

Management Course II: Rational Contingency Model

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A second organizational and design approach is that of rational-contingency management. This perspective views organizational action as the result of choices made among set of goals in an environmental context of constraints and opportunities. The principal scholars who have worked with this model are Robert Drazin and Andrew H. Van de Ven, *Alternative Forms in Contingency Theory*; and Edward W. Lehman, *The Theory of the State and the State of the Theory*.

This paradigm of management emphasizes goal-setting as the reason why organizations act as they do. Goals are part of the culture of organizations and part of the mind-set of decision makers. A critical point here is that organizations, like individuals who compose them, are purposive entities. The purposiveness nature can be jeopardizing by external pressures, and the organization may weaken, die or have to drastically alter its operations. The model sustains a kind of Darwinian natural selection process stressing the imperative of the environment or the market establishing the births, survival and deaths of organizations.

The model recognizes that organizations have multiple and conflicting goals. This means that priorities and time management about goals are problematic and are established by dominant coalitions within organizations. The dominant coalition is formal or informal, and it influences the effectiveness criteria for making decisions and evaluating results about different goals. The emphasis here is that rationality about goals is important, but in practice it is frequently overstated. This is so because things happen around organizations that can never be fully predicted or foreseen. There are competing external and internal pressures issues that cannot be entirely resolved on the basis of a rationality criteria or standard.

The beautiful dynamic, contradictory or paradoxical nature of the rational-contingency theory of management is that leaders, managers and organizations pursue goals in a fairly rational (structured!) manner, but reality is full of surprises, contingencies and things that cannot be entirely predicted or anticipated (ill structured). Thus, flexibility and agility management is a prescription for leaders and managers.

Nevertheless, goal management is an important venture even in politics and in social decision-making.

My distinguished professor and Nobel Prize Winner Herbert A. Simon posed that organizational goal management is about treating the goal as a super individual entity having existence and behavior independent of the behavior of its members! To Simon, goals are constraints for organizational decision-making. The same is the case for external environmental or market constraints!

Researchers of this perspective, such as **Lex Donaldson**, *In Defense of Organization Theory*, make the way for combining important elements from the perspective of multiple and conflicting goals and environmental constraints and advocate for the blending of rationality and contingencies within a comprehensive theory of management. This is like saying that leaders and managers have to optimize as much as possible, and at the same time have to cope with surprises and irrationalities emerging inside and outside the organization.

The strong, robust and empirical stand of this management approach is that life and work support these propositions.

Another long time professor, which I invited on several occasions to the University of Puerto Rico, **Richard W. Scott**, *Organizations: Rational, Natural and Open Systems*, made the case that management is always a contingent task or endeavor. Contingency theory of management is an understanding that the best way to organize depends on the nature of the environment or the market to which the organization must relate.

Successful organizations are those with a fair degree of differentiation (different parts of the organization can respond in a different manner) to deal with an uncertain and changing environment. If the environment or the market is not highly differentiated or complex, the organization internally does not have to exhibit high levels of differentiation by way of teams, departments, units or human capital.

Taking the contingency model to the limits, it has been established that there is no one way to organize, but many... Thus, when the idea of contingency, uncertainty and ambiguity is added to the notion of rationality (one best way) we have a much comprehensive and better explanation of what is management all about.

Organizations work to attain goals and deal with their environments and markets, with the realization that there is no one best way to do so. Working through teams and incorporating multiple disciplines is a most to raise fresh knowledge and achieve adaptability, compliance, and results.

The reader can sense that the notion of organizational design has a very rational ring to it. In a conventional manner, we design organizations to attain goals and be effective. The reality is not that simple. Rationality itself

is very hard to accomplish regardless of what is being planned. (**Henry Mintzberg, *The Rise and Fall of Strategic Planning***). On the other hand, reality within organizations is not entirely random, since the very intent of structure is to provide some degree of certainty of action.

Organizational design is complex, uncertain and always problematic. In a seminal book, ***How to Run Any Organization***, the distinguished sociologist Theodore Caplow, prescribes the following:

1. A bias for action and execution- do it, try it, and don't analyze the problem to death.
2. Stay close to the customer and understand service or product needs.
3. Engage in entrepreneurship (producing ideas and putting them into action), and promote autonomy within the organization.
4. Productivity is through people and not through technology (technology is a mean not an end).
5. Have high values; stress a culture of dignity and respect, and demand quality and excellence.
6. Emphasize and stick to the knitting-do what you do best.
7. Keep the staff lean and simple.
8. Have simultaneous looseness and tightness- allow people to be autonomous but at the same time disciplined.
9. Drive fear out of the work place.
10. Prepare to change your business model and strategies.

Organizational design affects the working reality and the structure of management, but it is also affected by the culture in which design efforts are made.

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