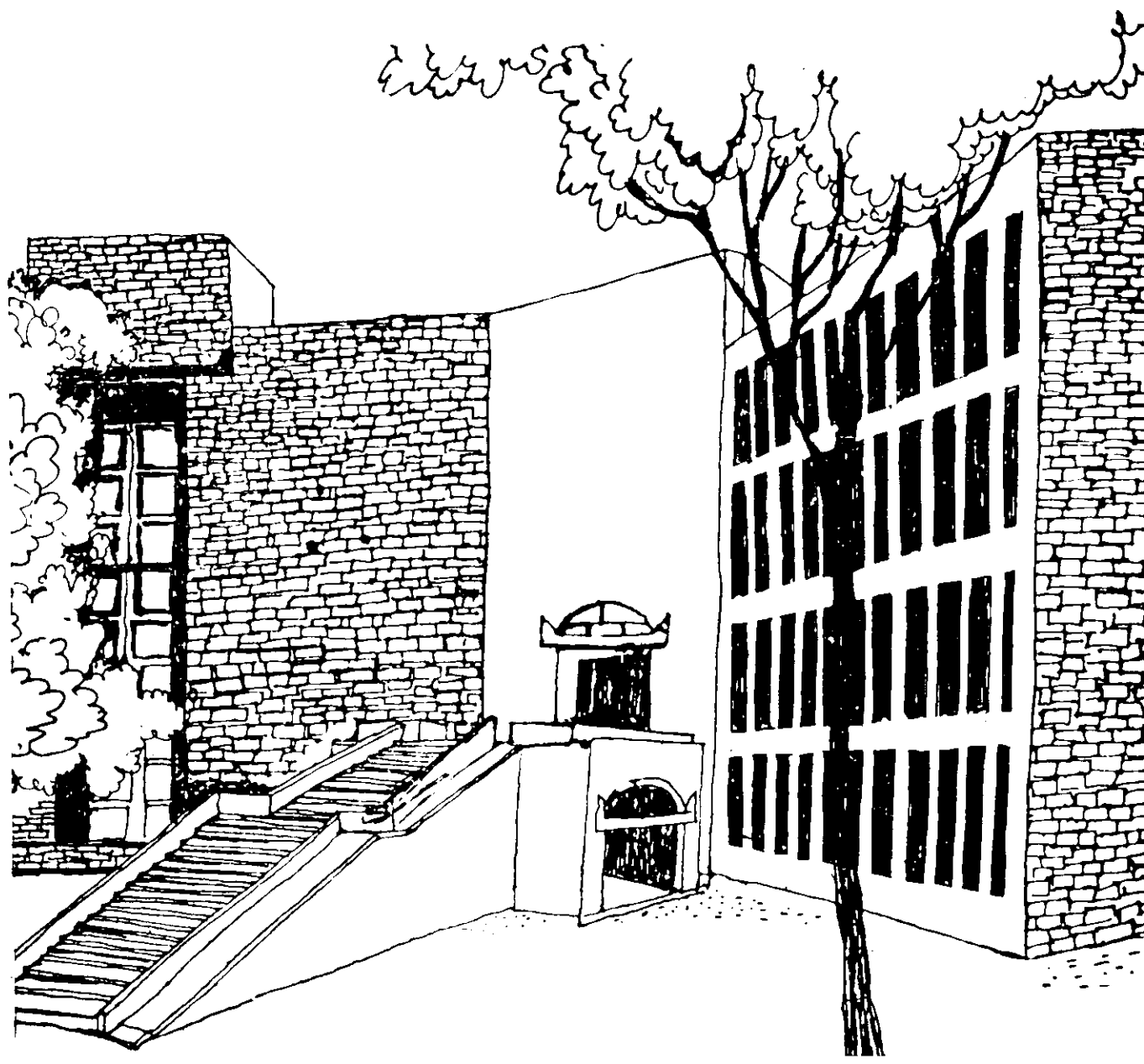


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CONTINGENCY THEORY : A THIRD WORLD VIEW

By

Pradip N. Khandwalla

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CONTINGENCY THEORY : A THIRD WORLD VIEW

Pradip N. Khandwalla
Larsen and Toubro Professor of Organizational Behaviour
IIMA

Abstract

Contingency theory is viewed as an outcome of social transition. The evolution and development of contingency organization theory in the West and in India is reviewed. Its extensions, implications, and limitations are noted, and an assessment of its usefulness to the author as researcher and consultant is made.

CONTINGENCY THEORY : A THIRD WORLD VIEW*

Pradip N. Khandwalla
Larsen and Toubro Professor of Organizational Behaviour
Indian Institute of Management, Ahmedabad

Transience, transition, and contingencies

An important Third World theme is transience and transition, and the human and organizational attempts to cope with them. As I understand, the ISISD considers both transience and transition to be outcomes of too rapid and great a change, of too many discontinuities.¹ Both transience and transition, I understand, are states, one of intra-personal differentiation approaching a schizoid existence, and the other of social, institutional, and technological differentiation and variety. Both also are processes : transience, of a search for inner coherence and continuity; and transition, of designing new technologies of social living and economic production. Thus, transience is individual coping with inner conflicts bred by rapid social change; transition is institutional or collective coping with such change.

There may be an intimate relationship between transitions and contingency theory. Transitions can be, and usually are, highly creative periods, for they represent the conjunction of differences and the unfolding of dialectical processes.² The anomalies and paradoxes of transition energise the search for syntheses. Old institutional and organizational forms undergo profound variations; new forms emerge. This impels the social scientist to explain the reasons behind the

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variety. This in turn gives rise to contingency theories, be they of organizations, or of leadership, or of personality formation. My concern here is restricted to contingency organization theories.

Contingency theory as a paradigm in OB

The basic postulates of contingency organization theory are that (a) organizations vary widely in their styles of management, strategies, structures, and cultures; and (b) that this variation is in part because of differences in the operating conditions or contexts of organizations. The context consists of such "external" parameters as the general socio-political and economic environment, culture, the nature and intensity of competition faced by the organization, the rapidity of technological change in the organization's industry, the legal constraints to which the organization is subject, and such "internal" parameters as the size of the organization, its ownership, the nature of its products, its technology, its dependence on other organizations, its goals, etc. Just as living organisms develop different anatomies and physiologies due to their having to adapt to different living conditions, so must organizations develop structural and operating differences because of the different contexts in which they operate. Thus, a corporation marketing "high tech" equipment will tend to be designed differently than one marketing textiles, and a corporation operating in America will tend to be designed differently than one producing the same products but operating in the Soviet Union.

The earliest notable contribution in the contingency theory vein I recall was that of Ernest Dale in the early fifties.³ He sought to identify the kinds of organizational problems faced by American

organizations in different size classes, and the structural responses to these problems. For example, very small organizations, he found, face the problem of establishing a purpose and in delegating responsibilities, but not problems of morale and coordination. Much larger ones commonly face problems of coordination. A somewhat similar study was done in India in the seventies at ASCI.⁴ Joan Woodward's study of how different manufacturing technologies, most notably custom, mass production, and continuous process production, affect the structure of British organizations was an important study reported in the late fifties.⁵ Several interesting studies appeared around 1960. In 1958 William Dill sought to explain differences in the autonomy enjoyed by the managers of two Norwegian firms in terms of differences in the operating environments of the firms.⁶ In England, Tom Burns and G.M. Stalker published a study in 1961 in which they recommended an organic, informal mode of management for organizations operating in turbulent environments, and a more bureaucratic, mechanistic, or machine like organization for stable conditions.⁷ In the sixties several theoretical and empirical advances were made. Late in the sixties, James Thompson developed a number of hypotheses about how stable versus shifting environments, and homogenous versus heterogenous environments affect organization structure.⁸ He also related the nature of the technology used by the organization to its organizational structure. Lawrence and Lorsch and Charles Perrow in America and the Aston Group in Britain were others who made notable contributions.⁹ My own work as a contingency theorist began in the late sixties.¹⁰ Table 1 provides a summary view of the early work in contingency theory.

(Table 1 about here)

Since then, the explanation of macro as well as micro organizational behaviour in terms of contingency factors has become quite fashionable. A large number of studies have appeared in the West. A wide range of contingency factors have been utilised as explanatory variables. Besides the nature of the operating environment, size, and technology, such other factors have been pressed into service as the type of organization,¹¹ the form of ownership of the organization,¹² the culture in which the organization operates,¹³ the dependence of the organization on outside agencies,¹⁴ the age of the organization,¹⁵ the period during which the organization form first emerged,¹⁶ the goals of the organization,¹⁷ the type of strategy pursued by the organization,¹⁷ the various phases in the life cycle of the organization,¹⁹ and so forth. Table 2 provides a summary view of some of the contingencies identified in this later Western work.

(Table 2 about here)

The Indian work in the contingency theory tradition is small but growing. Let me provide an illustrative sampling. Maheshwari and Malhotra looked at structural change in large Indian organizations as a function of time, while Ganesh studied the institution building process taking place over a number of years.²⁰ Negandhi and Reimann, and Anand Ram, Murdia, and I tried to see management structures, practices and styles of management as being shaped by the nature of the operating environment.²¹ Ishwar Dayal examined the possible impact of labour relations legislation and jurisprudence on effective labour relations in the organization.²² A number of scholars, such as Jai B.P.Sinha, Ishwar Dayal, Sudhir Kakar, Gourango Chattopadhyay, Pulin Garg and Indira Parikh and S.K.Chakroborty have sought to

crystallise the organizational implications of the Indian cultural personality, especially the typical Indian's need for dependency, his need for establishing familial, personalised relationships at work, and his spirituality.²³ A large number of scholars have examined the organizational implications of differences in ownership, most notably public versus private ownership.²⁴ For instance, Indira Parikh examined differences in the roles and acts of managers in public, indigenous private, and foreign-owned organizations. Krishna Kumar sought to see differences in organizational goals and management styles of these three types of organizations. B.L. Maheshwari sought to compare the management styles, Baldev Sharma the management-staff relations, and Pritam Singh the managerial styles in the public versus private sectors. The impact of family dynamics on the controlled units of business houses has been studied by a number of scholars, most notably by H. Verma, Ujjwala Pendse, and Tripathi and Mehta.²⁵ The consequences of different diversification strategies for corporate performance have been studied by Paul,²⁶ and the

implications of the control environment for the structure, functioning, and performance of controlled organizations have been studied by Encarnation, Khurana, Mascarenhas, Krishna Kumar, and myself.²⁷

There have also been some interesting studies of different organizational forms of importance to the developing world, such as studies of public development programmes, social service voluntary organizations, and developmental bureaucracies.²⁸ The implications of size for organizational structure, organizational mortality, organizational technical progress, and profitability have been examined.²⁹

Organizational goals have been shown to be a notable contingency for

such organizational phenomena as the job satisfaction of middle level managers.³⁰ A substantial body of Indian work has shown the

style of management to be a significant contingency for such organizational phenomena as organizational performance, job satisfaction, conflict resolution, quality of organization's outputs, etc.³¹ Organizational climate and type of leadership not only seem to affect one another; they also seem to affect such other organizational variables as job satisfaction, productivity, etc.³² Organizational sickness has emerged as a notable contingency, and some interesting work has been done on how to revive sick organizations.³³

Table 3 summarises some of the important organizational contingencies identified by Indian scholars. These contingencies encapsulate the principal transitional organizational issues of most Third World countries.

(Table 3 about here)

Implications of contingency theory

The view that organizational differences are created by contextual differences implies that there are no universally best designs any more than there are universally best life forms. Thus, the claim that the participative-group style of Likert, or the "excellent management" style described by Peters and Waterman, or the professional mode of management taught in our management schools, or the so-called Japanese style is best, is suspect. The participative style may be excellent for many organizations, but not necessarily excellent for all - certainly not for a military regiment operating in the thick of battle. It follows that we ought to be teaching situationally

appropriate managements rather than some current utopian fad. This is a creative implication because it means that we need to focus on the differences in organizational contexts and then discover or engineer modes of management that best fit these operating contexts. In other words, the organizational designer should tailor-make the organization to the demands of the organization's operating context. Thus it is that Burns and Stalker advised that if your organization is operating in a turbulent market environment, it should adopt an organic, teamwork oriented, informal, results oriented mode of management, while if it operates in a stable market environment, a bureaucratic or mechanistic form would do.³⁴ Contingency theory, a child of transition, provides models of situation-specific organizational coherences. To the extent that the organizational designs coheres with the organization's context, there may be less tension in the organizational system, and therefore, less of a feeling of rootlessness in the people working in the organization.

Developments in contingency theory

Over the years, contingency theory has been extended in several different directions. As indicated earlier, a multitude of both external and internal contingencies affecting organizations have been identified. Also, the notion has been advanced, drawing upon the survival of the fittest analogy, that those organizational forms will tend to survive that represent a good adaptation with the context in which the organizations operate, and the ones that represent poor adaptation will tend to perish. Hannan and Freeman advanced this notion and called it the population ecology perspective.³⁵ An implication of the population ecology prospective is that in a given context only a few dominant organizational designs will eventually be found. Another

perspective is that since organizations are designed to take care of the contingencies faced by them, those organizations whose designs represent a good fit with the context will tend to perform better than those with a poor fit with the context. Some of my early work was of this type,³⁶ as also work at the Harvard business school.³⁷ In India Anand Ram has attempted to test some goodness of fit hypotheses.³⁸

An important advance has been the strategic choice perspective, popular for long in the field of business policy, but a relative latecomer in organizational behaviour. John Child of Britain articulated it cogently in the early seventies.³⁹ The basic argument is that context does not wholly eliminate management choice; it only limits choice. What response the organization will make to a context will depend upon the prevailing management ideology of the organization and political processes within the organization. In his study of several North American airlines, Child noticed, for example, that one of them was decentralized with a sophisticated management control system, a second was centralized and without a strong formal control system, a third had centralization with many bureaucratic controls, and so forth. In India, too, I found striking differences in several parameters of management style not only in the same industry, but also in the same business group.⁴⁰ Thus, prior strategic choice has emerged as a significant contingency for subsequent organizational design.

Some criticisms of contingency theory

Over the years, contingency organization theory has attracted a fair amount of criticism.⁴¹ For one thing, an organization may face several contingencies. Some of these require conflicting adaptive

responses. How then is the organization to cope with conflicting contingencies? A ready example is the public enterprise. Public accountability forces the PE to accept bureaucratic procedures. But competition and market turbulence requires of it a high order of flexibility and results orientation. So the PE is caught in the cross-fire of these conflicting situational demands, and gets precious little help from contingency theorists as to how to manage these conflicting demands.

Secondly, contingency theorists tend to ignore the rich, complex decision making processes by which organizations adapt to contingencies. Besides, support for relationships between contingencies and postulated structural or other organizational responses is not all that strong. Nor is there particularly strong evidence that those organizations that adopt the structures they are supposed to adopt in response to a contingency show superior performance compared to the ones that don't adopt these structures. The organizational world is far more complex than what contingency theorists think it is. The possibility of strategic choice weakens the supposed relationship between a contingency and an appropriate structural response. A well-heeled or monopolistic organization may simply choose to ignore a contingency and an incompetently managed organization may simply fail to know what the appropriate response is to a contingency. Also as Claudia Schonhoven has usefully pointed out, contingency theorists fail to point out over what range of variation in a contextual variable is a relationship supposed to hold.⁴² For example, if a contingency theorist says that the more turbulent the environment the more organic is the management, does it mean that this relationship holds at all values of environmental turbulence? Finally, how given are the

so-called contextual conditions? As some organization theorists like Karl Weick and others have pointed out,⁴³ such contextual variables like the operating environment, ownership, size, technology, etc., are not God given. They represent past choices. The choice of a product to market implies the choice of an environment to operate in, the choice of plant scale implies the choice of size, and so on. Thus, the contingency view of the organization as a passive instrument of the contingencies it faces is a flawed one. A more accurate view of the organization is that of a choosing, reality shaping organism that partially chooses responses to the contingencies it faces, including the contingencies it has itself created from past choices.⁴⁴

A personal assessment

I have personally found contingency theory useful as a researcher. In research, contingency theory alerts me to a whole host of potential explanatory variables for the organization phenomenon I may be studying, be it the style of management or the control system or the extent of decentralization or the strategic posture of the organization or its creativity. It compels me to look at such contextual variables as the competition faced by the organization, market dynamism, autonomy of the organization from its controlling authority, etc. Trying to see whether these contextual variables significantly shape the organizations I am studying and how they shape their structure and functioning has provided me with good insights about effective organizational design, and urged me to explore the dynamics of the process of adaptation. I do think contingency theory is good mental discipline and a good defense against half-baked and naive utopias. For instance a lot of people have been swept off their feet by the so-called

Japanese management and by the so-called excellent management propagated by Peters and Waterman.⁴⁵ Contingency theory teaches us to distrust any claims of universal excellent management. It compels us to face the question: under what circumstances is the Japanese style or the "excellent" style of management especially effective and under what circumstances it is not particularly appropriate? The question itself restores a sense of realism.

My own thinking as a contingency theorist has evolved considerably over the years. I have incorporated in my modelling not only the usual contextual variables of size, technology, environment, etc., but also early strategic policy and other choices, that in turn give rise to other choices. Thus, organizational designing seems to me to be a continuous and increasingly autonomous process in which choice can potentially increase rather than diminish over time, depending upon whether the organization makes creative or restrictive choices. These choices are shaped by not only whatever decision makers define as the given, but also by organizational politics, personality variables, and feedback from organizational performance. All this, of course, makes it difficult to use simplistic explanatory contingency models. But the compensation is better explanation and greater insight in the adaptation process.

Figure 1 summarises my current thinking as a contingency theorist.

(Figure 1 about here)

The effect of contingency factors is easy enough to see when one is studying a diverse group of organizations. But even in my consulting work with individual organizations I have found it useful to bear

contingency variables in mind during diagnosis and in developing training interventions. I have found it useful to confront the client with the major contingencies facing the organization and then help the client generate a number of commonplace as well as innovative possible responses to these contingencies to choose from. I have not found any specific contingency theory model particularly useful in consulting work, but this process of identifying contingencies, brainstorming about how they can be met, and helping the organization move towards choosing, with a provision for reassessment, has been a useful adaptation of the contingency theory paradigm.

Finally, I am persuaded that extraordinary organizational behaviour is much more difficult to explain by known contingency variables than commonplace behaviour. For instance, take dramatic turnarounds.⁴⁶ How do you explain, by recourse to the usual contingency theory variables like size, technology, environment, dependence, and so forth, the dramatic improvement in the performance of the long-ailing DVC in a single year under Luther, or the documented dramatic performance improvements of other long ailing public sector enterprises? I think there is still a lot to human magic when it comes to peak organizational achievements, to the chemistry of situational challenge and creative human response. This chemistry may be shaped by contextual forces; but determined by it? No, I don't think so.

Finally an area that I personally find very exciting is the whole question of organizational design for social development.⁴⁷ In other words, how should strategic organizations be designed so that the socio-economic development of the world's poorer societies can be expedited. Indeed, this is the theme of an international conference

we will be hosting at IIMA at the cusp of 1986. Here, the contingencies are (a) strategic organizations, often government controlled; (b) poor societies, often weak in the work ethic; and (c) the need for expediting socio-economic development. By strategic organizations I mean those organizations and institutions whose outputs of products and services are important shapers of socio-economic development. Examples are such ministries as finance, industry, energy, science and technology, and human resource development; such public enterprises as the railways, BHEL, SAIL, Coal India, and ONGC; "high tech" or pioneering private sector corporations; national and state level financial institutions, banks, and apex cooperative societies; and key research and teaching institutions. My concern is : what styles of management, what growth strategies, what organizational cultures, what structures and systems should these strategic organizations have so that they speed the growth of their output, raise their efficiency develop-rather than exploit - their staff and their client systems, diffuse a dynamic sort of innovationism in society at large, and modernise the economy through new technologies and new products? Like this yagna of wisdom about transience and transition, we hope that this forthcoming yagna at IIMA, too, will assert a new coherence, though of a different sort.

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FIGURE 1

CONTINGENCY THEORY MODEL USED BY ME

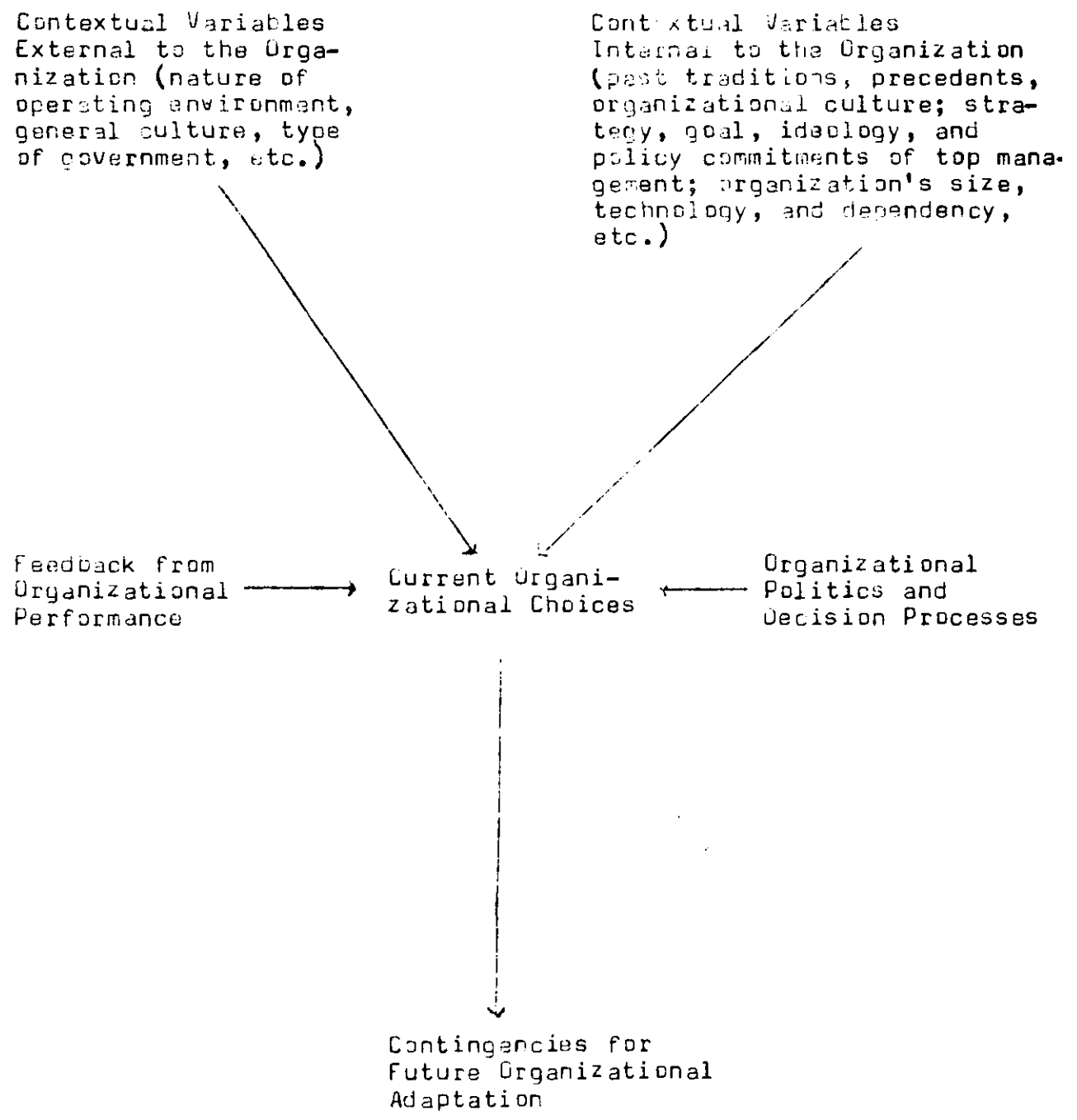


TABLE 1SOME EARLY WORK IN CONTINGENCY THEORY

<u>Contingencies</u>	<u>Broad Findings</u>
Size	Structure & problems change as organizations grow larger (Jale); the structure gets more formalized, specialized, and decentralized as the organization grows larger (the Aston Group)
Age	Maturation leads to rigidity, especially in structure, but it also leads to greater flexibility, possibly diversity, in organizational goals (Starbuck). Organizations often carry the characteristics of the age in which their forms first appeared (Stinchcombe)
Dependence	Organizations dependent on outside agencies tend to get bureaucratized and centralized (the Aston Group)
Technology and task	Structural characteristics of mass production, continuous process, and custom technology firms will tend to differ in many respects (Woodward); organization's differ depending upon the analysability and standardisability of their tasks (Perrow)
External operating environment	Organizational design will sharply differ depending upon whether the environment is stable or turbulent, uniform or variagated, munificent or hostile, etc. (Dill, Burns and Stalker, Lawrence and Lorsch, Thompson, Khandsalla)
Type of organization	Organizations will differ considerably depending upon whether the organization is set up primarily to benefit its owners, its clients, its members, or the public at large (Blau and Scott), and depending upon the kind of control used by the management to secure compliance of its members (Etzioni).

TABLE 2SOME NOTABLE CONTINGENCIES IDENTIFIED IN LATER WESTERN WORK

1. Societal culture (Hofstede, Evan, Crozier, Whyte)
2. External control of organizations (Pfeffer and Salancik)
3. Inter-organizational networks (Aldrich, Hall); organization set and organizational interdependence (Evan, Pennings, Pfeffer)
4. Strategic commitments, such as the type of diversification (Rumelt), mode of strategy formulation (Mintzberg), and the type of business strategy (Miles and Snow)
5. Style of management (Khandwalla, Ouchi, Peters and Waterman)
6. Organizational goals (Simon, Perrow, Khandwalla)
7. Phases of the organizational life cycle (Kimberly and Miles)
8. Type of transition from one phase to another (Miller and Friesen)
9. Organizational performance, decline, slack, etc. (Schendel, Murray, Khandwalla, J.V.Singh).

TABLE 3

MAJOR CONTINGENCIES FOR INDIAN ORGANIZATIONS IDENTIFIED BY
INDIAN RESEARCHERS

1. The spiritual heritage of India (S.K.Chakraborty)
2. Indian cultural personality (Sudhir Kakar, Jai B.P.Sinha, Ishwar Dayal, Uday Pareek, Gouranga Chattopadhyay)
3. The schizoid identity of Indian managers (Pulin Garg and Indira Parikh)
4. Generation gap within organizations (Agnewal)
5. Organizational maturation (B.L. Maheshwari and Ashok Malhotra), the various phases of institution building (Ganesh)
6. Ownership, especially public versus private ownership (Krishna Kumar, Pritam Singh, Baldev Sharma, B.L.Maheshwari, etc.)
7. Task and market environments of the organization (Anand Ram, Pradip N. Khandwalla, Ratna Murdia)
8. Control environment of organizations (D.J.Encarnation, R.Khurana O.A.J. Mascarenhas, Pradip N. Khandwalla)
9. Law and jurisprudence (Ishwar Dayal)
10. Dynamics within owning families (H. Verma, Ujjwala Pendse, Tripathi and Mehta)
11. Inter-organizational service delivery networks (Charu Sheela Nail)
12. Social developmental thrust (Ishwar Dayal, Samuel Paul, Ashok Subramanian, Pai Panandiker and Kshirsagar, Pradip N. Khandwalla etc.)
13. Social change and altruistic orientations of top management (Keith D'Souza)
14. Style of top management (B.L.Maheshwari, Pradip N. Khandwalla, Singh, Warriar, and Das, A.K.Sinha)
15. Growth and diversification strategies (George Paul, Shekhar Chaudhuri, Pradip N. Khandwalla)
16. Top management goals (Pradip N. Khandwalla and Gautam Raj Jain)
17. Size of the organization (Dharni Sinha, O.A.J. Mascarenhas, S.K.Das, K.K.Mazumdar)
18. Organizational climate, culture, values of organizational members (Rupande Padaki, Uday Pareek, Pritam Singh, Baldev Sharma, etc.)
19. Organizational sickness (Vijay Padaki, Pradip N. Khandwalla).