

## Chapter 1

# THE CONFIGURATIONAL APPROACH TO ORGANIZATION DESIGN: FOUR RECOMMENDED INITIATIVES

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**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.