

Lawrence & Lorsch (1967): Returning to the future of 'contingency organization theory'

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In celebration of the 41st anniversary of
*Organization and Environment: Managing
Differentiation and Integration* (1967)
by Paul Lawrence and Jay Lorsch.



Organization Design: Current Debates and Future Opportunities
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Lawrence & Lorsch (1967)

- To serve uncertain and heterogeneous subenvironments organizational units differentiate, in terms of:
 1. Structure (e.g., formalization)
 2. Interpersonal orientation (task & social)
 3. Time orientation (short – long term)
 4. Goal orientation (to subenvironment)
- Organizational integration emerges to coordinate unit differentiation.
 1. Integrative devices (coordinators and structures)
 2. With intermediate orientation between differentiated units
 3. Influence based on competence (not position in hierarchy)
 4. Rewards for achieving collective superordinate goals
 5. Influence at required levels among units being integrated
 6. Conflict resolution by confrontation
- Organization performance increases when its requisite integration matches unit differentiation
 - Unit differentiation and organizational integration are antagonistic
- Study findings show evidence for what L&L tentatively label, "contingency organization theory." (p.209).

Evolution of Contingency Theories

Contingency Theory

- Achieve internal and external fit
- Theory is insightful; abandon reductionist methods.

Configuration Perspective - holistic

- Achieve fit with external environment and internal design configuration to optimize performance.
- Change complementary elements as an interdependent set.

Complexity Perspective – more dynamic

- Identify the relative height (external fit) and shape of peak (internal fit) of design configurations as they evolve on changing fitness landscapes over time.

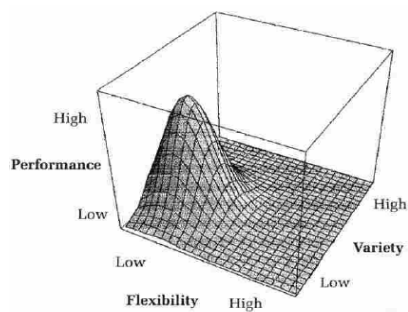
Achieving fit remains an elusive goal

- Where multiple conflicting environmental demands, internal configuration tradeoffs, and diverse performance expectations.
- Too complex for arm-chair theorizing; adopt a grounded theory method.

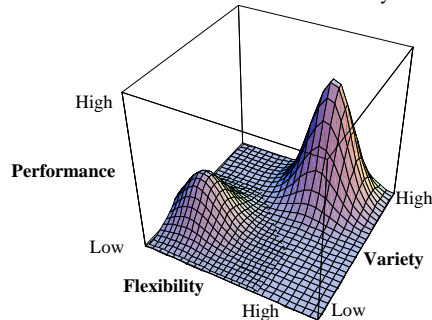
Organization Design Landscapes

Internal and External Fit of Mass (Ford) and Lean (Japanese) Automobile Production Systems in early 1900s and in 1980s.

Ford Production System in early 1900s



Rise of Japanese Production System in 1980s and relative decrease of the Ford system



Source: Siggelkow, N. 2001. Change in the presence of fit: The rise, the fall, and the renaissance of Liz Claiborne. *Academy of Management Journal* 44(4) 838-857.

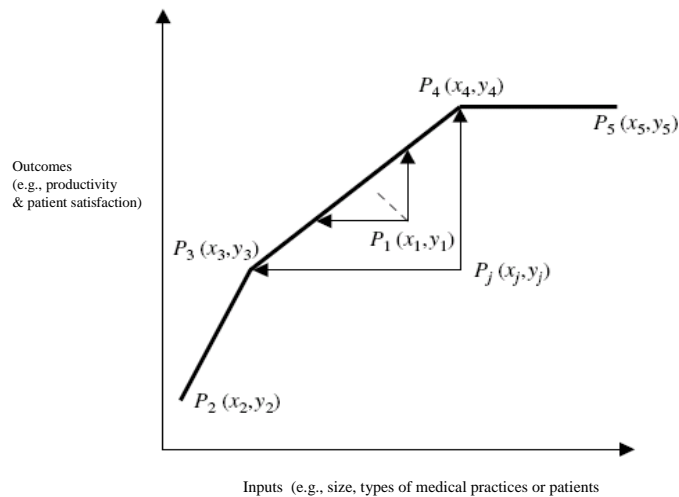
Frontier Analysis of Org. Designs

Purpose: Identify adaptive designs in different contexts over time

Methods/Steps:

1. Select inputs (contexts) and outcomes (performance criteria) -- The key normative decision
2. Observe a sample of org units in various contexts over time
3. Apply frontier analysis to identify relative adaptiveness of units on shifting frontier
4. Analyze performance variations due to management and environment (red queen effects)
 - Dynamics of shifting on & off moving frontiers over time.

Geometric Portrayal of Frontier with DEA



Model for Clinic Frontier Analysis

Input Conditions

Clinic Size
clinic total FTEs

Patient Mix
focused - broad mix

Medical Clinic Design

Organizational Integration
Structuring of Work Routines
Openness to Ideas
Supportive Leadership
Resources Available

Individual Integration
Personnel Training
Incentives: Rewards/Sanctions
Co-worker Trust
Fairness (distributive justice)

Performance Outcomes

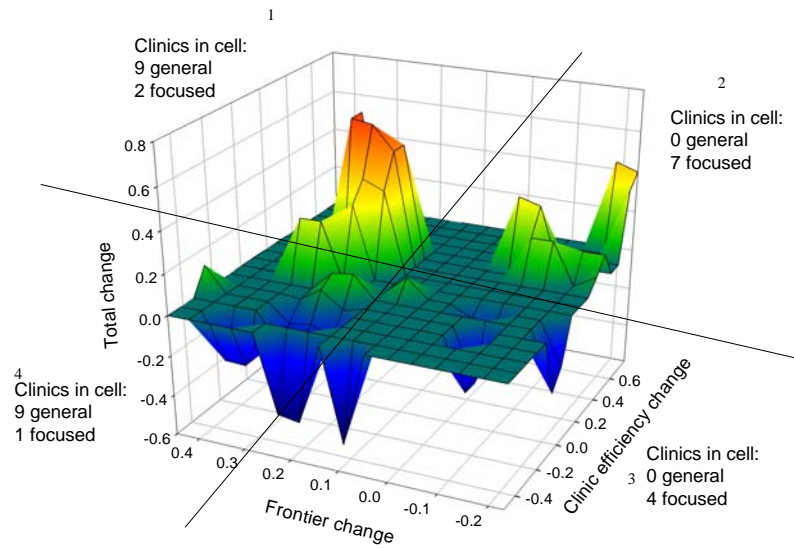
Business Care:
Clinic Productivity (RVUs/Provider)
Clinic Profitability (Net Income/Provider)

Patient Care:
Patient Satisfaction
Perceived Care Quality

1997 – 1999 Frontier Analysis of Clinics

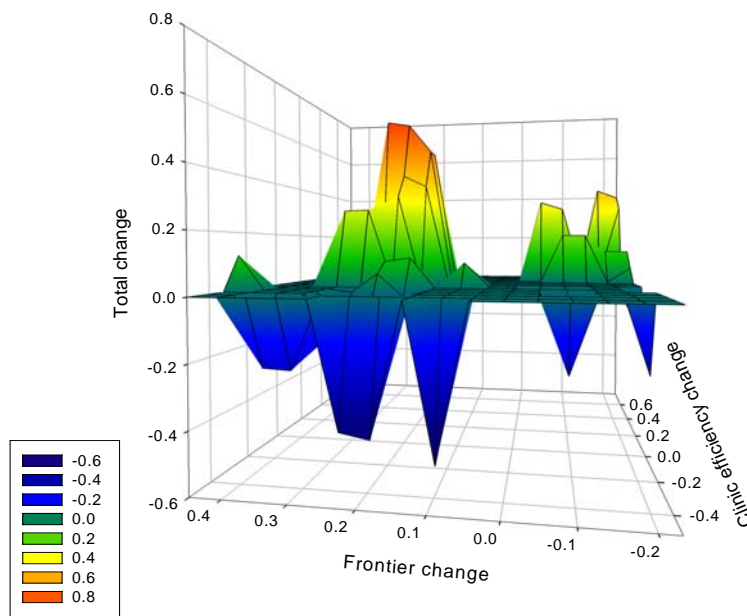
Clinic ID	Type	1997 DEA		1999 DEA		% Change Due To:		
		Within Type	Between Types	Within Types	Between Types	1. Clinic Δ	2. Frontier Δ	3. Total Productivity (columns 1 & 2)
C 31	Broad	100	57.99	100	84.03	0	0.29	0.29
C23	Broad	100	47.46	94.37	83.73	-0.19	0.19	0
C24	Broad	100	40.68	74.57	84.03	-0.28	0.19	-0.09
C 38	Broad	97.37	44.51	83.78	83.73	-0.19	0.22	0.03
C33	Broad	94.67	49.11	70.4	86.08	-0.2	0.24	0.04
C50	Broad	94.43	49.11	92.84	83.73	-0.06	0.22	0.16
C19	Broad	91.33	51.49	89.11	86.08	0.05	0.24	0.29
C14	Broad	87.22	58.15	100	86.08	0.33	0.27	0.6
C5	Broad	86.85	47.46	75.19	83.73	-0.25	0.21	-0.04
C51	Broad	84.71	47.46	55.35	86.08	-0.27	0.25	-0.02
C45	Broad	84.69	53.55	51.57	84.03	-0.49	0.21	-0.28
C58	Broad	81.77	57.99	51.95	84.9	-0.3	0.24	-0.06
C81	Broad	78.56	47.46	78.62	85.1	-0.07	0.19	0.12
C59	Broad	73.21	47.46	92.99	84.9	0.17	0.19	0.36
C18	Broad	71.35	49.27	83.65	86.27	0.22	0.22	0.44
C44	Broad	67.28	55.77	40.17	84.03	-0.42	0.33	-0.09
C15	Broad	64.76	47.05	84.61	84.03	0.16	0.23	0.39
C8	Broad	61.65	45.76	79.97	86.008	0.31	0.19	0.5
C17	Focused	100	82.79	100	100	-0.23	0.45	0.22
C32	Focused	100	100	100	100	0	0.09	0.09
C41	Focused	100	100	84.18	99.75	-0.04	-0.23	-0.27
C57	Focused	100	62.71	47.39	100	-0.5	0.09	-0.41
C34	Focused	91.13	97.37	68.39	99	-0.03	-0.23	-0.26
C42	Focused	90.2	100	100	100	0.44	-0.21	0.23
C60	Focused	84.7	74.21	100	100	0.45	-0.09	0.36
C37	Focused	75.07	100	63.62	99.62	0	-0.08	-0.08
C1	Focused	67.83	81.03	42.99	99.5	-0.19	-0.09	-0.28
C22	Focused	65.97	80.87	71.67	99.25	0.36	-0.23	0.13
C11	Focused	60.31	100	81.8	99	0.73	-0.23	0.5
C48	Focused	60.17	85.47	65.83	100	0.35	-0.11	0.24
C52	Focused	56.86	85.47	73.14	100	0.78	-0.21	0.57
C6	Focused	56.76	78.65	67.51	99.62	0.42	-0.05	0.37

1997-1999 Changes in Clinic Efficiency, Frontier and Total Performance



(This 3-D graph uses a negative exponential smoothing technique that applies a Gaussian weight function to weight the data and a quadratic fit).

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Design Correlations with 1997-1999 Clinic Efficiency and Frontier Changes

	97-99	97-99	97-99
	Tot Perf	Clinic	Frontier
	Change	Efficiency	Efficiency
		Change	Change
Work routines	0.35*	0.29	-0.01
Openness to ideas	0.10	0.33	-0.39*
Fairness	-0.01	0.23	-0.37*
Trust within clinic	-0.16	0.07	-0.38*
Chance of rewards	0.01	0.12	-0.23
Lack of resources	-0.12	0.12	-0.33

Some Implications

1. Not all medical clinics are alike and deal with same environment
 - Who should be compared with whom?
2. Clinic designs with highest peaks have the deepest troughs.
 - Risks & returns of alternative organization designs
 - Talk of "icebergs," not "hills"
3. The org. design factors that are positively related to clinic management efficiency are negatively related to overall frontier efficiency.
 - Maximize individual or collective good?
 - Tradeoffs between unit differentiation & org integration?

Concluding Remarks

- Return to the frontier of organization design
 - A central & enduring problem for organization science.
 - Lawrence & Lorsch paved the way
- Org design advances require multiple perspectives:
 - Extend contingency, configuration, & complexity theories
 - Examine adaptation on changing fitness landscapes.
- Many systems too complex for arm-chair theorizing
 - Adopt frontier analysis on sample of work systems.
- Major limitation – limited generality of findings
 - Rely on meta-analysis of studies across samples & contexts