

Organisational Adaptation and Structural Contingency Theory, Implications for Leadership and Management Practice

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Abstract: Organisations across the world are under serious threat from highly unstable and continuously changing external environments. The drastic changes occurring in the external environment impinge negatively on the survival, growth and performance of organisations unless if managers and leaders of organisations create a fit between the contingency variables and the external environment. Creating a fit between the contingency variables of an organisation and the external environment requires managers with the ability to initiate and cause organisational adaptation. The structural contingency theory is presented as one of the theories of organisational adaptation. The implications of the structural contingency theory for management and leadership were discussed with a view of enhancing the survival, growth and performance of organisations in turbulent and highly unpredictable business environments.

Keywords: leadership, management, open system theory, organisational adaptation, structural contingency theory

INTRODUCTION

All organisations, whether they are private, public or non-governmental, are created to achieve specific goals. Unfortunately, the environment in which they operate is not static, rather, the environment is dynamic and changing continuously and this poses a serious threat to the attainment of those goals. As a result, organisations are compelled to undergo some form of adaptation if they are to survive in such changing and unstable environments, otherwise they go extinct. There is therefore, greater need for organisational adaptation in unstable and fast changing business environments than in stable ones. Thus, developing a clear understanding of how organisations can adapt to different situations for them to survive is an imperative for the modern day managers and leaders. This paper seeks to contribute to the on going discourse on theories of organisational adaptation through the elaboration of the structural contingency theory and its implications to the practice of management and leadership.

MAIN DISCUSSION

The writer underpins this paper with the open systems theory as the theoretical framework. But what is a system? Although there are several definitions of the term system, in this paper a system may be defined as an interrelated set of elements functioning as an operating unit [1]. An understanding and application of the open systems theory is critical for organisational survival and success [2]. An open system exchanges feedback with its external environment on a regular basis. Open systems that are healthy are known to continuously exchange feedback with their

environments, analyse the feedback, adjust internal systems as demanded by the obtaining forces to achieve the system's goals and transmit the necessary information back to the external environment [3]. An open system has the following distinct characteristics: boundaries, external environment and equifinality [4]. Both closed and open systems have boundaries. However, the distinguishing feature is that open systems have porous boundaries, that is, boundaries that permit easy exchange of information, whereas closed systems have hard boundaries. Hence little information is exchanged in a closed system. Organisations with closed or hard boundaries are unhealthy and common examples include bureaucracies and monopolies. In organisations where boundaries are permeable, people should be able to learn from their environments [5]. By extension organisations with porous boundaries should be able to learn from their environments.

The external environment includes a wide range of needs and influences which can affect an organisation but which the organisation has no direct control. Such influences can be of political, economic, ecological, societal and technological nature. Highly effective organisations exchange feedback regularly with their external environment. They seek to understand their external environment on a regular basis through the use of environmental scanning and market research and evaluations. Proactive organisations usually attempt to influence their external environment through the use of public relations, advertising, promotions, lobbying and advocacy and educating industry and local leaders.

The last characteristic feature of open systems is equifinality which posit that there is more than one way of accomplishing the same result. For instance, the management of an organisation can achieve the same result through the use of different inputs or by using different processes with the same inputs. Closed systems have one right way of do things instead of focusing on doing the right things. While [4] identifies three crucial distinctive characteristics of an open system as discussed above, [6] posits that an open system consists of five basic elements namely inputs, a transformation process, outputs, feedback and the environment. The elements of a system are connected rationally towards a common purpose [3]. Inputs are the resources that a system gets from the environment. They include human, financial, physical and informational resources. The transformation process entails the combination and coordination of the various resources to achieve the organisation's goals. The transformation process adds value to the inputs to produce outputs and it includes the internal operation of the organisation and its system of operational management [7; 8]. The outputs are the achievement of goals or objectives of the organisation. These are represented by the products, results or accomplishments of the system. Feedback, whether negative or positive is crucial to the success of an organisation. It provides a way of relaying performance information to the various components of the system. For instance, negative feedback could be used to correct deficiencies in the transformation process or inputs, which in turn influences the organisation's future outputs. The environment that surrounds an organisation includes the social, political and economic forces that impact on the organisation.

Based on the notion of open systems, any organisation with porous boundaries should of necessity adapt to its environment for survival and sustainable growth. But what is organisational adaptation? Organisational adaptation refers to modifications and changes in the organisation or its components and such alterations are motivated by changes in the external environment [9]. Changes in the external environment causes a condition of disequilibrium, hence the purpose of the process of organisational adaptation is to restore the equilibrium. Failure to return to equilibrium may lead to the extinction of the organisation or decline in productivity and performance. It is therefore imperative for any organisation to fully understand its business environment through careful analysis and scanning of the environment and to craft relevant and effective strategies of coping with the environmental turbulence.

The question is, 'how do organisations adapt to their environments?' There are several theories that

attempt to explain the occurrence of organisational adaptation and these include the structural contingency theory, institutional theory, organisational learning theory and the strategic choice theory [10]. However, in this paper, the structural contingency theory will be explained in relation to organisational adaptation. The structural contingency theory holds the view that there is 'no one best way' to organise, lead or make decisions in an organisation [11; 12]. This means that no single structure or structural type is optimal for all organisations. The structure of an organisation could be mechanistic or organic [13]. The task of an organisation with mechanistic structures is split into specialised roles whereas members of organisations with organic structures collaborate in fluid and ad hoc ways. Hence, stable environments fit mechanistic structures since hierarchies are more efficient for routine operations whereas in unstable environments, organic structures are more suitable as they promote the free flow of knowledge and information needed for innovation [13; 11]. The structural contingency theory posits that there is no single leadership style that is optimal for all organisations and that there is no one best way of making decisions in organisations. In fact, the structural contingency theory rejects the 'one size fits all' notion. Instead, the optimum course of action is dependent on the internal and external situation. Thus, the effectiveness of a structure depends on the degree to which it fits the contingencies. Some of the contingencies of organisational structure are the degree of uncertainty of the environment, organisational strategy, organisational size and technology.

Managers of organisations select contingency factors such as strategy, size and technology based on their perceptions of the environment. Several elements which are external to the organisation such as industry, government, competitors and society influence the contingency factors. The contingency variables are responsible for influencing the specific type of structure that an organisation should develop in order to achieve superior performance. According to the structural contingency theory, any misfit between the contingency variables and the structure leads to lower performance [12]. It is for this reason that managers of organisations should work to achieve an alignment between the structure of the organisation and the contingent variables. A change in any of the contingency variables causes the structure to be out of fit, hence, the organisation needs to undergo structural change to regain fit between the contingency variables and structure [14; 11]. For instance, when an organisation follows a diversified strategy, it is appropriate that it migrates from the functional structure to a divisional structure in keeping with the new strategic thrust because the functional structure which is based on departments such as production or marketing fits an

undiversified strategy. Moving from misfit to fit is adaptive change which is the essence of the contingency theory and this requires a contingent leader who can effectively apply his or her own leadership style to the right situation. Thus, according to [14], organisations can only be effective if they can fit their structure to the contingency factors as well as to the external environment.

On the organisational size aspect, it is important to note that the extent of bureaucracy in any organisation is affected by the size of the organisation. In big organisations, operations and administration are repetitive and decision-making procedure is based on rules. This brings efficiency and cost effectiveness to big organisations. In contrast, small organisations need unbureaucratic, simple and centralised structures that are not rule governed [13; 11].

However, it is important to point out that the structural contingent theory is not without criticism. It is usually criticised for being static and thus failing to address organisational change and adaptation [15]. This criticism is anchored on the premise that the heart of structural contingency theory is static in that it deals with how a static state of fit between structure and contingency causes high performance. However, this criticism appears overly stated in that the structural contingency theory falls within a functionalist tradition of social science which views organisations as adapting to their changing environments [11]. Viewed this way, organisations change from one fit to another over time and this implies that the notion of 'fit' is not a static one but a dynamic one.

Implications of the structural contingency theory for management and leadership practice

Structural contingency theory gives a positive role to managers in that organisational managers are charged with choosing suitable contingency variables in light of the current realities of the environment, choosing the right structure and managing structural change whenever need arises to maintain a fit between the contingency variables and the structure of the organisation. For instance, where tasks are certain and of a repetitive nature, a high degree of centralisation and formalisation, decision making and planning by top managers is suitable so that tasks can be accomplished in the most efficient way. Where tasks are relatively uncertain, there is need for rich information and skilled employees. As such it would be very difficult to make strict plans or job descriptions in such cases. Hence, it would be more suitable when faced with uncertain tasks to promote decentralisation, reduction in hierarchical control and formalisation and at the same time emphasising teamwork and empowerment.

The structural contingent theory reveals that management is situational, hence, the technique of management is contingent upon the situation. This implies that effective managers should thoroughly understand the diversity and complexity of the external environment with which their organisations are interacting with for them to be successful because it is the external environment which determines which management technique to use to be effective. Given that management is situational, it follows that management should essentially adapt its strategy and approach to match each particular situation. To achieve this, management should put in place a suitable structure, leadership style and control systems that are oriented to the prevailing situation. This further requires that management develop sharp diagnostic skills, be proactive and be able to anticipate and comprehend environmental changes for them to be effective. For instance, from the open systems theory, the organisation is seen as a holistic system with a high degree of integration between the factors intervening in the process of value creation. Thus, knowledge of the open systems theory and the structural contingency theory enable managers to carry out a holistic value chain analysis to achieve effective operating processes and low cost structures in relation to the external environment.

Managers who want their organisations to succeed should appreciate and recognise that there is no solution of universal applicability as no two situations are identical. This means one management technique that was successful in a given situation may not be effective in a different situation. Thus, managers cannot just look over the fence for solutions but have to develop solutions that are relevant to their unique circumstances. Management development programmes should sufficiently prepare managers to operate effectively in unstable environments. One way through which management development programmes could be improved is by emphasising decision making in uncertain conditions. Decision leadership is strongly linked to higher organisational performance [16]. It is thus, crucial to empower managers by creating in them the capacity to make effective decisions in uncertain and turbulent environments.

CONCLUSION

This paper has attempted to explain the link between organisational adaptation and the structural contingency theory. In fact, structural contingency theory is one of the several theories of organisational adaptation. The main ideas underlying the contingency theory are presented below. First, the theory assumes that organisations are open systems which require managers to balance internal needs and adapt to environmental circumstances. Second, there is no one

best way of organising, leading and decision making in organisations, that is, the most appropriate way depends on the kind of task or environment one is dealing with. Third, management should be concerned with achieving alignments and good fits and fourth, different types of organisations are needed in different types of environments. Situational or contingent factors include organisational strategy, size of the organisation, task uncertainty and technology. These contingent factors are in turn influenced by many other elements which include changes in customer demand for goods and services, changes in government policy or law and change in climate. It is important to point out that despite the fact that the structural contingency theory is an old paradigm, it conspicuously remains a cogent body of theory which is intellectually sound and empirically valid especially in this environment which is highly volatile and changing continuously.

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