

Contingency theory

Science



Contingency Theory Contingency Theory is a class of behavioral theory that claims that there is no best way to organize a corporation, to lead a company, or to make decisions. An organizational /leadership/ decision making style that is effective in some situations, may be not successful in other situations. In other words: The optimal organization / leadership / decision-making style depends upon various internal and external constraints (factors). Contingency Theory factors Some examples of such constraints (factors) include:

- The size of the organization.
- How the firm adapts itself to its environment. Differences among resources and operations activities.
- Assumptions of managers about employees.
- Strategies.
- Technologies being used.

Contingency Theory on the organization

1. There is no universal way or one best way to manage an organization.
2. The design of an organization and its subsystems must 'fit' with the environment.
3. Effective organizations not only have a proper 'fit' with the environment, but also between its subsystems.

Contingency Theory of leadership In the Contingency Theory of leadership, the success of the leader is a function of various factors in the form of subordinate, task, and/or group variables. The effectiveness of a given pattern of leader behavior is contingent upon the demands imposed by the situation. These theories stress using different styles of leadership appropriate to the needs created by different organizational situations. Some of these theories are:

- Contingency Theory (Fiedler): Fiedler's theory is the earliest and most extensively researched. Fiedler's approach departs from trait and behavioral models by asserting that group performance is contingent on the leader's psychological

orientation and on three contextual variables: group atmosphere, task structure, and leader's power position.

This theory explains that group performance is a result of interaction of two factors. These factors are known as leadership style and situational favorableness. In Fiedler's model, leadership effectiveness is the result of interaction between the style of the leader and the characteristics of the environment in which the leader works.

- Situational Theory (Hersey & Blanchard). This theory is an extension of Blake and Mouton's Managerial Grid Model, and Reddin's 3-D management style theory. This model expanded the notion of relationship and task dimensions to leadership, and a readiness dimension was added.
- Leadership Pipeline (Drotter)
- Contingency Theory for decision making
- Vroom and Yetton's Decision Participation

Contingency Theory or the Normative Decision Theory: According to this model, the effectiveness of a decision procedure depends upon a number of aspects of the situation:

- The importance of the decision quality and acceptance.
- The amount of relevant information possessed by the leader and subordinates.
- The likelihood that subordinates will accept an autocratic decision, or the likelihood that subordinates will cooperate to make a good decision if they may participate.

The amount of disagreement among subordinates with respect to their alternatives.

Contingency Theory & situational theory

Contingency Theory is similar to situational theory in that there is an assumption of no simple way that is always right. The main difference is that situational theory focuses more on the behaviors which the leader should use. Given situational factors (often about follower behavior).

Whereas Contingency Theory takes a broader view, which includes

contingent factors about leader capability, but also includes other variables within the situation