

The Resource Dependence Theory: Assessment and Evaluation as a Contributing Theory for Supply Management

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ABSTRACT

The research in this Bachelor thesis aims on contributing to the business management field of supply management by linking the Resource Dependence Theory (RDT) to supply management practices. RDT was originally developed by Pfeffer and Salancik (1978). It has since been used as a basis to study and explain the influences of environments on organizational relations. This research develops new perspectives on four critical decision points in supply management: make-or-buy decisions, sourcing strategies decisions, supplier strategies decisions, and contracting decisions. A systematic review of the current body of literature is being used as the basis of this research. Resulting in showing the great influence since the development of RDT on organizational behaviour research, and even being seen as a “grand theory” as its progression states in the life-cycle of theories. Moreover, significant support has been found that RDT has a great influence in supply management decision-making. Improvement advices to the four supply management decision points are given, concerning reducing the uncertainty and dependency in the organizational environment.

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Keywords

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

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1. LINKING THE RESOURCE DEPENDENCE THEORY TO THE FIELD OF SUPPLY MANAGEMENT

Supply management had a subordinate role in the strategic management of an organization in the past, being for example a supportive activity in the product value chain (Carr & Smeltzer, 1997, p. 199). Nevertheless, the strategic position of supply management is shifting to a critical success-factor becoming a top priority for manufacturing firms in order to gain competitive advantages in the marketplace (Mabert & Venkataraman, 1998, p. 537). The importance of supply management activities is steaming from several issues, including the field of innovation, faster product development, global competition, advanced hardware and software technology, increasing manufacturing flexibility, transportation speed, and information availability (Mabert & Venkataraman, 1998, p. 538). Thus, supply management is gaining strategic importance followed by a wide range of tasks that needs to be fulfilled by the purchasing department (Mulder, Wesselink, & Bruijstens, 2005, pp. 190-191). Key decisions of supply management practices will be discussed in detail, including the make-or-buy decisions, sourcing strategies decisions, supplier strategies decisions and contracting decisions.

As a consequence of its practical importance the field of supply management is extensively discussed in the literature (Mulder et al., 2005, pp. 190-191). Especially in the early 1990s more significant academic research has been done in the field of purchasing and supply management. Nowadays there is a rich and diverse range of theories available (Chicksand, Watson, Walker, Radnor, & Johnston, 2012, p. 454). The existing theories can be used in the area of supply management, but can also overlap with other research areas in the field of business management. Examples of overlapping theories are the Industrial Organizational theory (IOT), the Dynamic Capabilities Approach (DCA), the Resource Based View (RBV), and the Principle Agent Theory (PAT) (Chicksand et al., 2012, p. 455).

This thesis will focus on the Resource Dependence Theory (RDT) and evaluate its impact in the field of supply management, especially in four decision areas. The book "The external control of organizations: A Resource Dependence Perspective", written by Pfeffer and Salancik (1978) will serve as a foundation. The RDT is being used in order to explain behaviour of organizations (Hillman, Withers, & Collins, 2009, pp. 1-12). Integration of RDT in other theoretical perspectives developed the original assumptions of RDT even further (Hillman et al., 2009, pp. 12-17). Moreover, interest and further development of RDT is rising and it the current state of literature still makes use of the original assumptions (Davis & Cobb, 2010, p. 24).

The basic assumption of RDT is ensuring organizational survival by minimizing any situation of uncertainty and dependency and characterizes an organization as an open system, dependent on contingencies in the external environment (Pfeffer & Salancik, 1978, p. 26). However, managers are able to reduce the environmental uncertainty and dependency by several actions, where the concept of power is the central stage. Having the engagement in mergers and acquisitions, joint ventures, composing and structuring the board of direction, political actions, and executive successions as juxtaposed actions (Hillman et al., 2009, pp. 1-11). Based on the notion that supply market is inherently unstable, literature claims that RDT provides a framework on how organizational actions can reduce uncertainty resulting in a more stable supply market (Handfield, 1993, p. 289). Furthermore, an organization can make use of their supplier's capabilities and profit (Slowinski, Hummel, Gupta, & Gilmont, 2009, p. 27).

This paper continues with chapter 2 wherein a summary on the historical background of the RDT is given. Following with the conceptual framework of RDT, its general assumptions and its main variables. Furthermore, an analysis of RDT as a theory will be given, concluded with the main statements. The empirical findings are obtained by a systematic literature review approach, including general empirical findings, the relation of the RDT to the field of supply management, and a classification of the RDT in the life-cycle-model of theories. The third chapter of the paper will address four core decisions in supply management practices in relation to the RDT. A discussion and a conclusion on the findings will finalize the paper.

2. THE RESOURCE DEPENDENCE THEORY

2.1 RDT as a Guide to Design and Manage Externally Constrained Organizations

The RDT is developed by the American business theorist Jeffrey Pfeffer and the American organizational theorist Gerald R. Salancik in the year of 1978 at the Stanford University (Pfeffer & Salancik, 1978). The concept of the RDT is first published in their work: "The External Control of Organizations, A Resource Dependence Perspective" (1978). The purpose of the RD is presenting a guide on how to design and manage organizations that are externally constrained (Pfeffer & Salancik, 1978, p. xi). After twenty-five years of existence, a second version of the book was published, examining the legacy of the RDT as an influential work in current research and its relationship to other theories (Pfeffer & Salancik, 2003, p. xi).

The RDT is built on several earlier scholars, including the work of Emerson (1962), Blau (1964), and Jacobs (1974). The concept of analysing organizational behaviour from an organizational context perspective being a part of the RDT, has also been used by earlier scholars (Aldrich & Pfeffer, 1976, p. 80). However, Pfeffer and Salancik had the intention to provoke additional thoughts, research attention, and concerns for three different ideas, including the concept of resource interdependence, external social constraint, and organizational adaption (Pfeffer & Salancik, 1978, pp. xi-xii). The intentions of Pfeffer and Salancik led to the development of the RDT, providing an alternative perspective to economic theories of mergers and board interlocks in order to understand precisely the type of the interorganizational relations (Davis & Cobb, 2010, p. 5).

The book: "Power Dependence Relations", written by Emerson (1962) is used by Pfeffer and Salancik and serves together with the work of Blau (1964) as a fundamental concept in the RDT for the emerging differences of power among organizational participants (Pfeffer & Salancik, 1978, p. 27). Further work serving as a foundation for the RDT includes the work of Jacobs (1974), investigating on how different organizations are controlled through the exchange relationship with their environment (Jacobs, 1974, p. 45). In addition, the RDT is supported by previous work of Pfeffer and Salancik including a micro-perspective on organizations and the earlier publications of Pfeffer (Pfeffer (1972a); Pfeffer (1972b); Pfeffer (1972c); Aldrich and Pfeffer (1976); Pfeffer and Nowak (1976).

The result of the studies done on RDT leads to the basic concept of RDT, namely an organization can be characterized as an open system, dependent on contingencies in the external environment (Pfeffer & Salancik, 1978, p. 1). Understanding the ecology of an organization gives insight in the context of the behaviour of an organization (Pfeffer & Salancik, 1978, p. 1). Since the introduction in 1978, the RDT is used as a premier perspective in understanding organizational environmental relationships (Drees &

Heugens, 2013, p. 1688). The next section will discuss the basic concept and the underlying assumptions of the RDT.

2.2 The Ability to Acquire and Maintain Resources as an Assumption to Secure Organizational Survival

Most of the origin assumptions of the RDT are still intact and used by today's scholars (Drees & Heugens, 2013, p. 1687). The basic assumption is that an organization, or more precisely a manager, tries to ensure the organizational survival. According to the RDT, the key for organizational survival is the organizational ability to acquire and maintain resources (Pfeffer & Salancik, 1978, p. 2). However, there are several additional assumptions to the RDT.

Starting with the political and power-oriented view on interorganizational dependency, developed by Emerson (1962). It is necessary that an organization can obtain power. In order to understand the relationship described by Emerson (1962), two important variables need to be understood: dependency and power. The dependence of an actor is defined as: "the dependence of actor A upon actor B is (1) directly proportional to A's motivational investment in goals mediated by B, and (2) inversely proportional to the availability of those goals to A outside of the A-B relation" (Emerson, 1962, p. 32). Power is defined as: "the power of actor A over actor B is the amount of resistance on the part of B which can be potentially overcome by A" (Emerson, 1962, p. 32). Deriving from Emerson's (1962) definitions, individualism represents one assumption underlying the RDT. Organizations interact with each other as individuals in the environment. Each organization is able to obtain power and compete with another organization, which leads to the issue that the organizational survival is constrained to actions of other organizations in the environment. This aspect is described by the RDT as the interdependence of organizations in the environment and will be mentioned in the following part, as a core concept of the RDT.

However, organizations themselves can be seen as coalitions of groups of interest, which are managed by individuals influencing the organizations' behaviour (Pfeffer & Salancik, 1978, p. 36). The fact that organizations are based on actions of individuals working in a coalition, results in the assumption that the manager's actions will be based on his subjective perceptions and interpretation of the environment (Nienhüser, 2008, p. 13). However, Pfeffer and Salancik (2003) notice that the influence of these individual perceptions will have a relatively small effect on the organizational behaviour, since their actions underlie the concept of constraints (Nienhüser, 2008, p. 13). The concept of constraints will be explained in the section 2.3 as a part of the contextual perspective, used by Pfeffer and Salancik (1978), in order to examine organizational behaviour. However, the concept of constraints explains why individuals account for relatively variance in the actions and performance of organizations (Pfeffer & Salancik, 1978, p. 15). Nevertheless, the individual's actions leads to the next assumption used in the RDT, namely the fact that actors want to reduce their dependence. It is assumed by the RDT that each actor in the environment wants to reduce their dependence or increase their power upon others (Nienhüser, 2008, p. 13). Furthermore, it is assumed that the actions of individuals is constrained to the concept of bounded rationality. In the next part the concept of bounded rationality will be explained, under the scope of information processing and uncertainty.

The bounded rationality concept is assumed to have an influence on the organizational behaviour, addressing the relation of individual actors to their environment (Nienhüser, 2008, pp. 12-29). Bounded rationality addresses the limits of actors to formulate and solve complex problems by processing information (Nienhüser, 2008, p. 12). It refers to the issue that the cognitive

structure, responsible for the perception of the environment, is directed and filtered. Processing information is needed to reduce uncertainty. However, the bounded rationality assumption refers to the limitation of processing information, due to cognitive structures which are learnt through socialization based on cognitive capacities (Nienhüser, 2008, p. 29). The limited capability to process information results in uncertainty for the organization, referring to the uncertainty in the organizational environment.

Summarizing, the RDT consists of several assumptions, including the assumptions of power and individualism, necessary for the power-oriented view on interorganizational dependence and the concept of bounded rationality serving as a source for uncertainty. The concepts of uncertainty and dependency will be explained in the following section as core variables of the RDT. Additionally, the conceptual perspective used by Pfeffer and Salancik (1978) will be explained in detail serving as a core model of the RDT.

2.3 Organizational Environment, Interdependence, and Resource Dependence as Main Variables of the RDT

In order to understand the RDT it is necessary to make clear how the basic concepts of a contextual perspective on organizational behaviour work, which serves as the core model of the RDT (See Figure 1). Pfeffer and Salancik (1978) started their work with the introduction of the concept of a contextual perspective, including three concepts: organizational effectiveness, organizational environment, and constraints (Pfeffer & Salancik, 1978, pp. 10-14). This section addresses the core variables used in the RDT, discussing the impact of the concepts of dependency and uncertainty. This section will be closed with a short summary.

The first concept of the contextual perspective is the organizational effectiveness, being defined as the effectiveness of an organization with the ability to create acceptable outcomes and actions (Pfeffer & Salancik, 1978, p. 11). In addition, organizational effectiveness can be described as an external standard, judging to what extent an organization is able to meet the demands of their stakeholders, including various groups and organizations concerned with the activities of the organization (Pfeffer & Salancik, 1978, p. 11). The most important factor of the effectiveness of an organization is the external judgement of the organizational activities. Using an external perspective is necessary in order to describe an organizational effectiveness, whereas an internal perspective would describe the efficiency of an organization (Pfeffer & Salancik, 1978, p. 11).

The second concept of the contextual perspective is the organizational environment (Pfeffer & Salancik, 1978, p. 12). The environment includes every event influencing the activities and the outcome of an organizational action. However, Pfeffer and Salancik (1978) include several issues, among others the question why some organizations are less influenced by different events in the environment. The reason is that some organizations are due to isolated or buffered from specific events in the environment reducing the impact the event could have. As a result, some organizations do not respond to events in the environment. A second issue why some organizations are not responding to changes or events in the environment lies in the fact that some organizations are unaware of events, leading to changes (Pfeffer & Salancik, 1978, pp. 12-13). However, (Pfeffer & Salancik, 1978) make clear that organizational environment is not a given reality, since organizational environments are created through a process of attention and interpretation of each individual company. Another influence is the strength connection of an organization to its environment (Hillman et al., 2009, p. 2). As a result, the aspects of how an organization learns about its environment,

how it attends to the environment, and how its selects and processes information are all important factors of how the context of an organization affects its actions (Pfeffer & Salancik, 1978, p. 14).

The last concept used in the contextual perspective in order to understand organizational-environment relationships is the concept of constraints (Pfeffer & Salancik, 1978, p. 14). The concept of constraints describes how probable it is that an action will be used to respond to a given situation. If one response is more probable than another response to a situation, this action is constrained. In other words, a constraint is present whenever a response to a situation is not a random, but a well-argued choice (Pfeffer & Salancik, 1978, p. 14). Some examples on how behaviour is constrained include: physical realities, social influence, information, cognitive capacity, and personal preferences (Pfeffer & Salancik, 1978, p. 15). The concept of constraints assumes that the individual effect on organizational behaviour are frequently constrained by situational contingencies. The three concepts of the contextual perspective serve as a core model to the RDT. Furthermore, the core model of the RDT makes use of two important variables: dependency and uncertainty, which will be explained in the following part after having described the concept of interdependence (See Figure 2).

The first core variable includes the dependence of one organization on the actions of another organization as the result of the underlying concept of interdependency (See Figure 3). Pfeffer and Salancik (1978) describe interdependence as the reason why something does not turn out quite the way someone want it to. This includes that any event depending on more than a single causal agent is an outcome based on interdependent agents (Pfeffer & Salancik, 1978, p. 40). One way to categorize interdependence between two actors is to distinguish between outcome and behavioural interdependency (Pfeffer & Salancik, 1978, p. 41). Outcome interdependence assumes that the outcome achieved by A is interdependent with the outcome achieved by B. In the situation of behavioural interdependence, the activities are dependent on the actions of another social actor. According to Pfeffer and Salancik (1978), critical factors with regard to the degree of interdependence are: “the importance of the resource, the extent to which the interest group has discretion over it, and the extent to which there are limited alternatives” (Handfield, 1993, p. 291). In the following part the concept of interdependence will be described by using the concept of power.

An additional key concept and variable is the power of an organization steaming from its resources. It is assumed by the RDT, that the concentration of resources will lead to the concentration of power in the organizational environment (Nienhüser, 2008, p. 10). Using the concept of interdependence, the interaction between several actors in the environment leads to interdependence between two actors. Consequently one actor can control the resources needed by another actor. In this case, actor A controls the resources needed by actor B, actor A is assumed to have the power above actor B and actors B is seen as depended on actor A (Nienhüser, 2008, p. 12). The level of power depends on the value of the resource to actor B. However, there are two dimensions of importance of resource exchange: the relative magnitude of the exchange and the criticality of the exchange (Pfeffer & Salancik, 1978, p. 46). According to Pfeffer and Salancik (1978), “the criticality of a resource can be measured as the ability of an organization to function in the absence of the resource or in the absence of the market for the output” (Pfeffer & Salancik, 1978, p. 46). Consequently, each resource in the environment has a different impotency or criticality for each organization in the environment. According to Nienhüser (2008): “One central hypothesis in RDT says that whoever controls resources has the power over those actors who need these resources” (Nienhüser, 2008, p.

13). As a consequence of dependency on other actors in the environment, the situation of the dependent actor is seen as uncertain with regard to the supply of critical resources. As a result, the RDT sees uncertainty as a core variable to organizational behaviour (Pfeffer & Salancik, 1978, p. 67). The following part will explain the concept of uncertainty as a core variable in more detail.

The level of uncertainty can steam from various sources (See Figure 4). The first source of uncertainty lies in the fact that organizations are not autonomous, since they are constrained by a network of interdependencies with other organizations (Hillman et al., 2009, p. 2). It is assumed that the level of uncertainty increases with the level of concentration of resources in the environment (Pfeffer & Salancik, 1978, p. 67). A resource is seen as concentrated if there is a low number of resource available or when a high level of scarcity of resources exists, which leads to dependency (Hillman et al., 2009, p. 2). It is assumed that actors will take measures in order to reduce uncertainty by decreasing dependency or increasing power upon others (Nienhüser, 2008, p. 13). A further source of uncertainty includes the existence of competition in the environment (Sheppard, 1995, p. 28). Following the hypothesis that organizational survival lies in the ability of acquiring and maintaining resources, affected by competition leading to increasing uncertainty (Sheppard, 1995, p. 29). The concept of bounded rationality represents the last source of uncertainty, due to failure in the perception of the environment (Nienhüser, 2008, p. 12).

Summing up, the RDT consists of a combination of concepts. The core model of the theory represents the contextual perspective, including the organizational effectiveness, organizational environment, and constraints. Furthermore, the core model is extended by the concept of interdependency especially in relation to the organizational environment. The core variables used in the theory are uncertainty and dependency, whereby the dependency relates to the concept of power with regard to other organizations. In order to illustrate the relationship between organizations from a RDT perspective are shown in figure 1. The variables influencing dependency and uncertainty are summarized in figure 2 and 3. In the following section the core model and its variables will be tested on its usability to develop an empirical theory. The following section tries to detect whether the RDT is an empirical theory, by using the theory evaluation framework developed by Vos and Schiele (2014).

2.4 The RDT Fulfils the Requirements to be Considered as an Empirical Theory

In order to evaluate whether the RDT really is a theory the research of Vos and Schiele (2014) will be used. The work seeks to close the gap for analysing theories, by providing scholars with a comprehensive tool for evaluating various theories in purchasing and supply management (Vos & Schiele, 2014, p. 2). After using the comprehensive tool for evaluating theories, it is clear that the RDT fulfils the requirements to be considered as an empirical theory.

In a framework for evaluating theories Vos and Schiele (2014) assess requirements, virtues and the life cycle of a theory. Starting with the assessment of requirements, there are several determining characteristics, which need to be fulfilled by a theory. In broader terms, it consists of two classifications of determining characteristics: those related to conceptual theory development and those that make a theory testable (Vos & Schiele, 2014, p. 4).

According to the theory development criteria, a theory should consist of five specific elements: units, laws, boundaries, system status, and why (Vos & Schiele, 2014, p. 4). The RDT will be tested for each of these five specific elements. Starting with the

element of units, which consists of the subject matter of attention (Vos & Schiele, 2014, p. 4). In the RDT, the organization is the subject of attention, evaluating its actions in the environment. Pfeffer and Salancik (1978) define an organization as: “a coalition of groups of interests, each attempting to obtain something from the collectively, by interacting with others, and each with its own preference and objectives” (Pfeffer & Salancik, 1978, p. 36). The law represents the second element in order to evaluate a theory. The RDT shows a clear defined law formulated in the work of Pfeffer and Salancik (1978) by the explanation of the interdependence between organizations in the environment. According to the law of the RDT an organization tries to survive in the environment by minimizing any situation of uncertainty and dependency by acquiring resources or establishing inter organizational relationships (Pfeffer & Salancik, 1978, p. 26). The next elements under observation are the boundaries space, value, and time. In the second publication of the work of Pfeffer and Salancik (2003) is noticed that there is not enough research available considering the boundaries of the RDT (Hillman et al., 2009, p. 17). However, the fact that the theory uses the interorganizational dependency in the environment leads to the assumption that the theory is not bounded to time as long as the organization is situated in this environment. Nevertheless, there are periods in which the influence of the RDT is increased, for example in case of a merger process the increased influence is bounded to the length of the process (Finkelstein, 1997, pp. 787-792). Concerning the boundary of space, the RDT can be bounded to the boundaries of the organization concerning internal issues (Hillman et al., 2009, p. 10). The RDT is bounded to the environment of the organization and assumes that the organizational actions are constrained to the events in the organizational environment, leaving the environment as a space boundary (Pfeffer & Salancik, 1978, p. 40). Next, the value predicted by the theory consists of the likelihood of organizations behaviour in specific constrained situation. Describing the impact of a specific event in the environment on the organization behaviour (Hillman et al., 2009, pp. 1-2). The system status represents the fourth evaluation element and addresses a specific status, in which is explained why units interact differently with each other. In other words, the system status represents the state under which the theory is operating. Analysing the RDT, the theory is always active in the organizational environment, since organizations are always constrained by interdependency. However, in situations where organizations try to obtain resources or form interorganizational relationship, the RDT is operating heavily (Hillman et al., 2009, pp. 2-3). One example of where the RDT is operating is the case of dealing with high environmental uncertainty by using interfirm coordination, addressing the safeguarding problem in supplier relationships (Buvik & Grønhaug, 2000, pp. 445-446). The last element describes why the representation of the phenomenon deserves to be considered as credible. Evaluating the RDT, an example is the execution of acquisitions. The RDT describes why organizations use acquisitions to reduce their dependency to others and increase their power (Davis & Cobb, 2010, pp. 8-9). Summing up, the RDT consists of all five elements included in the theory development criteria developed by Vos and Schiele (2014).

By evaluating the RDT, the theory should not only be tested whether it is applicable for practice, but also whether it is refutable. Other scholar suggest that theories should be tested on four additional elements: propositions, hypotheses, empirical indicators, and empirical research (Vos & Schiele, 2014, p. 5). According to the first element, which is propositions, general propositions need to be dedicated from the theory. The central proposition of the RDT is that the actions of organizations are constrained by its organizational environment and the key to organizational survival is the ability to acquire and maintain resources (Nienhüser, 2008, pp. 10-12). The second element concerns

whether the theory contains hypotheses. Several hypotheses are included in the RDT. The main hypotheses is that an organization always tries to reduce dependency and uncertainty by obtaining critical resources from the organizational environment (Hillman et al., 2009, p. 1). Furthermore, there are several additional hypotheses on the RDT, for example the hypothesis that powerful executives try to extend their power over their contribution to resource control (Nienhüser, 2008, pp. 18-24). The next element explores whether the theory contains an empirical indicator. This element should state the empirical content and includes concepts, constructs and variables. The RDT uses an external open-system perspective on organizations and tries to describe organizational behaviour based on two core variables: dependency and uncertainty (Hillman et al., 2009, p. 1). The RDT is tested by several scholars, mostly by Pfeffer and Salancik (1978). Further research testing and using the RDT will be addressed in the later parts of this thesis. However, the current literature shows that there are still some limits to the available research concerning the basic assumptions and boundaries of the theory (Finkelstein, 1997, p. 791). However, the last element evaluating, whether an empirical research is in place, is confirmed.

The presented findings confirm that the RDT contains all requirements related to conceptual theory development and those that make a theory testable. The RDT can be, according to Vos and Schiele (2014), considered as an organizational theory possessing the minimum requirements for empirical testing and predicting (Vos & Schiele, 2014, p. 5). Other scholar support this findings and confirm that the RDT represents a valid theoretical framework. However, also noticing that there is some space left for additional research, by addressing the boundaries of the RDT for example (Hillman et al., 2009, pp. 17-18). The next section will summarize the main statements of the RDT, by considering the assumptions of the theory and its main variable mentioned earlier.

2.5 The Main Statement of the RDT Suggests that Organizations are Dependent on Resources in their Environment

This section will summarize the main statements of the RDT and addresses the predictions and hypotheses of the theory by considering the assumptions, the contextual perspective, and the core variables uncertainty and dependency. According to the RDT, organizations are dependent on resources, especially on resources classified as critical resources (Nienhüser, 2008, p. 10). The dependency on resources emerges from the organizational need to survive in its environment (Pfeffer & Salancik, 1978, p. 26). The only source of the resources needed by the organization, ultimately originate from the organizational environment, where other organizations are part of. According to March and Simon (1958), an organization is described as: “an established coalition large enough to ensure the survival of the organizations most critical activities” (Pfeffer & Salancik, 1978, pp. 24-25). The appearance of several organizations in one environment leads to the issue that some resources needed by one organization are controlled by another organization. Including the assumption that resources can be the basis of power these organizations will be dependent on each other, even if they are legally independent organizations (Pfeffer & Salancik, 1978, p. 41). In this case power and resources are directly linked to each other, based on the assumption that organizations A’s power over organization B is equal to organization B’s dependency on organizations A’s resources (Emerson, 1962, p. 32). As a consequence power can be described as rational, situational, and potentially mutual. Without power in the environment and arise of several events, which cannot be controlled by the organization under the assumption of interdependency, organizations perceive uncertainty. To reduce the

uncertainty, especially in the flow of critical resources, organizations will try to reduce the uncertainty by using several managerial tactics (Casciaro & Piskorski, 2005, p. 167).

In order to explore how well the RDT works in practice, the assumptions, variables and main statements will be explored by using existing literature in the field of management and accounting. The theory will first be analysed from a more general perspective and subsequently from a supply management perspective, showing its influence on organizational behaviour. The basis for all findings is sourced from a systematic literature review approach, which will be explained in the next part.

2.6 Empirical Findings from a Systematic literature Review Approach

2.6.1 A Systematic Literature Review Approach as the Method for Obtaining Empirical Findings

As the basis for the findings presented in the paper, a systematic literature review approach is used. The literature research starts with the original book written by Pfeffer and Salancik (1978), yielding in the assumptions of the theory, the core model, core variables, and the main hypotheses of the RDT. In the following the systematic literature review is extended by a systematic literature search, using the online bibliographic database "Scopus". A search table is used for ensuring a high literature search quality (See Figure 5). The search table consists of several keywords used to obtain initial hits in the research area. Starting the literature search with keywords on central aspects of the paper. Additional keywords are formulated on the basis of the initial findings, giving propositions for further research. In the following the initial findings are limited to several limitation factors, presented in the search table. The limitation factors reduce the initial hits to the field of interest, research area, the literature type, and the year of publication. For the sections concerning the assumption, core variables, main statement, and empirical findings, no limitation to the year of publication is used, in order to find literature, which describes the development of the RDT. However, findings concerning the field of supply management are limited to the year of publication, representing the current state of literature, in order to improve the quality of the supply strategy improvement advice. Besides the limitation factors, each result is tested on the usability for the research, considering: year of publication, author, publisher, title, and abstract. Furthermore, the search table includes the individual search-key used in the literature search, giving the opportunity to reiterate the search. The following part consist of the empirical findings obtained from the systematic literature review, starting with general findings, which will be followed by specific findings related to the field of supply management. The section will close with the classification of the RDT in the life-cycle approach of theories.

2.6.2 General Empirical Findings Suggesting the Relevance of the RDT for Today's Research

In the following part general empirical findings related to the RDT are described. This part will start with facts describing the general impact of the RDT on the current body of literature. In the next part empirical examples will be presented on how the RDT is used as a theoretical perspective to several managerial practices and organizations behaviour. The first empirical work presents an empirical example on how the RDT is used to describe organizations failure, followed by the impact on board function and composition. The last empirical example consists of the influence of the RDT on interorganizational arrangements.

In the current literature scholar make use of the RDT in order to describe managerial activities and organizational behaviour (Sheppard, 1995, p. 28). The work of Pfeffer and Salancik (1978), "External Control", has been cited over 3,000 times until

July 2008 since the publication and is one of the most cited works in the study of organizations (Davis & Cobb, 2010, p. 13). The majority of the current literature concerning RDT still follows the same assumptions and hypotheses as they were originally developed by Pfeffer and Salancik (1978). Several reviews are structured around the five possibilities firms can use in order to decrease their dependency, developed by Pfeffer and Salancik (1978), including: (a) mergers/vertical integration, (b) joint ventures and other interorganizational relationships, (c) boards of directors, (d) political action, and (e) executive succession (Hillman et al., 2009, p. 1). In the following part some empirical examples will be presented showing the impact of the RDT on managerial practices and organizations behaviour.

According to Sheppard (1995), the question on how organizations are able to survive is especially relevant in the developing world with an increase in fierce competition, leading to uncertainty concerning the company's continued existence (Sheppard, 1995, p. 28). Following the RDT's key hypothesis, supporting that the organizational survival lies in the ability of the organization to acquire and maintain resources. Reasons why organization might fail is because of the fact that organizations fail to allocate resources, in order to maintain the support of critical coalitions, due to mismanagement, insufficient resources, or poor information (Sheppard, 1995, p. 32). The study of Sheppard (1995) includes several organizational activities to avoid organizational failure: control of the environment, influence of resource providers, described by director interlocks, percentage of outside directors, joint ventures, and firm size, environmental buffering, described by diversification, and present level of organizational resources (Sheppard, 1995, pp. 34-41). Although not all of the hypotheses mentioned by Sheppard (1995) are holding, the main statements, hypotheses and assumptions of the RDT are still intact because of sufficient support (Sheppard, 1995, pp. 55-56). The research confirms that the two aspects, the present level of organizational resources and the level of influence with the resource provider, are negatively correlated with the firm's survival (Sheppard, 1995, p. 50). In other words, by keeping a high level of present resources and high level of influence with resource providers, an organization is able to survive. Sheppard (1995) gives additional attention to the role of interlocks, addressing the usefulness of interlocks in order to increase the influence on resource providers and source of reliable information (Sheppard, 1995, p. 50).

Additionally, the RDT has a major influence in other managerial fields. Several major studies concerning directors and interlocks, results in several models to explain the function of corporate boards (Boyd, 1990, p. 419). According to the RDT, there exists a strong correlation between frequencies of interlocking and uncertainty due to competition (Boyd, 1990, p. 420). A study done by Pfeffer (1972a) on board composition in relation to specific environmental characteristics confirms that the board compositions has an influence on the financial performance of organizations (Boyd, 1990, p. 420). However, the RDT stands diametrically opposed regarding to the strategic role of corporates boards with the management control theory, proposing that the board is a rubber stamp for management suggesting that the corporate board has no useful function and is unable to contribute to the strategic direction of the organization (Boyd, 1990, pp. 419-420). Nevertheless, the study of Boyd (1990) proves that the preliminary suggestion that an organization facing environmental uncertainty would benefit from a good composition of their own board of directors.

According to Drees and Heugens (2013), numerous studies show that the formation of interorganizational arrangements can be traced back to the RDT (e.g. Dussauge, Garrette, and Mitchell (2000), & Peng (2004)). Furthermore, Drees and Heugens (2013)

also find several studies reporting counter hypothesized findings (e.g. Koka and Prescott (2008), and Paruchuri, Nerkar, and Hambrick (2006)) (Drees & Heugens, 2013, p. 1666). However, the study confirms the fact that all original hypotheses included in the RDT are keeping the basic model of the RDT intact (Drees & Heugens, 2013, p. 1687). Furthermore, some literature can be found extending the RDT. Davis and Cobb (2010) extend the RDT by showing that the mechanisms motivating the hypotheses related to co-optation through board appointments are captured through less obtrusive means (Davis & Cobb, 2010, p. 22). The next part includes empirical findings concerning the RDT in the context of supply management.

Summarizing, the presented findings show the great influence of the RDT on several managerial practices. The study of Sheppard (1995) shows the significant impact of the organizations ability to survive in the environment by avoiding failures. Furthermore, the study of (Boyd, 1990) shows how the RDT influences highly strategic decisions, like the board composition. However, one of the central findings is the great influence of the RDT on the establishment of interorganizational relationship, which has been hypothesized by the original theory of Pfeffer and Salancik (1978). In addition to the general empirical findings there are also specific empirical research addressing the impact on one specific field of management. In the following section the empirical finding concerning the management field of purchasing and supply management are described. The findings feature a significant impact of the RDT on supply management decisions.

2.6.3 Findings Related to Purchasing and Supply Management Support the Influence of the RDT on Supply Management Decisions

There are several findings directly linking the RDT to the field of supply management. In supply management practices the desirable tactics for managing supply forms a continuum from least to most constraining tactics, in order to minimize uncertainty and dependency, and maximize the autonomy of the organization (Davis & Cobb, 2010, p. 6). This section will start with a description of characteristics in buyer-supplier relationships, followed by further actors influencing organizations supply management practices. Furthermore, the impact of supply management practices on dependency and uncertainty will be explored. Finally, the assumption that firms are likely to acquire their transaction partner in order to reduce interdependency between buyer and supplier will be explored (Pfeffer, 1972a, p. 382).

The section starts with the impact of the RDT on characteristics of buyer-supplier relationships. First, the RDT assumes that asymmetric interdependency between buyer and supplier leads to a dysfunctional relationship between both actors, due to the possibility that the more independent organizations will experience high power and will be attempted to exploit this power (Caniels & Gelderman, 2005, p. 144). It is suggested that the organizational power is the function of dependency between the organization and the resource supplier (Provan, Beyer, & Kruytbosch, 1980, p. 202). The presence of dependency and control plays a significant role in buyer-supplier relationships. A buying organization, depending on a powerful primary supplier, can be negatively influenced by this relationship (Handfield, 1993, p. 291). Furthermore, the dependency between both organizations is negative related to the availability of other supplier in the environment. However, it is assumed that the number of available suppliers is not as relevant as the importance of each supplier to the resource dependent organization (Provan et al., 1980, p. 202). Besides the characteristics of buyer-supplier relationships there are also further factors described by the RDT, which influence the organizational supply management practices.

Additionally, the organizational supply management practices are influenced by other organizations in the environment, resulting in tensions that go beyond the immediate collaboration. One additional actor influencing the relationship is the presence of competitors (Slowinski et al., 2009, p. 30). Suppliers that provide critical resources to an organization could also provide the same resources to competitors in the environment. Assuming that the supplier develops a new innovation, which could provide the buying organization with competitive advantage, the buying organization wants to have control of the new innovation before their competitors, in order to increase power (Slowinski et al., 2009, p. 30). In order to control critical resources faster, an organization can strive for a closer relationship to its resource provider by merger as a response to organizational interdependence (Pfeffer & Nowak, 1976, p. 398). However, there are also additional relationships not included in the industry value chain, which need to be considered by the organization, for example other firms as complementors and institutions as regulators (Santos & Eisenhardt, 2005, p. 496). The interest into further actors in the environment lies in the assumption of increasing uncertainty, due to the concept of interdependency.

The concept of interdependency is from great importance to the field of supply management (Pfeffer & Salancik, 1978, pp. 40-43; Slowinski et al., 2009, p. 30). In order to maintain a good supply management strategy, an organization is assumed to predict events in the environment and the future outcome of its own actions. According to the interdependency assumption, predictions can be interrupted by changes in the environment, for example, major market shifts, changing government regulations, and commodity price changes (Slowinski et al., 2009, p. 30). The interruption by unexpected events leads to chaos in the supply chain. According to the RDT, the organization needs to resolve the issue by interacting with other organizations in the environment. Additional approaches to solve the issue include the concepts of bridging and buffering (Meznar & Nigh, 1995, p. 990). In case of buffering, a firm either resists to environmental changes or tries to control the environmental changes. Successful buffering could keep environmental changes outside the organization and avoid interfering with internal operations (Santos & Eisenhardt, 2005, p. 496). The concept of bridging includes that the organization tries to adapt organizational activities in order to meet exceed regulations in the external expectations (Meznar & Nigh, 1995, p. 976). Giving the example of entrepreneurial firms in the nascent markets, the concept of buffering is used in order to protect core position by acquiring other smaller firms (Santos & Eisenhardt, 2005, p. 496). Nevertheless, by obtaining critical resources supply managers face additional sources of uncertainty steaming from: deviations in forecasts, production plans and schedules, changes in requirements, unreliable vendor quality and deliveries, and financial instability (Handfield, 1993, p. 289). In order to cope with uncertainty in the environment, organizations can follow several tactics, including the practice of merger and acquisition, which will be explained in the following part in more detail.

The practice of merger and acquisition is of interest from a RDT perspective (Pfeffer, 1972a, pp. 382-384; Pfeffer & Nowak, 1976, p. 400). In general there are three reasons why organizations can enter into mergers and acquisitions. The first reason is to reduce competition by absorbing an important competitor. Secondly, managing interdependency by absorbing either source of input or purchaser of output. Thirdly, by absorbing an organization in order to diversify operations (Hillman et al., 2009, pp. 2-3). However, there are also additional strategies in order to stabilize the supply of resources, especially critical inputs, for example by using managerial strategies such as alliances and interlocks (Drees & Heugens, 2013, p. 1670). Alliances and interlocks

try to improve the compatibility of the organizational system with the resource provider by incentivizing the joint search for efficiency gains in the manufacturing process. These benefits can be achieved by surrounding the exchange process of resources with appropriate and efficient governance mechanisms (Drees & Heugens, 2013, p. 1670).

Summarizing, the presence of uncertainty is one core concept in evaluating buyer-supplier relationships from a RDT perspective (Gölgeci & Ponomarov, 2015, pp. 270-271). According to the RDT, organizations facing increased uncertainty are likely to create collective actions with other organizations in the value chain (Handfield, 1993, p. 289). Engaging in collective action stabilizes the environment and reduces uncertainty (Handfield, 1993, p. 293). Further managerial practices are used to manage buyer-supplier relationships on the basis of the characteristics of both buyer and supplier. Since the publication of RDT, the theory of RDT is often used in predicting organizational practices in supply management. Due to the success of RDT there is still a rising interest in the development of the theory (Hillman et al., 2009, p. 18). Therefore, the following section will evaluate the RDT by using the classification framework provided by the life-cycle model of theories.

2.6.4 Classification in the Life-Cycle Approach of Theories by using Virtues

Characteristics enabling scientists to determine the quality and value of a theory are called virtues of good theories. In this evaluation only virtues are included, which are positively related to the predictive abilities the theory, considering two internal and four external virtues (Vos & Schiele, 2014, p. 6). Starting with the internal virtues where Vos and Schiele (2014) define two aspects which both need to be considered. The first aspect concerns the internal consistency and coherence of the theory, scope conditions, lineage, and relationship to other constructs. The book of Pfeffer and Salancik (1978) provides a high level of construct clarity, by using definitions, scope conditions and relationships. For example Pfeffer and Salancik (1978) clearly define and describe the concept of power and how it relates to dependency (Pfeffer & Salancik, 1978, p. 46). The RDT represents a clear framework in order to formulate hypotheses and predictions on organizational behaviour in the environment. The second internal virtue describes the empirical validity, verifiability and operability (Vos & Schiele, 2014, p. 6). Due to its hypotheses and propositions, the RDT shows a high level of empirical validity. The use of the RDT in several studies shows that the operability of the theory is sufficient resulting in high quality results (Boyd, 1990, pp. 423-428; Fink, Edelman, Hatten, & James, 2006, pp. 497-510; Handfield, 1993, p. 290).

In the following the external virtues, addressing the external environment will be evaluated, according to the theory evaluation framework (Vos & Schiele, 2014, p. 6). The first external virtue consists of the scope and unit used by the theory. The RDT can be considered as a theory with a high level of scope and unit, due to the fact that the theory is not time bounded and can be used in several research areas, including sociology in education, health care, public policy, and other cognate disciplines (Davis & Cobb, 2010, p. 3). The RDT shows its independency in terms of time, since the RDT is still being used in organizational behaviour research. The second external virtue evaluates the external consistency of the RDT, by considering the link to the existing body of theories. The RDT is built on several earlier scholars, e.g. Emerson (1962), Blau (1964), and Jacobs (1974) showing a strong link to the existing body of theories. However, the intention behind the RDT is to provoke additional thoughts, research attention, and concerns for three different ideas, including the concept of resource interdependency, external social constraint, and organizational adaption (Pfeffer & Salancik, 1978, pp. xi-

xii). The third external virtue evaluates the conservatism of the RDT. The work of Pfeffer and Salancik (1978) represents a new way of studying organizational behaviour. Finally, the RDT can be tested on the fruitfulness of the theory, representing the fourth external virtue. In the study of organizational behaviour, the RDT can be seen as a very useful framework, showing that organizations are constrained to their environment. Furthermore, the RDT can be seen as a relevant theory in management scholars with a high rate of utility.

In the last part of this section, the RDT will be placed in the life-cycle model of theories, evaluating its predictive power compared to its life time (Vos & Schiele, 2014, p. 9). The model consists of three different time stages, including: theoretical & empirical construction, progression (virtues), and possible degeneration. Based on the general and supply management specific empirical findings, the RDT can be placed in the progression state of the life-cycle model. Several scholars make use of the RDT testing the theory's hypotheses (Boyd, 1990, pp. 167-169; Casciaro & Piskorski, 2005), where other scholars extend the RDT (Drees & Heugens, 2013, pp. 1666-1668). Furthermore, there is no evidence available confirming that the RDT is in the degeneration stage of the life-cycle model. Concluding, the RDT is still in the progression stage of the life-cycle model. However, there are critics on the development of the RDT, which will be discussed in the following section.

2.7 The RDT is often criticized based on the lack of empirical testing of its basis premises

There are several scholars supporting the usefulness of the RDT for studying organizational behaviour. However, some scholars criticize the RDT. Most of this criticisms focus on the issue that the basis concept and the boundaries of the RDT are not as extensive tested as it should be. However, scholars noticed that it is difficult, almost impossible to test all the hypotheses stated by the RDT (Nienhüser, 2008, p. 8). Nevertheless, some literature empirically tested some of the RDT hypotheses and variables, and is able to extend or improve the theory (Casciaro & Piskorski, 2005, pp. 191-192). The following part will address this issue, showing how the theory is improved by the research of Casciaro and Piskorski (2005).

Most of the propositions and hypotheses of the RDT are based on the research of Pfeffer and Salancik (1978) (Davis & Cobb, 2010, pp. 24-26; Hillman et al., 2009, pp. 11-12; Nienhüser, 2008, pp. 28-29). However, some scholar have doubts about the usefulness of the RDT (Casciaro & Piskorski, 2005, pp. 191-192). Authors claim that the RDT is not a useful theory in order to serve as foundation for testable empirical research and they suggest a reformulation of the theory (Casciaro & Piskorski, 2005, p. 167). Their criticism include that there exists several ambiguities in the resource dependency model, especially with regard to constrained absorption (Casciaro & Piskorski, 2005, pp. 168-169). Noticing that the organizational motivation to manage external dependency does not necessarily correspond with its ability to do so and refer to the issue that perceptions are often confounded with predictions within the RDT (Casciaro & Piskorski, 2005, p. 168). They try to solve this issue by extending the concept of interdependency, developed by Pfeffer and Salancik (1978), and distinguish two separate variables influencing interdependency, namely the distinction between power imbalance and mutual dependence (Casciaro & Piskorski, 2005, p. 177). Power imbalance should serve as an obstacle to constrained absorption and would stand in contrast to the original theory (Casciaro & Piskorski, 2005, p. 169).

Also, some additional critics on the RDT exist concerning its general construct and hypotheses. The work of Nienhüser (2008)

claims that the RDT does not sufficiently justify why organizations in the RDT should be viewed as political systems and not as technical or economic systems (Nienhüser, 2008, pp. 25-26). Additionally, scholars suggest that the RDT is not tested in the past in depth as it should be. The hypothesis that organizations are constrained with their organizational environment and try to manage resource dependencies, has become almost generally accepted without sufficient testing (Pfeffer & Salancik, 2003, p. xxxiii). One further issue is that the RDT has been reduced to a “metaphorical statement about organizations” (Pfeffer & Salancik, 2003, p. xvi). An explanation represents the fact that there is almost no empirical examination available, testing the basic premises of the RDT (Davis & Cobb, 2010, p. 20).

However, it is assumed that testing the RDT in its entirety is impossible, since it consists of many hypotheses (Nienhüser, 2008, p. 18). Thus empirical results will only be related to single hypotheses. In general there are view scholars available criticizing the RDT, or even trying to refute the theory. Assessing the life-cycle of RDT, it is appreciable that the RDT has hardly been criticized in its 37 years of existence. Most of the literature available confirms the propositions, assumptions and hypotheses of RDT. Nevertheless, some criticism can be found serving as extension to the original RDT. Based on the few criticisms in comparison to the majority of the literature agreeing on RDT, it can be stated that is hard to disagree with the basic notion of the RDT (Davis & Cobb, 2010, p. 10). The critical assessment will be followed by the differentiation of the RDT to other theories and the future evolutionary tendency of the RDT.

2.8 Differentiation to other Theories and Evolutionary Tendencies of the RDT as being a “Grand Theory”

This section starts with two dimensions of relationships concerning RDT and other theories, the vertical and horizontal dimensions. Furthermore the relation and differentiation of RBV, TCA and IT towards RDT will be addressed, representing three examples of theories with an influence on the RDT evolutionary tendency.

The relation and differentiation of RDT toward other theories can be described by the vertical and horizontal dimension (Nienhüser, 2008). Due to the fact that the RDT foundation lies in the boundaries of the social exchange theory and the concept of power, as applied by Emerson (1962) and Blau (1964), the RDT shows a high level of vertical relation (Nienhüser, 2008, p. 17). Furthermore, the RDT has a significant level of horizontal relation towards other theories, representing the second kind of relationship dimensions (Nienhüser, 2008, p. 17). The horizontal dimensions refers to the overlap between RDT and other contemporary theories, as for example RBV (Barney, 1991, pp. 99-102). Referring to the terminological overlap and the overlap in the central perspective that the organizational behaviour is constraint to the control over critical resources. However, both theories differ in the kind of perspective used to describe organizational behaviour. The RDT takes an external perspective, whereas the RBV uses an internal perspective (Nienhüser, 2008, p. 17). Due to the difference in perspective the RDT focuses on the effectiveness of organizations rather than on the efficiency of organizations, as done by the RBV (Chicksand et al., 2012, p. 465). Further theories overlapping with the RDT are the Transaction Cost Economics (TCE) and Institutional Perspective (IT) (Nienhüser, 2008, pp. 17-18).

Considering TCE, an overlap exists in the variable of uncertainty, as a main independent variable in order to predict organizational behaviour (Chicksand et al., 2012, p. 471). Moreover, using a TCE uses efficiency as an incentive problem and safeguards are

centred on governance, whereby RDT uses effectiveness as incentive problem, using power as basis for organizational behaviour (Chicksand et al., 2012, p. 465). Based on the current state of literature, RDT and TCE are used together to provide a new comprehensive model for understanding organizational behaviour (Fink et al., 2006, p. 497). The unified framework, incorporating variables drawn from RDT and TCE, provides a RDT/TCE framework that could explain customer-supplier relationships (Fink et al., 2006, p. 518). Using the combined framework of RDT and TCE illustrates how the combination of the RDT with other theories develops the RDT further, showing an example of evolutionary tendency (Hillman et al., 2009, p. 15).

IP represents a further theory with a close relation to RDT. In the field of organizational behaviour research the IP is a further example for providing guidelines for organizational behaviour (Malatesta & Smith, 2014, p. 17). IP assumes that the organizations survival lies in its ability to conform to rules and norms prevailing in the environment. Furthermore, uncertainty is used as independent variable, which the organization can decrease by imitating what appears to be prevalent and appropriate in the environment (Malatesta & Smith, 2014, p. 17). Both assumptions show the close relation between IP and RDT. However, the differentiation in the moderating variables, as norms and values in IP and power in RDT, shows the dissimilarity in both theories. Nevertheless, a combination of IP and RDT could provide a new perspective on how institutional forces could influence organizational behaviour for reducing organizational dependency (Hillman et al., 2009, pp. 14-15).

Summarizing, RDT shows close relationships towards other theories in the current literature. Furthermore, RBV, TCE, and IP can be used in combination with RDT to develop new frameworks in order to predict organizational behaviour, representing three theories, which could influence the evolutionary tendency of RDT. The combination with other theories shows that the RDT represents a “grand theory”, serving as basis for deriving “middle range” theories (Handfield, 1993, p. 291). The following section evaluates the impact of RDT on the field of supply management, showing a grade influence on four supply management key decisions.

3. THE RESOURCE DEPENDENCY THEORY WITH REGARD TO KEY DECISION MAKING PROCESSES IN SUPPLY MANAGEMENT

3.1 Make or Buy - Vertical Integration as a Response to Uncertainty

In this section four different decision points in the field of supply management will be discussed, starting with the make-or-buy decision in organizations. The RDT has a significant prediction capability, when it comes to make-or-buy decisions. The RDT predicts whether a product should be insourced from external suppliers or made by the organization itself. The basic assumption is that whenever a resource needs to be sourced from outside supplier under dependency and uncertain conditions, the organization should, when possible, rather make the inputs themselves (Aldrich & Pfeffer, 1976, pp. 80-81).

Based on the RDT, the vertical integration of an organization in its supply chain depends on the perceived certainty of resource acquisition. Including the main variables of the RDT, the make-or-buy decision is influenced by the power of an organization over its suppliers, the dependency of the organization on its suppliers, and the criticality of the resources sources from these suppliers (Malatesta & Smith, 2014, p. 17). The first step in the make-or-buy decision process includes the assessment of the criticality of the resource for the organization (Shook, Adams,

Ketchen Jr, & Craighead, 2009, p. 5). The second step includes the concentration of the resource in the organizational environment. A resource can be seen as concentrated, if there are only few suppliers available, leading to dependency of the organization to few suppliers. Including the general assumption of the RDT, organizations will try to reduce its dependency to external providers of resources and improve its power over other organizations in their organizational environment (Nienhüser, 2008, pp. 13-14). This approach leads to the organizational primary objective, to control and stabilize the organizational environment (Handfield, 1993, p. 290).

Concerning the make-or-buy decision, several assumptions can be summarized. First, an organization should make the resource, if the resource is critically important to the organizations actions and there are only few suppliers available (Shook et al., 2009, p. 2). This assumption tries to reduce the dependency of the organization to external suppliers of resources and reduce the uncertainty in the supply of this critical resource in the future. However, this approach can be very costly, since the organization needs to acquire the capabilities in order to produce the resource themselves. Secondly, the organization should acquire activities or resources that are not critical to the organizational performance and many suppliers of this resource are available, from external suppliers (Shook et al., 2009, p. 2). It is assumed that the organization's dependency on other organizations will not increase by acquiring these kind of resources from external suppliers, there are many suppliers available. Furthermore, the availability of many suppliers reduces the uncertainty in supply for the future. The third assumption includes resources, which are not seen as a critical resources for the organization, supplied by a few number of external resource providers. In this case, organizations should strive for an alliance with their supplier in order to secure supply and reduce uncertainty (Shook et al., 2009, p. 2). While striving for an alliance with these suppliers, the organization should try to enhance the dependency of the supplier and alliance partnership.

The three assumptions represent a straight forward example on how organizations focus on the boundaries of its activities and shows some implications of boundary choices for boundary control (Santos & Eisenhardt, 2005, p. 496). In order to improve the strategic decision making of organizations, the supply management could make use of an product portfolio analysis, like the Kraljic-matrix (Kraljic, 1983, p. 111) for evaluating the criticality of resources and the concentration of these resources in the environment. The Kraljic-matrix evaluates the importance of a resource, by comparing its financial impact on the organization and the availability of suppliers. In the next part, the Kraljic-matrix is used for evaluating strategic sourcing decisions of organizations.

3.2 Matching Sourcing Strategies to Criticality of Products and Uncertainty in Resource Supply

The Kraljic-matrix represents a useful tool in order to describe the sourcing strategies of organizations. The RDT has a high strategic impact on sourcing bottleneck and strategic items, due to the concentration of resources. Further concerns regarding strategic sourcing decisions including the size of the supply base, the use of inter firm relations, and buffering strategies, all influenced by RDT predictions.

Starting with the influence of the Kraljic-matrix under a RDT perspective, strategic sourcing decisions are influenced by the importance of the resource and the availability of the resource in the supplier market. The noncritical items is the first item-group are considered. These items do not have a high financial impact

on the organization and can be sourced from many different suppliers (Kraljic, 1983, p. 112). From a resource dependent perspective, these items should not be seen as critical resource, since a stable supply and low dependency on suppliers can be assumed. These items should be sourced by establishing suppliers, focusing on functional efficiency. Considering leverage items, a similar impact of the RDT on the sourcing strategy can be assumed. These items are from higher value compared to the noncritical items, but the supply of the items is secured due to the high number of suppliers available (Kraljic, 1983, p. 11). An organization should follow a sourcing strategy focusing on cost management and reliable short-term sourcing in purchasing leverage items (Kraljic, 1983, p. 111). Considering bottleneck items it can be assumed that these items have a low financial impact on the organization. However, the supply of these items can be seen as critical. There is a low number of supplier available leading to high dependency of the organization on these suppliers, due to concentration of resource concentration. The RDT suggest that organizations should focus on developing strategic partnerships, like interlocks in order to influence resource providers and secure supply (Sheppard, 1995, p. 50). The item group of strategic items represents the most interesting resources from a resource dependency perspective. According to the RDT, strategic items consists of resources which have a critical impact on the organizations activities and performance. Furthermore, these items are only supplied by a couple of suppliers in the market (Shook et al., 2009, p. 2). In order to secure supply the organization should focus on a strategic and long-term relationship with the resource provider, in order to reduce uncertainty in supply. However, a strategic relationship will lead to high dependency to external resource providers. In order to reduce dependency, organizations are likely to enter into merge or acquire the supplier (Hillman et al., 2009, pp. 2-3). It can be assumed that the merger and acquisition of such a strategic supplier could lead to additional benefits including competitive advantage due to the increase in the buying organizations power (Hillman et al., 2009, p. 3).

There are several sourcing strategies mentioned by Caniels and Gelderman (2005) including: maintaining strategic partnerships, reducing negative consequences, reducing dependency and risk, exploiting buying power, developing a strategic partnership, pool purchasing requirements, and individual ordering (Caniels & Gelderman, 2005, pp. 144-146). These strategies focus on general assumptions made by the RDT to reduce supply risk by reducing the uncertainty and ensuring a stable environment, or by reducing dependence to external resource providers. Additional strategies are mentioned in the empirical findings par, considering buffering and bridging strategy to the organizational environment ensuring supply of critical resource (Meznar & Nigh, 1995, p. 990). An organization is always trying to reduce the dependency to other organizations, like external resource providers unless an organization has no countervailing power or can exert a reciprocal dependency (Handfield, 1993, p. 293).

Furthermore, the RDT gives some implications on supply base reduction as a common supply management strategy. Noticing that a supply base reduction could lead to higher dependency on several suppliers, a closer relationship to several suppliers could lead to higher information sharing and a reduction in uncertainty (Handfield, 1993, p. 308). Moreover, the action accomplishes several objectives, for example in case of giving order in short notice a fewer number of suppliers need to be contacted, volume and quantity discounts, reducing order lead times reduction in logistics cost by improving efficiency and a base of future development of the supplier (Handfield, 1993, p. 293). Comprising, the RDT provides managers with a perspective for comparing different strategies in supply management actions. In order to obtain a deeper understanding of supply management decisions in

relation to the RDT, the supplier strategies, especially concerning supplier selection, will be addressed in the following.

3.3 Following a RDT Strategy by Selecting Equally Powerful or Weaker Suppliers

The reduction of suppliers in the supply base can lead to benefits. However, with a fewer number of suppliers the performance of each supplier is getting more important to the performance of the organization, leading to an increase in dependency. Corresponding to this issue, an organization should follow a well-defined strategy to select and cope with suppliers. Taking a buyer perspective on the buyer-supplier relationship, a buyer should select equally powerful or weaker suppliers, in order to reduce dependency. Nevertheless, a higher amount of power for one actor, asymmetric interdependency, could lead to an exploitation of dominance by one actor and harm the relationship between buyer and supplier, leading to dysfunctionality (Caniels & Gelderman, 2005, p. 144). The preferred buyer-supplier relationship will be explored in the following in more detail.

The relative power of a supplier plays a significant role in the supplier selection process. For the buying organization it is beneficial to select a supplier that is equally powerful or weaker compared to the focal organization. A weaker supplier can be controlled by the buying organization, giving the buying organization the opportunity to force the supplier to act in the demands of the buying organization. Additionally, one approach to manage uncertainty, for example with regard to demanding, is to identify small local suppliers. It is assumed that these suppliers use simplified processes and product lines, giving them the ability to maintain schedule flexibility at low cost (Handfield, 1993, p. 293). However, a high asymmetry in the interdependency in the buyer-supplier relationship is seen by scholars as problematic, since the more powerful actor could exploit its power and harm the relationship (Caniels & Gelderman, 2005, p. 144). Further, asymmetry of power in the supplier-buyer relationship could lead to a shift of uncertainty from the buyer to the supplier, forcing the supplier into non-competitive practices (Walker & Weber, 1984, p. 389). In order to assess the relationship between buyers and suppliers, the nature of a resource, the size of the organization and the discretion over a resource needs to be considered (Pfeffer & Salancik, 1978, p. 46). Further factors addressing the supplier section includes the trade-off among quality, cost, delivery, and flexibility (Verma & Pullman, 1998, p. 747). It needs to be considered that the buying organization does not always has the abilities to maintain a preferred supply base strategy. In some cases there are not enough suppliers available in the environment, leading to monopoly in supply. In these cases the RDT provides a framework to address several forms of buyer-supplier relationship in order to reduce environmental dependency and uncertainty (Hillman et al., 2009, p. 1).

Examples on how organization can reduce the dependency on the external environment and lower uncertainty include merger and acquisitions, leading to vertical integration, or joint ventures and other interorganizational relationships. Interorganizational relationships are found to have scientific impact to reduce dependency and uncertainty (Galbraith & Stiles, 1984, pp. 511-513). In the following part a primary role of the purchasing department will be explained in more detail, as the evaluation and qualification of Just-in-Time (JIT) suppliers (Handfield, 1993, p. 291).

Several manufacturing firms make use of the just-in-time supply strategy in order to reduce inventory levels, reduce inspection, and produce better products (Handfield, 1993, p. 289). As a necessity a small supply base is required by JIT supply strategy, leading to greater information sharing with fewer suppliers. (Handfield, 1993, p. 308). Consequently, a successful JIT sourcing strategy can lead to a reduction in transaction uncertainty

with critical suppliers. However, the JIT approach increases the dependency of the buying organization to a couple resource providers. The RDT shows several benefits and drawbacks to this sourcing approach. In order to cope with the drawbacks of this sourcing approach organizations need a well formulated governance with its resource providers, including long-term contracts to manage the relationships (Casciaro & Piskorski, 2005, pp. 168-172). The necessity of these contracts will be explained in the further section, using a RDT perspective.

3.4 Long-Term Contracts in Strategic Business Partnerships

A well-made governance in buyer-supplier relationships is needed to reduce uncertainty. Especially when organizations strive for supply strategies with a close buyer-supplier relationship, like the JIT sourcing (Handfield, 1993, p. 290). Under the RDT, decreasing uncertainty refers to the absorption of external constraints in the organizations external environment. It can be suggested that organizations can partial absorb constraints by establishing long-term contracts, such as joint ventures (Casciaro & Piskorski, 2005, p. 168). Additionally, the power and interdependency asymmetry plays a significant role in managing buyer-supplier relationships (Caniels & Gelderman, 2005, p. 145).

Addressing governance mechanisms in buyer-supplier relations under the perspective of the RDT shows a necessity of well-made contracts between both parties. The kind of contractual strategy used in a buyer-supplier relationships depends on the dependency between both parties, the criticality of the resource, and the power differences in the relationship (Handfield, 1993, p. 290). For sourcing noncritical resources the buyer should focus on lowering logistics and administrative complexity (Kraljic, 1983, p. 111). One approach to do so is to establish systems contracting for sourcing routine items. Focusing on standardization and establishing purchasing requirements in order to enhance purchasing power (Caniels & Gelderman, 2005, p. 146). Using the Kraljic-matrix, leverage items consist of products with high value and low supply risk (Kraljic, 1983, p. 111). By sourcing leverage items, the strategy of competitive bidding between suppliers is an approach to achieve low prices, guarantee of quality, and reliable delivery. The contractual focus should be on establishing short-term contracts with resource provider. There is no need for long-term contracts, due to the low supply uncertainty and low dependency on suppliers (Caniels & Gelderman, 2005, p. 153). By sourcing so called bottleneck items an organization should focus on reliable short-term sourcing contracts, in order to ensure supply and stability in the environment (Kraljic, 1983, p. 111). According to the RDT, these products should be sourced by considering strategic alliances, for example joint ventures, in order to absorb external constraints. Establishing permanent interorganizational arrangements, such as mergers and acquisitions, fits best for sourcing strategic items, representing critical products, supplied by a small number of supplier. These kinds of permanent interorganizational arrangements require long-term contracts, ensuring strategic partnership and information sharing (Casciaro & Piskorski, 2005, p. 173).

Summarizing, a buying organization should always attempt to engage into buyer-supplier relationships, where it can be seen as the more powerful actor, or at least as equally powerful. However, it is necessary to establish a well-made contractual framework to align both organizations interests (Slowinski et al., 2009, p. 30). The following part will elaborate on the RDT by discussing the impact of RDT on supply management decisions.

4. THE RDT AS A USEFUL THEORETICAL FOUNDATION TO IMPROVE SUPPLY MANAGEMENT DECISIONS

The empirical findings exposed in this thesis present the current state of the RDT in the field of organizational behaviour research, showing its significant impact and great influence. In addition, the presented research shows the significant impact of the RDT on supply management practices, especially on the four core decision points: make-or-buy, sourcing strategy, supplier strategy and contracting.

Starting with the general findings on the RDT this research shows the relevance of the theory in the current body of literature. The theory is used to describe and predict managerial practices in the field of organization behaviour, sociology to education, health care, public policy, and other cognitive disciplines (Davis & Cobb, 2010, p. 3). Additionally, since the publication in 1978, "External Control" has been cited more than 3000 times until July 2008, representing more than 30 years of scientific relevance (Davis & Cobb, 2010, p. 13). Today, the RDT can be seen as a "grand theory", providing "middle range" theories a basis for development. However, there are also some drawbacks to this success. Due to its success, the RDT has been widely accepted, however, it is not as rigorously tested as it might be. Several scholars address the issue that there is not enough research available considering the boundary conditions of the RDT.

Nevertheless, it can be assumed that the RDT will keep its position as a "grand theory" in the following decades, since it is based on several fundamental theories, which are difficult to refute. Furthermore the wide range of hypotheses used by the RDT protects the theory to be disproved. Assuming that the RDT will develop in the future, by combining the theory to other theories, leading to new "middle range" theories or strategies, like the just-in-time supply strategy. Leaving the RDT in the progression stage of the theory life-cycle (Vos & Schiele, 2014, p. 9).

Using the RDT as a perspective on supply management decision shows its significant impact. Starting with the first decision point, the make-or-buy decision, the empirical findings show the importance of organizational interdependency including the variables: power, criticality of the resource, and the availability of supply. Following the general assumption of RDT that organizations try to reduce organizational dependence and uncertainty, several strategies to make-or-buy decisions can be abstracted. First, an organization should make the resource, if the resource is critical to the organizational actions and there are only few suppliers available. Secondly, resources that are not critical to the organizational performance and can be supplied by many external resource providers should be sourced from these external suppliers. Third, organizations should strive for an alliance with their supplier in order to secure supply and reduce uncertainty for sourcing resources with a low impact on organizations performance and a low number of suppliers available. However, if it is not possible for the organization to produce critical resources provided by a low number of suppliers, the buying organizations should engage in alliances like interlocks or mergers and acquisition in order to secure supply.

The second supply management decision point, influenced by the assumptions of RDT, includes the strategic sourcing of resources. The general hypothesis of the RDT will remain the same, organizations will try to reduce organizational dependency and uncertainty. However, several scholars suggest to source resources from a limited number of supplier and reduce the size of the supply base, in order to benefit from lower logistic and ordering complexity, information sharing, and cooperation between both parties. This approach seems to be contradicted to the RDT hypothesis to reduce the dependency to external organizations.

Nevertheless, the establishment of closer relationship is assumed to reduce uncertainty, due to reduction in supply risk and increase information sharing. To support the strategic sourcing decision product portfolio analysis, the Kraljic-matrix can be used by the buying organization.

According to the RDT, the supply management decision and strategy for finding, selecting, and treating suppliers depend on the interdependency and level of power difference between both parties. It is assumed that selecting equally powerful or slightly weaker suppliers is beneficial for the buying organization. A business relation between two equally powerful parties is assumed to avoid an abuse of power harming the relation. An abuse of power would be the case, if the more powerful organizations exploit its power to suppress the business partner. However, a slightly weaker supplier is seen as beneficial to the performance of the buying organization, due to the possibility to force the supplier to behave in demand of the buying organization. In case of asymmetric interdependency, leading to differences in the power position, the weaker organization could protect itself by using contracts to form a well-made governance structure.

The fourth and last supply management decision point addresses the usage of contracts to establish inter firm relations. The RDT has a significant impact on contractual strategies in buyer-supplier relationships, by reducing uncertainty. Sourcing products with no critical impact on the buying organization performance and a high number of available suppliers a buying organization should focus on functional efficiency, including short-term contracts. In case of sourcing critical products, with a high number of suppliers available, buying organizations should focus on cost management and short-term contracts. Long-term contracts should be used for sourcing products with a critical impact on organizations performance and a low number of available supplier. Establishing inter firm relations or mergers and acquisition require long-term contracts, ensuring strategic partnership, and information sharing.

5. THE RDT SHOWS A SIGNIFICANT IMPACT ON THE CURRENT BODY OF LITERATURE, ESPECIALLY ON SUPPLY MANAGEMENT

Concluding, this research shows the strategic importance of supply management decision using a RDT perspective. Furthermore, the research gives insight into the current stage of the RDT and possibilities for its further development using a life-cycle-model for theory, leaving the RDT in the progression stage of the model. The results of the study reveals the great influence of the RDT in the field of supply management decision making, especially in make-or-buy, sourcing strategy, supplier selection, and contractual decisions even though this research does not fill the gap for empirically testing the basic concept and boundaries of the RDT. It is stated that it is hard to disagree on the basic notion of RDT, since the majority of the literature agrees hereon. Moreover, the majority supports the general assumption of the RDT that organizations try to reduce organizational interdependency and uncertainty by acquiring resources from external resource providers in the environment. Finally, this research predicts improvement strategies for supply management practices in order to cope with dependency and uncertainty in the organizational environment (See Figure 6). The RDT can be used by managers as a further perspective in order to improve the supply management decision-making. Taking a RDT perspective on supply management decisions shows the trade-off in the level of dependency in order to reduce the level of uncertainty.

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7. APPENDICES

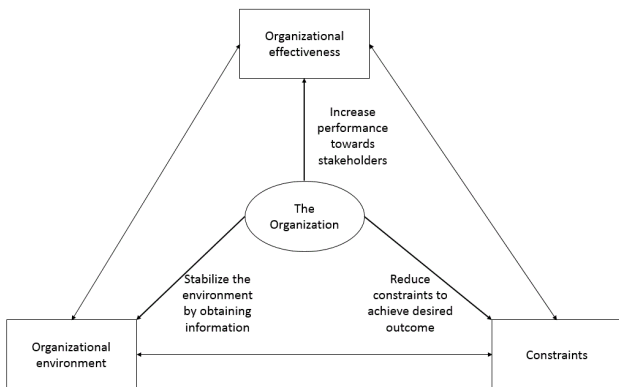


Figure 1: Taking a contextual perspective on organizations
Source: Own figure.

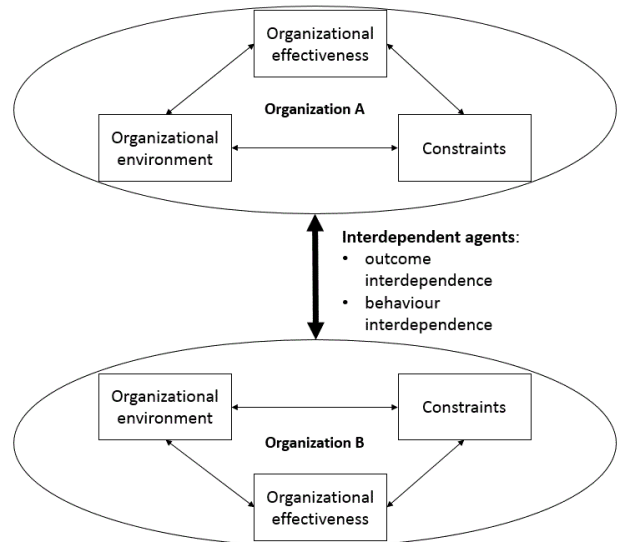


Figure 2: Two organizations as interdependent agents
Source: Own figure.

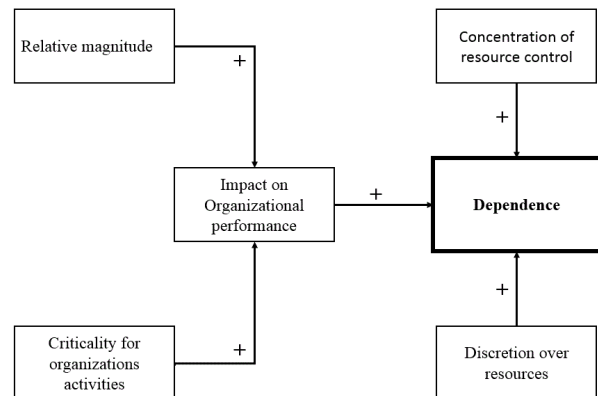


Figure 3: Factors leading to dependence
Source: Own figure.

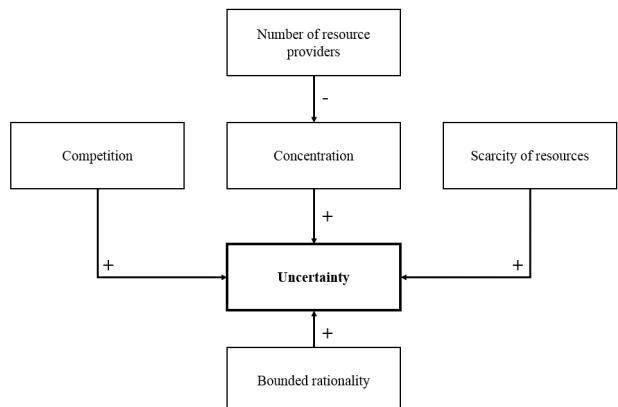


Figure 4: Factors leading to uncertainty
Source: Own figure.

Keywords	Initial Hits		1) Limet to / Hits		2) Limet to / Hits		3) Limet to / Hits		Usable literature	Search-Key																												
	1432	Business Management and Accounting	411	Review	85	Article	1011	Business Management and Accounting			24	411	Review	327	411	Article	5	6	11	5	6	35	34	5	23	23217	Business Management and Accounting	4352	Review	314	Year: 2006-2015	124						
resource dependence theory	1432	Business Management and Accounting	411	Review	85	Article	1011	Business Management and Accounting	24	411	Review	327	411	Article	5	6	11	5	6	35	34	5	23	23217	Business Management and Accounting	4352	Review	314	Year: 2006-2015	124								
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resource dependence theory constraints																																						
resource dependence theory effectiveness																																						
resource dependence theory boundaries																																						
testing resource dependence theory																																						

Figure 5: Literature Search Table

Supply Management Decision Points	Make-or-Buy	Sourcing strategy	Supplier strategy	Contracting
Contribution of the RDT				
Uncertainty	Acquiring resources from external suppliers increase uncertainty	Closer relationships in order to reduce uncertainty	High asymmetry in the power level in buyer-supplier relationships could lead to uncertainty	A well-made governance can reduce uncertainty by contracting
Dependence	Internal production of resources could reduce uncertainty	Higher dependence on fewer suppliers in case of supply base reduction	Selecting more powerful suppliers will increase dependence	Long-term contracting will increase dependence
Problematic	The make-or-buy decision leads to a predicament between increasing dependence in order to reduce uncertainty	Uncertainty can be reduced by implementing closer relationships, leading to higher dependence	A high asymmetry of power between supplier and buyer could lead to dysfunctionality	Contracting in order to reduce uncertainty could lead to a higher level of dependence
Improvement strategy	<ol style="list-style-type: none"> 1) Make critical resources with high supply uncertainty 2) Buy noncritical resources with low supply uncertainty 3) Strive for alliances for noncritical resources with high supply uncertainty 	Select a sourcing strategy on the basis of a products-portfolio analysis. Strive for a bigger supply base for leverage and bottleneck items and a smaller supply base for routine and strategic items	Select equally powerful of slightly weaker suppliers, in order to keep a strong bargaining position and reduce the risk of dysfunctionality	Matching contractual framework with supplier and product characteristics. Use long-term contracts to manage close inter firm relations

Figure 6: Taking a RDT perspective on supply management decisions

