure. The March 2011 Tohoku earthquake and tsunami, and the resultant radiation exposure caused by the meltdown at the Fukushima Daiichi nuclear power plant, intensified concerns among scientists to find and develop a new medicine. Dominguez needs as many plants as possible.

DBR, the Brazilian timber company, has possession of several thousand Shamatosi plants from this year's season that have been replanted in portable crates. Your company, Radiology, Inc., has authorized your team to bid $1.5 million to obtain the plants. You cannot go over this budget. Your team will meet with a team from Pharmacology, Inc., which also wants to purchase the Shamatosi plants from DBR, about a possible agreement for purchasing and using the plants for research.

CASE FOR ANALYSIS | Technomagia and AUD

Vito Brassimo immigrated to the United States six years ago after working as design leader for an Italian company specializing in home sound systems. Armed with a vision and 15 years of experience, he founded his own company, Technomagia, as the supplier of sound translation components including the base radiator, dome tweeter (for high frequency), composite cone (for midrange sound), the binding post (for sound translator delivery), and ohms impedance (for conducting sound through the speakers). As it builds its reputation for quality and supply chain service and delivery, Technomagia relies heavily on continuing a solid relationship with AUD, a manufacturer of home sound systems, under the management of CEO Martin Right. AUD was the company's first contractual partner, currently accounting for 50 percent of the small supplier's business. The initial agreement with AUD has grown and the current business relationship brings a steady stream of orders that has enabled Brassimo, even in a tough economy, to add workers over the last three years. Brassimo loves the reliability of selling to AUD, but he sometimes questions whether the business relationship is overbalanced in favor of the powerful manufacturer.

"I think in the beginning Right played his hand well, knowing that we were a startup and trying to secure a solid customer base. In my eagerness to get the contract and in trying to please the head of a big company, I found myself saying 'Yes' and carrying out his wishes and demands," Brassimo admits. "Because we were a young company and because he is, by far, our biggest customer, I think he got into the habit of assuming the focus would remain on *his* needs and *his* profits throughout the business relationship. But now, with our feet under us as a company, I think it is time to look again at the relationship between the two companies."

Right is satisfied with the present arrangement he has with Technomagia and sees himself as both partner and mentor, as he recently explained to a colleague. "Brassimo came to this country and started his company and I was willing to give him a chance, set up our logistics, and make it possible for him to grow his company. I think it's worked out very well for AUD. And now he talks about wanting to change the way we do things. I'm suspicious about what he has in mind. But he needs us more than we need him. Look, I've got a good supplier; he gets lots of business from us; I see no reason to change it."

Although the relationship and dialogue at the top management level is strained, mid-level managers at both companies *do* talk and are eager to explore and implement a new vendor managed inventory (VMI) system that builds a partnership of strong interdependence and equity. Instead of sending purchase orders, VMI involves sharing daily electronic information about AUD's sales, so inventory is replaced automatically by Technomagia. Mid-level managers Gary Handell (AUD) and Victoria Santos (Technomagia) regularly correspond and meet to find potential areas for close cooperation, information sharing, and problem feedback.

"I know that Right is suspicious, but it really is time for these two guys to take a new look at this business relationship and how they can address issues that could be beneficial to both," Santos says. "The playing field has changed. Technomagia is stronger."

"But the relationship has not changed and I don't think it will until Brassimo finds a way to reduce his dependence on AUD. In the meantime, flexibility, information sharing, and reconsidering a range of cost-efficient options is important," Handell admits, "But we have to start with the discussion of whether AUD calls all the shots between our two organizations."

"Yes, and that discussion must include logistical issues," Santos says.

"Delivery, the disagreements about the pallets . . ."

"Right set up all of that initially—what would work best for delivery to AUD," Santos says. "But Brassimo insists that PM rather than AM pick-ups would be better and that a change in pallet companies, from Bradley Packaging to Eastmont Packaging, would cut costs per trip by reducing mileage. Plus, Eastmont has a new custom-made pallet that provides greater load stabilization necessary for high-tech components. The savings for Technomagia would be shared with AUD."

"But Bradley has a long-time business relationship of its own with AUD," Handell points out.

"So, what we're saying here is that it is not *just* a discussion about these two organizations, but a consideration of the whole supply chain. The cost of lost flexibility, the lack of shared information. It's costing both of them. And the sudden spikes in production requests by AUD, in response to its retail customers, create unnecessary problems in production planning at Technomagia and unnecessary stress for the management and workers at both companies."

"VMI could be a powerful tool that empowers and brings value to both sides," Handell says. "Through this system, Technomagia will be able to create orders for us based on direct access to our orders and demand information—both short and long-range needs . . ."

"And then, we can work together, determining the most cost-efficient way to manage and deliver the inventory," Santos continues. "We'll look at the entire supply chain to see where changes and even minor tweaks can be made to bring down costs and make the partnership strong, but there would have to be equal give and take."

"Flexibility on both sides is necessary to make this work," Handell points out. "This is not a competition. Nobody has to be *right*."

"But getting top management on board to make this work is our real challenge," Santos says. "And we have to start looking ahead. VMI could be a stepping-stone to Jointly Managed Inventory (JMI), an even deeper collaboration, allowing the increased tactical planning and the real integration of Technomagia and AUD's point of sale systems. That will offer optimal cost sharing and real time sales data, allowing us to stay ahead of the curve in production planning as well as logistics to meet AUD's needs in real time."

"So, what's our next step?" Handell asks. "How can we make this happen?"

Questions

1. What is the role of the resource dependence and collaborative network perspectives in this case? Explain your reasoning.
2. Do you think the relationship between Technomagia and AUD would have worked out satisfactorily for both without VMI? Discuss your expected outcomes with and without VMI.
3. Why do think Brassimo and Right have different perspectives on the need for a change in the relationship between their businesses?

CASE FOR ANALYSIS | Bradford Chemicals Company[78]

Bradford Chemicals manufactures high-quality plastics and resins for use in a variety of products, from lawn ornaments and patio furniture to automobiles. The Bradford plant located near Beatty, a town of about 45,000 in a South-eastern state, employs about 3,000 workers. It plays an important role in the local economy and, indeed, that of the entire state, which offers few well-paying factory jobs.

In early 2004, Sam Henderson, plant manager of the Beatty facility, notified Governor Tom Winchell that Bradford was ready to announce plans for a major addition to the factory—a state-of-the-art color lab and paint shop that would enable better and faster matching of colors to customer requirements. The new shop would keep Bradford competitive in the fast-paced global market for plastics, as well as bring the Beatty plant into full compliance with updated U.S. Environmental Protection Agency (EPA) regulations.

Plans for the new facility were largely complete. The biggest remaining task was identifying the specific location. The new color lab and paint shop would cover approximately 25 acres, requiring Bradford to purchase some additional land adjacent to its 75-acre factory campus. Henderson was somewhat concerned with top management's preferred site because it fell outside the current industrial zoning boundary, and, moreover, would necessitate destruction of several 400- to 500-year-old beech trees. The owner of the property, a nonprofit agency, was ready to sell, whereas property located on the other side of the campus might be more difficult to obtain in a timely manner. Bradford was on a tight schedule to get the project completed. If the new facility wasn't up and running in a timely manner, there was a chance the EPA could force Bradford to stop using its old process—in effect, shutting down the factory.

The governor was thrilled with Bradford's decision to build the new shop in Beatty and he urged Henderson to immediately begin working closely with local and state officials to circumvent any potential problems. It was essential, he stressed, that the project not be bogged down or thwarted by conflict among different interest groups, as it was too important to the economic development of the region. Governor Winchell assigned Beth Friedlander, director of the Governor's Office of Economic Development, to work closely with Henderson on the project. However, Winchell was not willing to offer his commitment to help push through the rezoning, as he had been an enthusiastic public supporter of environmental causes.

Following his conversation with Governor Winchell, Henderson sat down to identify the various people and organizations that would have an interest in the new color lab project and that would need to collaborate in order for it to proceed in a smooth and timely manner. They are as follows:

Bradford Chemicals

- Mark Thomas, vice president of North American Operations. Thomas would be flying in from Bradford's Michigan headquarters to oversee land purchase and negotiations regarding the expansion.
- Sam Henderson, Beatty plant manager, who has spent his entire career at the Beatty facility, beginning on the factory floor fresh out of high school.
- Wayne Talbert, local union president. The union is strongly in favor of the new shop being located in Beatty because of the potential for more and higher-wage jobs.

State Government

- Governor Tom Winchell, who can exert pressure on local officials to support the project.
- Beth Friedlander, director of the Governor's Office of Economic Development.
- Manu Gottlieb, director of the State Department of Environmental Quality.

City Government

- Mayor Barbara Ott, a political newcomer who has been in office for less than a year and who campaigned on environmental issues.
- Major J. Washington, the Chamber of Commerce chair of local economic development.

Public

- May Pinelas, chairman of Historic Beatty who argues vociferously that the future of the region lies in historic and natural preservation and tourism.
- Tommy Tompkins, president of the Save Our Future Foundation, a coalition of private individuals and representatives from the local university who have long been involved in public environmental issues and have successfully thwarted at least one previous expansion project.

Henderson is feeling torn about how to proceed. He thinks to himself, "To move forward, how will I build a coalition among these diverse organizations and groups?" He understands the need for Bradford to move quickly, but he wants Bradford to have a good relationship with the people and organizations that will surely oppose destruction of more of Beatty's natural beauty. Henderson has always liked finding a win-win compromise, but there are so many groups with an interest in this project that he's not sure where to start. Maybe he should begin by working closely with Beth Friedlander from the governor's office—there's no doubt this is an extremely important project for the state's economic development. On the other hand, it's the local people who are going to be most affected and most involved in the final decisions. Bradford's vice president has suggested a press conference to announce the new shop at the end of the week, but Henderson is worried about putting the news out cold. Perhaps he should call a meeting of interested parties now and let everyone get their feelings out into the open? He knows it could get emotional, but he wonders if things won't get much uglier later on if he doesn't.

Questions

1. Do you think it is necessary for Henderson to meet with and try to build support from such a diverse group of people before moving ahead with the color lab and paint shop? Why?
2. How does the institutional view in the chapter help explain the events in this case? Discuss.
3. Which of normative or coercive forces among stakeholders do you think are more likely to affect the decision to build the color lab and paint shop? Why?

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