

Exploring the Concept of "Fit" in Strategic Management¹

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Although the concept of "fit" appears to be a central theme in strategy literature, it has been inadequately defined as it relates to strategic management. A conceptual scheme based on two underlying dimensions—the conceptualization of fit and the domain of fit—is proposed to highlight differences among six schools of thought. Use of the classificatory scheme for addressing theoretical and managerial issues while employing the concept of fit in strategy research is discussed.

The concept of "fit," rooted in the population ecology model and in the contingency theory tradition (Van de Ven, 1979), has served as the central thrust to the development of middle range theories in many management disciplines. Specifically, in the organization theory and strategic management fields, this concept has occupied a central role subsequent to the use of "contingency" concepts in relation to technology-structure linkage (Woodward, 1965), leadership style (Fiedler, 1967), organization-environment alignment (Katz & Kahn, 1966; Thompson, 1967), and in the formulation of business strategy (Hofer, 1975).

However, the concept of fit has not been adequately clarified when employed in the various social science streams. Van de Ven, in reviewing Aldrich's (1979) book, noted that there are at least four different conceptual meanings of "fit," each of which significantly alters the essence of Aldrich's theory on the relationship between organization and environment (1979). In a similar vein, some researchers focusing on the concept of fit at a meta-theoretical level, have argued for the need to develop more detailed specifications of fit (Schoonhoven, 1981). In contrast to meta-theoretical explorations of fit, this paper focuses on the concept of fit as it relates specifically to strategic management.

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Relevance of Fit in Strategic Management

Fit is considered fundamental to strategic management for four reasons. First, the field of business policy—the initial strategy paradigm (Schendel & Hofer, 1979, p. 8)—is rooted in the concept of "matching" or "aligning" organizational resources with environmental opportunities and threats (Andrews, 1971; Chandler, 1962). The underlying role of fit is highlighted in the following statement by Andrews:

The ability to identify four components of strategy—(1) market opportunity, (2) corporate competences and resources, (3) personal values and aspirations, and (4) acknowledged obligations to segments of society other than stockholders—is *nothing compared to the art of reconciling their implications in a final choice of purpose* (1971, p. 38, emphasis added).

Subsequent conceptualizations of strategy have emphasized the requirement of matching various components related to strategy.

Second, being a relatively new area of inquiry, strategic management borrows concepts and research methods from related disciplines (Harrigan, 1983). Specifically, three disciplines—industrial organization (IO) economics (Porter, 1981), administrative behavior (Jemison, 1981b), and marketing (Bigadike, 1981)—are identified as being closely tied to strategic management (Jemison, 1981a). Because the concept of fit is dominant in the parent disciplines, especially in organization theory and IO economics,

it assumes significance while developing and testing theories of strategy.

Third, subsequent to Hofer's (1975) call for contingency-based empirical research on strategy, many studies have either implicitly or explicitly employed the concept of fit. Strategy research studies have explored the roles of a variety of contingency influences on strategy formulation. (See Ginsberg & Venkatraman, 1983, and Steiner, 1979, for recent reviews of strategy studies employing the contingency theory perspective.) Most contingency-theory based studies have generally explored the concept of fit in terms of bi-variate relationships, but recent views argue for achieving "congruence" among a larger set of elements (Nightingale & Toulouse, 1977) and to arrive at "gestalts" (Miller, 1981; Miller & Friesen, 1978).

Fourth, fit has been used as a normative concept by many consultants to highlight the importance of synchronizing complex organizational elements for effective implementation of the chosen strategy (Stonich, 1982) and to argue that congruence among seven elements (strategy, structure, systems, style, staff, shared values, and skills) is a prerequisite for organizational success (Peters & Waterman, 1982). Because strategy concepts and strategy researchers have been under attack recently for prescribing prematurely without adequate theoretical and empirical support (Lamb, 1983; Mintzberg, 1977) it is necessary to understand the concept of fit as it relates to strategy *prior* to its use as a normative concept. In this vein, Galbraith and Nathanson lament that "although the concept of fit is a useful one, it lacks the precise definition needed to test and recognize whether an organization has it or not" (1979, p. 266); and Van de Ven observed that "considerably more theoretical work is needed to incorporate 'fit' into a theory of organizations" (1979, p. 324). The present paper is offered as an initial attempt to classify the *different perspectives on the use of the concept of fit in strategic management*.

Towards Developing a Conceptual Scheme

The concept of fit appears to be relevant in strategic management from a variety of perspectives. However, the development of a scheme powerful enough to compare and contrast all the differing perspectives may be a difficult task. Nevertheless, this paper makes an initial attempt towards such a con-

ceptual scheme for classifying major schools of thought. Two dimensions underlie the proposed scheme: (1) the conceptualization of fit in strategic management and (2) the domain of fit.

Conceptualization of Fit

Although strategy has been conceptualized in different ways, one fundamental distinction underlies most conceptualizations—is the focus on the *content* of strategy (what should be done) or on the *process* of strategy making (how it is to be developed)?

One of the well-accepted theories in this discipline is that strategy involves the matching or the art of reconciling the various components of the strategy mix (Andrews, 1971). According to this view, the *pattern* of matching the different elements—some within the organizational boundaries (competences and resources) and others dealing with the environment (opportunities and threats)—is viewed as strategy.

This classical view of strategy is consistent with the open system perspective in organization theory (Katz & Kahn, 1966; Thompson, 1967). Such a view has led strategy to be conceptualized as a pattern or stream of decisions taken to achieve the most favorable match or alignment between the external environment and the organization's structure and process (Miles & Snow, 1978; Mintzberg, 1978). Recent strategy researchers also subscribe to the view of strategy as the process of matching environment and organization on an ongoing basis (Chakravarthy, 1982; Jauch & Osborn, 1981; Lawrence & Dyer, 1980; Thorelli, 1977).

In contrast, those focusing on the *content* of strategy attempt to specify the strategic actions to be taken to match different environmental conditions. For example, Chandler (1962) outlines four basic strategies—(a) expansion of volume; (b) geographic dispersion; (c) vertical integration; and (d) diversification—to respond effectively to market opportunities. Following Chandler (1962), many schemes have focused on the content—for example, the product mission matrix (Ansoff, 1965) and the various categorizations of "generic" strategies (Glueck, 1976; Hofer & Schendel, 1978; Porter, 1980).

The first set of researchers view strategy as the *process of aligning* organization and environment (e.g., as patterns of interactions as noted by Thorelli, 1977 or as a fluid to be worked with rather than a thing to be actualized suggested by Evered, 1983). Thus,

strategy becomes the *pattern of interactions*, in which the focus is on the process of arriving at the desired configuration. In contrast, the other school views strategy as one of the system elements to be “fitted” with other elements. Here, the focus is on the *content of fit*—that is, on the elements to be fitted together to reach the desired configuration. This dimension is labeled “conceptualization of fit in strategic management.”

Domain of Fit

The other dimension addresses the *domain* of fit. Because strategic management presently serves as a meeting ground for researchers rooted in different disciplinary orientations, as discussed by Jemison (1981a), the field is marked by great diversity in concepts, terminology and methods of inquiry. Consequently, not all researchers recognize the entire range of variables while conceptualizing and researching strategy issues. These limited perspectives can be attributed partly to the paradigmatic differences among the different disciplines related to strategic management (Jemison, 1981a). For example, researchers at the interface between IO economics and strategic management focus primarily on the fit between external (market structure related) variables and strategic (firm conduct) variables, with no direct reference to the internal (organizational) configurations (Porter, 1981). Similarly, IO and marketing address *content issues*, and organization theory is concerned primarily with *process* issues (Jemison, 1981a).

In addition, some strategy researchers focus exclusively on either formulation or implementation, and others have sought to integrate both formulation and implementation. In a formulation perspective, strategy is to be aligned primarily with external variables, such as market opportunities (Chandler, 1962), product life cycle (Hofer, 1975) or market growth rates and relative competitive position (Hedley, 1977; Henderson, 1979). In contrast, an implementation focus requires that strategy be aligned with internal variables such as structure (Chandler, 1962; Galbraith & Nathanson, 1978, 1979); management systems (King, 1978; Lorange & Vancil, 1977); and organizational culture (Schwartz & Davis, 1981; Stonich, 1982).

The paradigmatic differences among researchers is rooted in a variety of related disciplines and the

formulation-implementation distinction prevalent in strategic management. Thus, while exploring strategy concepts, it is essential to delineate clearly the domain of the elements considered by various streams. Three categories of the domain—internal, external, and integrated—can be distinguished using the classical organization-environment juxtaposition. These three categories constitute the dimension labeled “domain of fit.”

Proposed Conceptual Scheme

These two dimensions—conceptualization of fit and domain of fit—are combined to develop a 6-celled matrix. As Figure 1 indicates, each cell represents a qualitatively different perspective of fit in strategic management and explores different themes rooted in different contributing streams. The power of this conceptual classifications scheme is such that most major, if not all, streams of strategy literature can be classified into one of these six cells. The following description of the cells highlights the different perspectives of fit in strategic management and thus provides further justification for the use of these two dimensions.

Differing Perspectives of Fit

Cell 1: Strategy Formulation School

Grounded in the IO paradigm, cell 1 views a firm's performance in the marketplace as critically dependent on the characteristics of the industry environment in which it competes. Hence, it focuses primarily on the fit between strategy and external elements. The classical IO paradigm (Bain, 1956) accorded no significance to firm conduct (i.e., strategy), in that conduct merely reflected the environment. However, recent attempts at cross-fertilization between strategy and IO economics (Porter, 1981; Scherer, 1980) highlight the conceptual underpinnings of this cell. For example, strategic decisions to erect barriers to new competition (Yip, 1982) as well as decisions to respond effectively to declining demand (Harrigan, 1982) reflect the need to fit strategy and environment.

In addition to the above studies focusing on responses to different kinds of barriers, others have attempted to test for external fit by operationalizing environment in terms of market structural elements. Two sets of studies (at the IO-strategy interface) are particularly relevant to this cell. The studies on

Figure 1
Proposed Conceptual Scheme to Distinguish Different Perspectives of Fit

EXTERNAL	① STRATEGY FORMULATION SCHOOL		④ INTERORGANIZATIONAL (STRATEGY) NETWORKS SCHOOL	
	KEY ISSUES	EXEMPLARY STUDIES	KEY ISSUES	EXEMPLARY STUDIES
	THEME: Aligning strategy with the environmental conditions CONTRIBUTING STREAMS: —IO-strategy interface —Business policy/strategic management	Bain, 1956 Bourgeois, 1980 Chandler, 1962 Christensen & Montgomery, 1981 Hatten & Schendel, 1977 Hedley, 1977 Hofer, 1975 Porter, 1979, 1980 Rumelt, 1982 Scherer, 1980 Yip, 1982	THEME: Strategy analysis at the "collective" level, emphasizing interdependence of strategies of various organizations vying for resource allocation CONTRIBUTING STREAMS: —Interorganizational networks —Resource-dependency themes —Constituency analysis	Aldrich, 1979 Ansoff, 1982 Fombrun & Astley, 1983 Khandwalla, 1981 Pennings, 1981 Pfeffer & Salancik, 1978
INTERNAL	② STRATEGY IMPLEMENTATION SCHOOL		⑤ STRATEGIC CHOICE SCHOOL	
	KEY ISSUES	EXEMPLARY STUDIES	KEY ISSUES	EXEMPLARY STUDIES
	THEME: Tailoring administrative and organizational mechanisms in line with strategy CONTRIBUTING STREAMS: —Business policy —Normative strategy literature	Chandler, 1962 Channon, 1971 Galbraith & Nathanson, 1978, 1979 Grinyer & Yasai-Ardekani, 1981 Gupta & Govindarajan, 1982 King, 1978 Lorange & Vancil, 1977 Rumelt, 1974 Stonich, 1982 Waterman, Peters, & Phillips, 1980	THEME: Managerial discretion moderating the "deterministic" view regarding decisions on organizational mechanisms CONTRIBUTING STREAMS: —Contemporary organization theory —Business policy-organization theory interface	Child, 1972 Montanari, 1978 (See: Fry, 1982, and Galbraith & Nathanson, 1978, for reviews.)
INTEGRATED	③ INTEGRATED FORMULATION-IMPLEMENTATION SCHOOL		⑥ OVERARCHING "GESTALT" SCHOOL	
	KEY ISSUES	EXEMPLARY STUDIES	KEY ISSUES	EXEMPLARY STUDIES
	THEME: Strategic management involving both formulation and implementation and covering both organizational and environmental decisions CONTRIBUTING STREAMS: —Business policy/strategic management —Markets and hierarchies program	Andrews, 1971 Caves, 1980 Chandler, 1962 Grinyer, Yasai-Ardekani, & Al-Bazzaz, 1980 Hitt, Ireland, & Palia, 1982 Jemison, 1981a Miles & Snow, 1978, 1980 White & Hammermesh, 1981 Williamson, 1981	THEME: Broadly configuring organization and environment, emphasizing interdependence but <i>not</i> causation CONTRIBUTING STREAMS: —Organization theory —Business policy/strategic management —Population ecology-based concepts	Chakravarthy, 1982 Hrebiniak, 1981 Jauch & Osborn, 1981 Lawrence & Dyer, 1980 Thompson, 1967 Thorelli, 1977 Van de Ven, 1979
CONTENT OF FIT (Elements to be Aligned with Strategy)		PATTERN OF INTERACTIONS (Process of Arriving at Fit)		
CONCEPTUALIZATION OF FIT				

on strategic groups, especially the Purdue studies (Hatten & Schendel, 1977; Schendel & Patton, 1978), which highlighted the need to formulate differential strategies according to the conditions stipulated by the strategic groups and not the entire industry, is

the first set. The second set of studies, especially by Christensen and Montgomery (1981) and Rumelt (1982), related diversification strategy and market structural variables to explain performance differences. Their contention is that the relationship

established between diversification strategy and performance (Rumelt, 1974) cannot be explained without relating strategy to environment (market structural variables).

In addition to these IO-related studies, others also have explored external fit. For example, Anderson and Zeithaml (1984) tested empirically the fit between the product life cycle (PLC) stage and strategy—the subject of Hofer's (1975) conceptualization of the contingency nature of business level strategy. Also, Jauch, Osborn, and Glueck (1980) empirically established several strategy-environment relationships, both in terms of strategic decisions and in relation to short term financial performance.

The business portfolio models are based on the requirement that strategy be specifically aligned to the market growth rates and the relative market share position of the business (Hedley, 1977; Henderson, 1979). In such a perspective, organizational elements such as structure, systems, or managerial characteristics are not accorded primary importance. Although these models have received some empirical support (Hambrick, 1983; Hambrick, MacMillan, & Day, 1982; Hedley, 1977; MacMillan, Hambrick, & Day, 1982), the ability to implement their prescriptions is seriously questioned (Channon, 1979; Christensen, Cooper, & De Kluyver, 1981). Criticisms relate mostly to their relative neglect of the organizational context, such as problems of motivation in managing business belonging to the harvest/divest category (Channon, 1979); and this highlights the limitation of adopting only an external fit perspective in addressing complex organizational problems.

Perhaps a framework that best illustrates the theoretical basis of this cell from a strategy perspective is the one proposed by Porter (1979). It aids in both conceptualization and empirical testing of external fit, because it identifies five key forces that must be recognized while formulating strategy. However, the relative impact of these five forces, across different settings, has not yet been empirically explored.

Although many studies have adopted the focus of cell 1, a major question that needs to be addressed is whether strategy is derived entirely from the environmental conditions or is there a two-way fit between strategy and environmental dimensions? Most classical studies have assumed a "reactive" perspective—that is, strategy needs to be fitted to the environmental conditions—but recent thinking is to attribute a proactive and/or interactive role to

strategy. For example, the updated structure-conduct-performance (S-C-P) paradigm (Porter, 1981; Scherer, 1980) recognizes the two-way interaction between market structure and firm conduct. The contemporary view in organization theory and strategic management is that organizations *enact* their environments (Weick, 1979) or *define* their domain (primary strategy) and subsequently *navigate* in the chosen domain according to their secondary strategy (Bourgeois, 1980).

Cell 2: Strategy Implementation School

Cell 2 focuses on the alignment between strategy and internal elements, with almost no direct reference to the influences external to the organization. A dominant theme in this cell is the strategy-structure fit. Many researchers have attempted to test empirically Chandler's proposition regarding this fit in different settings (Channon, 1971; Pooley-Dias, 1972; Thanheiser, 1972). Studies also have refined the classifications of strategy and structural form (Wrigley, 1970) and related this fit to performance (Rumelt, 1974). In addition, some have argued that this linkage is not direct, but is moderated by size (Grinyer & Yasai-Ardekani, 1981), and that this fit should be viewed along a bi-directional pattern (Burgelman, 1983; Hall & Saias, 1980).

However, strategy implementation is more than the fit between strategy and structure. Careful attention needs to be focused on the fit between strategy and other key organizational elements, as noted by Camillus (1982), while presenting an alternative strategic management paradigm rooted in the "administrative systems" perspective. For example, Norburn and Miller (1981) and Kerr and Snow (1982) argue for a fit between strategy and reward systems; and Schwartz and Davis (1981) highlight the need to ensure a "strategy-organizational culture fit." The linkage between strategy and managerial characteristics—conceptually explored by Hambrick and Mason (1984), Leontiades (1982) and Wissema, Van der Pol, and Messer (1980)—has been the subject of a recent empirical investigation (Gupta & Govindarajan, 1984). Along the same lines, the fit between strategy and management design has been subjected to empirical testing by Horowitz and Thietart (1982).

The above studies argue for a fit between strategy and *one other* element in a bivariate manner, but recent writings have argued that effective strategy implementation requires congruence among a larger ar-

ray of internal elements and strategy (Galbraith & Nathanson, 1978; Stonich, 1982; Waterman et al., 1980).

An important assumption underlying most strategy studies in this cell is that strategy is the overriding concept and implementation elements are derived in the context of the given strategy. Stated differently, a one-way fit from strategy to organizational configurations was assumed. This continues to be the dominant theme in discussions of strategy implementation, but organizational variables do influence strategy (Burgelman, 1983; Miller, Kets de Vries, & Toulouse, 1982). Although this cell has been labeled “strategy implementation view,” this caveat needs to be noted.

Cell 3: Integrated Formulation-Implementation School

As can be noted from the above discussion and Figure 1, the first two cells focus on different, albeit limited, facets of organizational activities. The theoretical support for integrating the two cells is derived from at least three perspectives. First, based on the arguments extended by Andrews (1971), Bourgeois (1980), and Quinn (1980), there are merits in integrating formulation and implementation. Second, as argued by Jemison (1981a), an integrative approach to strategic management research spanning disciplinary boundaries provides a more comprehensive view. Third, in attempting a synthesis in organization theory, Miles and Snow (1980) argue that an organization continually tries to achieve a fit between itself and the environment (alignment) and among its internal structures and management processes (arrangement).

Additional arguments for adopting an “integrated fit perspective” can be found. For example, Caves (1980) conceptually explores the link among market structure, corporate strategy, and organizational structure to view microeconomic concepts in a broader perspective. White and Hamermesh’s (1981) model of the determinants of firm performance uses overlapping and common explanatory variables from IO economics, organization theory, and business policy—namely, business position, industry environment, strategy, and environment. The markets and hierarchies stream of literature (Williamson, 1981) attempts to integrate concepts from organization theory and IO economics to explain the rationale for the patterns of diversification (e.g., vertical integration) and develop theoretical explanations for performance differences.

In contrast to the previous two cells, the body of empirical studies in this cell is recent, limited, and of an exploratory nature. Although Lenz’s study (1980) of integrated fits is in a single-industry context (savings and loan associations), some have adopted a multi-industry focus. For example, Harrigan’s (1980) study relates exit decision to internal organizational characteristics (e.g., strategic exit barriers) and industry structural traits. Grinyer et al. (1980) relate strategy to both organizational structure and the environment to establish performance differences attributable to this fit across different industry types. Hitt et al. (1982a), and Hitt, Ireland, and Stadter (1982b) relate grand strategy to both industry type and functional importance to explore the performance differences attributable to integrated fit.

“Context of Fit” Perspectives

By way of summarizing the content of fit perspective (i.e., cells 1 through 3), the classical business policy paradigm underscores the interdependence between formulation and implementation. However, an integrated view has not yet served as the basis for empirical research. The domain of fit dimension suggests that this is due partly to the paradigmatic differences among strategy researchers. If strategic management has to develop its own body of theoretical concepts, it must surely integrate formulation and implementation.

The need to adopt an integrated view also is supported by an analysis of performance differences attributable to fit in these three cells. For example, in a study rooted in cell 1, Prescott (1983) noted that his strategic fit model revealed that the interaction of competitive environment and competitive strategy groups with a consistent fit outperformed those with an inconsistent fit by an average of 10 percentage points in return on investment (ROI) measures. There were significant variances, however, within strategic groups—variances that may be due to the relative neglect of implementation variables (cell 2).

The performance differences attributable to internal fit can be seen in an empirical test of one of Chandler’s propositions. In support of Chandler’s proposition that “growth without structural adjustment can lead only to economic inefficiency” (1962, p. 16). Armour and Teece (1978) established a positive relationship between multidivisional structure (M-Form) and profitability, using a sample of firms in the petroleum industry. Thus, within a

defined environment (viz., petroleum industry), the relationship between internal fit and performance could be established. But in a multi-industry context, both environmental and organizational variables are to be considered. This is best illustrated by Rumelt:

While great efforts have gone towards explaining interindustry differences in the rate of return, it can be easily shown that the *dispersion in the characteristic long-term rates of return of firms within industries is five to eight times as large as the variance in return across industries* (1981, p. 5, emphasis added).

Cell 4: Interorganizational (Strategy) Networks School

In recent years the study of organizations has moved beyond focusing on the pattern of interactions between a single organization and its environment, to a study of interorganizational relations (Aldrich, 1979; Evans, 1967). In the strategy context, an interorganization view is particularly relevant because general managers formulate strategy based not only on the linkage between the organization and its environment, but also in anticipation of competitive responses. Such a view recognizes a new level (i.e., collective level) of strategy analysis (Fombrun & Astley, 1983). Collective strategy describes "the activities and exchanges initiated by the organization as it attempts to control, manipulate or simply influence environmental outcomes through an awareness of the interorganizational environment created by the organizational network it is embedded in" (Fombrun & Astley, 1983, p. 49).

Although the theory of interorganizational networks is built on classical organization theory concepts, such as the causal texture of environment (Emery & Trist, 1965), organization nets have not been extensively researched. Renewed interest is attributed to the explorations of related themes such as resource dependence (Pfeffer & Salancik, 1978) and power distribution in marketing channels (Reve & Stern, 1979). In addition, while developing the properties of competing organizations (Khandwalla, 1981) and discussing the behavior and actions of strategically interdependent organizations (Pennings, 1981), the concept of organizational networks has been employed.

Current themes such as stakeholder management and societal strategy are beginning to be built around strategy concepts such as the bargaining strategy (Ansoff, 1982) to ensure a favorable match with other competitors for resource allocation. In such a case, interorganizational strategy networks provide a

useful framework for understanding the use of political alliances, collusive structures, and pressure tactics, designed to further the perceived self-interest of the concerned parties (Fombrun & Astley, 1983). Strategy analysis at this level is not yet common, but it appears worthwhile to explore strategy networks (i.e., the concept of fit in this cell) to identify the transacting mechanisms used by different kinds of organizations (Herbert, 1981).

Cell 5: Strategic Choice School

Cell 5 focuses on the pattern of coordination or interactions among internal elements such as structure, size, and technology. A fundamental assumption is that the pattern of interaction is not "determined" based on given contingency forces, but reflects a conscious managerial "choice." Stated differently, adopting Child's (1972) work, decision making about the organization's structure is not simply a matter of accommodating the contingencies. It is a "strategic choice" reflecting the value positions of the management and the political processes through which such decisions are made. It also incorporates Montanari's (1978) extension of Child's work that the decision areas subject to managerial discretion extend beyond structure to include other organization elements.

However, focusing on the patterns of interactions among internal elements *only* does not recognize the open system perspective, and it has not been a dominant strategic management theme in recent years. Those interested in recent reviews of themes relevant to this cell are directed to Fry (1982) for patterns of relationships between technology and structure, and to Galbraith and Nathanson (1978) and Randolph and Dess (1984) for a general discussion of fit among organizational elements.

Cell 6: Overarching "Gestalt" School

In the sixth cell, strategy is viewed as an overarching pattern of aligning the elements—partly internal and partly external to the organization. The concept of fit in this cell is along the lines of the second interpretation of fit suggested by Van de Ven (1979). It is "*an interaction effect of organizational environment and structure on organizational survival. . . no causation is implied. . . , and an explanation of fit is found in a concatenated theory on the processes of covariations among the factors that produce organizational survival or effectiveness*" (1979, p. 323). Such a view is shared by Hrebiniak, who noted that

“fit refers to a broad gestalt—a particular configuration of organization and environment that is whole and complete. . . No causality is indicated” (1981, p. 340).

The theoretical support for this cell is derived from the open system perspective of organization theory (Katz & Kahn, 1966; Thompson, 1967) and the ecological view of organization—environment transactions (Thorelli, 1977). The underlying view is that organizations are not autonomous entities. Instead, the best laid plans of managers have unintended consequences and are conditioned or upset by other social units—other complex organizations or publics—on whom the organization is dependent (Thompson, 1967).

Such a perspective has led strategy to be conceptualized as the combination (profile) of environmental, contextual, and structural elements affecting an organization at any time. This supports the argument that the probability of organizational survival increases as the congruence of environmental, contextual, and structural complexity increases (Jauch & Osborn, 1981). Along similar lines, researchers have arrived at different conceptualizations of integrated fit of strategy. Adaptation is suggested as a useful and promising metaphor for conceptualizing the endeavors of an organization to be fitted better to its environment (Chakravarthy, 1982), and as the basis for developing a unified theory regarding organization-environment interface (Lawrence & Dyer, 1980).

“Pattern of Interactions” Perspectives

By way of summarizing the three patterns of interactions views (i.e., cells 4 through 6), it needs to be noted that the concept covers a broad spectrum—from internal configurations to interorganizational networks. In contrast to the content of fit cells, these cells have had more conceptualizations but less empirical work. The themes as explored may be more relevant to students of organization theory. Consequently, the translation of these concepts into a strategy framework has not been extensive, with the exception of the studies on organizational adaptation (Chakravarthy, 1982; Lawrence & Dyer, 1980). However, network analysis appears to offer promise in cell 4 for researching interorganizational strategy.

Using the Conceptual Scheme

This paper has suggested that “fit” be considered a central concept in strategic management. To

support such a claim a conceptual scheme was developed based on a typology of fit that differentiates the various schools of thought in strategic management. Such an approach is in line with that developed in organization theory (Van de Ven & Astley, 1981) as the basis for attempting a reconciliation of opposing views through dialectical debates (Astley & Van de Ven, 1983). Although a dialectical debate among the six schools of thought was not considered pertinent here, the scheme is used to discern key issues in the context of employing fit in strategic management.

The first (i.e., conceptualization of fit) dimension of the proposed scheme raises interesting *theoretical* issues. The second (i.e., domain of fit) dimension can be used to address some relevant *managerial* issues. Although it is not possible to discuss all the issues in this paper, some key issues that might interest strategy researchers are raised.

Theoretical Issues

Content-of-fit oriented themes have received the larger share of researchers' attention, but the pattern-of-interactions themes offer promise in the future. This requires that researchers focus on how fit is to be *measured*, recognizing that different approaches to measurement are needed for the “content” and “process” of fit. Empirical research on fit (especially content-of-fit themes) generally has used the strength of correlation between elements (coefficient of correlations or *beta* values of regressions), although some recent studies have proposed alternative measures.

For example, Egelhoff (1982) uses information processing as an intermediary (surrogate) to measure the fit between strategy and structure. According to him, “There is good fit between structure and strategy when the information processing requirements of a firm's strategies are satisfied by the information processing capacities of its structure” (1982, p. 436). In contrast, Miles and Snow (1978) employ a qualitative measure of fit among strategy, structure, and process to differentiate the “stable” strategic types (defenders, prospectors, and analyzers) from the “unstable” strategic type (reactor). However, these studies represent isolated attempts at measuring the content of fit, with a limited focus on strategy and structure. Researchers need to address the issue of fit by focusing on the congruence among a larger set of elements.

An issue related to measurement is whether fit is a *static* or a *dynamic* phenomenon, especially when measuring fit as patterns-of-interaction. Those conceptualizing fit along a “gestalt” perspective (i.e., cell 6) have treated it in dynamic terms—for example, shooting at a moving target (Thompson, 1967)—or as a dynamic equilibrium (Thorelli, 1977), but those researching fit have essentially adopted a static perspective. If empirical strategy studies rooted in cell 6 are to be forthcoming, researchers must address the issue of measuring fit in a dynamic mode.

The adoption of a cross-sectional orientation is dictated partly by the database employed. Because the most widely used database for strategy research (especially cell 1) is the Profit Impact of Market Strategies (PIMS) program, in which adequate longitudinal data are not yet available (Ramanujam & Venkatraman, 1984), researchers had to be content with exploring fit based on cross-sectional data.

Cross-sectional measures provide only a static perspective (Kimberly, 1976), which leads to conflicting results in some contingency-based studies (Mintzberg, 1979). However, they may represent the quickest way of establishing what variables are relevant (Thorelli, 1977). Because the concept of fit is still in its infancy in strategic management research, the identification of critical variables to be fitted emerges as the next major step. Although key elements of strategic fit have been normatively listed (Waterman et al., 1980) and theoretically argued (Camillus, 1982), their roles in different settings have to be descriptively validated. Subsequently, a dynamic study may be indispensable to the tracing of the direction of causal arrows, thus going beyond the observation that interaction among elements exists (Thorelli, 1977).

Managerial Issues

The domain of fit categories in Figure 1—external, internal and integrated—provides some preliminary idea of the scope of the elements to be aligned in order to ensure organization—environment fit. Two managerially relevant issues emerge. One is the extent to which various elements can be managerially controlled or influenced in the short run versus

the long run. For example, although the choice of environment, that is domain definition (Bourgeois, 1980), may be relatively fixed in the short run, considerably more flexibility may be available to alter domain navigation modes such as marketing or manufacturing strategies. Similarly, large organizations may have power to influence the environment (Aldrich, 1979; Pfeffer & Salancik, 1978) and may have market power (Scherer, 1980). But the extent of “choice” is very limited for small organizations. A descriptive analysis of the “controllability” of the various elements to be aligned would provide significant insights about the managerial use of fit.

The second issue relates to the mode of strategic maneuvering to approach equilibrium. Although perfect equilibrium can never be attained (Thorelli, 1977), organizations strive towards equilibrium because of pressures for congruence (Etzioni, 1961; Nightingale & Toulouse, 1977). A key issue here is whether organizations should effect such changes in a quantum (revolutionary) or incremental (evolutionary) fashion. This issue has been discussed only in the context of strategy-structure alignment by Miller and Friesen (1980, 1982), and Miller (1982). In a more general context, Ramaprasad (1982) noted that revolutionary changes are important contributors to the process of organizational evolution and adaptation. More work is needed to understand the nature of strategic changes to be effected by management.

Summary

Although the concept of fit underlies the main streams of strategy literature, many issues still remain unresolved. The conceptual scheme proposed highlights the differences in the six schools of thought and is intended to aid researchers in recognizing the strengths and weaknesses of the various approaches to investigating and employing “fit” in strategic management. In addition, key issues have been raised that are to be addressed if the usefulness of the concept of fit from both theoretical and managerial perspectives is to be enhanced.

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