

ORGANISATIONAL DESIGN

Contingency and Design

Lawrence & Lorsch · Galbraith · Nadler & Tushman · Burton & Obel

PAPER 02 / 04

A Furtherance reference compendium on the intellectual traditions behind organisational design, leadership, execution, and culture.

IN THIS PAPER

The first paper ended on a problem: if there is no single best structure, what does the right structure depend on? This paper answers with the contingency tradition – the view that structure should be **fitted** to a firm's environment, task and strategy, and that design is the disciplined pursuit of that fit. The question: what makes one design right for one organisation and wrong for another?

Contingency theory replaced the search for universal principles with a conditional one: *it depends*. The work of the last half-century has been to make that phrase precise – to name what it depends on, and to give operators tools for diagnosing misfit rather than templates to copy.

The four contributions here move from theory to instrument. Lawrence and Lorsch establish the core mechanics of fit; Galbraith reframes design as information processing and offers a practical model; Nadler and Tushman turn fit into a diagnostic; Burton and Obel push it toward computational rigour.

Paul Lawrence & Jay Lorsch Organization and Environment, 1967

Structural contingency · differentiation and integration

CORE THESIS

Organisations facing uncertain, varied environments must **differentiate** – let their subunits develop distinct structures, time horizons and mindsets suited to their own slice of the environment. But the more differentiated the parts, the harder they are to hold together, so the firm must invest in **integration** in proportion. High-performing firms achieve both at once; weaker ones sacrifice one for the other.

FRAMEWORK

Dimension of differentiation	How subunits diverge
Goal orientation	What each unit treats as the objective that matters
Time orientation	Short- versus long-horizon working rhythms
Interpersonal orientation	Task-focused versus relationship-focused styles
Structure formality	Tight, formal control versus loose, organic working

Integration is then bought with mechanisms scaled to the degree of differentiation:

Integrating device	Use
Hierarchy and rules	Sufficient when differentiation is low
Direct contact and liaison roles	Moderate differentiation
Cross-functional teams and integrator roles	High differentiation, high uncertainty

METHODOLOGY

A comparative field study of firms in three industries chosen for their differing environmental uncertainty – plastics (high), packaged food (moderate) and standardised containers (low) – measuring differentiation and integration against performance.

SIGNIFICANCE AND CRITIQUE

This is the empirical cornerstone of structural contingency theory, and the differentiation–integration pairing remains one of the most useful lenses in design. The critiques are methodological: the constructs are hard to measure cleanly, the study is cross-sectional, and the sample is small and industry-specific.

Jay Galbraith 1939–2014

Organisation design · information processing · the Star Model

CORE THESIS

Structure is fundamentally about **information processing**. Uncertainty is the gap between the information a task requires and the information already in hand; the more uncertain the task, the more information must move through the organisation while the work is done. Design is the act of matching the firm's information-processing capacity to that load – and it must be done across five aligned policy areas, not structure alone.

FRAMEWORK

Faced with rising uncertainty, a firm has two broad choices – reduce the need to process information, or raise its capacity to do so:

Strategy	Move	Mechanism
Reduce the need	Create slack resources	Longer lead times, buffers, looser targets
Reduce the need	Create self-contained tasks	Group around outputs so units need less cross-talk
Raise capacity	Invest in vertical information systems	Formal data flows up and down the hierarchy
Raise capacity	Build lateral relations	Liaison roles, teams, the matrix

His **Star Model** insists that structure is only one of five policies that must line up:

Point of the star	Design question
Strategy	What direction and criteria govern choices?
Structure	Where do power and authority sit?
Processes	How does information flow across the structure?
Rewards	What behaviour do incentives actually motivate?
People	What skills and mindsets does the design require?

METHODOLOGY

A design-science synthesis grounded in decades of consulting. Galbraith worked as a theorist of practice – building frameworks meant to be applied and tested in live organisations rather than proven in controlled study.

SIGNIFICANCE AND CRITIQUE

Galbraith bridged contingency theory and working practice, and gave design its most durable idea – that the lateral organisation, and the matrix in particular, is a deliberate answer to an information-processing load. The Star Model is widely used. The critique is that the frameworks are more heuristic than tested theory; “alignment” is easy to assert and hard to verify.

David Nadler & Michael Tushman The Congruence Model, 1980

Systems view · organisational architecture · fit

CORE THESIS

An organisation is a system that converts inputs into outputs, and its performance is governed by the **congruence** – the fit – among its internal components. The tighter the fit between the work, the people, the formal organisation and the informal organisation, the more effective the whole. Diagnosis means finding where those components pull against each other.

FRAMEWORK

Component	Definition
Work / task	The basic activities the organisation exists to perform
People	The skills, needs and expectations of those doing the work
Formal organisation	Structure, systems, processes and their explicit design
Informal organisation	Culture, norms, values and actual patterns of working

These sit inside a transformation process fed by inputs – environment, resources, history and strategy – and judged by outputs at the system, unit and individual levels. Effectiveness is a function of the fit between each pair of components.

METHODOLOGY

A systems-theoretic diagnostic model built for practitioners. The later work of Tushman and O'Reilly on **ambidexterity** – running exploit and explore units under one roof – extends the same logic to the problem of designing for two incompatible fits at once.

SIGNIFICANCE AND CRITIQUE

The Congruence Model is one of the most widely applied organisational diagnostics in practice, valued for structuring a messy problem quickly. Its weaknesses are those of any fit model: “congruence” resists measurement, the model is a static snapshot of a moving system, and it describes the state of fit better than it explains how to reach it.

Richard Burton & Børge Obel Organizational Design, 1998–

Computational design · multi-contingency diagnostics

CORE THESIS

Organisational design can be made a **rigorous, rule-based discipline** rather than an art. By integrating many contingencies at once – strategy, environment, size, technology, climate, leadership – into an explicit diagnostic, a designer can detect **misfits** where the current organisation contradicts what its situation demands, and reason systematically toward a corrected design.

FRAMEWORK

Contingency factor	Example of what it constrains
Strategy	Required innovation, breadth and control emphasis
Environment	Uncertainty and equivocality the design must absorb
Size and age	Formalisation and layers the firm can carry
Technology	Interdependence and routineness of the work
Climate and leadership	Trust, conflict tolerance, decision style

The approach is operationalised as a set of **if-then misfit rules** – codified in their OrgCon expert system – that flag contradictions between contingencies and structural choices.

METHODOLOGY

Computational and expert-system modelling, synthesising the empirical contingency literature into decision rules and testing them against organisational cases and validation studies.

SIGNIFICANCE AND CRITIQUE

Burton and Obel pushed design toward diagnostic precision and decision support, consolidating decades of scattered findings into a usable system. The critiques are the natural price of that ambition: the rule set is complex, reducing living organisations to codified variables strips nuance, and adoption in practice has been limited.

Synthesis

Theorist	Core construct	Diagnostic artefact	Critique
Lawrence & Lorsch	Differentiation and integration	Fit measured against uncertainty	Hard to measure; cross-sectional
Galbraith	Information-processing load	The Star Model; lateral design	Heuristic more than tested theory
Nadler & Tushman	Congruence among components	The Congruence Model	Static; fit resists measurement
Burton & Obel	Multi-contingency misfit	Rule set / OrgCon	Complex; reductionist

FOR THE OPERATOR

Contingency theory converts the operator's question from “what is the best structure?” to “fit to what?” – and answers with diagnostics rather than templates. Its enduring limit is that fit is far easier to assert than to measure, and every model here is a snapshot of a system that will not hold still. The next paper presses on that point: what happens to fit when the bounded structure itself begins to dissolve into networks?