Environmental Contingency Theory: Organization and the Environment

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Abstract
The development required by the organization to always be sustainable and continuous begins with many changes either internal or external. External change itself can come from various factors one of them environmental factors. Contingency theory explains the main framework for an organization to define design, structure, managerial etc. Environmental contingency theory makes this work by focusing on an environment that has the potential to change the shape and culture of the organization. The environment also has a role to make the organization develop and innovate because of its demands in having information that always maintained its availability as well as the level of organizational complexity. The purpose of this paper is to enrich the discussion of the theory of environmental contingency as a contingency theory derivative that discusses the role and impact of the uncertainty caused by the environment. The study of this theory also discusses the researchers' thinking about the criticism of social contingency theory. This theory was finally summarizes that each organization adapting the structure through shifting circumstances that do not match (misfit) with a result of their low performance to a state fit, where there is no order to achieve effectivity and performance of the organization that led to the emergence of order to achieve effectiveness and performance of the organization, or a structural change that is positive and productive to the organization, so the argument of this theory is that organizations are individually adapted to their environment. In general, contingency theory also sees organizational compatibility with other variables around the organization explaining that organizational theory is able to describe an overall organizational phenomenon that has not been able to be explained by other theoretical approaches.
Keywords: Social contingency theory, contingency theory, organization, environment, change, uncertainty

Introduction

An organization will always have a close connection with the elements around it, be it environment, culture, technology, and others. Organizations need aspects around them to develop and define identity. Just as a human being, we are shaped in such a way as to be someone now because other elements contribute to us, such as family, school, media, faith, ideology and the environment. The latter is called, has a very big role that seems to require us to be sepola with the environment to mutual acceptance. There is a theory that emerges in response to common statements we have heard so often for example that the optimal control concept can be applied within the company as a whole. While a lot of external factors are emerging as a bully of control. No security can be made intact from the inside without seeing any external factors that have an impact. In addition, this theory also helped guide the organization to determine the operational, structural and managerial design of an organizational process in order to improve the effectiveness and efficiency of an organization to achieve goals. Previous approaches are less concerned about environmental factors, this theory has a focus on paying attention to the organizational environment that brings about the effects of change, and this should be well-considered if an organization is interested in achieving the best outcomes of an organization with maximum support around it. This theory is a structural contingency theory.

Writing on this theory is made because the lack of research encourages organizations to see that environmental factors are a central aspect of change in an organization. Explained by Donaldson (2001) contingency theory of organization is a theory that serves as the main lens to look at the organization. This theory generates a lot of input and has empirical support. Contingency theory contains many historical interests of organizational science. This research has become the main base of what is taught to us now. The purpose of this study is to enrich the reader's knowledge in the theory derived from the contingency of the organization that is environmental contingency. Still according to Donaldson (2001) organizational contingency theory has three other important contingencies: environment, organization size and strategy. Environmental stability has an impact of mechanistic structure (Pennings: 1992). The degree of market and technological change in the organizational environment has an impact on structures such as hierarchy etc., which are called mechanistic structures or impacts on organic structures such as participation. (Donaldson: 2001).

This research also helps to explain the theory of criticism coming from various researchers. Contingency theory has an excessive focus on the environment in which the environment is not the only aspect that must be constantly monitored as an organizing factor. The environment is also considered not something that is continuously dynamic.
and never stable. In addition, the organization must also consider other things that are much more easily controlled by members in the organization such as politics and power owners that led to decision-making.

However environmental contingency theory remains a theory capable of explaining the many adjustments that must be made to an organization in order to survive and sustain the acceptance of its environment. This study still has a shortage of detailing the advantages and disadvantages of more detail about the theory of environmental contingency, structural contingency theory, and contingency theory of the organization in general. Research in the form of evaluative research by involving resource persons who are part of the organization and part of the environment is also a research development that can be done to examine more in the application of these theories and the impact or influence for the organization.

Literature Review

The environment is the best aspect to determine how an organization will be run, shaped and used. The environment certainly has a close relationship with the organization. Writings on the theory of structural contingency are included in the functionalist tradition in social science (Merton: 1968) which sees the organization as something that continues to adapt to its changing environment, hence the organization changes from one kind to another over time. (Parsons: 1961). In the book Mary Jo Hatch (2013) said that Tom Burns and George Stalker express in a stable environment, organizational mechanisms can work well because SOP (Standard Operational Procedure) will result in routine activities. Just like organisms, for example humans, organizations will certainly affect and be influenced by the environment. The main purpose of the organization is of course the survival to stay in line with what the organization's main focus is. According to Rainey in his book Understanding and Managing Organization Public (2003:81), environmental dimensions, organizational dimensions can be influenced by several factors such as:

1. Technological conditions
   The level of ability and skill will affect the organization’s environment
2. The legal conditions
   Rules and legal products or formulations whether issued by public organizations and institutions outside the organization will affect the condition of the organization.
3. Political conditions
   Political conditions or forms of state institutions (socialist, communist, capitalist, democracy) will affect the environment of the organization
4. Economic conditions
   The level of community welfare, the condition of the capital and the market economy of the state will have an impact on the organizational environment. If the public economy increases, it will reduce the negative impact of the organization’s environment
5. Demographic conditions
Demographic conditions relate to population size, rate of development and population growth, gender, race and religion

6. Ecological conditions
Includes about the physical characteristics of the environment, climate, geography, population, natural resources and organizational population density.

7. Cultural conditions
Includes about beliefs, values, social habits, attitudes and views and patterns of life formed by the tradition of education and beliefs of a community.

According to Hatch, British sociologists Tom Burns and George Stalker have an explanation of the relationship between the environment and the organization in which, in a stable environment, the organization will work well because standard procedures for conducting routine activities will result in efficiency. Under stable environmental conditions, mechanistic organizations with rigid structures and tight controls can learn to optimize the activity and use of resources so as to minimize costs and maximize profits. However, as the environment changes, and the organization has to adapt, its activities will also change, and this is where the profit routine will soon disappear. However, for organic organizations where their structures are adaptive and flexible, changes in the environment will be needed to adapt to changing environments as they will support the innovation and adaptation that organic organizations require. This is what environmental factors must be faced by the organization as an early example of contingency theory. (Hatch: 2013).

Even so, a sovereign, when a match is determined by the possible forms of organization of environmental factors, then this is outside the control of the managers of an organization. Therefore, they will change the design of their organizational structure from, for example, mechanistic to organic, because the environment changes from stable (mechanistic features) to unstable (organic trait), in order to force themselves to regain compatibility and performance. This is a unique case because Mechanistic organizations generally correspond to a stable environment will produce high-performance, the same case as the organic compatibility with unstable environment. Thus when the environment changes, the organization must change its structure to avoid the loss of performance due to mismatch (misfit), although a new organizational form may not necessarily produce better performance than the previous fit. Conversely, if contingency is an internal organizational characteristic, then managers can control it, so they do not have to change the structure of one form to another unless a new match resulted in a higher performance than a match for long. This is the so-called hetero-performance. (Donaldson, 2001).
Duncan (1972), states that environmental uncertainty is a key variable in explaining why certain organizational forms succeed and uncertainty in the environment is defined as the interaction between complexity and rate of change as listed in the matrix below.

![Figure 1. Complexity and Rate of Change Matrix](image)

Complexity signifies the amount and variety of environmental elements. Rate of Change indicates how fast the environment including all its elements change. (Duncan: 1972). According to Hatch (2013) the environmental uncertainty theory has a problem when it is assumed to be an objectively and equally objective environmental condition. In fact, not everyone experiences and perceives the environment in the same way; the same environment may be deemed certain by a group of managers but uncertain for others. The authors conclude that perceptual uncertainty can predict decisions about what form of organization is better adopted than the objective measure of environmental uncertainty. (Hatch: 2013).

In the modern organization theory, evidence of the importance of perception as a factor in understanding how the environment affects the organization, developed into the theory of information. The information uncertainty theory holds that managers experience uncertainty in the environment when they do not have the information they feel is necessary to make good organizational decisions. (Hatch: 2013). The figure below describes the perceived environmental conditions and information that explain the various levels of perceived uncertainty. According to the image below, Hatch explained that in column A, called low uncertainty because the required information is known and available. According to Hatch, managers see the environment as stable and have minimum complexity when a required information has been identified and available. In column B, it is called moderate uncertainty which requires constant new information. According to Hatch managers realize that environments have a high complexity and constantly changing when they find too much information or information that is...
constantly changing. In column C, it is still a moderate uncertainty because it has information that is a bit too much and constantly changing. In column D is a high uncertainty column because the organization does not know the required information and there is also problematic puzzle and irregularity in this column D.

Figure 2. Perceived environment and information matrix

An early attempt to explain that organizations respond to uncertainty, based on the concept of requisite variety and isomorphism. The law of requisite variety, borrowed from general systems theory, which states as a system that deals effectively with other systems must have the same or even greater complexity. In the realm of the organization, this means that successful organizational mapping must have previously experienced the complexity of the environment in its internal structure and management system. This mapping produces an isomorphism that has an understanding if an environment around the organization is a simple environment, then an organization will also take a simple form of organization as well and vice versa, if an organization goes into a complex environment then the environment will eventually contribute to complex organizational forms as well. When an environment changes, of course, the concept of isomorphism and requisite variety will suggest the organization to make changes. (Hatch: 2013)

Paul Lawrence and Jay Lorsch in their 1967 book Organization and Environment explains that organizations will face many different conditions and other elements in their environment, which will create the pressure to create differentiation within an organization. This differentiation makes many units within the organization to specialize in doing handling different requests from their environment. This specialization of functions will produce internal complexity within the organizational structure that enables the organization to map complex environments. But it also produces the pressure to integrate between differentiated tasks and also adds structural executive
complexes at the manager level upwards to coordinate with the units and increased responsibilities within the organization. (Lawrence & Lorsch: 1967).

Theory Criticism
Critics of this theory are expressed by Leh Pfeffer and Salancik (1978). Criticism of this theory is about too much discussion of environmental variables when it comes to contingency theory or uncertainty. The environment does not change very much as the theory suggests. Meanwhile, in the present era change is no more dynamic than when the organization was established in the past and the impact of environmental uncertainty on the organization also diminished as a result of the managerial structure that makes certain strategies. Pfeffer and Salancik reveal that environmental contingency theory becomes not pay attention to other aspects such as politics in the formation of the organizational structure. While the game of politics and power to determine the form of organization d ewasa now become more widespread than the determination applied based on environmental aspects. Pfeffer and Salancik say power control states the structure of an organization that is the result of those who have the power to choose structure, maintain and maximize organizational control. The power control perspective does not ignore the impact of other causes / uncertainty / contingency variables, but control of power treats contingency variables as constraints faced through a process called the political process.

Perrow (1986) mentions that there is a theory that is contrary to the theory of environmental contingency is the theory of bureaucracy. This theory sees that bureaucracy is everywhere and is the most effective way of considering the factors of uncertainty that determine the structure. Bureaucracy, can be used as the basis for the formation of structures, without the need to consider environmental or other variables. (Perrow: 1986).

Discussion & Conclusion
The application of environmental contingency theories is well used for new organizations that are trying out new environments to help determine the structural, managerial, and organizational forms. Many variables other than the environment can be factors for determining the organizational structure, but the uncertainty gained from the environment can affect much of the culture in it. The new organization can also map how large the dynamics of changes exist in the environment and map how big the complexity and information contained in the organization. Generally, organizational culture will also be subject to changes due to adaptation to the environment. In addition to mechanistic organizations may turn into a much more capable organic organization in adjustment to change, an organization can also transform the collective-individual culture and organizational masculinity into the feminine direction. This is because in order for new organizations to be accepted into an environment that has been long
standing and there is a culture inherent in it since then the organization must adjust the culture in it.

In addition to cultural change, organizations also become able to create unprecedented things because of the limitations of information needed to deal with change. Excess information is also a sign that the existing information has not been processed accordingly through the organizational structure. When changing the environment to something that is beyond the control of the organization's leadership, internal organizational adjustment can be overcome by making strategic planning by managers. For example, there is an organization of 24-hour retail companies standing in an environment full of vandalism and theft. Of course the retail is not able to perform under-standard supervision because it will cause a bad possibility due to minimal security. If theft level is high then the retail should take a lot of precaution of theft such as installation of cctv, ownership of personal protective equipment for retail employee, special key password for cash register machine, double key or more to protect the retail if closing at night, other precautions. The example is one of the earliest examples of the concept of isomorphism.

Environmental contingency theory is a theory that trying to answer through the dynamics of the internal structure of all that suit the environment (Meyer & Scott: 1983). This theory summarizes that each organization adapting the structure through shifting circumstances that do not match with a result of their low performance to a state fit, where there is no order to achieve effectiveness and performance of the organization, or a structural change that is positive and productive to the organization, so the argument of this theory is that organizations individually adapt to their environment. (Meyer & Scott: 1983). Organizations must develop, survive and produce goals or products that are well suited to their vision and mission. Although the environment itself can be the deciding factor for whether the organization will achieve efficiency, innovation or anything. This argument shows that organizational management not only continuously strives to adapt to the environment but is also followed by management's commitment to organizational goals that have the advantage of competitiveness with other organizations. This management commitment is a strategic part to adapt to certain parts that are evenly distributed across all organizations ie technology, environment, diversification etc. which are the contingency variables in structural contingency theory (Burns & Stalker: 1961). So in conclusion, the contribution and benefits of this theory is as a guide for the organization to maximize the structure of an organization.

Donaldson (2001) says contingency theory and its derivatives such as environmental contingency theory or structural contingency theory are relevant theories for explaining organizational phenomena since each organizational phenomenon can be obtained by understanding contingency theory. Contingency theory sees organizational compatibility with other variables around the organization explaining that organizational
theory is able to describe an overall organizational phenomenon that has not been able to be explained by other theoretical approaches.

References


