

# Structural Contingency Theory

## A Review of Readings

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# Outline

## Premise of the Theory

- Definitions

- Breaking Away

## Points of Debate

- Static vs Dynamic

- Constructs and Assumptions

- The Role for Human Agency

- Time

## Stepping Back

- Assessing the landscape

- A way ahead

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# Structural Contingency Theory

## Positivist-Functionist

*"The theory is scientific in style with the aim being to produce scientific knowledge of the type achieved in the natural sciences"*

*Donaldson (1996), on Structural Contingency Theory*

# Structural Contingency Theory

## Definition

Given:

- Environment, e
- Contingency, c
- Structure, s

Structural Contingency Theory States:

$$e \rightarrow c \rightarrow s$$

Environmental uncertainty is seen as causing firms to alter their structure due to task uncertainty (technical uncertainty or strategic uncertainty)

Optimal outcome is produced only by the organization structure that fits the contingency (Lawrence and Lorsch, 1967)

# Structural Contingency Theory

## Operationalization

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- Environment (Lawrence and Lorsch, 1967)
- Internal Technology (Woodward, 1965)
- Organization Size (Blau, 1970; Child, 1975; Khandwalla, 1973; Pugh et al., 1969)



# Structural Contingency Theory

## Operationalization

### Types of Contingencies:

- Environment (Lawrence and Lorsch, 1967)
- Internal Technology (Woodward, 1965)
- Organization Size (Blau, 1970; Child, 1975; Khandwalla, 1973; Pugh et al., 1969)
- Strategy (Chandler, 1962)

# Structural Contingency Theory

## Relationships

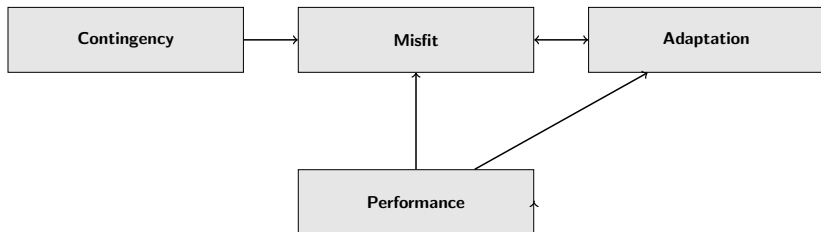


Figure: Relationships in Contingency Theory (Donaldson, 1987)

# Structural Contingency Theory

## Competing Philosophical Underpinnings

- Positivist-Functionist
- Interpretist
- Conflict
- Critical
- Post Modern

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# Breaking Away

## Arrival of New Theories

- Population Ecology
- Institutional Theory
- Resource Dependence Theory
- Transaction Cost Economics

# Breaking Away

## Comparison with Economics

- Economics

# Breaking Away

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## How Dynamic A Theory?

- Donaldson (1987) suggests that the link to performance captures the dynamism required
- Smith and Lewis (2011) argue that cyclically adjusted response will lead to short-term peak performance that fuels long term survival
- Siggelkow (2002) suggests that there is path dependence and unintended consequences
- Miller (1992) balances the scales a bit by suggesting that not all choices faced are in conflict

## How Dynamic A Theory?

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- How dynamic do we need dynamic to be?

## Equilibrium vs Process

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- Is the equilibrium model satisfactory in the study of organizations?



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# Constructs: Strict vs Open Ended

- Should the notion of fit be strictly defined?

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- Should the notion of fit be strictly defined?
- Can it be?

# Problematic Assumptions

## Notes

- Do organizations always evolve to higher fit(Payne, 2006)?
- Does external fit matter more than internal fit?

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- Do organizations always evolve to higher fit(Payne, 2006)?
- Does external fit matter more than internal fit?
- How do we deal with disconfirming evidence(Menz and Scheef, 2014)?

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# The Role for Human Agency

- Is the adaptation to fit automatic or driven by managerial intentionality?

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- Is the adaptation to fit automatic or driven by managerial intentionality?
- Can managerial intentionality be demonstrated in ways other than toward organizational fit? (Agency Theory, Behavioral Theory)



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# Time

- Contingency has a time invariant, single notion of fit
- Siggelkow (2002) demonstrates that choice between thickening and patching is time variant
- Smith and Lewis (2011) suggest that firms optimize dual time-horizon objectives

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- Contingency has a time invariant, single notion of fit
- Siggelkow (2002) demonstrates that choice between thickening and patching is time variant
- Smith and Lewis (2011) suggest that firms optimize dual time-horizon objectives
- Should multiple time-period objectives and pressures be included?

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## Perspectives

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- However, a dominant paradigm that is not falsifiable may be hard to overthrow

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- A strict Positivist-Functionist model is a poor characterization of organizational phenomena
- However, a dominant paradigm that is not falsifiable may be hard to overthrow
- Organization Theory requires its own Dmitri Mendeleev to Organize various Theories in a Coherent Gestalt

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- Multiple levels of Analysis

# Accuracy vs Parsimony

- Computer based models can capture greater complexity than parsimonious theory can

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- Computer based models can capture greater complexity than parsimonious theory can
- Should we give up parsimony for accuracy?

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