

# Theoretical Foundation of Supply Management: Contributions of the Resource Dependence Theory

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## ABSTRACT

The relative newness of the field of supply management, in combination with its nature of being an applied one, leads to a lack of valid theoretical foundation. Shook et al. (2009) therefore propose a toolbox for better strategic sourcing founded on well-established theories. This thesis offers such a tool by referring to resource dependence theory (RDT) to develop an innovative perspective on the four critical decision points in supply management; the make-or-buy decision, the selection of a sourcing strategy per category, the establishment of a supply pool, and the negotiation and contracting decision. RDT's predictions are analyzed based on an extensive literature review. Basically, the aim of any organization, according to RDT, is maximal independence and certainty in an environment that threatens through dependency and uncertainty. The comprehensive informative value of RDT allows for an application of its insights to all four decision points. As a result, improvements and advises for each of the decisions are presented. It is advised to in-source the production of critical items if they can only be sourced constrained through dependency or uncertainty. Besides that, the selection of suppliers that are equally powerful or weaker is favored. For the decision towards the establishment of a supply pool and the selection of a sourcing strategy, in particular the insights about relational buyer-supplier approaches to ensure supplies are of great value.

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## Keywords

Supply Management, Resource Dependence Theory, Improved Decision-Making, Power Relations, Uncertainty, Dependency,

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*1<sup>st</sup> IBA Bachelor Thesis Conference*, June 27<sup>th</sup>, 2013, Enschede, The Netherlands.

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# 1. ENABLING A THEORETICALLY FOUNDED TOOLBOX FOR SUPPLY MANAGEMENT BY THE APPLICATION OF RDT'S PREDICTIONS ON CRITICAL PURCHASING DECISIONS

Supply management, once perceived as having a passive role with no strategic impact in the organization, is nowadays regarded as a critical success factor in order to gain competitive advantage (Carr & Smeltzer, 1997, p. 199; Cousins et al., 2008, p. 11; Pfeffer & Salancik, 2003). Most organizations see managing their supply chain (or 'base') as a key strategic issue (Carr & Smeltzer, 1997, p. 199.; Mulder et al., 2005, p. 190). The new role of purchasing is accompanied by a wide range of new tasks that a purchasing manager has to fulfill. The purchaser's tasks, amongst others, are to make sound make-or-buy decisions, monitor the global market, optimize processes throughout the whole supply chain, and search for purchasing alliances (Mulder et al., 2005, p. 191). However, besides these main activities, the purchasing function has a broader range of objectives, such as the support of organizational goals and objectives, the development of an integrated purchasing strategy in line with corporate objectives, the support of operational requirements as well as the efficient and effective use of resources (Monczka et al., 2010, pp. 25-26).

When integrating the decisions that typically have to be taken during a purchasing year, four decision points are identified in a preceding work to this thesis. The first of them deals with the decision whether to make an item in-house or whether to purchase it externally. Since make-or-buy decisions determine the level of vertical integration of a firm, each decision clarifies which activities the firm undertakes itself and which are contracted out to a supplier (Cousins et al., 2008, p. 28). Linked to the make-or-buy decision is demand planning with volume uncertainty as the critical driver (Walker & Weber, 1984, p. 379).

Subsequently, the second decision point deals with the selection of specific sourcing strategies for each category. A sourcing strategy integrates the goals of the purchasing function with the corporate strategy (Rendon, 2005, p. 8). The choice of the appropriate sourcing tactics depends mainly on the strategic value of the commodity in terms of e.g. costs, value adding profile or profitability profile, as well as the supply market complexity in terms of e.g. supply monopoly or oligopoly, entry barriers, pace of technological advantage, logistics costs (Kraljic, 1983, p. 111). In a next step, the sourcing strategy has to be implemented through tactical levers. This approach operationalizes and executes the sourcing strategy (Schiele et al., 2011, p. 319). A sourcing lever "is a set of measures that can improve sourcing performance in a commodity group" (Schiele, 2007, p. 279).

Decision point number three deals with the establishment of a potential supply pool, whose suppliers must have the right competencies according to the sourcing strategy employed. This presupposes the use of analytical supportive processes. Firms need to identify suppliers that suit best to their own vision and to the product/item they want to produce/establish. Generally, supplier selection "is a highly complex process involving influences from two or more organizations, several individuals/departments, and other operation policies", with having different multi-criteria decision problems (Lee et al., 2001, p. 307; Verma & Pullman, 1998, p. 748).

Finally, decision point number four is concerned with negotiations with suppliers and awarding of contracts. The way the type of contract is chosen generally depends upon a number of factors characterizing the supply market, the product and relational aspects (Monczka et al., 2010, p. 336).

The practical orientation of supply management in combination with its relative newness lead to a lack of a valid theoretical foundation (Chicksand et al., 2012, p. 466). Shook et al. (2009) as a response to that, propose a toolbox for better strategic sourcing founded on well-established theories. Organizational theories that are taken into consideration are institutional theory, network theory, resource dependence theory (RDT), resource based view, transaction cost economics, agency theory, systems theory, strategic choice theory, socio-cognitive approach, and critical theory (p. 3).

The proposed thesis focuses on RDT and its possible contributions to strategic sourcing. With the work "The external control of organizations: A resource dependency perspective" Pfeffer and Salancik (1978) initiated a comprehensive approach to the study of organizational behavior (Drees & Heugens, 2013, p. 2; Pfeffer & Salancik, 1978). Until today RDT has had a great influence on various fields of organizational theory and some scholars even see a rise in interest (Davis & Cobb, 2010, p. 24). In essence, the approach emphasizes the importance of the organizational context which entails uncertainty in resource acquisition on which any organization relies (Hillman et al., 2009, pp. 1404-1405). In response, an organization always seeks to minimize any situation of uncertainty and dependency. In this process it takes into account the relative importance of resources and especially aspires to avoid uncertainty for critical resources (Nienhueser, 2008, p. 12). Therefore, strategies are in place to act according to the organizations interests to reduce uncertainty. Typically, the more uncertain the environment becomes, the closer relationships firms seek to establish (Fink et al., 2006, p. 500).

For the supply management function the scientific findings of the RDT provide valuable insights in particular with respect to the tendency to outsource major parts of the business activities or the growing importance of open innovation (Paulraj & Chen, 2007, p. 29; Tidd & Bessant, 2009, p. 59). The theory sheds light on the critical questions related to the new function and growing importance of supply management. Overall, the aim of this thesis is to establish and test possible connections between the well-founded insights from the RDT to the key decision points in supply management. The research question is therefore as follows:

'How can the resource dependence theory contribute to the field of supply management?'

The presented thesis firstly summarizes the essentials of RDT and discusses its applicability to supply management. Subsequently, the emergence and underlying assumptions of RDT are illustrated. Thirdly an analysis of key concepts that are integrated into a model that connects the determinants of organizational behavior is the basis for an application of the gained insights. Lastly, the predictions of RDT are applied to the decisions to be taken in supply management. The thesis is based upon a comprehensive literature review taking into account scholars from the field of supply management and RDT since its emergence during the 1970s.

## 2. RESOURCE DEPENDENCE THEORY

### 2.1 Applicability to Supply Management

#### 2.1.1 *Resource Acquisition at the Core of RDT's Determinants for Organizational Behavior*

Resource dependence theory assumes that variation in uncertainty deriving from the organizational environment is responsible for both internal power distribution between organizational entities and external power distribution between market participants (Hillman et al., 2009, p. 1405). External power, in addition, is influenced by dependency relations that exist as consequence of a lack of autonomy. Both uncertainty and dependence derive from the assumed constraint that any organization faces; they cannot exist without purchases of resources from external sources and these are not dependable (Heide, 1994, p. 73; Pfeffer & Salancik, 2003, p. 2).

Together, internal structures, external power distribution, and the characteristics of dependency of the focal organization determine the need to employ appropriate tactics to counteract. The aim of any organization is maximal independence and certainty. It is suggested that in any situation in which resource acquisition of critical resources is only possible in relations in whom an organization is dependent on the supplier of that resource or other uncertainties exist, measures have to be taken to cope with these constraints (Hillman et al., 2009, p. 1405; Pfeffer & Nowak, 1976, p. 415). Regarding this effort a number of strategies have been discussed in the field of RDT; Board interlocks, Alliances, joint ventures, in-sourcing and M&A (Casciaro & Piskorski, 2005, p. 191; Drees & Heugens, 2013, p. 1; Park et al., 2002, p. 169; Peng, 2004, p. 468; Pfeffer & Nowak, 1976, pp. 415-416).

Recent reviews of RDT confirm its great influence on both strategic management and organizational theory (Hillman et al., 2009, p. 1414). Davis and Cobb (2010) claim, that there is evidence for a rise in interest in RDT (p. 24). In a comprehensive study on the "Rated importance, scientific validity and practical usefulness of organizational behavior theories" Miner (2003) found RDT to have a high estimated importance (p. 254). Furthermore, it is revealed that the general pressures of the environment hypothesized by Pfeffer and Salancik (1978) to influence organizations are basically the same today as they were during the time of the emergence of the theory; namely: "economic crisis, dissatisfaction with political leadership, increased social activism" (Davis & Cobb, 2010, p. 24).

The general orientation of RDT as a theory that sets resources and their acquisition in the centre of the determinants of organizational actions together with the verified importance of the theories hypotheses is an indicator of its value for supply management. In the following chapter recent attempts to internalize RDT's claims to supply management are summarized.

#### 2.1.2 *Already Initiated Application of RDT on Supply Management*

A couple of scholars have already initiated to apply insights from RDT to the field of supply management. In their study on "Port Sustainability and Stakeholder Management in Supply Chains: A Framework on Resource Dependence Theory" Denktas-Sakar and Karatas-Cetin (2012) limit their contribution to a relatively narrow field of sustainability of supply chains in the port industry (p. 313). Fynes et al. (2004) come up with a model of strategic supply management based on the concept of uncertainty and test it with data from the electronic sector in Ireland (p. 179). Paulraj and Chen (2007) as the former authors

invent a model of strategic supply management based on uncertainty. They conclude that relationships between "environmental uncertainty and strategic supply management" are in general supporting RDT's predictions (p. 37). Interesting for this study is the notion that in the authors opinion future research should consider "factors such as supply base optimization, supplier selection and supplier certification", a direction the present research addresses (Paulraj & Chen, 2007, p. 37).

Above mentioned studies focus more or less on one specific function of supply management. In contrast, the ambition of the present study is more comprehensive. Through the extended analysis of the decisions in purchasing, resulting in the four decision points of purchasing, it is possible to integrate insights from RDT with each of them and thus improve theoretical insights for strategic purchasing in general. Therefore, first of all a comprehensive understanding of RDT is required, hence in the following chapter the emergence of the theory is retraced.

### 2.2 The Emergence of RDT During a Fruitful Time for Organizational Theories

The decade of the 1970s saw a significant number of organizational theories emerging that in many cases still have a great impact on science and practice today: e.g. transaction cost economics; Williamson (1975), agency theory; Jensen and Meckling (1976) and new institutional theory; Meyer and Rowan (1977) (Davis & Cobb, 2010, p. 3).

The underlying concepts of RDT were not entirely new to organizational research. In particular, the focus on organizational context to analyze organizational behavior was already established by earlier scholars (Aldrich & Pfeffer, 1976, p. 80). In fact Pfeffer and Salancik (1978) integrated a number of concepts from earlier works that had a different focus and added organizational responses to anticipate dependencies (Davis & Cobb, 2010, p. 3). The main pillars on which the theses of RDT are based include the work of Emerson (1962), Blau (1964), Jacobs (1974), and further studies on power relations and social exchanges, some of which were conducted by Jeffery Pfeffer (Ulrich & Barney, 1984, p. 472).

In the work on "Power dependence relations" Emerson (1962) outlined the importance of external coalitions to understand power relations within organizations. The basic claim is that the more dependent an actor A is on an actor B, the greater is the power that actor B has over A. In addition is "the dependence of an actor A upon actor B directly proportional to A's amount of motivational investments in goals mediated by B and inversely proportional to the availability of those goals to A outside the A-B relation" (Emerson, 1962, pp. 32-33). Blau (1964) broadens the view on power in relations by arguing that in principle power can be compared to a currency, where in situations when social actors ran out of that currency the result is to be paid with compliance. Basically, the currency is in control, equilibrating imbalances in exchanges. In addition to Emerson, Blau supplemented the existence of coercion as an instrument of influence (Blau, 1964, p. 22; Jacobs, 1974, p. 48). Jacobs (1974) investigates "how organizations are controlled through exchange relationships with their environments" (p. 45). Therefore, five kinds of exchange relationships are distinguished and analyzed with respect to their impact on the organizations dependencies (Jacobs, 1974, p. 45). The distinct factors are: "input acquisition, output disposal, capital acquisition, acquisition of production factors, and the acquisition of a labor force" (Jacobs, 1974, p. 50). In summary, the founding theories of RDT already give an indication about the focus on relational aspects between actors in organizational

life that play a fundamental role in determining the behavior of organizations. In addition, the uniqueness of RDT is certainly the circumstances under which such a grand theory emerged. Jeffrey Pfeffer developed the concept underlying RDT during his dissertation at Stanford. In addition, Gerry Salancik provided a micro-perspective on organizations and the fruitful combination was finally brought to perfection through the dissertation committee at Stanford (Davis & Cobb, 2010, pp. 4-5). Publications by Jeffrey Pfeffer on which RDT draws some of its hypotheses include: Pfeffer (1972a), Pfeffer (1972b), Pfeffer (1972c), Aldrich and Pfeffer (1976) and Pfeffer and Nowak (1976). The basic concept of RDT, investigated in the following chapters was thus developed within a relatively short period of time and has remained intact since then (Drees & Heugens, 2013, p. 22). To fully understand the theories proposed correlations in the next section the assumptions underlying RDT are analyzed.

### 2.3 A Key Assumption of RDT is that the Environment of the Organization is not Dependable

RDT, as a theory that sheds light on the drivers of organizational behavior by considering relational aspects, is built upon a number of assumptions about humans, organizations and the environment.

When reviewing the assumptions regarding individuals in organizations, one major concept is that of bounded rationality. Typically individuals in organizations are confronted with issues that are too complex to be processed by the human brain, when taking into account all variables. As a response they reduce the level of complexity to make matters understandable (Robbins & Judge, 2012, p. 86). This process is often subjective in nature and thus is a constraint to organizational decision-making (Nienhueser, 2008, p. 13). However, the influence of individuals on variance in organizational performance is narrow, most of it being explained through its context (Dill, 1981, p. 757).

Further, the idea that underlies RDT can be characterized as individualistic. The fact that the theory is built upon the ideas of Emerson (1962) underlines the importance of individual power. This power is not achieved from sources like networks or relations, which would indicate a more collective approach, but from control over resources (Boddy, 2011, p. 140). The basic concept is that every entity aims to achieve the best position in the system and is not taking into account any ethical principles, or altruistic behavior, for instance (Crane & Matten, 2010, p. 394). Relationships are thus established and maintained for causes of self-interest (Shook et al., 2009, p. 5).

Consequential to the idea of man is the conception of organizations. Predictions about organizational behavior work best in circumstances of free market economies, regulations, e.g. competition law, are generally constraining assumed correlations (Drees & Heugens, 2013, p. 25). A basic assumption about organizations is that every entity works for its own good (Fynes et al., 2004, p. 181). However, this is just achievable by maintaining a set of internal and external coalitions (Ulrich & Barney, 1984, p. 472). These are indispensable for an organization and relate to the constraint that transactions are needed to acquire resources (Pfeffer & Salancik, 2003, p. 2). Basically, no organization can survive without any exchanges with its environment.

At a first glance this notion about organizations may appear to be similar to the concept of systems theory, which describes an organization as a system of interconnected entities that interact

together to create value (Shook et al., 2009, p. 5). Nevertheless, even though the concept of interdependence may have similarities, the resulting consequences for organization are dissimilar. Whereas systems theory focuses on the types of interdependencies and the associated costs, RDT emphasizes the related risks and required defense mechanisms (Shook et al., 2009, p. 5). The ascribed objectives of organizations with respect to coalitions illustrate the difference as compared to “Systems theory”, that in particular views associated costs as the main distinction between relations (Shook et al., 2009, p. 5).

The two-folded pursued position by an organization, according to RDT, is firstly to have maximal control over required resources, to minimize dependence on external sources and secondly to enhance control over resources to achieve maximal dependence of other organizations (Ulrich & Barney, 1984, p. 472). In simple words, a powerful position in the necessary coalitions is aspired by any organization in order to acquire the highest degree of independence. This ultimate goal of organizations has to be seen in relation to the concept of uncertainty that derives from the assumptions about the environment. The underlying problem with respect to the environment is that it is not dependable. To react on this constraint, measures have to be taken to change the environment. This in turn implies the additional estimation, that it is feasible for an organization to change its context. Based on these basic assumptions underlying RDT a conceptual model of the theory is outlined in the following chapter.

### 2.4 Actions to Ensure the Acquisition of Resources are Determined by Constraints of Dependence and Uncertainty

#### 2.4.1 Four Factors that can Cause Dependence

One main hypotheses of RDT is that: “the key to organizational survival is the ability to acquire and maintain resources” (Pfeffer & Salancik, 2003, p. 2). The underlying assumption to this central statement, as outlined above, is that no organization can exist without any transactions with its environment (Aldrich & Pfeffer, 1976, p. 83). In principle, this verification would not present any constraints as long as transactions would be reliable (Heide, 1994, p. 73; Pfeffer & Salancik, 2003, p. 3). It is only the fact that the environment is not reliable that introduces the problems associated with dependency (Pfeffer & Salancik, 2003, p. 3). Knowing this, it is essential for organizations to be aware of its critical resources and of external variables that influence the acquirement of these (Dill, 1981, p. 758; Nienhueser, 2008, p. 12).

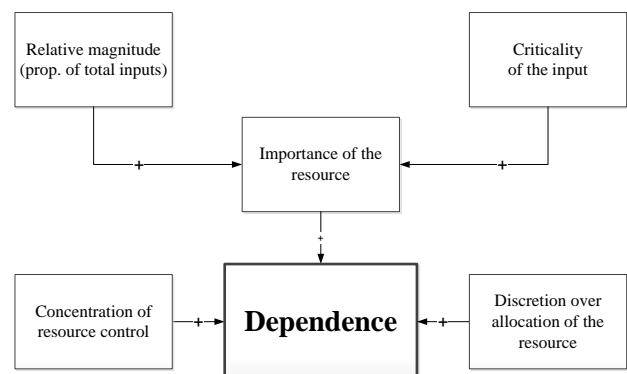


Figure 1. Factors that lead to dependence,  
Source: Own figure.

The perceived dependence of an organization is influenced by four factors; firstly it is to be distinguished between the relative magnitude and the criticality of the resource. The share of total input indicates the magnitude whereas the potential of the organization to function without the resource is an indicator for the criticality of that resource (Caniëls & Gelderman, 2005, p. 148; Pfeffer & Salancik, 2003, pp. 46-47). Together these factors determine the importance of a resource for the focal organization.

In addition, the degree of control over a resource, discretion, is a factor influencing the potential dependence associated with a resource (Pfeffer & Salancik, 2003, p. 47). Discretion is determined by directness of possession, access, actual use and control of that use and the degree of legislative power over a resource (Pfeffer & Salancik, 2003, pp. 48-49). Having identified these characteristics of resources, final conclusion about the resulting dependencies is still not immediately possible. The degree of concentration of resource control, in simple words the availability of alternatives is another crucial factor impacting dependence associated with the acquisition of that resource (Nienhueser, 2008, p. 12) (See Figure 1). The final factor, the degree of concentration, is also embedded in the model of the environment and thus in addition directly impacts the later described concept of uncertainty.

#### 2.4.2 Environment as Source of Uncertainty

As resource dependency theorists repeatedly state, the central argument of the theory is that to understand or manage the behavior of an organization it is essential to understand its context (Davis & Cobb, 2010, p. 5; Hillman et al., 2009, p. 1404; Nienhueser, 2008, p. 12). Therefore, in this chapter the model of the organizational context is introduced. The environment can be divided into three dimensions, namely the broadest level with all interconnected individuals and organizations, the level comprising all direct interactions of the organization and the level of perceived interconnections (Pfeffer & Salancik, 2003, p. 63).

Within this framework, the model of the causal relations of the organization's context is developed. Based on findings from organization's environment literature, an overview of the key variables and correlations that determine the environment is established (Pfeffer & Salancik, 2003, p. 68) (See Figure 2).

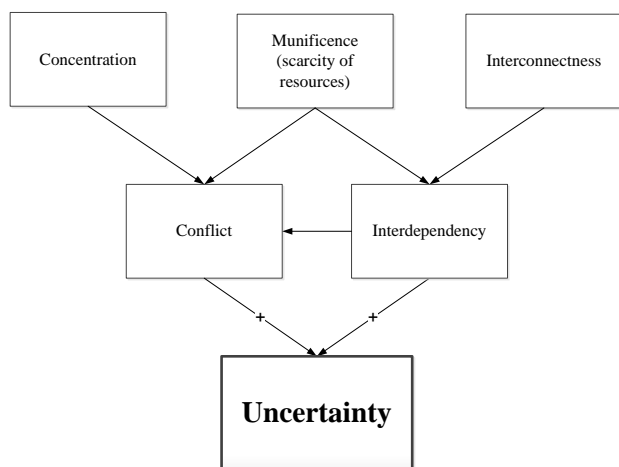


Figure 2. Environment of the organization,

Source: Based on Pfeffer and Salancik (2003, p. 68), .

Distinguishable are: concentration, which is the distribution of power; munificence, referring to the scarcity of resources; and the level of interconnection (Caniëls & Gelderman, 2005, pp. 143-144.; Pfeffer & Salancik, 2003, p. 68). Depending on these features in turn are the potential conflict and interdependence, which finally determine the degree of uncertainty within the environment (Caniëls & Gelderman, 2005, pp. 143-144.; Pfeffer & Salancik, 2003, p. 68). Conflict and interdependence are characteristics of the relationships among the social actors within a system. In general, the higher the concentration and munificence, the higher the potential for conflict, accordingly the higher the degree of interconnectedness and munificence, the higher the degree of interdependence (Nienhueser, 2008, p. 12). Interdependence here refers to mutual power relations (Davis & Cobb, 2010, p. 6; Geyskens et al., 1996, p. 306). Conflict refers to differing interests (Kaufmann & Stern, 1988, p. 538). The characteristics of the relationships as a result are an indicator of environmental uncertainty. Basically, the more conflict and interdependencies are present, the greater the lack of precise predictions of future states of the environment (Nienhueser, 2008, p. 12; Pfeffer & Salancik, 2003, p. 67).

Uncertainty is not a problem per se for an organization, critical is the organizations ability to cope with the uncertainty it is confronted with and to take measures to reduce its impact. That both the concepts of dependency and the concept of uncertainty are interrelated gets visible by the analogy of the factor concentration of resource control that has influence on both concepts and by the interrelatedness of the concept of dependency and the concept of interdependency.

As a response to these constraints the development of tactics to cope with both uncertainty and dependency is one of the main deliverables of RDT (Ulrich & Barney, 1984, p. 472). The starting point for an understanding of effective organizational behavior as a consequence is always its environment and the organization's position within its context. Hence, this position is the starting point for an analysis of appropriate organizational behavior, which is the subject of the following chapter.

#### 2.4.3 Organizational Behavior Aimed at the Assurance of Supplies

The question then arises, how the affection of organizational behavior takes place. First of all, for a couple of reasons not every event happening in the environment impacts an organization. Most important is the subjectivity in perception that leads to different realities of one and the same environment. The concept of bounded rationality, one of the core assumptions of RDT, was picked up and extended by various studies (Nienhueser, 2008, pp. 12-13). Next to that, the information system in place in an organization pays different levels of attention to events and thus influences the perceived significance of these events (Johnson et al., 2008, p. 487). Additionally, events can be isolated or simply stay unnoticed (Pfeffer & Salancik, 2003, pp. 12-13).

However, if events affect organizations, areas that are influenced are broad; first of all the internal structures of organizations, including power distribution between units and between individuals, secondly the external structures, for instance the occurrence of relations to other organizations are directly affected (Nienhueser, 2008, pp. 14-16). Power is specified as one of the main variables in the relation between environment and intra-organizational distribution of influence (Hillman et al., 2009, p. 1404).

In a nutshell, the environment is a determining factor for internal and external uncertainties; these in turn influence the division of power within the organization. Power is distributed

differently among the subunits of an organization, whereas the distribution depends upon their ability to cope with essential issues the organization faces (Pfeffer, 1993, p. 76; Pfeffer & Salancik, 2003, p. 230). This would for instance mean that in times of shortages of supply in a commodity and the only unit which is able to solve this issue being the purchasing department, the influence of decisions of this unit would increase. Expanding the gained influence on issues in principal not core to a subunits area of impact is generally thinkable (Nienhueser, 2008, p. 16). Based on the grounding theories of RDT; Emerson (1962), Blau (1964), and Jacobs (1974), predictors of internal power distribution are developed. The first source of power is related to the concept of uncertainty. Pfeffer and Salancik (2003) note that it is not uncertainty that creates power, but the ability of a unit to cope with that uncertainty. Secondly the ease of substitution of the subunits' capabilities determines its power within the organization. The third factor determining power is the impact of the uncertainty the unit is able to cope with. Impact on major parts of the organization is likely to result in high power for the unit that is able to cope with that uncertainty (p. 230).

One of the core hypotheses of RDT is that organizations are to a large extent externally controlled (Hillman et al., 2009, p. 1404). The connection between context and internal structures is already outlined. Nevertheless, the claim of RDT to provide insights about behavior of organizations is not yet accomplished. Therefore, in addition to internal structures, sources of external power distribution, mechanisms that help predict structures and actions of organizations have to be identified. The distribution of power outside the organization is the second structural condition influenced by the concept of uncertainty and in addition by the concept of dependence (See Figure 1 and Figure 2).

In essence, it is assumed that any asymmetry in an exchange

relationship between two organization leads to a situation in which one has power over the other (Caniëls & Gelderman, 2005, p. 144; Pfeffer & Salancik, 2003, pp.,53). Under such circumstances, one partner is more dependent on the exchange than the other and thus the situation is more uncertain for him than vice versa. Respective perceived importance of the exchange is determined by the nature of the resource that is exchanged, or the difference in size of the organizations. The discretion over a resource, as outlined above, is another factor influencing the perceived power associated with that resource (Pfeffer & Salancik, 2003, p. 48). The absence of asymmetry in a relationship in turn reduces the likelihood of one dominating the other (Buchanan, 1992, p. 65). Organizational actions as a response always seek to avoid any situation of dependency and uncertainty (Hillman et al., 2009, p. 1405). A reduction of uncertainty and dependency has first priority. Pfeffer and Salancik (2003) outline the management functions that can be interfered from the organizational attempt to reduce uncertainty (pp. 18-19). Besides perceiving and interpreting the environment management tries to manipulate it to achieve predictability and adjust the organization to cope with demands of its context (Nienhueser, 2008, p. 14). In both cases the determining factors of actions as a result are contextual constraints.

At this point, the earlier introduced concept of resource importance directly influences the need for organizational actions to ensure supplies. The importance of a resource to the focal organization is related to the necessary actions that have to be taken to ensure reliable acquisition of that resource and take into account the suppliers of these resources in deciding upon actions of the organization (Pfeffer & Salancik, 2003, p. 52; Shook et al., 2009, p. 5). In general, the higher the importance of a resource is, the higher the criticality to minimize dependence and uncertainty. Having identified the core correlations that drive organizational behavior, in the next chapter empirical evidence for RDT's hypotheses is discussed.

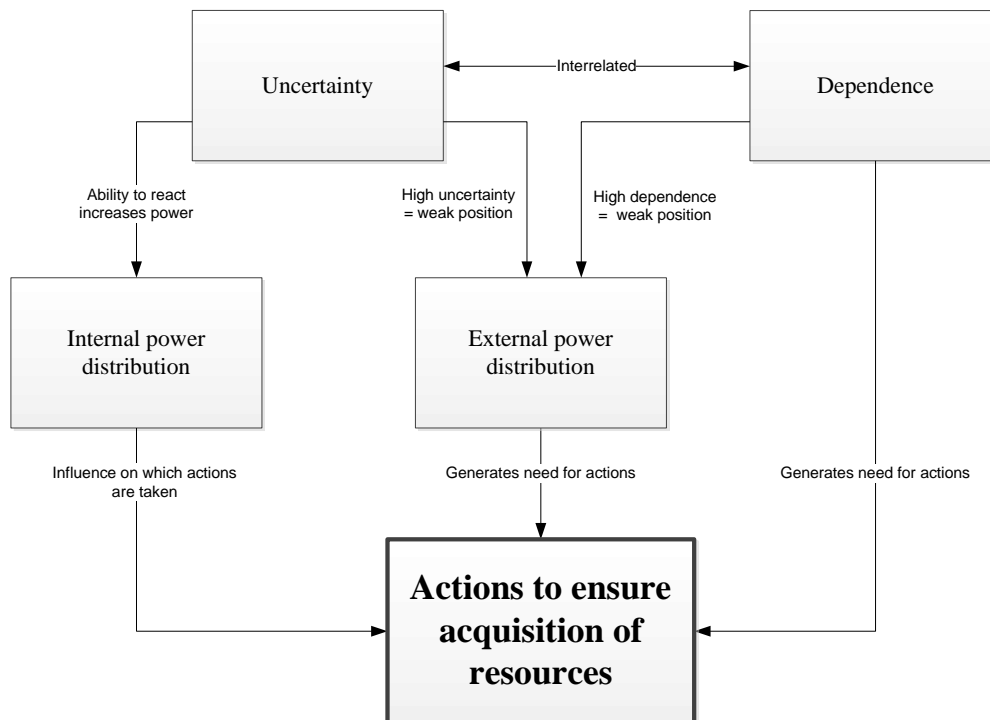


Figure 3. Determinants of organizational actions,

Source: Based on Pfeffer and Salancik (2003, p. 229) and Nienhueser (2008, p. 11) .

## 2.5 Empirical Evidence of RDT

### 2.5.1 Besides Some Critical Studies, RDT is Almost Undisputable Scientifically-Validated

Since the time of the publication of the book: "The external control of organizations" in 1978, RDT's status as one of the most important theories to understand organizational environment-relations is broadly discussed in literature (Drees & Heugens, 2013, p. 3; Hillman et al., 2009, p. 1404; Pfeffer & Salancik, 1978). The number of citations to the original work Pfeffer and Salancik (1978) with 2321 in 2002 showing a constant level of citations is just one indicator of the vast relevance (Pfeffer & Salancik, 2003, p. xvi). That the acceptance of RDT and its hypotheses is still not diminishing can be revealed on the one hand by the broad number of studies investigating RDT and applying its theses to new fields of science, e.g. Paulraj and Chen (2007) and Caniels and Gelderman (2005), on the other hand by the discussion of a possible scientific validation of the theory, with both studies that approve hypotheses like the works of Park et al. (2002), Peng (2004) as well as Dussauge et al. (2000) and disapproving studies like the work of Casciaro and Piskorski (2005). An empirical proof of rated scientific validity is presented by Miner (2003) who evaluates RDT as scoring high on that criterion (p. 258).

Various studies have investigated the predictions of RDT, many of them in accordance with Miner (2003) confirming its importance and explanatory power (p. 254); Hillman et al. (2009) by performing a literature review on RDT disagree with the claim of Pfeffer and Salancik (2003) that RDT is not that "rigorously tested" and reveal the empirical foundation of the fundamental relationships developed by RDT (Hillman et al., 2009, p. 1414; Pfeffer & Salancik, 2003, p. xxxiii). However, they narrow the call for future research down to the boundary conditions of RDT (Hillman et al., 2009, p. 1420). Using a meta-analysis, Drees and Heugens (2013) consolidate the results of 157 studies on RDT and test its main predictions (p. 1). The tests for all identified individual hypotheses show significant results in the consulted studies allowing confirming of the explanatory power of RDT (pp. 22-23). In line with that are the findings of Nienhueser (2008), who concludes that "empirical results support RDT on a whole" (p. 29). Nevertheless, some studies also claim to show disapproving results to the hypotheses of RDT. For instance find Casciaro and Piskorski (2005) contradictory results to one of the main hypotheses of RDT by splitting the hypotheses on dependence and integration and conclude that power inequalities hinder M&A, whereas interdependence fosters M&A (p. 177). Besides that, Finkelstein (1997) identifies some boundary conditions to the theories ability to predict inter-industry mergers. In particular these are antitrust enforcements and historical patterns within an industry that limit RDT explanatory power (pp. 804-805). These and other findings indicate the danger of underestimation of the pure complexity of the predictions of RDT and the huge amount of variables influencing organizational behavior (Robbins & Judge, 2012, pp. 29-30).

Overall, not lastly the broad practical relevance of the suggested strategies to cope with environmental uncertainties are prove of RDT verification to provide accurate predictions of appropriate organizational actions. For instance are RDT's explanations for organizational strategies like forming a merger, vertical integration, joint ventures and other inter-organizational relationships tested by academics and the strategies themselves today are as relevant as they were during the time of RDT's development (Dussauge et al., 2000, p. 100; Hillman et al., 2009, p. 1414).

Board interlocks cope with uncertainty using the influence of directors, who ensure resource acquisition through environmental linkages (Hillman et al., 2000, p. 236). Strategic alliances are referred to by Dussauge et al. (2000) as independent organizations choosing to cooperate on specific areas (p. 99). Joint ventures, the "creation of a new organizational entity by two or more partners" is also found to be an instrument to manage interdependence and thus resulting uncertainty (Pfeffer & Nowak, 1976, p. 399). In-sourcing activities are related to the determination of firm boundaries, in this case broadening the scope of the company's activities (Santos & Eisenhardt, 2005, p. 497). Finally, M&A can enhance access to required inputs, by "facilitating joint strategy formation and implementation" (Drees & Heugens, 2013, p. 4).

In sum, even if not all hypotheses are entirely confirmed by empirical research or even oppositional findings to RDT were published, the high number of citations, the practical implication of RDT on various fields in business, and the major number of validating findings allow to come to the conclusion that the main hypotheses of RDT until today contribute to a better understanding of organizational behavior and provide managers insights to improve their work. This implication of RDT's hypotheses on recent organizational studies is outlined in the chapter on its ongoing influence.

### 2.5.2 Ongoing Influence on Various Fields of Organizational Study

Recent reviews of RDT confirm its great influence on "organizational theory and strategic management" (Hillman et al., 2009, p. 1414). The earlier mentioned number of 157 studies testing predictions of RDT analyzed by Drees and Heugens (2013) give some insight in the prominence of the theories findings (p. 1). Davis and Cobb (2010) as cited above claim, that there is evidence for a rise in interest in RDT (p. 24). In a comprehensive study on the "Rated importance, scientific validity and practical usefulness of organizational behavior theories" Miner (2003) found RDT to have a high estimated importance and as referred to above, a high scientific validity (p. 254). The study: "Resource dependence theory: Past and Future" reveals the ongoing influence of RDT and offers three possible explanations for its success; Firstly it is argued that the fit between RDT and the time of its development play a crucial role, accordingly it is claimed that interest in RDT rises and falls with the importance of the tactics it describes. Secondly reference is made to RDT's fit "with the social and scholarly environment of its time". Thirdly the so called Stanford hegemony and its network are found to stimulate the popularity of RDT (Davis & Cobb, 2010, pp. 15-18). Nevertheless, the major innovations in communication technology, the trend towards globalization and importance of finance have changed the organizational responses and possible courses of action. For instance has the convenience of outsourcing changed the internal power structures of organizations and potentially decreased the power of internal producers (Davis & Cobb, 2010, p. 25).

Therefore, various recent studies employ ideas of RDT on current organizational challenges; predictions of RDT are applied to issues related to human resource practices, to "health care service delivery innovations", to sustainability and stakeholder management in supply chains, to the study of organizational boundaries and for instance as in the case study by Campling and Michelson (1998) on merger activities (Banaszak-Holl et al., 1996, p. 97; Denktas-Sakar & Karatas-Cetin, 2012, p. 301; Santos & Eisenhardt, 2005, p. 459; Sherer & Lee, 2002, p. 14). In conclusion, the present research is consistent with the trend to apply insights from RDT on current

organizational issues. However, in comparison to other studies in the area of supply management, the focus is, as outlined above, a more comprehensive one.

## 2.6 Support for Sourcing Decision-Making

### 2.6.1 *The Purchasing Department Should Aim for a Powerful Position within the Organization*

In this section a possible contribution of insights from RDT to the identified decision points in supply management is tested. Therefore, the main concerns and strategies of RDT are set in relation to standard procedures in supply management and possible improvements are carved out. To put upfront, the general orientation of RDT as a theory that sets resources and their acquisition in the centre of the determinants of organizational actions already indicates its value for supply management. The notion that not any organization can exist without purchases of resources from external sources identifies the purchasing function as one of the key departments of any organization (Pfeffer & Salancik, 2003, p. 2). Many scholars have pointed out the importance of strategic approaches towards resource acquisition: e.g. Carr and Smeltzer (1997) and Mulder et al. (2005), but the proposition of RDT goes even further and exposes the characteristics of the market from which the focal organization sources as determining factors for organizations behavior (Carr & Smeltzer, 1997, p. 199; Mulder et al., 2005, p. 186; Pfeffer & Salancik, 2003, p. 1).

Another general aspect derives from the analysis of internal power distribution. The identified causality is that the ability to cope with uncertainty as well as the ease of substitution of capabilities determines internal power structures. For the purchasing department this notion means that an approach including a wide set of tactics to cope with uncertainty directly enhances a powerful position within the organization. As a result, the firm internalizes a higher purchasing orientation and thus acknowledges the strategic importance of purchasing per se. This powerful position in turn is necessary to be able to implement the proposed tactics to enhance certainty, some of which directly deal with the strategic orientation of the organization. Before leading over from this general diagnosis to the direct contribution to purchasing decisions a prerequisite for all four decisions is discussed. The distinction between critical and non critical resources can be seen as an underlying requisite for strategic decisions in the area of resource acquisition in RDT. This approach is also the basis for various scholars in purchasing which for instance like Kraljic (1983) distinguish between the degree of criticality of a commodity (p. 111). Nevertheless, the detailed analysis of the dimensions on which the importance of resources to the organization is measured can be seen as a clear extension to existing approaches. In particular the integration of the factors determining resource importance in the framework that indicates likely dependence resulting from the acquisition of a resource provides new insights.

To recap, the variables that determined dependence are: the relative magnitude, (the share of total in- and output), criticality, (the ability of the organization to function without the resource), which together are indicators of relative importance of that resource, discretion, (directness of possession, access and the degree of legislative power over the resource) and the degree of concentration of resource control (Pfeffer & Salancik, 2003, pp. 46-50). For instance would the importance of iron as a commodity for a steel manufacturer definitely be rated high; it has a high share of the total input and the organization is generally not able to function without it. As a consequence the high importance of the resource is likely to lead to dependencies resulting from iron acquisition for a steel

manufacturer. In contrast, the importance of office supplies for an industrial organization would be, based on the relative magnitude and the ability to function without it rated low. In combination with a most likely low discretion and low degree of concentration the perceived dependence from that resource is rather low.

The realized rating of importance of a resource and the identified connection to possible dependencies can basically contribute to any of the four decision points. This contribution, however, becomes more meaningful in combination with the concept of uncertainty avoidance.

### 2.6.2 *Rather In-Source the Production of an Important Item than Source it Under Uncertain Conditions or Dependency*

The decision point one is basically two folded. The underlying task prior to the actual make-or-buy decision deals with the forecast of the demand for required resources. Subsequently, the actual decision on whether to produce an item in-house or to buy it from external sources can be made. On the one hand, the contribution of RDT to demand planning is limited. For this task instruments like the spend analysis and forecasts come to the fore (Wagner, 2005, p. 139). However, a thinkable input from RDT to demand planning is guidance in the analysis of the factor uncertainty that is identified to have a great impact on the demand planning process. RDT builds upon a comprehensive framework including the causes and determinants of uncertainty and dependency which can be of great value to analyze the degree of certainty associated with necessary supplies. For instance should a demand planning process for a resource produced in an industry which is highly concentrated, be more precautionous than in an industry which is dispersed. As shown in figure 1 and figure 2, concentration fosters conflict which is likely to lead to uncertainty of the supply, as well as an increase in dependency.

The actual make-or-buy decision, on the other hand, lies at the heart of RDT's expressiveness. The reasoning of RDT towards this decision is straight forward. It basically says that whenever critical resources can only be purchased in a situation constraint through dependency or uncertainty resulting from any source, when possible rather make inputs yourself than purchase them from external sources (Aldrich & Pfeffer, 1976, p. 86). Thus the degree of vertical integration in the argumentation of RDT depends on the perceived certainty of resource acquisition. Whether a resource should be made in-house or purchased thus not only depends on the definition of the focal organizations core competencies, but also on external power distribution. Under circumstances where a critical item could just be purchased under conditions of high dependence from powerful suppliers it is thus recommended to produce that item, which may lie out of the core of a firm's capabilities, in-house. An example for a purchase that is likely to entail uncertainty through scarcity of a product is the acquirement of gearboxes for the automobile industry (Caniëls & Gelderman, 2005, p. 144). Often just one supplier ensures the supply of this specific item. In terms of the make-or-buy decision the advice of RDT is that in such a situation, it is better to in-source the production of a critical item than to suffer from uncertainty. If that is not possible, the compensation of uncertainty has to be delayed to either one of the latter decision points.

Various scholars have identified differing influences towards the degree of vertical integration of an organization; Olorunniwo and Hartfield (2001) for instance analyze the impact of a limited supply base and vertical integration and Cádiz et al. (2000) came up with a make-or-buy framework. As



shown above, the clear argumentation of RDT provides a valuable addition to these and an employable guideline.

### 2.6.3 To Cope with Uncertainty or Dependence Close Relations to Suppliers are Required

Decision point two, category strategy, addresses the decision towards an appropriate sourcing strategy and its implementation through tactical levers. Thus, similar to the previous one, this decision point can be subdivided in two closely related tasks. Throughout the first task factors like the importance of the resource to the organization and the characteristics of the supply market are the main variables that determine an appropriate sourcing strategy (Kraljic, 1983, p. 111). As indicated above, RDT's approach to connect the concept of resource importance to resulting dependencies can enhance the determination of the strategic importance of a resource. Furthermore, the findings of RDT can be seen as a theoretical confirmation and possible add-on to the classification proposed by Kraljic (1983).

Consistencies are found for instance with respect to the advice to partner and foster long term supply relationships in the category of strategic items (Kraljic, 1983, p. 112). RDT analyzes various measures to enhance partnering in this category like afore mentioned strategic alliances, joint ventures etc. (Hillman et al., 2009, pp. 1405-1408). For this category; "Maintain a strategic partnership", "accept a locked-in partnership" or "terminate a partnership, find a new supplier" are proposed strategies and as such confirmed by RDT proposed tactics (Caniëls & Gelderman, 2005, p. 153; Kraljic, 1983, p. 112). For the so called bottleneck items the assurance of supplies comes to the fore. This can either be accomplished through a reduction of dependency or by accepting it (Caniëls & Gelderman, 2005, pp.,153). Exemplary strategies are to keep high safety stocks, or find other solutions e.g. find other suppliers for instance by working with more generic specifications (Caniëls & Gelderman, 2005, p. 153). The identical approach is found in RDT (Nienhueser, 2008, p. 15). The advice to exploit market power in the category of leverage items is in accordance with the insights from an analysis of the environmental power relations in RDT. This is shown by the concept of interdependencies, which indicates that in situations in which the focal organization is in the powerful position, this should be used to its advantage (Anderson & Barton, 1989, p. 315; Ulrich & Barney, 1984, p. 472). Besides this exploration of power an alternative strategy in this category is the development of a strategic partnership, through which the supplier is enhanced to contribute to the powerful position and thus is willing to place his own skills in the partnership (Caniëls & Gelderman, 2005, p. 153). The approach to partner in the quadrant of leverage items is related to the claim of RDT that for critical items tactics have to be employed to ensure supply, even if the supply base at a first view does not appear to be uncertain. That is simply because of the high dependence of the focal organization on that particular resource (Pfeffer & Salancik, 2003, pp. 46-47). For the category of non-critical items no new insights can be added.

The second task, the execution of the sourcing strategies through tactical levers suffers in so far from RDT that the theory, especially for the lever supplier integration strategies delivers an additional justification of the levers importance. That is the correlation between an integrated supplier and resulting reduced supply uncertainty (Drees & Heugens, 2013, p. 5). How these integrative strategies can be approached is outlined under the next decision point.

### 2.6.4 Rather Select Equally Powerful or Weaker Suppliers to be Able to Exploit Dominance

The identification of appropriate suppliers and definition of relationship approaches is the core deliverable of decision point three. The presented common consideration towards supplier selection include according to Monczka et al. (2010) 7 consecutive steps. RDT provides new insights for some of them. In the third step a sourcing strategy is defined, this step is related to decision point two, thus the contribution of RDT can be found above. The factors influencing the supplier selection (steps 4-6) can be extended by insights from RDT that arises from the extensive analysis of power relations. Towards the decision whether a supplier should be rejected or selected the relative power as compared to the focal organization plays from a resource dependence perspective a critical role. In general it holds true that the greater the power imbalance, the greater the risk for the weaker partner. In turn this means that in the phase of the supplier selection process the focal organization considers the indicators of an unequal relation and either prefers suppliers that are likely to have an equal amount of power, or are relatively weaker such that they can be controlled.

Therefore, the respective importance of the desired exchange for each party which can be determined by the nature of the resource, the respective sizes of the organizations and the discretion over a resource have to be taken into account (Pfeffer & Salancik, 2003, p. 48). For instance are the major supermarkets in Europe aware of their power position as compared to their mostly small to medium sized suppliers, which arises on the one hand due to size reasons and on the other hand due to the absence of discretion of retailed goods, both making the supplier more dependent on the exchange than the buyer (Crane & Matten, 2010, p. 394). For the buyer this means that he is in a comfortable situation with high influence on the exchange relationship and thus low dependence on the supplier. The opposite is true for the supplier. In terms of RDT a relation as illustrated in the case of the supermarkets is preferred, thus the selection of a supply base that is composed of suppliers that are relatively weaker is likely.

That this preferred supply base is not available in every industry and for every resource, may it be due to the structure of the market, which can for instance consist out of one monopoly supplier, or due to the nature of a resource, or other reasons, calls for a well-thought-out approach towards appropriate buyer-supplier relationships. RDT scholars compromise detailed analysis of relational aspects towards external sources.

Close forms of relations are suggested in situations of uncertain supplies, disadvantageous power imbalances, or dependencies resulting from other sources. Formal and informal ties that improve certainty of supplies are referred to in chapter 2.5.1. In general, RDT claims that the "formation of interlocks and alliances is positively related with focal organizations autonomy" (Drees & Heugens, 2013, p. 5). Caniëls and Gelderman (2005) analyze the power distribution in buyer-supplier relations and find that high levels of buyer or supplier dependence force the establishment of a partnership (p. 152). Practitioners can refer to a wide number of scholars that analyzed various forms of formal relations between organizations and its contribution to ensure supply of necessary resources e.g. Pfeffer (1972b), Park et al. (2002) and Fink et al. (2006). That long term collaborative relationships and relational investments are of higher importance in times of uncertain supplies, one of the main hypotheses of RDT, is confirmed by (Paulraj & Chen, 2007, p. 36). With respect to M&A a meaningful insight is provided by Casciaro and Piskorski (2005) who differentiate between the originally combined

constraints of mutual dependence and power imbalance and find that in situations of mutual dependence, M&A are an appropriate tactic whereas power imbalance is seldom approached by M&A (p. 191). Joint ventures are found to be a valid instrument to ensure predictable relations to exchange partners and thus are an appropriate instrument to establish closer ties to a supplier (Pfeffer & Nowak, 1976, pp. 415-416). Park et al. (2002) find, that a firm's willingness to establish inter-firm alliances is related to the conditions of the firm's resources (p. 541). Therefore, the conditions of single resources are found to play a critical role towards the establishment of alliances. For instance are manufacturing and technology resources likely to be attractors for an alliance (Park et al., 2002, p. 543). The preferred customer status, as tested by Schiele (2012) is an innovative relational approach that aligns interests of supplier and buyer and thus can not only be introduced to access the innovative power of the supplier, but is also thinkable to be initiated by the buying firm to ensure resource acquisition (p. 49). Board interlocks, even though mentioned above to be one suggested tactic to compensate uncertainty lies typically out of the area of influence of the purchasing function and thus does not receive any further attention here. In sum, the analysis reveals the detailed contribution that RDT provides for the determination of the relational approach towards suppliers under different circumstances.

### 2.6.5 Prefer Long-Term Contracts During the Acquisition of Resources that are Likely to Lead to Uncertainty and Dependence

Finally establishing the aspired relationships leads over to decision point four, which deals with supplier negotiation and possible contract awarding. The identified constraints to both of the outlined methods, negotiation and competitive bidding are illustrated with respect to circumstances under which they are typically applied. RDT does not provide any further insights towards the selection of a method. The stage of contract awarding in contrast can be supplemented with insights from RDT.

In general, contract management is increasingly concerned with the administration of long-term contracts. The assurance of supply and improved transparency are two of the corresponding advantages (Monczka et al., 2010, p. 337). The fact that RDT generally distrusts the dependability of the environment confirms the importance of an insurance of agreed upon supplies. Especially the weaker partner in an exchange relation or the party suffering from any other form of uncertainty is advised to take measures to enforce constraint absorption. One such form is the commitment to long-term contracts (Casciaro & Piskorski, 2005, p. 174). Through this approach the weaker party forces a reduction of power imbalance by means of diminishing resource discretion by the powerful party (Casciaro & Piskorski, 2005, p. 172). In addition, the proposed tactics to increase certainty of supplies as a result automatically increase the need for long-term contracts. The identified contributions of RDT to the individual decision points are summarized in the following chapter and illustrated in Table 1.

**Table 1. Application of insights from RDT on the decision points, Source: Own Table.**

Contribution of Resource Dependence Theory	Decision Points in Supply Management			
	Make-or-buy decision	Selecting specific sourcing strategies	Establish supplier portfolio and define relationship approaches	Supplier negotiation and contract awarding
Analyze arising dependence	Four parameters: discretion, criticality, relative magnitude and concentration (See Fig. 1.)			
Analyze arising uncertainty	Base analysis on the concepts of conflict and interdependence (See Fig. 2.)			
Maximize certainty and independence	In-source production of critical items that can only be sourced constrained through dependence or uncertainty	Uncertainty or high dependence require close relations to suppliers	Rather select equally powerful or weaker suppliers, if impossible build close ties to a powerful supplier	Uncertainty or high dependence favour long-term contracts

### 3. RDT'S INSIGHTS AS A VALUABLE TOOL FOR BETTER DECISION-MAKING IN SUPPLY MANAGEMENT

The analysis of the RDT reveals its great influence on organizational behavior science since its development. The high number of citations to the main work and the extensive body of studies testing and mostly validating RDT hypotheses are two indicators for the theories ongoing success. That the theory is able to predict and recommend appropriate organizational actions based on an analysis of the external constraints and resulting internal structures that in turn determine the need for organizational actions to ensure the acquisition of resources is outlined in chapter 2.4.3. and illustrated in figure 3. Nevertheless, also critical aspects of RDT, for instance the pooling of variables to predict appropriate behavior are pointed out.

The main part of the thesis bases upon a detailed analysis of purchasing decisions that have to be taken throughout the purchasing year cycle. Therefore four decision-making points are worked out. The decision points are the make-or-buy decision, the selection of sourcing strategies per category, the establishment of a supply pool, and the negotiation and contract awarding decision. The identification of the main hypotheses and resulting recommendations of RDT and the core decisions to be taken in purchasing, allow a comprehensive test of possible new insights for the field of supply management contributed by RDT.

The first tool provided by RDT is the systematic analysis of the criticality of a resource for the organization. Figure 1 shows the factors that influence perceived resource importance and embed it in the concept of dependency. The integration of the factors determining resource importance in the framework that indicates likely dependence resulting from the acquisition of a resource provides new insights for supply management and is an enhancement to all four decision points. Basically, the implication is that the higher the perceived dependence, the higher is the relevance of strategic approaches in all four decision points.

Furthermore, RDT directly contributes to all four decision points. Decision point one deals with the make-or-buy decision. The reasoning towards a decision hypothesized by RDT is straight forward, advising to in-source the production of important items, if possible, whenever the acquisition of those is constraint through uncertainty or dependence. In simple words, the decision whether to make-or-buy an item depends upon the characteristics of the resource and the external power distribution. RDT's proposition thus presents an addition to scholars which conditioned the make-or-buy decision for instance on the core competencies of a firm (Johnson et al., 2008, p. 96).

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Decision point two, suffers from the widely accepted proposed sourcing categories by Kraljic (1983). The distinction between financial impact of the resource and supply base criticality is comparable to the factors importance of a resource and external power distribution. Hypotheses of RDT first of all approve the presented categorization. In addition, a possible add-on to the proposed strategies is the precise proposition of concrete tactics towards the relatively general claim to partner for strategic items.

Supplier identification and the definition of a relationship approach are the deliverables of decision point three. RDT can contribute to the supplier selection process by the identification of an additional factor influencing the selection process. From a RDT perspective appropriateness of a supplier to a crucial extent depends upon the power distribution between buyer and supplier. In principal, the rule is that the greater the power imbalance the greater the risk for the weaker partner. Therefore, equally powerful or relatively weaker suppliers are preferred. Nevertheless, that this favored power distribution is not always available and the fact that additional constraints contribute to uncertainty of supplies, underlines the importance of a selection of relational tactics to enhance certainty in the supply base. M&A, joint ventures alliances and the preferred customer status are presented as possible measures to ensure supplies.

The contribution to decision point four, the negotiation and contract awarding decision, is rather limited; however, the preference of long-term contracts to react on possible constraints of uncertainty and dependence is an input that contributes to the decision upon an appropriate contract model.

In conclusion, the paper reveals the great relevance of RDT for the supply management function. Even though some critical scholars accuse RDT to base hypotheses on unclear correlations the overall scientific validation allows for an application of its predictions (Casciaro & Piskorski, 2005, p. 177). The contribution to improve purchasing decisions in all four identified decision points can support purchasing professionals and serve as theoretical framework in addition to existing models. Due to the broad focus of this thesis, it is based upon a literature review, taking into account the entire range of decisions a purchasing manager has to take. Nevertheless, to ensure empirical evidence of the findings future research should test the gained insights by means of empirical studies. In addition a limitation of the present research is the focus on a single grand theory which implies the ignorance of possible insights from other theoretical streams. An approach to integrate findings from the application of RDT and other well-established theories thus is likely to provide more comprehensive advises for supply management decisions.

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