

The Contributions of Administrative Behavior To Strategic Management¹

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Scholars in administrative behavior have contributed to our understanding of strategic management through (1) the study of organizations in the context of their environment; (2) the study of managerial action in the context of an organization; and (3) the study and development of methods to improve the strategic alignment between an organization's capabilities and its environment. The view of organizations as open systems, prescriptive and descriptive studies of managerial activity, including decision-making processes, and studies of relationships between strategy, structure, and performance are among the contributions of administrative behavior scholars to the field of strategic management.

The contributions of researchers in the field of administrative behavior (AB) are difficult to distill and synthesize because of problems of definition, level of analysis, and the variety of theoretical reference points. Accordingly, definitions of both strategic management and administrative behavior are in order at the outset to inform the reader of my biases.

Strategic management is the process by which general managers of complex organizations develop and use a strategy to coalign their organization's competences and the opportunities and constraints in the environment. A *strategist* is a person whose primary responsibilities are to the enterprise as a whole rather than to a specific subunit. *Administrative behavior* refers to the collection of disciplines that focus their efforts on understanding either the management of organizations (administration) or the actions of the members of those organizations (behavior). Thus, scholars from sociology, organization theory, psychology, social psychology, organizational behavior, and political science are among those contributing to the field.

The contributions to strategic management by AB scholars can be grouped into three primary categories: (1) the study of organizations in the context

of their environment; (2) the study of managerial action in the context of an organization; and (3) the study and development of methods to improve the strategic alignment between an organization's capabilities and its environment.

These three categories are summarized in Table 1, and exemplary authors listed according to their subcategory of contribution. It should be noted that Table 1 is not intended to exhaustively recognize all AB scholars who have contributed to our understanding of strategic management issues. Instead, it is intended to outline the generic contributions from AB on which the field of strategic management depends and is being built today.

The three categories are of course entirely arbitrary. In fact, there is a great deal of interchange among the work of researchers in each of the three categories. But the artificial distinction does serve two important purposes. First, it helps in understanding the focus and perspective of different research approaches. Second, it allows me to highlight the important role of the strategist or general manager in the integration of the external and internal perspectives.

Before discussing the contributions of each of these three categories, some general observations and a statement of implicit assumptions are in order. Contributions from the AB field focus on the

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Table 1
Contributions of Administrative Behavior to Strategic Management Research

| Categorical Contribution | Exemplary Authors | Categorical Contribution | Exemplary Authors |
|--|--|--|---|
| Organizations in the context of their environment | | | |
| Organizations seen as open systems | | How managers act | |
| Systems theory as applied to organizations | Barnard, 1938 Beer, 1959 Katz & Kahn, 1966 Selznick, 1957 Von Bertalanffy, 1950 Weiner, 1954 | Rationality in decision making | Andrews, 1971 Ansoff, 1965 Dewey, 1933 Learned et al., 1965 Steiner, 1980 Uyterhoeven et al., 1977 |
| Articulation of concept of environment | Dill, 1958 Duncan, 1972 Emery & Trist, 1965 Kast & Rosenzweig, 1974 Levine & White, 1961 Terreberry, 1968 Thompson, 1967 | Limits to rationality | Cyert & March, 1963 Lindblom, 1959 Quinn, 1977, 1980 Simon, 1946 Wrapp, 1967 |
| Relations of environment to strategic decisions | Anderson & Paine, 1975 Bourgeois, 1980 Hambrick, in press Jemison, 1981 Lenz, 1980a | Political analyses of managerial actions | Allison, 1971 Cyert & March, 1963 Hah & Lindquist, 1975 MacMillan, 1978 March & Simon, 1958 Mazzolini, 1979 Murray, 1978 |
| Necessity for favorable balance of exchange between organization and environment | Aldrich, 1979 Barnard, 1938 Blau, 1964 Emerson, 1962 Simon, 1946 Thompson, 1967 | Improving strategic alignment | |
| Strategy defines environmental interactions | Barnard, 1938 Bourgeois, 1980 Child, 1972 Lenz, 1980b Newman, 1967 Pfeffer & Salancik, 1978 Selznick, 1957 Summer, 1980 | Improving decision making process | off, 1970 er et al., 1978 becq et al., 1975 Lorange & Vancil, 1977 MacMillan, 1978 Mason, 1969 Mitroff et al., 1977 Roman, 1970 Schelling, 1960 Steiner, 1980 |
| Managerial actions in the context of their organizations | | Improving organization design | Burns & Stalker, 1961 Chandler, 1962 Channon, 1971 Dalton et al., 1980 Fouraker & Stopford, 1968 Galbraith, 1973 Galbraith & Nathanson, 1978 Grinyer et al., 1980 Lawrence & Lorsch, 1967 Rumelt, 1974 Scott, 1971 Woodward, 1965 Wrigley, 1970 |
| What managers do | Barnard, 1938 Chandler, 1962 Fayol, 1949 Koontz & O'Donnell, 1976 Miles & Snow, 1978 Mintzberg, 1973 | | |

processes used to develop and rationalize a strategy, whereas contributions from industrial organization and marketing deal with the *content* of a strategy.

Although AB researchers are becoming somewhat more prescriptive, most of their writing related to strategic management has been descriptive.

Organizations in the Context of their Environment

A focus on environmental context has enabled AB scholars to make three important contributions to our understanding of strategic management issues. The first is the recognition that organizations should be viewed and studied as open systems. This includes an application of systems theory to organizations, an elaboration of the concept of environment, and an exploration of the relationship of the environment to strategic decisions. The second is the recognition that organizations must have a favorable balance in their exchange relationships with their environments to gain legitimacy and to survive. The third is the definition of strategy as the means by which an organization's relationship with its environment is defined and articulated.

Organizations Seen as Open Systems

The open systems view of organizations posits that all organizations must have support and feedback from their environment in order to survive [von Bertalanffy, 1950; Weiner, 1954]. Thus, all organizations are seen as systems interacting with larger systems (their environment) and engaging in the life-sustaining processes of exchange.

Barnard [1938] was perhaps the first management-oriented writer to conceptualize the organization as a system. However, little application was made of his concept until after a more general theoretical exposition of the nature and properties of systems [Katz & Kahn, 1966; von Bertalanffy, 1950; Weiner, 1954]. The organization soon became the focus of analysis as scholars in the AB area began to translate systems thinking into organizational terms [Beer, 1959; Kast & Rosenzweig, 1974; Selznick, 1957].

This translation focused researchers' efforts on the concept of the environment as it applies to organizations (and thus to strategic management) and encouraged an identification of the characteristics by which an environment can be viewed. It also led to the beginning of a debate on whether an organization's environment is real or a figment of strategists' imaginations.

A definition of the environment as "everything out there" is not very useful for action-oriented executives. Dill's [1958] pioneering effort in defining the task environment provided guidance for

most of the subsequent work on operationalizing the concept with respect to organizations. Thompson [1967], building on the work of Levine and White [1961], further extended our understanding of the relevant environment with his concept of domain—that part of the task environment for which specific products or services are provided.

The specification of the task environment and domain were important initial contributions by AB scholars. However, the elements of the environment still needed to be dealt with descriptively. Here, the valuable insights of Emery and Trist [1965], Terreberry [1968], and Duncan [1972] improved our ability to conceptualize the effect of an environmental segment on certain aspects of an organization's operations.

All definitions of the concept of environment suffer from a primary flaw—the lack of a solid grounding in theory that would allow measurement of the environment and its characteristics. In fact, the characteristics of the environment with which researchers deal (e.g., uncertainty, munificence) are often totally unrelated to the ways in which executives view the environment (e.g., a series of trends or events that have significance for their firm). This difference has led to a debate on whether a manager responds to the real external environment or merely to a set of perceptions about that environment. The question is an important contribution in itself because of the research attention it has focused on how the environment is related to strategists [Anderson & Paine, 1975; Bourgeois, 1980; Hambrick, in press; Jemison, 1981; Lenz, 1980a]. Researchers focusing on the strategic level asked "What must this organization do to survive in its environment?" Exploration of this question led naturally to the next contribution of AB scholars to strategic thinking—exchange theory.

Environmental Exchange

Exchange theory (first elaborated by Emerson [1962] and Blau [1964]) recognizes that any organization depends on a network of other organizations for support and that these organizations in turn depend on the organization for some output. The key contribution of exchange theorists to the study of strategic issues is the implicit acknowledgement that the strategist is responsible for deciding what product or service output to produce, what internal rationalization or throughput procedures to use,

and what resource inputs to acquire, so that the outputs pay off the values received from external constituencies.

All organizations must provide some inducement to each group that contributes to its vitality [Barnard, 1938; Simon, 1946]. But these inducements do not take place in the metaphysical world of social scientists. In fact, they are developed through a process by which one organization gains sufficient power over another to make the other dependent on it for some aspect of its output. Two perspectives have emerged regarding the extent to which an organization is dependent on others in its environment. One, generally following exchange theory traditions, emphasizes having enough power to ensure that the exchange balance is in your organization's favor [Thompson, 1967]. The other perspective is the population-ecology model of organizations, which holds that organizations adapt to their environments in ways similar to those proposed by Darwin [1859]. In this view, organizations have very little control over their destiny because generally most organizations are not powerful enough to influence their environment [Aldrich, 1979].

The differences between these two viewpoints should not be understated. The exchange theory view implies that strategists can gain power for their organizations by improving alignment with the environment. The population-ecology view is that the organization is not controlled by strategists but rather is subject to the vagaries of the task environment. This important and substantive dispute raises an important question that strikes at the heart of the field of strategic management: "Are strategists really necessary or can organizations survive and prosper with minimal strategic direction?" This question leads us to the next point—organizational purpose.

Organizational Purpose

The conception and definition of organizational purpose is not a unique contribution of the AB school to strategy research. However, AB writers have acted as a stimulus and counterpoint for writers in the strategy area in a way that has reinforced the importance of organizational purpose.

An organization's purpose defines the ways in which it relates to its environment. If this purpose is not aligned with its constituencies' demands, the

organization will atrophy and die. Conversely, if the purpose is fulfilled, the organization will survive and prosper [Barnard, 1938; Pfeffer & Salancik, 1978; Summer, 1980].

It is in the development, articulation, and operationalization of an organization's purpose that the strategist becomes a critical resource. The organization's strategy defines the ways in which its purpose will be fulfilled. The development of strategy involves the building of organizational competences that will allow the organization to survive in the niche chosen by the strategists [Newman, 1967]. The more distinctive the strategist can make these competences, the greater the organization's chances for survival [Selznick, 1957]. Lenz [1980b] speaks of an organization's strategic capability as its capacity to undertake action that will affect its long-term growth and development. Thus, the more that strategists can build and sustain distinctive competences and translate them into strategic capabilities, the better are their organizations' chances for survival.

Managerial Actions in the Context of their Organizations

Strategic capabilities and competences are initiated and developed by specific managerial actions in the context of the organization. The actions with which we are concerned here are those encompassed by the general management or strategic managerial functions within an organization. I have defined a strategist as a person whose primary responsibilities are to the enterprise *as a whole*. Thus, the managers with whom we are concerned have a total organizational perspective. Our focus here will be on the institutional and to some extent managerial levels of Parsons [1960] or the strategic and middle management groups of Summer [1980].

The authors and subcategories listed in this category in Table 1 represent a broad spectrum. The primary criterion for inclusion is that an author has in some way advanced our knowledge in two primary areas of managerial action in the context of organizations: (1) an understanding of *what* managers actually do, and (2) an understanding of *how* managers do their jobs and the *constraints* under which they operate.

What Managers Do

AB writers have described the process of strategic

management both in terms of specific executive actions and the types of decisions with which strategies are concerned. Early descriptions of executive duties were based on the writers' judgment of what managers *should* be doing. Barnard [1938] provided the first real codification of managerial activity. He argued that the key executive functions directly paralleled the organization's needs of having a common goal toward which the members could work, having members who were willing to contribute, and having members who were able to communicate with one another. Thus, while Barnard directed our attention to what an executive should do for the organization to survive, he also couched his recommendations in light of the *organization's needs*. In the same prescriptive vein, Koontz and O'Donnell [1976] listed five primary functions in which managers engage: planning, organizing, staffing, directing, and controlling. This categorization has proven conceptually useful in separating the functions of management.

Another way to describe managerial activities is to focus on the types of decisions facing a manager. Chandler [1962] speaks of entrepreneurial decisions, involving allocating resources for the entire enterprise, and operating decisions, involving utilizing resources already allocated. Miles and Snow [1978], through their field research, expanded our understanding of these types of decisions by describing the key decisions made by managers as entrepreneurial, engineering, or administrative. Entrepreneurial decisions involve a choice of domain or product-market segments, engineering decisions operationalize the organization's approach to its domain, and administrative decisions develop and implement the internal processes and structures necessary for the organization to continue to evolve.

These descriptions of managerial activities were generally based on the writers' perception of the manager as a decision maker. Mintzberg's [1973] field study of managerial work attempted to identify what managers actually do. His three sets of managerial roles—figurehead, informational, and decisional—provided for the first time a description of managerial activity based on detailed clinical observation rather than on theoretical generalizations. The essential contribution of his work was to inform academicians of something every general manager already knew: the job is much more than

just making decisions. To the scholars studying executive action, this must have been like a blast of cold, fresh air—stinging at first, but ultimately exhilarating.

How Managers Act

The second important contribution of AB to research on managerial action in an organizational context is an understanding of how managers act as they go about doing the things that scholars say that they do. Any description of how managers act must logically be coupled with reasons for those actions. AB has contributed to research on rationality in decision making and to descriptions of decision processes.

Rationality in decision making Early writers described strategy formulation as a rational process in which all the alternatives available were considered in light of the organization's history, external environment, and internal competences. A decision that provided the maximum benefit for the organization, given the situation constraints, was presumed to be the outcome of this process. Most early writers in this rational-comprehensive school of strategy formulation [e.g., Andrews, 1971; Ansoff, 1965; Learned, Christensen, Andrews, & Guth, 1969; Uytterhoeven, Ackerman, & Rosenblum, 1977] based their logical processes on John Dewey's [1933] model of the way humans think.

This emphasis on a rational, comprehensive perspective of strategy formulation was important and useful. It provided a general model through which other scholars could conceptualize strategic decision making—a straw man for purposes of study. These rational models were also useful for managers who had never before dealt with strategic thinking and who needed templates to guide their actions. These earlier normative models served that purpose by enabling the manager to temporarily suspend rationality and, among other things, presume that there was a clean slate on which to work in developing a strategy.

The rational-comprehensive view of strategy formulation is now all but obsolete as an accurate representation of reality. One of the first AB writers to call rationality into question was Lindblom [1959]. His arguments about the limits of rationality due to human considerations were similar to those proposed earlier by Simon [1946]. Lind-

blom's real contribution to the debate in strategic decision making was his argument that "non-rational" incrementalism itself is logical because of the inherently iterative nature of strategic decisions and the resultant need to make and remake them.

Lindblom's arguments have in general been supported by other writers [e.g., Cyert & March, 1963; Quinn, 1980; Wrapp, 1967] as the appropriate way in which executives should (and do) act. Wrapp argues that successful strategists are able to work at a strategic and an operating level simultaneously and with ease. The strategist keeps in mind the ultimate goals of the organization while making incremental adjustments to the firm's direction as opportunities from the environment present themselves and because political factors in the organization inhibit change on a grand scale.

Quinn [1980] describes as logical incrementalism the process by which strategists maintain a balance among products, markets, and internal structures and processes. His in-depth study of nine large corporations that faced major changes concluded that the successful firms were ones in which the strategist was able to incrementally adjust to changes in customers' needs or in which the internal structures and processes were appropriate.

Descriptions of decision processes Scholars in AB are progressing to a more detailed understanding of the underlying processes involved in strategic decision making. Increasing attention is being paid to strategy development and implementation as a political process [e.g., MacMillan, 1978]. Allison [1971] provided an important bridge to more recent writers by contrasting and comparing multiple paradigms as explanations of strategic behavior. This work and others that followed [e.g., Mazzolini, 1979] was instrumental in focusing scholars' attention on the variables that lead to organizational action.

Power has been identified as one of the key independent variables in the study of organizational political processes. Power often has perjorative connotations but such connotations are not intended here. I agree with Russell's [1938] view of power as "the fundamental concept in social science in the same sense in which energy is the fundamental concept in physics." Thus, power is one of the tools the strategist uses both outside and within the organization. The strategist is not solely concerned

with power relationships in the external environment. In fact, some of the most important contributions of AB scholars in this area have been to explore the concept of power as it applies to getting things done within an organization.

There seems to be general agreement among AB writers that intra-organizational power is derived from an individual's or a subunit's ability to cope with uncertainties that the organization faces [Perrow, 1970; Thompson, 1967]. March and Simon [1958] speak of reducing uncertainty as a way to gain and maintain power. This ability to deal with uncertainty may be due to the individual's or subunit's formal position in the organization [Weber, 1964], control over information [Pettigrew, 1972], or the performance of a critical function [Crozier, 1964; Hickson, Hinings, Lee, Schneck, & Pennings, 1971]. The strategist must balance the internal power available in a way that will simultaneously accomplish the organization's purposes and induce the organization's members to participate.

Improving Strategic Alignment

The strategist's primary task is to ensure a good strategic alignment between the organization and its environment. This alignment process involves two functions: (1) matching the organization's competences with the demands of the environment, and (2) arranging internal structures and processes so that other people can come up with creative strategic alternatives and develop new competences to meet the challenges of the future.

Both of these functions have been studied by AB researchers, whose contributions include aids for improving the strategic decision-making process and a better understanding of the options available in designing the organization.

Descriptions of the Decision-Making Process

A precondition of improving strategic decision making is a good description of the process. The normative approaches to how strategy should be formulated have provided this description [Ackoff, 1970; Lorange & Vancil, 1977; Steiner, 1980].

The contributions of AB scholars to our understanding of strategic decision making go beyond normative description. For example, Allison [1971] argued that because of the complex nature of strategic decisions, multiple paradigms are necessary for adequately explaining the factors involved

in difficult, unstructured decisions. Mintzberg, Raisinghani, & Théorêt [1976] pointed out the inherently structured nature of these seemingly unstructured decisions. Other writers such as Lindblom [1959] and Quinn [1980] have discussed the methodically incremental nature of the process as it occurs within organizations. Summer [1980] supports this view in pointing out that strategic decisions are made through a process of heuristic logic. That is, the strategist approaches decisions by connecting the entire strategic situation into a single comprehensive and logical framework of ends, means, goals, and resources by attacking a series of related decisions over a long period of time.

A problem with normative templates is the lack of guidance about how to understand and manage the interpersonal processes inherent in strategy formulation and implementation. These interpersonal processes have been theoretically explained in terms of intra-organizational bargaining behavior as well as inherent human cognitive limits (e.g., Cyert & March, 1963; Katz & Kahn, 1966; MacMillan, 1978; Schelling, 1960).

Improvements in the Process

Research from AB on ways in which the actual process of strategic decision making can be improved can be separated into two classes—improving the ability to forecast trends in the environment, and specific methods of formulating strategies. Techniques for improving environmental forecasting (e.g., the Delphi [Roman, 1970] and nominal group [Delbecq, Van de Ven, & Rustafson, 1975]) are useful in providing a general outline of future conditions. However, they are not helpful to the strategist who is interested in actually *managing* the process of strategy development more effectively.

Research directed toward improving the effectiveness of strategic planning includes explorations of dialectical inquiry and the devil's advocate approach. Dialectical inquiry is a Hegelian approach among the group of decision makers to create a synthesis that is supposed to be more effective than a decision taken by other methods [Mason, 1969; Mitroff, Barabba, & Kilmann, 1977]. Another group of researchers has argued that dialectical inquiry is not a superior method of improving strategic decision making [Cosier, Ruble, & Aplin, 1978]. They claim that a devil's advocate approach appears to be as effective as dialectical inquiry [Cosier, 1978]. It is

much too early to bless either approach to strategy formulation, but intensive, applied work such as that of Mitroff et al. and Cosier et al. is precisely the kind of contribution that can be expected from AB scholars with respect to improving the effectiveness of the strategic decision process.

Organization Design

A fundamental set of decisions facing any strategist is how to design the organization in a way that maximizes the likelihood of successfully implementing strategy. Organization design is a set of conscious decisions according to which the strategist divides the organization into smaller subunits for task effectiveness and develops a set of linkages among the subunits to ensure coordination and control. AB's contribution to our understanding of organization design has been to highlight how structure and process design decisions can enhance or inhibit a strategy.

The primary relationships that have been studied by AB scholars are those of strategy with structure, structure with performance, and the congruence of strategy and structure with performance. The general conclusions from researchers are that the organization must have a fit between structure and process(es) if the strategy is to bear fruit [Chandler, 1962; Channon, 1971; Scott, 1970; Wrigley, 1970]. In addition, existing structure and processes have been shown to constrain a firm's strategic options [Fouraker & Stopford, 1968; Miles & Snow, 1978].

The relationship between structure and performance is less definite. Beginning with Woodward [1965], the direct relationship between a "correct" structure and organizational performance has been debated. Although this argument has face validity, the extensive review of this subject by Dalton, Tudor, Spendolini, Fielding, and Porter [1980] indicates that the relationship between structure and performance is tenuous at best.

The next step has been to examine whether the fit between strategy and structure will lead to improved performance. Rumelt [1974] addressed this question but found no conclusive relationship. However, his study raised more questions than it answered because it did not address the relative contribution of strategy, structure, or congruence between the two to performance, or the link between congruence and performance. Grinyer, Al-Bazzaz, and Yasai-Ardekani [1980] replicated

Rumelt's work in UK firms and found the same tenuous relationship between congruence of structure and strategy and financial performance.

Concluding Remarks

AB scholars have improved our understanding of strategic management, but their work can be seen only as a beginning, owing to their focus on processes, the complex nature of the variables, and the essentially descriptive nature of the findings.

It probably is unreasonable to expect AB scholars to study anything other than processes. The variables in which they are interested do not allow them to comment knowledgeably on strategic content, and their training and expertise naturally lead them to explore the many concepts surrounding strategy formulation and implementation. Their more precise articulation and definition of these concepts has benefitted strategists and other scholars. Ultimately, an understanding of the processes of strategy formulation and implementation will be accompanied by a better understanding of the relationships among the complex set of variables with which the strategist must work.

It is precisely this complexity that prevents AB researchers from being more prescriptive. In fact, the problems of being more prescriptive are a classic example of the impediments to discovering causal relationships in social science research. Organizations and their managers won't hold still for researchers. The application of rigorous research techniques in field settings in which the real-time action of the managerial world exists is very difficult if not impossible. The difficulty of controlling for certain variables, the lack of comparability across organizations, different units of analysis, and the changing nature of the organizations and their environments restrict researchers' abilities to make causal attributions among these sets of variables.

AB scholars have made some tentative prescriptions, but these have usually concerned managerial

action within the context of an organization (e.g., improving strategic planning processes), or organizational actions in the context of their environment (e.g., the structure must fit the strategy). However, these prescriptions have been drawn more from descriptive case studies than from rigorously controlled research.

There are several reasons to expect still more contributions from AB-based research in the future. First, the field of strategic management is becoming more accepted and is receiving more attention in schools of business, which means more young scholars may be attracted to the field. It is from their efforts that most of the contributions will come.

Second, a redirection of research methods is currently taking place, as seen in the gradual return to in-depth studies of a few organizations and the attempt to apply more controlled research procedures to a few variables. Recently, many authors have been applying highly sophisticated statistical techniques to AB-related strategic management research questions—probably owing in equal measure to the requirements of journals for "rigorous" research and to their own methodological training. Although quantitative studies can be useful and informative, they can also be futilely applied in a managerial environment that is inherently more complex than the degrees of freedom available to the researcher.

Third, there is an increasing trend to linking variables from AB with variables from other disciplines—e.g., economics and marketing. Studies of this type have real promise for the field of strategic management. The direction of research in this field should be to discover and explore the relationships between the processes of strategy formulation and implementation and strategy content. In this way, researchers will be catching up (in a sense) with strategists, who have always needed to balance these elements.

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