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Dedication

This book is dedicated to John Forsyth who sadly passed away while the book was under preparation.
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Contributing Authors

Torben Andersen  
University of Southern Denmark, Odense, Denmark

Richard M. Burton  
Duke University, Durham, NC, USA

Timothy N. Carroll  
Georgia Institute of Technology, Atlanta, GA, USA

Lex Donaldson  
Australian Graduate School of Management, Sydney NSW, Australia

Bo Eriksen  
University of Southern Denmark, Odense, Denmark

John D. Forsyth  
Duke University, Durham, NC, USA

Jens Grundei  
Technology University of Berlin, Germany

Thomas Gulløv  
University of Southern Denmark, Odense, Denmark

George P. Huber  
The University of Texas at Austin, Austin, TX, USA
Organization design

Starling D. Hunter
Massachusetts Institute of Technology, Boston, MA, USA

Dorthe Døjbak Håkonsson
University of Southern Denmark, Odense, Denmark

John Joseph
Northwestern University, Evanston, IL, USA

Peter Klasas
University of Southern Denmark, Odense, Denmark

Jørgen Lauridsen
University of Southern Denmark, Odense, Denmark

Jeanette Lemmergaard
University of Southern Denmark, Odense, Denmark

Grant Miles
University of North Texas, Denton, TX, USA

Raymond E. Miles
University of California, Berkeley, CA, USA

Jørn Flohr Nielsen
University of Aarhus, Aarhus, Denmark

Børge Obel
Aarhus School of Business, Aarhus, Denmark

William P. Ocasio
Northwestern University, Evanston, IL, USA

Line Povlsen
University of Southern Denmark, Odense, Denmark

Charles C. Snow
The Pennsylvania State University, University Park, PA, USA

Mikael Søndergaard
University of Aarhus, Aarhus, Denmark
Editor's Introduction

Welcome to the first volume of *Organization Design: The Evolving State-of-the-Art*. For many years, organization design has been a sub-field of the larger discipline of organizations and management. In the early 1960s, a conference focused on the topic of organization design was held at the University of Pittsburgh. A group of leading management scholars met to discuss design issues and, among other things, concluded that the number of critical variables involved in designing an organization totaled approximately 200 (Thompson, 1966). In those days, before the widespread use of computers, the design challenge must have seemed immense to both scholars and practitioners alike.

To our knowledge, another conference on organization design was not held again until an international group of scholars convened at the University of Southern Denmark in May 2005. In the intervening four decades, much has been written about organization design, and this field, along with that of organizational development, has become the main repository of knowledge about how to plan, build, and change (re-design) an organization.

The organizers of the Denmark conference believe that the field of organization design can and should play a much larger role in management theory and practice than it presently does. The book that you have before you, which is a collection of the papers presented at the conference, is part of an effort to achieve that end. The various chapters review the main theoretical perspectives on organization design, identify important theoretical and practical issues currently facing the field, and suggest ways for valuable research to be conducted in the future. Many chapters conclude
with sections that describe how the theoretical argument or empirical study specifically informs organization design theory and practice.

The volume is divided into four parts. Part 1 is devoted to the theoretical foundation of organization design and related practical issues. The first chapter, by Snow, Miles, and Miles, discusses the configurational (or multi-contingency) perspective, and the authors describe four research initiatives that they believe would improve this theoretical perspective. The other chapter in this section, by Donaldson, discusses the contingency perspective. Donaldson identifies the major challenges to the contingency theory of organization structure, and he shows that overcoming those challenges leads to both theoretical and methodological innovations.

The chapters in Part 2 focus primarily on the issue of fit (alignment, congruence) in both the contingency and configurational perspectives. The chapter by Andersen, Eriksen, Lemmergaard, and Povlsen addresses two important types of fit involving a firm’s strategy and its human resource management system. The authors discuss the vertical fit between strategy and human resource management, and the horizontal fit among key human resource management practices. The chapter by Grundei uses a configurational perspective to show how an organization can be designed effectively even though it must meet simultaneous conflicting demands such as those presented by trust and control. The third chapter, by Gulløv, explores the structural limitations of flexible organizational forms using the main contingencies of technology and environmental uncertainty. Lastly, the chapter by Søndergaard, based on data from city managers in 14 different countries, examines the fit between an organization’s national culture and several contingency variables subject to managerial discretion.

In Part 3, four chapters examine the relationship between a firm’s design and its performance. The chapter by Eriksen uses an information-processing perspective to explore how design choices affect a firm’s realized strategy (as opposed to its intended strategy) and therefore how choices constrain overall firm performance. The chapter by Håkonsson, Burton, Obel, and Lauridsen reports an empirical study that examines relationships among firm strategy, leadership style, and firm performance. Their study tests four misfit hypotheses about the strategy-leadership relationship and its influence on firm performance. The third chapter, by Klaas, Lauridsen, and Håkonsson, discusses three unresolved theoretical issues concerning misfit which confound the true impact that design has on performance. The last chapter in this section, by Carroll and Hunter, is based on an empirical study of firms’ creation of new organizational units focused on e-business. The authors explore relationships among organization design (governance and leadership), firm learning (exploration and exploitation), and firm performance (stock market returns).
Part 4 of the book focuses on the dynamics of organizational adaptation and change. The chapter by Forsyth argues that many design and management challenges facing today's multinational business enterprises are analogous to those faced – and overcome – by Genghis Khan over 700 hundred years ago. Forsyth identifies what he believes are the main design principles underlying the organization and management structure of the Mongolian empire. The next chapter, by Huber, describes six processes organizations use to acquire technical knowledge for use in innovation projects. He discusses how the process of organizational adaptation is affected by a firm's absorptive capacity, knowledge-acquisition process, and learning capability. The chapter by Nielsen is based on two surveys of Internet technology adoption by Nordic banks and manufacturers. Nielsen shows how recent developments in organizational change theory are useful in understanding the adoption process. The final chapter, by Ocasio and Joseph, is an analysis of the governance structures and processes of the General Electric Company over a fifty-year period. This chapter clearly demonstrates the importance of organizational re-design to maintain adaptive capability.

We hope you find these chapters to be useful in your own work on organization design, and we welcome your suggestions about future volumes in this series.

Richard M. Burton  
Bo Eriksen  
Dorthe Døjbak Håkonsson  
Charles C. Snow

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PART 1: THEORETICAL AND PRACTICAL ISSUES
Chapter 1

THE CONFIGURATIONAL APPROACH TO ORGANIZATION DESIGN: FOUR RECOMMENDED INITIATIVES

Charles C. Snow¹, Raymond E. Miles², and Grant Miles³
¹The Pennsylvania State University, Department of Management and Organization, 452 Business Building, University Park, PA 16802 USA; ²University of California, Berkeley, Haas School of Business, Berkeley, CA 94720-1900 USA; ³University of North Texas, College of Business Administration, P.O. Box 13677, Denton, TX 76203 USA

Abstract: The overall objective of this chapter is to reinvigorate interest in the configurational approach to organization design. Configurational analysis developed in promising ways in the 1970s and 1980s and then stalled. We believe, however, that the configurational approach can be improved such that it will serve the interests of scholars, managers, and organizational designers alike. We discuss four research initiatives that can be combined to produce a theoretically and practically useful approach: (1) adding the configurational elements of organizational capabilities and management philosophy; (2) incorporating into theory development a mechanism for anticipating future organizational forms and helping managers to consider those forms; (3) developing valid quantitative measures of capabilities and other intangible assets; and (4) improving the model of change that underlies the redesign process.

Key words: Organization Design, Organizational Configuration, Configurational Analysis, Multi-Firm Network Organization

1. INTRODUCTION

Designing an organization requires the skillful application of knowledge. The relevant knowledge base is very diverse, including concepts, approaches, and research findings from fields such as psychology, economics, logistics, information technology, and change management. Moreover, in actuality most design issues are re-design issues – they involve
analysis of an existing organization, the diagnosis of misalignment and other problems, and changes made to the organization to achieve increased effectiveness. Thus, organization design can be thought of as “scientific art,” and its best practitioners have a deep understanding of how organizations work as well as how they can and must be changed.

For this chapter, we define the organization design literature as those works that have been written expressly for designers and practitioners (Burton et al., 2006; Galbraith, 1973, 1977, 2000; Goold and Campbell, 2002; Nadler and Tushman, 1997; Nystrom and Starbuck, 1981) as well as the major theoretical frameworks that have been used in practice (Chandler, 1962; Drucker, 1946; Miles and Snow, 1978; Nohria and Ghoshal, 1997; Weber, 1947). Generally speaking, the literature can be viewed from either a contingency or multi-contingency perspective. Contingency theories tend to rely on a single dominant variable as the determinant of organizational structure and behavior, such as technology (Woodward, 1965) or the environment (Burns and Stalker, 1961). Multi-contingency theories, on the other hand, are built upon clusters of variables, and these theories emphasize the need for alignment or fit among organizational components (Gresov, 1989). Multi-contingency theory has also been called configurational analysis (Meyer et al., 1993).

Based on our assessment of the organization design literature, we think it is unfortunate that configurational research seems to have stalled. Configurational analysis, which made great progress in the 1970s and 1980s, emphasizes the holistic nature of organizations as well as their need for coherence (Meyer et al., 1993), two important ingredients of any recipe for organization design. However, despite our enthusiasm for the configurational approach, the current models are incomplete. Specifically, configurational analysis could be improved with our four recommendations: (1) adding the configurational elements of organizational capabilities and management philosophy; (2) incorporating into theory development a mechanism for anticipating future organizational forms and helping managers to consider those forms; (3) developing valid quantitative measures of capabilities and other intangible assets; and (4) improving the model of change that underlies the redesign process. After a brief review and assessment of the configurational approach, we discuss each of these four research initiatives.
2. DEVELOPMENT OF THE CONFIGURAL APPROACH

Modern interest in organization design can be traced to the writings of the German social philosopher Max Weber (1947), who viewed the emergence of the bureaucratic form of organization as essential to providing the merit-based legitimacy and rules-based continuity required by modern democracies and economies. Weber described and commended a form of organization that was well suited to societal needs and objectives of the time. In the corporate world, an early well-known organization design was Alfred P. Sloan, Jr's (1963) blueprint for organizing General Motors Corporation. In his internal company report, "The Organizational Study," written in 1920, Sloan described the new divisional structure which rationalized the collective operations of the group of independent automobile companies that had been assembled by GM's founder, William C. Durant. In addition to introducing the divisional structure, Sloan discussed many of the management processes required by that structure, including the creation of the new role of division general manager, how performance should be measured, and how managers could be rewarded for improving performance. Indeed, Sloan has been credited with virtually inventing the modern corporation (Welch, 2004). As did Weber, Sloan used "form follows function" logic in his design for General Motors, and he viewed the firm holistically in making his design choices and recommendations.

In the 1950s and 1960s, scholars began to develop theories that linked the organization to its environment. For example, Chandler's (1962) detailed history of the evolution of the modern firm clearly showed how new structural and managerial developments at General Motors, Sears, and other major firms were responsive to conditions in the marketplace. Other researchers developed contingency theories that related aspects of organization structure to existing and emerging technologies and market factors (Burns and Stalker, 1961; Lawrence and Lorsch, 1967; Woodward, 1965). Gradually, theorists began to view organizations as systems in dynamic interaction with their environments (Haberstroh, 1965; Thompson, 1967), and the term "design" came to refer to the practice of building effective organizations (Thompson, 1966).

The process of theoretically integrating strategy, structure, and process variables accelerated in the 1970s and continued on into the 1980s. Indeed, this period marked the heyday of configuration, as a number of researchers independently arrived at the notion that organizations could be usefully conceptualized as configurations of resources. For example, Galbraith (1977) proposed his star model, a generic configuration composed of strategy, structure, human resources, rewards, and management processes.
Peters and Waterman (1982) offered a similar framework called the 7-S model which contained seven major organizational components (strategy, skills, structure, systems, staff, shared values, and style). Miles and Snow (1978) empirically examined relationships among organizational strategy, structure, and process, and they identified three commonly occurring configurations called the prospector, defender, and analyzer. Each configurational type had a particular combination of strategies, structures, and systems. Moreover, their framework included a dynamic dimension, called the adaptive cycle, and a diagnostic checklist that designers or managers could use to guide their organizations through the cycle. The theoretical value of viewing organizations as configurations is now well established (Dess et al., 1993; Meyer et al., 1993; Miller, 1986, 1996; Miller and Mintzberg, 1983; Mintzberg, 1990). Of particular importance is the fact that high-performing configurations are those with internal and external congruence, alignment, or fit (Gresov, 1989; Miles and Snow, 1984; Van de Ven and Drazin, 1985).

All of the various design approaches that were developed in the 1970s and early 1980s applied to the types of organizations that dominated the economy at the time – namely, functional, divisional, matrix, and other hierarchically structured organizations. The most comprehensive approach was that of Mintzberg (1979), which not only showed how to build traditional hierarchical organizations but also leading-edge organizations such as the professional adhocracy. None of those design approaches, however, anticipated or described a new organizational form that began to spread quickly in the 1980s and on into the 1990s. That form is the multi-firm network organization, identified by Miles and Snow (1984, 1986) and further delineated by Thorelli (1986) and Powell (1990).

Firms using a network organization base their strategies and operations on their core capabilities, outsource non-core activities to specialized provider firms, and develop management processes that span all of the firms in the network. By managing across firm boundaries, a group of firms can create an “extended enterprise” that is highly flexible and contains many capabilities (Magretta, 1998; Miles and Snow, 1994). The network concept has also been used to design internal organizational networks composed of the units of large multinational corporations (Goold and Campbell, 2002; Nohria and Ghoshal, 1997).

By combining the ideas and concepts contained in the core works discussed above, we can outline the conventional configurational approach to organization design as follows.

- The broad framework is that of strategy-structure-environment fit or congruence.
Four Recommended Initiatives

- The organization is conceptualized as a system or configuration whose major components include strategy, people, structure, and management processes.
- Overall organizational performance is heavily dependent on the quality of the internal alignment of the organization’s components as well as the external fit between the organization and its environment.
- The process of achieving fit is dynamic, and both the organization’s internal and external alignment must be continually monitored and adjusted.
- All of the basic organizational configurations, from the older hierarchical forms to the modern multi-firm network organization, have particular strengths and limitations; there is no all-purpose organization design.

This general configurational framework was essentially in place by the late 1980s and has experienced only a moderate amount of development since that time. Using the established framework as a springboard, we now discuss four initiatives that, we believe, would considerably enhance the value of the configurational approach.

3. **EXPANDING THE THEORETICAL MODEL OF ORGANIZATIONAL CONFIGURATIONS**

We suggest that existing configurational models be expanded to include the component of organizational capabilities. Every organizational form requires a particular set of capabilities to operate it. Until those capabilities are in place – that is, they have been identified, the proper investments in their development have been made, and managers clearly understand how to refine the firm’s capabilities into organizational routines – then the potential of the form cannot be fully realized.

The theoretical importance of organizational capabilities has been frequently noted (Dosi et al., 2000; Helfat, 2000; Teece et al., 1997), but the rigorous examination of the relationship between capabilities and other organizational characteristics has been hampered by the fact that capabilities are essentially possessed by individuals not organizations (Felin and Foss, 2005). Therefore, in order to incorporate capabilities into a configurational framework, one must aggregate the knowledge and skills possessed by individuals into an organizational or collective construct (see our discussion of how to quantitatively measure capabilities and other intangible assets in the section below). Moreover, we believe that an even higher-order construct, which we call a meta-capability (Miles et al., 2005), should be incorporated into future theoretical frameworks. A meta-capability is the
widespread presence of a social asset, an abundant societal resource that firms can draw on to operate their chosen form of organization. For example, older organizational forms relied on meta-capabilities such as coordination and delegation, and in advanced economies today these capabilities are widely available to firms that wish to use them. Conversely, newer organizational forms, whose success hinges on the ability to cooperate and collaborate, cannot easily tap into such social assets.

An expanded theoretical model also needs to include management philosophy – the values, beliefs, and assumptions that underlie and guide leadership and decision-making approaches (Bendix, 1974; Miles, 1975; Miles and Creed, 1995). In any given organization, managers’ individual and collective philosophies tend to coalesce around the features of the existing resource configuration and may not be up to the challenge of changing to a new configuration (Meyer, 1982). Managerial philosophies affect the emergence and success of new organizational configurations in two main ways. First, restrictive assumptions and beliefs impede the experimentation that is essential to the development of a new resource configuration. For example, many firms have attempted but failed to create effective divisional structures because their managers did not have a philosophical commitment to decentralized decision making, a key requirement of the divisional structure. Second, as we noted above, each new organizational form demands the development of the essential capability required for its success. Such demands can only be satisfied with heavy and continuing investments in hiring, staffing, education, and development. Collaboration across multiple firms in a network, for example, cannot be completely effective unless managers throughout those firms believe in its value and invest accordingly.

4. THEORY THAT PREDICTS AND PRESCRIBES

Our second recommended initiative concerns the focus of theory development. Neither contingency nor multi-contingency (configurational) theories of organization design are as practically useful as they could or should be. In the main, such theories focus on description and explanation, but these features do not adequately meet the needs of practitioners who also want theories to predict and prescribe. As Weick (1999: 135) has noted, “the compact causal structures that epitomize our theories are artifacts of retrospect rather than narratives of prospect.” Viewed from a managerial perspective, such theories are helpful in explaining and understanding the present situation, but they do not permit a manager to anticipate changes that the organization may need to make in the future and to start preparing for
those changes now. Thus, much more than they presently do, organization design theories, to use Weick's words, need to focus on the idea of "living forward." This requires the use of theory-building approaches such as mapping, conceptual development, speculative thought, and simulations of evolutionary systems (Weick, 1989).

To incorporate the notion of living forward into theories of organization design, we see two possible ways that new organizational forms (configurations) can be anticipated. First, the compensatory approach is based on the fact that the invention of each new form is largely motivated by the desire to overcome the major limitations of the previous form (Greiner, 1972; Miles et al., 1997). For example, just as the divisional form overcame the rigidity and limited scope of the functional form, the matrix form of organizing combined the strengths of both the functional and divisional forms while minimizing their weaknesses (Davis and Lawrence, 1977). Similarly, the lack of overall flexibility associated with the vertically integrated organization explains why the network structure uncoupled a firm's functional units and outsourced some of them to independent providers. Increased adaptability and speed were the result. The major limitations of the network form of organizing have already been identified (Miles and Snow, 1992), so those limitations could be used as data to help construct a living-forward theory of organization design that identifies the major characteristics of the next stage of organizational evolution.

The second living-forward approach employs the concept of underutilized resources originally advanced by Penrose (1959). Penrose argued that a firm grows and diversifies when its existing type of organization is unable to fully exploit its current stock of resources. For example, she focused on excess managerial capacity as the underutilized resource that is a frequent cause of a firm's growth. Today, many observers say that the most underutilized resource among firms in the global economy is knowledge (e.g., Friedman, 2005). The drive to turn knowledge and other underutilized resources into economic wealth is what pushes managers to experiment with new ways of reconfiguring strategies, structures, and processes to make their firms more effective and valuable. Certainly, managers would be aided in such endeavors if their experiments could be transformed into planned and targeted explorations by useful theory. The alternative is to leave anticipation and interpretation of the future to consultants. However, consultants have little incentive to investigate organizational approaches that are significantly at odds with current practice. It would be much better, therefore, if scholars would enter into partnership with practitioners to build their theories (Gibbons et al., 1994; Pettigrew et al., 2001).
Whether one relies on the predictions of either the compensatory or underutilized-resource approach, we believe that the next evolutionary step in organizational form will result in the appearance of a configuration which we call a multi-firm collaborative network (Miles et al., 2005). This type of configuration will differ from previous types in that its strategy component will focus on continuous (as opposed to periodic) innovation, and its structure and process components will allow groups of firms to efficiently explore opportunities outside their existing industry boundaries (i.e., they will grow horizontally rather than vertically). If organization design scholars will devote more attention to developing the living-forward dimension of their theories, then new organizational forms such as the multi-firm collaborative network can be anticipated. A new form created around a community of independent firms operating in complementary markets will require heavy investments to create a broad capability for collaboration. It will be particularly important to identify the barriers, including established concepts and philosophies, which stand in the way of the new form’s arrival and to indicate the kinds of investments that need to be made in order to operate the new form.

5. **MEASURING INTANGIBLE ASSETS AND DETERMINING THE VALUE OF ORGANIZATION DESIGN**

Our third recommended initiative involves intangible assets. Although approximately 32 percent of firm performance apparently can be explained by “firm conduct” variables (Carmeli and Tishler, 2004; McGahan and Porter, 1997, 2003; Reufli and Wiggins, 2003), the extent to which organizational capabilities and other intangible assets contribute to a firm’s performance is unclear. Without the ability to calculate value, managers have difficulty justifying investments in intangible assets such as intellectual and social capital, and they cannot accurately measure the returns on those investments they do make.

Elsewhere we have proposed economic value creation as an outcome variable and have indicated that each major type of organizational configuration has certain value-creating properties (Miles et al., 1998). In modern organizations, value is increasingly being created via the management of intangible assets which, in turn, enable physical and financial assets to be optimally utilized (Lev, 2004). Specifically, a firm creates value by accumulating and applying knowledge through a set of operating and adaptation routines. Operating routines allow the organization
to conduct its established businesses efficiently, and adaptation routines help the organization find new businesses and make other beneficial adjustments to its environment. Any given organizational form achieves its potential when its requisite routines are fully developed and utilized – that is, the firm learns from its experience. Therefore, managers can facilitate the value-creation process by helping organization members to understand the processes by which routines are linked and how they contribute to overall organizational effectiveness. They do so by articulating the intermediate variables and actions that lead to desired outcomes both within their firms and across the network of firms in which they are embedded.

Until recently, it has not been possible to empirically test propositions about relationships among organizational learning, investments in intangible assets, and value creation primarily because intellectual capital, organizational capabilities, and other intangible assets could not be adequately defined, measured, or reported (Eisenhardt and Martin, 2000; Levitas and Chi, 2002; Marino, 1996; McGrath et al., 1995; Rouse and Daellenbach, 2002; Sveiby, 1997; Williamson, 1999). Without valid accounting tools, organizations cannot determine how to reward their managers for creating value, and managers cannot keep track of their own progress and adjust their decision making accordingly. Recent measurement advances, however, now allow key relationships between organizational configurations and outcomes to be quantitatively measured and calculated. For example, tools have been developed to measure intangible assets such as organizational capabilities, brand identities, corporate reputations, patents and know-how, and networks of professional and business relationships (Hand and Lev, 2003; Lev, 2001, 2004). Although these first-generation tools have their limitations (Bontis, 2000), they will be refined to the point where they can be used in both research and practice. Indeed, some European firms, such as Skandia AFS (a subsidiary of the Skandia Insurance Group), already calculate an internal intellectual capital index simply because they believe it is valuable to managerial decision making (Edvinsson, 2002). This practice will spread to other firms, particularly those in knowledge-intensive industries where intellectual and social capital are critically important to success. In the U.S., both the Federation of Accounting Standards Board and the Securities and Exchange Commission presently endorse the calculation of a firm’s intellectual capital as a supplementary account, and we believe that it is only a matter of time before such accounts are required.

As we discussed in our first recommended initiative, the intangible asset that we believe should receive the most research attention is organizational capabilities (despite the fact that the literature on this topic is already very large). If strategy is the organization’s intent and plan, then capability is the
main enabling factor that allows strategy to be pursued. Capability can be defined as the ability of the organization to combine efficiently a set of resources to engage in productive activity and attain a certain objective (Amit and Schoemaker, 1993). Thus, capabilities are a transformational mechanism built on the combined skills and competencies of individuals in the organization (Ulrich and Smallwood, 2004), and they can be measured in two basic ways.

The first measurement method relies on the subjective evaluations of organization members (see Smith et al., 2005, for a recent example). According to Ulrich and Smallwood (2004), an organization can conduct its own capabilities audit by selecting a particular business unit and then asking the members of that unit to identify and assess various generic organizational capabilities such as technology and product development, talent management, collaboration, learning, customer relations, and innovation. The results of a capabilities audit can be used for a variety of purposes, including setting investment priorities, measuring progress from previous years, and determining gaps between strategic objectives and the capabilities needed to accomplish them.

The second measurement method, return on investment (ROI), calculates returns on intangible assets based on inputs and outputs. In the accounting version of the ROI method (Lev, 2004), inputs are costs and outputs are revenues. Certainly, the assignment of costs and revenues to a particular asset must be valid. For an especially soft asset such as organizational capabilities, organization members will have to work closely with financial experts to develop a useful measure for a given organization or research study. Another ROI method measures inputs with costs but uses physical output instead of revenues as the outcome variable. For example, a study by Dutta et al. (2005) used stochastic frontier estimation to measure the output of R&D capability. The ROI method, perhaps coupled with a capabilities audit, can provide an organization with a useful means of quantifying the value of its core capabilities.

6. **REDESIGNING AND CHANGING ORGANIZATIONS**

Our final recommended research initiative concerns organizational redesign – the application of design theory to existing organizations. The conventional design framework is largely static, and while it can be very useful to managers as a conceptual device for constructing a new organization, it does not offer the managers of ongoing organizations the specific practical guidance they need to keep their organizations aligned with
changing environmental conditions. In order to make the configurational framework more practically useful, we believe that design theory needs to incorporate relevant concepts and approaches from the literature on organizational change, particularly in the areas of the diagnosis, planning, and implementation of change.

Determining an organization’s need for redesign and change begins with a thorough analysis of its performance. Performance analysis must be multifaceted and longitudinal. Multiple performance indicators, linked to the organization’s various stakeholders, must be examined over time in order to get a clear picture of performance trends as well as a complete assessment of the firm’s present condition. One tool that takes a broad or strategic perspective is the balanced scorecard (Kaplan and Norton, 2000). Next, in search of performance improvement, the analyst must determine areas of poor or declining fit. Configurational logic indicates that high performance results from a strong external fit between the firm’s overall strategy and its environment, and a tight internal fit among capabilities, structures, processes, and management philosophies. A model using this logic has been developed by Zajac et al. (2000). Their model of strategic fit with the environment is dynamic, multivariate, and normative. An empirical test of the model using data from the savings and loan industry showed that poor prior performance provides firms with an indirect though powerful indicator of capability and/or environmental misfit. If it has been properly specified for a particular industry, then the model can be used to predict the direction, magnitude, and timing of beneficial strategic changes for firms in that industry. Managers can use this model’s approach to determine the unique strategic (external) fit of their firm at a particular point in time.

After assessing environment-strategy-performance alignment, planning for redesign and change can begin. The least difficult redesigns to plan are those that are intended to strengthen internal fit (the alignment of capabilities, structures, and processes to strategy). Most internal changes of this sort are efficiency oriented – the overall objective is to link activities together in the most economical way. Economizing tools such as business process reengineering, six-sigma quality, and job redesign are well-tested, and their underlying theories are relatively well understood. The more difficult redesigns to plan are those that involve the alignment of strategy to the environment. Planning that is intended to improve external fit is difficult because environmental conditions are changing more rapidly than internal organizational conditions and their impact is largely unpredictable.

The total planning effort for organizational redesign often requires a combination of scenario planning to guide the process of external fit (Okoli and Pawlowski, 2004) and strategic programming to improve internal fit (Mintzberg, 1994). OrgCon, a theory-based diagnostic and design tool, can
be used to examine both external and internal misfits for programming purposes. Its case-based, self-guided approach solicits user input data on an actual firm or other type of organization (Burton and Obel, 2006) to develop insights and recommendations on redesign possibilities. We believe that OrgCon and other computer-aided instruments for diagnosing and planning the redesign of existing organizations will become more widely available and practically useful.

Lastly, current organization design theory stops well short of showing managers how to implement their redesign decisions efficiently and effectively. Although several large-scale change models are available (e.g., Beckhard and Harris, 1977), none contain the step-by-step detail that managers need to create lasting changes in their organizations. Nevertheless, we believe that there is enough theory, experience, and case-study evidence available to compile a set of useful redesign and change guidelines. For example, one experienced change consultant has used a configuration-based change-management approach that has resulted in several cases of successful large-scale organizational redesign (Miles, 1997). In that approach, a behaviorally sound transformation process is anchored by an internal workshop for organization members and a change facilitator's guide. The various elements of this and similar change-management approaches could be incorporated into a complete set of general best practices that apply across all types of redesign situations.

7. CONCLUSION

An organization is both an articulated purpose and an established mechanism for achieving it. Over time, both organizational purposes (and the environments they serve) and their mechanisms have become increasingly complex. The configurational approach identifies patterns and relationships within this complexity, providing a conceptual framework for linking purpose and strategy to organizational structures and processes. For the most part, however, extant configurational theory and research have attempted to help managers improve upon the designs of existing organizational forms. By presenting our four recommended research initiatives, we are suggesting that it is now time to actively explore the things that existing organizational forms cannot do, such as to more fully utilize the firm's knowledge and other intangible assets to pursue innovative strategies across a network of collaborating firms. By making explicit the complete construct of configuration - strategy, capability, structure, process, and philosophy - we can begin to imagine, and then design, alternative organizational forms that can achieve such ends. Furthermore, we will be
able to measure the contribution that a particular organizational form is making to firm performance and to modify it as appropriate. Finally, when organizations need to be redesigned, we will be able to assist managers in their efforts with useful diagnostic and planning tools and, eventually, with best-practices guidelines for changing their organizations.

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Four Recommended Initiatives


Chapter 1


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