Prepared for the 13th International Conference in Commemoration of Prof Marco Biagi
Employment Relations and Transformation of the Enterprise in the Global Economy
Modena, 19-20 March 2015

POWER AND INTERESTS IN INTERORGANIZATIONAL RELATIONSHIPS: IMPLICATIONS OF A BROADENED CONCEPTUAL FRAMEWORK

Professor John W. Budd

Center for Human Resources and Labor Studies
Carlson School of Management
University of Minnesota
321 19th Avenue South, Suite 3-300
Minneapolis, MN 55455 USA
jbudd@umn.edu

Version Date: February 11, 2015

DRAFT; COMMENTS WELCOME

Abstract

Most models of interorganizational relationships assume that these relationships reflect free choice and produce benefits for all parties, but in practice these might not be accurate. This paper draws on employment relationship frames of reference to construct frames of reference on interorganizational relationships that explicitly highlight alternative configurations of power and interests. With respect to interorganizational relationships themselves, four frames of reference have different implications for public policy and regulation. And the unique framework developed here provides new insights into the connections between interorganizational relationships and the nature of the employment relationship and the quality of work.

Today's organizational landscape is clearly a complex one as it is characterized by diverse forms of interorganizational relationships such as alliances, partnerships, joint ventures, supplier networks, logistics networks, and franchises involving corporations, government agencies, contractors, subcontractors, suppliers, distributors, vendors, franchisees, employment agencies, and other large and small entities. This complexity raises a number of important issues, including questions surrounding how different interorganizational relationships affect work and workers. So it is important to fully understand these relationships. This requires the development of theoretical frameworks that are broad enough to fully capture the diverse range of existing and potential interorganizational relationships.

But the organizations literature has significant shortcomings in this regard. The dominant theorizing on the structure of interorganizational relationships is largely rooted in either transactional or relational contracting. In the transactional contracting paradigm, the key organizational interest is efficiency, and relationship obligations are enforced through legal contractual obligations. In the relational contracting paradigm, the focal organizational interests are innovation and learning, and relationship obligations are enforced through norms of reciprocity. But in both theoretical approaches, interorganizational relationships are largely assumed to reflect free choice, produce benefits for all parties, and only continue when there are ongoing mutual benefits (Parmigiani and Rivera-Santos 2011).

While these assumptions might be accurate for some interorganizational relationships, empirical observation suggests that a broader conceptual framework is needed to capture relationships among organizations with power asymmetries and distinct interests. Franchising has spread to many sectors, third-party management of diverse organizational activities are used in many industries, and the expansion of the global supply chain has been well-documented such that "the large business today looks more like a small solar system, with a lead firm at its center and smaller workplaces orbiting around it, [and] some of those orbiting bodies have their own small moons moving about them" (Weil 2014: 43). But "because the interests and objectives of subordinate providers of fissured activities are different than those of the lead business, the incentives of the business doing the work of the lead company may undermine some of the latter's objectives" (Weil 2014: 59). A hotel or an auto manufacturer need to be concerned with brand reputation while a third-party management firm providing hotel cleaning services or an auto parts supplier are hidden from view and under pressure to deliver services and parts cheaply while being dependent upon maintaining these contracts. Conflicts between franchisors, which can be huge corporations, and franchisees, which can be large or small, can also be common, especially because franchisors receive a royalty on franchisee sales whereas franchisees make money when their sales exceed their operating costs. Indeed, in 2008 and 2009, Burger King was sued by its franchisees for requiring them to stay open later and to price double cheeseburgers at $1, both of which increase revenue but not franchisee profits.

So in analyzing interorganizational relationships, we would do better to follow Grimshaw, Willmott, and Rubery's (2005: 40) call to "discard the widely held, but rarely acknowledged, assumption of same status between organizations." To do this, we should first conceptualize interorganizational relationships as including a diverse set of relationships, that may or may not be (a)symmetrical, among a plurality of actors who may have distinct interests. This is akin to another conceptual space that encompasses a diverse set of relationships, that may or may not be (a)symmetrical, among a plurality of actors who may have distinct interests—namely, theorizing the employment relationship. This paper, then, applies Budd and Bhave's (2008, 2010) employment relationship frames of reference to interorganizational relationships, in the spirit of Weber's ideal types that highlight the typical features of each approach (Diefenbach and Sillince 2011; Weber 1949). In this way, we can theorize different interorganizational relationships based on an explicit consideration of whether underlying interests are in conflict or are shared, and the extent to which the parties are equals. This is a uniquely-broad conceptual approach that better reflects the diverse range of interorganizational relationships observed in practice, and therefore generates new insights. With respect to interorganizational relationships themselves, this broader understanding yields a richer set of implications for public policy and the regulation of interorganizational relationships than is derived from the usual approach. And the unique framework developed here provides new insights into the connections between interorganizational relationships and the nature of the employment relationship and the quality of work.

THE NARROWNESS OF STANDARD MODELS OF INTERORGANIZATIONAL RELATIONSHIPS

It seems common to characterize interorganizational relationships using the ideal types of competitive or cooperative relations (Lumineau and Henderson 2012; Parmigiani and Rivera-Santos 2011). The former is generally rooted in transaction cost economics which argues that specific, uncertain, and frequent transactions are more efficiently handled through a contractual interorganizational relationship than through market-based exchange (Williamson 1985). The latter is generally rooted in network theory such that organizations form long-term partnerships (of various forms) based on trust, reciprocity, collaboration, and learning (Powell 1990).

While the relational contracting approach stems from the critique that the transaction costing approach overlooks the social embeddedness of economic relationships (Granovetter 1985), mainstream organizational scholarship seemingly largely assumes that the parties are autonomous, legal equals in both approaches (Grimshaw and Rubery 2005; Ring and Van de Ven 1992). Thus, regardless of whether the structure of an interorganizational relationship is based on transactional contracting with efficiency goals and enforced through legal contractual obligations, or based on relational contracting with goals of innovation and learning and enforced through relationship norms, interorganizational relationships are largely assumed to be based on free choice and a lack of coercion among all parties (Parmigiani and Rivera-Santos 2011). From this perspective, then, it is almost tautological that interorganizational relationships produce benefits for all parties—otherwise, one or more of the parties would not agree to the relationship. Similarly, the continuation of the relationship is almost reflexively viewed as reflecting ongoing mutual benefit—otherwise, one or more of the parties would terminate the relationship.

But interorganizational relationships take place in complex economic, legal, social, and political contexts. The parties to an interorganizational relationship might have differential access to economic resources and enjoy varying degrees of legal, social, and political support. Moreover, the interests of the parties can be complex, and not always in alignment. Consequently, interorganizational relationships might involve unequal power among organizations with differing interests: "large organizations may displace risk to smaller network members; a powerful hub of private sector organizations may lock the state into complex outsourcing deals with escalating costs; or a public sector organization may wield power by negotiating complex contracts with less experienced private sector providers" (Grimshaw, Willmott, and Rubery 2005: 40). Admittedly, the organizations literature recognizes the possibility of non-overlapping self-interest as revealed by theories and empirical analyses of opportunism (Lumineau and Quélin 2012; Wathne and Heide 2000; Williamson 1985). But this is largely rooted in transaction cost economics that does not broadly theorize a range of relationships in which varying degrees of unequal power and divergent interests may interact. So I contend that a broader theoretical approach to conceptualizing interorganizational relationships is needed to better understand diverse interorganizational relationships.

AN EXPANDED CONCEPTUAL FRAMEWORK FOR INTERORGANIZATIONAL RELATIONSHIPS

To expand the narrowness of the standard models of interorganizational relationships, these relationships should be modeled in a way that allows for symmetrical and asymmetrical relationships among a plurality of actors who may have distinct interests. Such an approach has already been developed for considering alternative models of the employment relationship, and this can be fruitfully applied to interorganizational relationships. This section, then, first sketches Budd and Bhave's (2008, 2010) framework of employment relationship frames of reference and then develops a corresponding framework for conceptualizing interorganizational relationships. The end result is a broader framework for theorizing different interorganizational relationships that explicitly considers varying degrees of interest alignment and status equality.

Employment Relationship Frames of Reference

The employment relationship can be modeled in different ways, and four frames of reference are particularly instructive (Budd and Bhave 2008, 2010):

1) **Egoist**: The employment relationship is a mutually-advantageous trade in a competitive market by self-interested economic agents who are autonomous equals.

2) **Unitarist**: The employment relationship is a long-term partnership between employees and employers who share a unity of interests that can be aligned for mutual benefit through effective organizational policies.

3) **Pluralist**: The employment relationship is a bargain between stakeholders with distinct-yet-legitimate economic interests who have unequal bargaining power.

4) **Critical**: The employment relationship is a unequal power relation embedded in complex socio-politico-economic inequalities, and characterized by antagonistic struggles for control and accommodation.

Of key importance for using this framework for inspiring a broadened conceptual framework for interorganizational relationships is that these four frames of reference highlight differing assumptions about two central issues: 1) the extent to which employers and employees are equals, and 2) the nature of employer-employee conflict inherent in the structural nature of the employment relationship (see Table 1).

The egoist model of the employment relationship is derived from mainstream, neoclassical economic thought and therefore emphasizes the rational pursuit of individual self-interest through market-based economic exchanges. Markets are assumed to approximate *perfectly* competitive conditions which means that employers and employees are economic equals. If employers and employees are also equal in terms of political influence and legal expertise, then the employment relationship can be modeled as one of free choice and a lack of coercion. Under the standard neoclassical assumptions, unregulated exchange in free markets optimize the use of scarce resources in the best interests for all concerned (Friedman and Friedman 1980). In this way, power and conflict are fairly sterile constructs that are reduced to market-based terms. Conflicts are resolved by the marketplace such that employees and employers agree to terms that are mutually beneficial, or search for other employers or employees when the terms are undesirable. Similarly, power is seen as what someone can command in the marketplace, and is largely determined through supply and demand. Self-interested trades, not power and conflict, are key in the egoist frame of reference. So in this model, the employment relationship is a voluntary, mutually-beneficial transaction that involves the buying and selling of units of labor by equals without coercion. This means that “both parties must benefit from voluntary exchange; otherwise that exchange would never have occurred in the first place,” or will end when one party perceives that greater benefits will result from contracting with someone else (Perelman 2006: 25). Admittedly, this is a stylized portrayal of a very sophisticated body of economic theory, but a lengthier and more nuanced treatment here would not change the implications and the contrasts with alternative models. As such, the frames of reference presented throughout this paper are intended as Weberian ideal types that highlight key features for purposes of comparison.

The remaining three models of the employment relationship also see markets as important for allocating scarce resources to productive uses, but break from the neoclassical economics approach by believing that markets fall short of the ideal of perfect competition because of information problems, unequal access to financial and legal resources, behavioral elements of decision-making such as fairness or social pressure as well as cognitive limitations that undermine dispassionately rational decision-making, and other real-world complications. So the labor market is seen as providing opportunities and constraints, but not in a highly deterministic way. Nor is it assumed to be perfectly equalizing.

The three remaining models, however, differ as to the importance and depth of market inequalities, which are also tied closely to differing perspectives on the nature of interests in the employment relationship. In the unitarist model, the emphasis is on an ideal employment relationship in which a unity of employer and employees interests is achieved through win-win organizational practices (Kaufman 2003; Fox 1974). McGregor (1960: 49, emphasis in original), for example, urged managing human resources in ways that create "conditions such that the members of the organization can achieve their own goals *best* by directing their efforts toward the success of the enterprise," such that, in the words of Mary Parker Follett (1942: 83), the "employer and employee are engaged in a common enterprise."

It is important to appreciate that the unitarist approach is not simply a strategy for managing people; more fundamentally, it is a conceptual model resting upon the assumption that employer-employee conflicts of interest are not inherent in the capitalist employment relationship. Scholars in this paradigm recognize that diverse forms of conflict are present in organizations (De Dreu and Gelfand 2008), but the focus is typically on conflict among employees, and the presence of such conflict in a particular organization is seen as signaling the need for improved human resource management practices. Similarly, power dynamics among employees might be recognized, but because employees and employers are assumed to share the potential to unify their interests, power differentials are seen, at least ideally, as being overridden by the joint interest in cooperating to create joint gains. The unitarist employment relationship, therefore, is seen as a long-term partnership between largely equal employees and employers with common interests that can be aligned for mutual benefit. Profitability and other organizational goals go hand-in-hand with fulfilling work, fair treatment, and the satisfaction of employees' other intrinsic desires.

The third model, the pluralist employment relationship, emphasizes economic inequalities between the parties to the employment relationship. A variety of factors are seen as giving employers bargaining power advantages over employees, such as persistent unemployment, a lack of worker savings and other safety nets, and a host of mobility costs that make switching employers costly for employees (Kaufman 1997; Manning 2003). This type of institutionalist perspective further identifies other institutional realities that restrict the ability of the parties to freely adjust their contracting though equal access to competitive markets, such as non-competing segmented labor markets that restrict some workers to secondary labor markets (Gray and Chapman 2004). At the same time, the interests of the employment relationship participants are modeled as consisting of multiple, sometimes-conflicting interests—employers might want lower labor costs, flexibility, and an intense pace of work while employees might want higher wages, employment security, and a safe workplace—as well as shared interests. Akin to a pluralist political society, all of these interests are respected as legitimate. Taken together, these assumptions imply that the pluralist employment relationship is a bargained exchange between employers and employees with distinct interests and differing levels of bargaining power.

Note carefully that when one combines a model of imperfectly competitive and segmented labor markets with at least some significant inherent conflicts of interest, the result is an unequal employment relationship in which employees' interests are not always well-served by competitive markets or corporate goodwill and self-interest. In the pluralist frame of reference, then, the unregulated employment relationship is typically seen as favoring employers. With greater bargaining power, employers can shape the terms and conditions of employment to their advantage, at least within some bounds. Labor market interventions such as government regulations or labor unions are therefore seen as serving socially-beneficial roles by fostering balanced outcomes (Budd, Gomez, and Meltz 2004).

Lastly, the critical employment relationship models employer-employee status and interests as phenomena embedded in a deeper system of social relations between competing groups, not confined to the workplace in largely economic terms as in the pluralist model. This models highlights how dominant groups design and control institutions to serve their own interests, albeit imperfectly due to resistance from competing groups (Giles and Murray 1997). This paradigm encompasses Marxist, feminist, and other sociological perspectives that are rooted in analytical foundations that emphasize antagonistic interests, power, control, and resources. With antagonistic interests, competing classes or other social groups vie for superiority, and the more powerful group uses its access to diverse sets of resources to structure relationships to serve its own interests, albeit in the face of resistance from subordinate groups who have distinct interests. In orthodox Marxist thought, the competing groups are the capitalist and working classes, and the former's ownership of the means of production underlies class conflict and capitalist power (Hyman 1975). Numerous contemporary theories deviate from the orthodox Marxist paradigm, but similarly highlight the importance of conflicting interests, power dynamics, control, and resistance in the modern employment relationship (Edwards and Wajcman 2005; Thompson and Smith 2010).

The critical perspective raises key issues about inequalities among the parties to the employment relationship. In critical scholarship, inequality is not a natural and just by-product of market exchange as in the neoclassical economics paradigm; rather inequality is socially-constructed through institutions that reproduce existing differences in resources and opportunities. Labor markets are not seen as neutral forums for matching employees and employers, but as segmented or balkanized social creations in which social norms, networks, and credentials perpetuate the existing advantages of certain workers while restricting the others' opportunities. Corporate-designed internal labor markets and human resource management practices are similarly seen as intentionally designed to control a workforce prone to resistance and as enforced by inequalities in property rights over productive assets (Bolton and Houlihan

2007; Legge 1995). In all of these critical perspectives, the employment relationship is seen as one piece of a larger socio-politico-economic system throughout which elites are able to perpetuate or reproduce their dominance, albeit with some accommodation to the interests of the weaker party in order to foster compliance and consent. And because the employment relationship is seen as embedded in systemic socio-political inequalities, systemic changes are needed to truly address these inequalities.

Applying the Frames of Reference to Interorganizational Relationships

Akin to theorizing on the employment relationship, a conceptual framework for interorganizational relationships should allow for symmetrical and asymmetrical relationships among a plurality of actors who may have distinct interests. Adapting the four frames of reference for the employment relationship to the domain of interorganizational relationships yields four key frames of reference on interorganizational relationships (see Table 2).

First, parallel to the egoist employment relationship is a free market frame of reference for interorganizational relationships. In this approach, organizations are modeled as interacting as competitive equals and they transact with each other when it is in their mutual self-interest. If two organizations find it more profitable to form a formal relationship through some kind of contract than to (1) buy and sell each other's products or services, and (2) form a formal relationship with alternative organizations, then this frame of reference predicts an interorganizational relationship will be formed that reflects these parties' preferences, self-interests, and alternative options. Consistent with the importance of markets, this approach sees an interorganizational relationship as defined by economic transactions. This frame of reference implicitly assumes a certain degree of equality among the parties, at least in terms of a lack of dependence, being able to access alternatives in the marketplace, and having formal legal equality. By implication, then, the existence of an interorganizational relationship indicates mutual benefit. This frame of reference is consistent with the competitive approach to modeling interorganizational relationships in the mainstream organizations literature that is largely rooted in transaction cost economics. Examples consistent with this frame of reference include situations involving two large organizations with significant expertise, access to resources, and alternatives, such as an airline contracting with a major beverage supplier or a university contracting with a provider of enterprise systems.

Second, similar to the unitarist employment relationship is a unitarist frame of reference for interorganizational relationships. In this approach, organizations are not necessarily equals, but this is of secondary importance because the potential for win-win outcomes provides the impetus to create interorganizational relationships that simultaneously serve each organization's interests in complementary ways. This frame of reference is consistent with the relational contracting paradigm in mainstream organizational scholarship in which goals like innovation and learning serve the interests of both parties to an interorganizational relationship. And if there are tensions in this relationship, it does not indicate structural conflicts, but rather these tensions signal the need to further refine the formal policies and informal reciprocal expectations governing the relationship to create a more robust alignment of interests. Examples consistent with this frame of reference include long-run relationships in which the parties both benefit from more than just transactional exchanges, even if technically there are power asymmetries. For example, a unitarist interorganizational relationship could be one between a large company and niche supplier with a long-run relationship in which both organizations are more innovative due to the relationship.

Third, drawing from the pluralist employment relationship yields a pluralist frame of reference for interorganizational relationships. In this conceptualization, inequalities and asymmetrical levels of dependency between organizations are important. These inequalities can be rooted in various economic phenomena, such as differential levels of expertise, unequal access to capital markets and other resources, switching costs, or imperfectly competitive markets. At the same time, the interests of the organizations are modeled as consisting of multiple, sometimes-conflicting interests as well as shared interests, but all of these interests are respected as legitimate such that one organization's interests should not be uniformly prioritized over the other's. In this way, the pluralist interorganizational relationship is a bargained exchange between organizations with at least some distinct interests that have the possibility of being exploited due to imbalances in bargaining power and asymmetrical levels of dependency. One example might be a large franchisor and small franchisees; another example might be a large shipping company and small, independent trucking contractors.

Fourth, adapting the critical employment relationship yields a critical frame of reference for interorganizational relationships. This perspective allows for relationships between organizations with distinctly unequal status and antagonistic interests, but with a high degree of dependency that gives rise to a tension between domination and accommodation. In this frame of reference, inequalities are embedded in a system of social relations in which advantages can be used to reproduce these differences in resources and opportunities, not only through economic channels, but also through legal, political, normative and other channels. Economic markets are not seen as neutral forums for matching self-interested, autonomous organizations, but as social creations in which institutional rules and norms perpetuate the existing advantages of certain actors while restricting others' opportunities. An example consistent with this frame of reference is a multinational food company that uses monopoly profits to fund legal and political influence that is used to maintain monopoly power over small developing-country farmers.

IMPLICATIONS AND APPLICATIONS

The previous section uses four recognized frames of reference on the employment relationship to generate a framework of four frames of reference for conceptualizing interorganizational relationships. The first two frames of reference are consistent with the standard competitive-cooperative approach in the organizations literature, so the new, or at least under-recognized, approaches are the pluralist and critical frames of reference. With these additions, the resulting framework explicitly includes two models in which power differentials and conflicts of interest are key, and therefore better reflects the reality that some interorganizational relationships asymmetrically benefit the more powerful organization (Grimshaw, Willmott, and Rubery 2005). Moreover, the utility of this framework lies in harnessing the full spectrum of frames of reference. The addition of the pluralist and critical models are important in their own right, but they can also deepen our understanding of the two classic, mainstream approaches by bringing their assumptions to the fore. In other words, by better seeing what these two approaches are not, we can better see what they are.

Another way to harness the full spectrum of this framework is by using it to generate contrasting implications for important issues. Two sets of implications are developed in this section. First, this four-fold framework yields a richer set of implications for public policy and the regulation of interorganizational relationships than the laissez-faire implications of the classic competitive-cooperative approach. Second, the four frames of reference provide new insights into the connections between interorganizational relationships and the nature of the employment relationship and the quality of work. Again, the implications are seen most sharply when considered as a set of contrasting implications, in the spirit of Weberian ideal types, rather than treating each frame of reference in isolation.

Regulating Interorganizational Relationships

When are interorganizational relationships best left to the invisible hand of the marketplace, or the visible hand of organizational leaders? Or when might there be opportunities for governmental regulation to improve outcomes? The four frames of reference provide a useful way to consider these issues.

For relationships best characterized by the free market model, public policy intervention is only warranted when organizations are not economic and legal equals. And when equal status is lacking, the regulatory prescription is not to directly intervene in voluntary contracting arrangements; rather, the welfare-improving approach is to intervene in (limited) ways that address non-competitive barriers (e.g. loosening restrictions on access to capital markets) and that foster voluntary contracting (e.g., protecting property rights and enforcing contractual obligations). The regulatory implications in the unitarist frame are similarly laissez-faire, though perhaps with the need for some transparency standards to prevent destructive opportunism. More important is education and information to help organizations identify win-win partnerships, but this would be more of a facilitating government role rather than a regulatory one.

In contrast, the two frames of reference in which conflicts of interest and power asymmetries are key indicate that greater regulatory intervention can be more robustly beneficial when interorganizational relationships are best described by these features. In the pluralist model, regulatory intervention is needed to level the playing field to prevent the exploitation of small businesses by organizations that enjoy bargaining power advantages on the basis of size or other institutional advantages that then create excess dependency of the weaker party. For example, subsidized loans for small business might help balance unequal access to resources and therefore weaken dependency on larger organizations. Closer to a parallel with unionization in the employment relationship context, another option would be for public policy to facilitate associations of small or new businesses to better leverage their resources and therefore compete as equals with larger or more experienced organizations. The critical frame implies that unhealthy status differences between organizations are rooted not only in economic differences, but also in complex socio-political inequalities. Intervention to prevent unbalanced interorganizational relationships therefore needs to dig deeper than the economic sphere, and address systemic differences in the socio-political arena, such as access to politicians and policy makers.

The contrast between the free market and unitarist models on the one hand, and the pluralist and critical frames of reference on the other, raise an important question of what should be considered a legitimate power differential between organizations. All four frames of reference allow for status inequalities. In the free market and unitarist approaches, organizations have differing levels of market power. If this is based on differing levels of skills, innovation, product or service quality, investment, or the like, then these differences are viewed as legitimate and healthy byproducts of market-based competition. The pluralist approach also recognizes these differences as legitimate, but further draws attention to phenomena that lead to destructive rather than constructive competition, such an unequal access to resources or the degradation of the environment. These differences are not seen as legitimate, and therefore regulatory intervention is supported to address them. The critical frame of reference sees power differentials among organizations as rooted in a complex cycle of economic and socio-political inequalities that reinforce each other; for example, as a monopolistic organization uses its resources to lobby for government practices that further enhance its dominant position. As these benefit one party over many others, such differences are not viewed as legitimate power differences and thus are seen as requiring some kind of intervention or reform.

Effects on Employment Relations and Work

The nature of interorganizational relationships also has a tight connection with the nature of the employment relationship and the quality of work (Grimshaw and Rubery 2005). The unique framework developed here provides new insights in this regard. In interorganizational relationships best characterized by the free market and unitarist frames of reference, because organizations are benefitting from these relationships (otherwise they would not engage in that relationship), then employees are likely to also benefit (or at least not be made worse off than would otherwise be the case).

But the situation for employees is likely very different when there are conflicting interests and power differentials across organizations as in the pluralist and critical frames of reference. Employees in the weaker organizations are at particular risk for the degradation of employment conditions. Moreover, employees in the more powerful organizations may benefit from the shifting of organizational risk to weaker organizations, or the dominant organization might be able to leverage its interorganizational relationship to also pressure its own employees (Grimshaw and Rubery 2005). For example, that some work is being done by a supplier might be demonstrate the viability of a threat to further shift additional work unless concessions are made by employers in the stronger organization. Additional research to identify the conditions under which these alternatives emerge is needed—both to better understand this phenomenon and to devise policy responses—and the unique framework developed here provides a useful contribution to this important endeavor.

Examples of these various patterns are easy to find. Alliances between major airlines can help keep passengers within this networked system and thus provide employment stability for workers across these partners. But in interorganizational relationships between a major airline and a captive regional carrier, the workers for the major airline may benefit because the regional carrier feeds passengers into their system, while the employees of the regional carrier have lower wages and benefits because the major airline can decline to renew its contract with the regional carrier if its labor costs get too high. How can we make sense of the employment relations differences between these two forms of interorganizational relationships? By recognizing that the former falls within the free market frame of reference whereas the latter is better characterized by the pluralist frame of reference.

Similarly, employment relations scholars and others have frequently raised concerns with the degradation of working conditions in the global supply chain (Wouters et al. 2015) and domestically when primary employers contract out, in vary forms, work that was formerly done in-house (Weil 2014). By distinguishing among interorganizational relationships that are characterized by a free market or unitarist frame of reference on the one hand, and relationships that appear more accurately captured by the pluralist or critical frame of reference on the other, we can better identify the conditions under which decent employment relations terms and conditions are particularly at-risk. And in a more extreme example, several multinational corporations have been accused of promoting child slavery on West African cocoa plantations; a critical frame of reference helps draw attention not only to the economic differences between these multinational corporations and cocoa farmers, but also their differential access to political and legal resources, which leads to a high risk of problematic working conditions.

CONCLUSION

As the transformation of the enterprise in the global economy continues to cause interorganizational relationships to expand in scope, location, and diversity, it is imperative that we deepen our knowledge of these relationships, conceptually and empirically. This is important not only for directly understanding these relationships, but also for developing a more complete understanding of the implications for related issues, such as employment relations and the quality of work. This paper seeks to contribute to the conceptual side of this project by developing a theoretical framework sufficiently broad to better capture the diverse range of existing and potential interorganizational relationships, including some among organizations with power asymmetries and distinct interests. In the spirit of Weber's ideal types, four frames of reference on interorganizational relationships are presented.

The free market and unitarist frames of reference are consistent with the standard competitive-cooperative approach in the organizations literature, while the addition of the pluralist and critical frames of reference make for a more complete framework by allowing for varying levels of power differentials and conflicts of interest between organizations. This set of frames of reference, then, deepens our understanding of these alternative models by highlighting the contrasts between them.

Two sets of contrasting implications are also derived. The first set pertains to the implications for regulating interorganizational relationships while the second deals with the ramifications for the nature of the employment relationship and the quality of work. To underscore both the complexity and the importance of these issues, we can conclude by putting these two sets of implications together. While many have expressed concern with the degradation of employment conditions that can accompany the transformation of the enterprise in the global economy, the common strategy advocated for combatting this degradation is to intervene in the employment relationship; for example, by regulating working conditions and compensation, or by promoting labor unions to enhance worker power. But if we better appreciate the connections between the types of interorganizational relationships and the implications for employment issues, another avenue is opened up. Namely, policy interventions that achieve a greater balance in relationships among unequal organizations have the potential to improve the employment conditions that accompany these relationships. These insights are prompted by thinking broadly about alternative frames of reference that capture diverse interorganizational relationships. This type of conceptual approach, therefore, has many contributions to make.

REFERENCES

Bolton, Sharon C., and Maeve Houlihan, eds. (2007) *Searching for the Human in Human Resource Management: Theory, Practice and Workplace Contexts*. Basingstoke, Hampshire: Palgrave Macmillan.

Budd, John W., and Devasheesh Bhave (2010) "The Employment Relationship," in Adrian Wilkinson, et al., eds., *Sage Handbook of Human Resource Management*. London: Sage, pp. 51-70.

Budd, John W., and Devasheesh Bhave (2008) "Values, Ideologies, and Frames of Reference in Industrial Relations," in Paul Blyton, et al., eds., *Sage Handbook of Industrial Relations*. London: Sage, pp. 92-112.

Budd, John W., Rafael Gomez, and Noah M. Meltz (2004) "Why a Balance is Best: The Pluralist Industrial Relations Paradigm of Balancing Competing Interests," in Bruce E. Kaufman, ed., *Theoretical Perspectives on Work and the Employment Relationship*. Champaign, IL: Industrial Relations Research Association, pp. 195-227.

De Dreu, Carsten K.W., and Michele J. Gelfand (2008) "Conflict in the Workplace: Sources, Functions, and Dynamics Across Multiple Levels of Analysis," in Carsten K.W. De Dreu and Michele J. Gelfand, eds., *The Psychology of Conflict and Conflict Management in Organizations*. New York: Lawrence Erlbaum Associates, pp. 3-54.

Diefenbach, Thomas, and John A.A. Sillince (2011) "Formal and Informal Hierarchy in Different Types of Organization," *Organization Studies*, 32(11): 1515-37.

Edwards, Paul, and Judy Wajcman (2005) *The Politics of Working Life*. Oxford: Oxford University Press.

Follett, Mary Parker (1942) "Business as an Integrative Unity," in Henry C. Metcalf and L. Urwick, eds., *Dynamic Administration: The Collected Papers of Mary Parker Follett*. New York: Harper and Brothers, pp. 71-94.

Fox, Alan (1974) *Beyond Contract: Work, Power and Trust Relations*. London: Farber and Farber.

Friedman, Milton, and Friedman, Rose (1980) *Free to Choose: A Personal Statement*. New York: Harcourt Brace Jovanovich.

Giles, Anthony, and Gregor Murray (1997) "Industrial Relations Theory and Critical Political Economy," in Jack Barbash and Noah M. Meltz, eds., *Theorizing in Industrial Relations: Approaches and Applications*. Sydney: Australian Centre for Industrial Relations Research and Teaching, pp. 77–120.

Granovetter, Mark (1985) "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology*, 91(3): 481-510.

Gray, Jerry, and Richard Chapman (2004) "The Significance of Segmentation for Institutionalist Theory and Public Policy," in Dell P. Champlin and Janet T. Knoedler, eds., *The Institutionalist Tradition in Labor Economics*. Armonk, NY: M. E. Sharpe, pp. 117-30.

Grimshaw, Damian, and Jill Rubery (2005) "Inter-Capital Relations and the Network Organisation: Redefining the Work and Employment Nexus," *Cambridge Journal of Economics*, 29(6): 1027-51.

Grimshaw, Damian, Hugh Willmott, and Jill Rubery (2005) "Inter-Organizational Networks: Trust, Power and the Employment Relationship," in Mick Marchington, et al., eds., *Fragmenting Work: Blurring Organizational Boundaries and Disordering Hierarchies*. Oxford: Oxford University Press, pp. 39-61.

Hyman, Richard (1975) *Industrial Relations: A Marxist Introduction*. London: Macmillan.

Kaufman, Bruce E. (1997) "Labor Markets and Employment Regulation: The View of the 'Old' Institutionalists," in Bruce E. Kaufman, ed., *Government Regulation of the Employment Relationship*. Madison, WI: Industrial Relations Research Association, 1997, pp. 11-55.

Kaufman, Bruce E. (2003) "The Quest for Cooperation and Unity of Interest in Industry," in Bruce E. Kaufman, et al., eds., *Industrial Relations to Human Resources and Beyond: The Evolving Process of Employee Relations Management*. Armonk, NY: M.E. Sharpe, pp. 115-46.

Legge, Karen (1995) *Human Resource Management: Rhetorics and Realities*. Basingstoke, Hampshire: Macmillan Press.

Lumineau, Fabrice, and James E. Henderson (2012) "The Influence of Relational Experience and Contractual Governance on the Negotiation Strategy in Buyer–Supplier Disputes," *Journal of Operations Management*, 30(5): 382-95.

Lumineau, Fabrice, and Bertrand V. Quélin (2012) "An Empirical Investigation of Interorganizational Opportunism and Contracting Mechanisms," *Strategic Organization*, 10(1): 55-84.

Manning, Alan (2003) *Monopsony in Motion: Imperfect Competition in Labor Markets*. Princeton, NJ: Princeton University Press.

McGregor, Douglas (1960) *The Human Side of Enterprise*. New York: McGraw-Hill, 1960.

Parmigiani, Anne, and Miguel Rivera-Santos (2011) "Clearing a Path Through the Forest: A Meta-Review of Interorganizational Relationships," *Journal of Management*, 37(4): 1108-36.

Perelman, Michael (2006) *Railroading Economics: The Creation of the Free Market Mythology*. New York: Monthly Review Press.

Powell, Walter W. (1990) "Neither Market Nor Hierarchy," *Research in Organizational Behavior*, 12: 295-336.

Ring, Peter Smith, and Andrew H. Van de Ven (1992) "Structuring Cooperative Relationships between Organizations," *Strategic Management Journal*, 13(7): 483-98.

Thompson, Paul, and Chris Smith, eds. (2010) *Working Life: Renewing Labour Process Analysis*. Basingstoke, Hampshire: Palgrave Macmillan.

Wathne, Kenneth H., and Jan B. Heide (2000) "Opportunism in Interfirm Relationships: Forms, Outcomes, and Solutions," *Journal of Marketing*, 64(4): 36-51.

Wouters, Jan, Glenn Rayp, Laura Beke, and Axel Marx, eds. (2015) "Protecting Labour Rights in a Multi-Polar Supply Chain and Mobile Global Economy," *Bulletin of Comparative Labour Relations*, volume 89.

Weber, Max (1949) *The Methodology of the Social Sciences*, trans. Edward A. Shils and Henry A. Finch. New York: Free Press.

Weil, David (2014) *The Fissured Workplace: How Work Became So Bad for So Many and What Can be Done to Improve It*. Cambridge, MA: Harvard University Press.

Williamson, Oliver E. (1985) *The Economic Institutions of Capitalism*. New York: Free Press.

Table 1
Four Key Models of the Employment Relationship:
Assumptions on Employer-Employee Status and Interests

Model	Equality of the Parties	Interests of the Parties
The **Egoist** Employment Relationship / *Neoclassical Economics*	Markets are perfectly competitive so employers and employees are economic equals; legal equality is also assumed.	Voluntary, self-interested, mutually-beneficial transactions define the employment relationship. Parties will contract with each other when it is in their mutual self-interest.
The **Unitarist** Employment Relationship **/** *Human Resource Management*	Markets are imperfectly competitive so employers and employees are not necessarily equals, but the drive for mutually-beneficial interest alignment renders inequalities unimportant.	Employer and employee interests can be aligned with well-designed managerial policies.
The **Pluralist** Employment Relationship / *Industrial Relations*	Markets are imperfectly competitive so employers have greater bargaining power than employees; differentials in economic resources reinforce this inequality.	Employers and employees have some conflicts of interest, but the plurality of interests are all legitimate.
The **Critical** Employment Relationship / *Critical Industrial Relations*	Systemic employer dominance is rooted in to market inequalities that are embedded in and magnified by deeper socio-political inequalities.	Employment relationship conflict is embedded in a broader system of social relations among persistently dominant and subordinate groups or classes with antagonistic conflicts of interest.

Table 2
Four Key Frames of Reference for Interorganizational Relationships

Frame of Reference	Overview	Example	Selected Implications
Free Market	Organizations interact as competitive equals and transact with each other when it is in their mutual self-interest.	Two large companies with multiple alternatives, such as an airline contracting with a major beverage supplier.	Regulation, if needed at all, should focus on removing barriers to competitive markets and economic contracting. Employees likely to benefit from interorganizational relationships because they benefit their employer.
Unitarist	Organizations are not necessarily equals, but there are win-win opportunities in which both benefit in complementary ways such that power differentials are not significant.	A large company and a smaller supplier with a unique niche and a long-run relationship.	Education and information, not regulation, useful to promote win-win relationships. Employees likely to benefit from interorganizational relationships because they benefit their employer.
Pluralist	Organizations have power differentials due to resource differences, and there are competing as well as aligned interests that are all legitimate. Relationship terms reflect bargaining power.	A large shipping company and small, independent trucking contractors.	Regulation is needed to level the playing field to prevent the exploitation of small business by larger organizations. Differential employees experiences are likely because of relative power differences between their employers.
Critical	Organizations are unequal with some having power advantages that are deeply-seated in societal institutions.	A multinational food company that uses legal influence to maintain monopoly power over small developing-country farmers.	Reforms need to address socio-political as well as economic inequalities between organizations. Differential employees experiences are likely because of deep-seated power differences between their employers.