The Contingency Approach: Its Foundations and Relevance to Theory Building and Research in Marketing

by

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Introduction
During the 1960s, management theory and research began to adopt a new orientation, one that embodied a remarkably simple concept and enabled significant advancements in the study of management and organisations. This orientation, now referred to as the contingency approach, emphasises the importance of situational influences on the management of organisations and questions the existence of a single, best way to manage or organise. Today, the contingency approach dominates theory and research in the management literature.

Contingency approaches are positioned within management as mid-range theories between the two extreme views which state either that universal principles of organisation and management exist or that each organisation is unique and each situation must be analysed separately. The contingency approach entails identifying commonly recurring settings and observing how different structures, strategies and behavioural processes fare in each setting[1]. Prominent contingency theories have been proposed and tested relating to organisational environments, characteristics and structures[2,3,4,5,6], competitive conditions and organisational strategies[1,7,8,9], and organisational characteristics and behavioural processes[10,11,12]. In addition to explicit use by many authors, the contingency approach has been an underlying theme for theory building and research throughout the management literature[9].

The contingency approach to theory building and research can be useful to marketing scholars in at least two important ways. First, the management literature
offers a variety of established contingency frameworks which may contribute directly to the development and content of marketing theory. At least three sub-disciplines within management — organisation theory, strategic management and organisational behaviour — provide contingency theories with potential value for marketers. In addition, several existing contingency theories have extensive research traditions which may represent an empirical foundation for research in related marketing areas[13].

Second, consistent with recent appeals in the marketing literature[14,15], the contingency approach offers an alternative technique for generating marketing theory. Although situational factors (e.g. the stage of the product life cycle) have been recognised in certain areas of marketing theory and practice, they have not generally been included as primary concepts in theoretical frameworks. Through the contingency perspective, marketing concepts and variables may be systematically related both in theory and research. The perspective should provide marketers with another avenue to pursue problems and issues that are unique to the marketing discipline.

The purposes of this article, therefore, are to describe the contingency approach and to demonstrate its value for marketing. Specific objectives are:

(1) to delineate the contingency approach to theory development;
(2) to outline several established contingency theories within the management discipline and highlight the research they have stimulated on related topics in marketing;
(3) to provide an assessment of the current state of the contingency approach in marketing literature, and
(4) to review the major issues associated with use of the contingency approach.

The Contingency Approach to Theory Development
The contingency approach to management has its roots in general systems theory and the open systems perspective[16,17,18,19], as well as in the Simon-March-Cyert stream of theory and research[20,21,22]. Thompson[5] recognised the intersection of these traditions and extended them in a landmark work that represents a cornerstone of the contingency approach. These foundation concepts are described briefly in the next section, and are followed by a discussion of current perspectives on the contingency approach.

Theoretical Foundations
The open systems perspective views the complex organisation as a set of interdependent parts that, together, constitute a whole which, in turn, is interdependent with some larger environment. The interactive nature of the elements within the organisation — and between the organisation and the environment — result in at least two open system characteristics that are central to the contingency approach: adaptation and equifinality. First, the principle of adaptation asserts that the elements within the system adapt to one another to preserve the basic character of the system. Second, the principle of equifinality
holds that a system can reach the same final state from differing initial conditions and by a variety of paths.

The Simon-March-Cyert stream of work adds to the open systems perspective the view that organisations are problem-facing and problem-solving entities. The organisation develops processes for searching, learning and deciding — processes that attempt to achieve a satisfactory level of performance under norms of bounded rationality. Organisational decision-makers undertake rational decision processes designed to cope with the complexity and uncertainty of their situations, all of which result in deliberate decisions by using a satisficing criterion for performance.

In marketing, Alderson[19] highlighted the need to observe and conceptualise marketing agencies and their relationships as components of a system. Building on the work of Alderson, Nicosia[23] addressed the merits of viewing marketing as a system of structural and dynamic relationships. In his view, systems conceptualisations of phenomena constitute attempts to identify the properties stemming from the modes by which entities mutually relate, making them preferable to conceptualisations that deal only with individual entities. Nicosia[23] provides an extensive treatise on Alderson’s conceptualisation of marketing as a complex ecological system engaged in economic operations. He also presents a set of major postulates of the functionalist approach pertaining to the formation and persistence of systems and the system’s major structures.

Although contingency approaches began to emerge almost simultaneously from a variety of sources[19,24,25,2,10,3,6], Thompson[5] forged much of the theoretical superstructure of the contingency perspective. Integrating and extending previous work, Thompson conceived of complex organisations as open systems faced with uncertainty that are, at the same time, subject to a rationality criterion. He argued that differences in technological and environmental dimensions result in differences in structures, strategies and decision processes. Thompson operationalised these dimensions through the use of a technological typology and simple, yet powerful, 2x2 matrices, techniques that have become standard in contingency theory development. Contingent on the situational factors within these frameworks, Thompson proposed a set of organisation and decision strategies which provide the organisation a degree of self-control despite interdependence with the environment.

Current Perspectives on the Contingency Approach
As derived from these conceptual antecedents, the essential premise of the contingency approach is that effectiveness, broadly defined as organisational adaptation and survival[26], can be achieved in more than one way. For example, management theorists and researchers have recognised more than one way to organise effectively, more than one strategy that maximises profitability and market position, and more than one leadership style that achieves organisational goals. Each way is not equally effective under all conditions; certain organisational actions or responses are more appropriate than others, depending on the situation[27].

The contingency approach suggests, therefore, that we can observe wide variations in effectiveness, but that these variations are not random. Effectiveness
depends on the appropriate matching of contingency factors with internal organisational designs that can allow appropriate responses to the environment. Theoretical and practical contributions are achieved through:

1. identifying important contingency variables that distinguish between contexts;
2. grouping similar contexts based on these contingency variables, and
3. determining the most effective internal organisational designs or responses in each major group.

These contingency theory-building steps involve three types of variables: contingency variables, response variables and performance variables. **Contingency variables** represent situational characteristics usually exogenous to the focal organisation or manager. In most instances, the opportunity to control or manipulate these variables is, at best, limited and indirect. In contrast, **response variables** are the organisational or managerial actions taken in response to current or anticipated contingency factors. **Performance variables** are the dependent measures and represent specific aspects of effectiveness that are appropriate to evaluate the fit between contingency variables and response variables for the situation under consideration.

These steps typically result in contingency theories that focus primarily on outcome or content issues, rather than on processes. They attempt to determine the organisation structure, strategy or leadership style to be used in a particular situation, but do not emphasise the dynamics of the process by which an organisation adapts or a leader becomes effective[28]. This point will receive further elaboration later in this article.

Specific contingency frameworks have been conceptually derived[29,2,11,4,5] and empirically derived[24,1,6]. Considerable effort in many of these works has been directed towards the identification of important contingency variables within the major sub-disciplines of management. Many contingency frameworks, particularly in the early phases of development, employ a single dimension (e.g. level of environmental uncertainty, type of technology, organisational size, stage of the product life cycle), or construct 2x2 matrices that dichotomise two critical contingencies (e.g. environmental complexity and stability, growth rate and market position). The current trend, however, is to expand these frameworks through the development of contingency theories that employ multiple dimensions or contingency variables[1,9]. Although the added complexity of these recent formulations may lessen the straightforward appeal of simpler frameworks, they allow greater precision in the determination of high-performance response variables.

Table I summarises the previous discussion through examples of selected contingency approaches and their characteristics. Although this table is far from an exhaustive list of contingency approaches, it provides a general overview of representative frameworks. The next section is designed to expand on this theme by outlining several contingency theories relevant to marketing in more detail.
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Contingency Streams in Management and their Parallels in Marketing

Contingency approaches to theory building and research prevail in three major management sub-disciplines:
(1) organisation theory, which focuses on the relationship between the external environment, organisation design, and the organising process;

(2) strategic management, which concentrates on the formulation and implementation of organisational goals, strategies and plans; and

(3) organisational behaviour, which is concerned with the role of individuals and groups within the organisation.

Several existing theories have contributed to theory building and research within related areas of marketing. This section briefly discusses contingency perspectives in each of these sub-disciplines and their parallels in marketing.

Contingency Approaches in Organisational Theory and Marketing Organisation Design

In organisation theory, the organisation and its units are conceptualised as sub-systems of individuals performing tasks designed to achieve a variety of organisational, group and individual goals. The major emphasis within this discipline has been to identify the organisational designs or structures (i.e. the patterns of interactions among individuals) that promote organisational adaptation to environmental, technological and information-processing contingencies. Environmental contingencies were highlighted in the landmark research of Burns and Stalker[24], Lawrence and Lorsch[3] and Duncan[29], while technology and organisation were examined by Woodward[6], Thompson[5], and Fry and Slocum[30]. The primary proponent of the relationship between information processing requirements and organisational design has been Galbraith[31,27].

Contingency perspectives from organisational theory have been used in marketing organisation contexts[32,33,34,35]. Many contingency approaches within organisation theory emphasise moderating effects of environmental characteristics on the relationship between organisation structure and effectiveness [24,36,29,27,3,37,5]. In a synthesis of this work, Weitz and Anderson[32] developed a model for the design of the marketing function. This model was based on the contingency perspective that the structure of the marketing function depends on the environmental situation. Consistent with the organisational theory literature, their approach matches environmental characteristics (i.e. complexity, unpredictability, interconnectedness) with organisational characteristics (i.e. differentiation and integration) to suggest when functional, decentralised, brand management and matrix organisations are appropriate. Figure 1 reproduces the Weitz and Anderson Structure-Environment Match Model, illustrating their adaptation of the 2x2 contingency matrix commonly used in organisation theory. The environmental dimensions (contingency variables) are expressed from low to high along the horizontal and vertical axes. The proposed organisation design characteristics (i.e. high vs. low differentiation, conventional vs. unconventional integration methods) are ones that theory and research suggest are consistent with the different environments. The authors then prescribe for each cell (different environments) the response variables (appropriate ways to design the marketing function) appropriate to each combination of design characteristics.
In another study, Nonaka and Nicosia[33] focus on optimal marketing management organisational structures for processing information generated by the market environment. They view the marketing department as a processor of market information and propose that the best organisation for processing environmental information is one that matches the variety of the environment. A simple centralised marketing department organisation is posited to be sufficient to process homogenous and certain environmental information. A complex, decentralised marketing department is viewed as appropriate to process heterogeneous and uncertain environmental information.

Ruekert, Walker and Roering[34] propose a contingency framework of marketing task structure and performance, in which the performance outcome of marketing activities is viewed as dependent on the nature of the task, the way in which the task is organised and the nature of its environment. The authors outline contingency theory propositions pertaining to organisation and efficiency, formalisation and efficiency, centralisation and effectiveness, and specialisation and adaptiveness. The authors also identify four archetypal structures that emerge from these propositions and discuss their implications to marketing management.

Contingency Approaches in Strategic Management and Strategic Marketing
The management sub-discipline of strategic management, a field closely related to marketing strategy, employs the contingency approach as the primary theory-building technique for its study of business strategy. This sub-discipline focuses on strategies that specific businesses formulate and implement to compete in an industry or product/market segment. Hambrick[1] argues that contingency
approaches are particularly useful for business strategy because past research has either:

1. viewed strategy as an art and conducted in-depth case studies of individual firms, an approach which lacked generality, or
2. sought universal laws of strategy and investigated them through database research such as PIMS (Profit Impact of Market Strategies), an approach that originally de-emphasised key contextual differences.

Contingency approaches to theory and research in strategy represent a middle ground between these extremes, improving the generalisability of the former, while obtaining richer characterisations than the latter.

The contingency approach in strategy literature holds that the appropriateness of different strategies are contingent on competitive settings of businesses. The competitive setting is typically defined in terms of environmental and/or organisational contingencies, as evidenced by the following research thrusts:

1. The appropriateness of pursuing alternative strategies under various environmental contingencies — for example, strategies for competing in stagnant industries; declining industries; hostile environments; fragmented, mature and declining industries; different stages of the product’s life cycle.

2. The appropriateness of pursuing alternative strategies under various organisational contingencies — for example, strategies for high market share businesses; low market share businesses; effective low market share businesses; market leaders, challengers, followers and nichers.

3. The appropriateness of pursuing alternative strategies under various environmental and organisational contingencies — for example, strategies for leaders and followers in low and high-growth markets; generic strategy options for varying levels of market attractiveness and relative competitive position.

Many recent contingency approaches to business unit strategy formulation view both environmental and organisational variables as relevant contextual variables. This tendency is apparent in the contingency models adapted for practitioner use: BCG growth-share matrix, GE/McKinsey Business Screen, and the Shell Directional Policy Matrix (see Wind and Mahajan for a critical review). Similarly, in the strategy matrix (contingency framework) outlined by Day, the appropriate generic strategy from the standpoint of a firm is contingent on market attractiveness (high, medium or low) and relative competitive position of the firm (strong, medium or weak). Day cautions that generic strategy options matrices are suggestive, rather than substitutes for careful analysis of feasible strategic options for each business segment. However, he also emphasises that, because choice of strategy must be grounded in the realities of the situation facing each business, the compatibility of the chosen strategy with the normative generic strategy option should be tested.
Recent work by Hambrick[1,7] illustrates a contingency approach to business strategy that employs multiple environmental and organisational dimensions or contingency variables. Analysing a sample of mature industrial-product businesses from the PIMS database, Hambrick[1] empirically identified eight different settings based on a set of ten contingency factors. In a companion article, Hambrick[7] focused on two of the eight settings and empirically identified high and low-performing clusters of business strategies. Hambrick’s contingency approaches are complex, and highlight the value of greater precision and detail in the identification of contingency settings. Without the empirically derived taxonomy of the first Hambrick article[1], the two types of businesses emphasised in the second[7] would have been pooled in a study of mature capital goods. Hambrick’s[7] study illustrates how strategies associated with high profitability differ greatly in two contexts.

The contingency approach in a strategic marketing context is illustrated in a recent study by Burke[51]. She hypothesised that four general elements of the environment (the market, the business unit within the market, the firm and the business unit within the firm) influence the strategic choices made by marketing managers. Burke collected perceptual data pertaining to seven product/market and organisational context factors thought to influence strategic choices of marketing managers from 86 managers in six firms. The focal decision of interest was the strategic thrust of the business unit (i.e. significantly and permanently to increase market share, to maintain market share or to allow share to fall). Burke found that the choice of a build, hold or harvest strategy is related to the manager’s perceptions of five aspects of the product/market environment and organisation context: market attractiveness, relative competitive strength, entry barriers, control over resources and the manager’s perception of the relative importance of short-run business unit performance to his/her career success and monetary rewards.

Contingency Approaches in Organisational Behaviour and Marketing Behaviour

Within the organisational behaviour literature, the contingency approach has made its most significant contribution in the area of leadership theory and research[52,11]. Contingency approaches to leadership tie the leader’s effectiveness to the nature of the situation and acknowledge that workers’ needs and problems vary, requiring that leadership style match the types of individuals involved and the characteristics of their work situation.

While the situational approach has been used to study leadership since the 1950s, House[11] proposed a theory of leadership that clearly illustrates the contingency approach. He contends that the functions of a leader vary depending on the needs of subordinates and the type of work to be accomplished. According to House’s theory, a leader obtains good performance from his/her work unit by increasing subordinates’ personal rewards from goal attainment and by making the path to these rewards easier to follow (e.g. by instructing, reducing roadblocks and pitfalls, and increasing the opportunities for personal satisfaction along the way). To be
effective, the leader must tailor his/her style and approach to individual subordinates and situations. In ambiguous situations (and with subordinates to whom ambiguity can be frustrating), effectiveness is achieved when the leadership provides structure. In routine situations, on the other hand, the additional structure provided may be viewed as redundant and insulting by subordinates, who may consequently become dissatisfied. In essence, the theory holds that the level of leader structure depends on the ambiguity of the task, and the level of leader consideration depends on the intrinsic satisfaction of the task. The theory has been elaborated and tested since it was proposed [53,54].

The contingency approach to marketing behaviour is evidenced in the works of Weitz [55] and Williams and Spiro [56]. Weitz proposed a contingency model for investigating the effectiveness of sales behaviours across customer interactions. The model postulates that effectiveness of sales behaviours across customer interactions is contingent on the salesperson’s resources, the nature of the customer’s buying task, the customer-salesperson relationship, and the interactions of these three sets of variables. Weitz presents contingency propositions for the moderating effects of the salesperson’s resources, the customer’s buying task, and the customer-salesperson relationship on the effectiveness of the salesperson’s behaviour (i.e. adaptive sales behaviour, establishment of an influence base, use of closed vs. open influence techniques, and exerting control over the sales interaction).

An Assessment of the Status of the Contingency Approach in Marketing

How developed is the contingency perspective in the marketing discipline? Only a few studies, most of them detailed in the previous sections, have explicitly employed the contingency approach. Judging from these applications, the contingency approach has yet to be firmly established in the marketing discipline.

However, we contend that the implicit notion of contextual relevance of environmental and organisational variables is an underlying theme for theory building and research in numerous marketing studies. In the field of channel management, for example, Frazier and Sheth [57] focus on the contextual relevance of boundary personnel’s attitude-behaviour consistency or inconsistency with respect to the appropriateness of implementing influence processes and of seeking influence objectives in distribution channel relationships. In the areas of sales force management, Futrell and Parasuraman [58] investigate the moderating effect of salesperson performance on the relationship between propensity to leave and job satisfaction. Yoon and Lilien [59] examine the contextual relevance of market situation variables to the appropriate launch time for new industrial products and best use of marketing resources. While not formally called contingency approaches, these and other marketing studies can be recast in the contingency perspective.

The foundation for developing an organised body of knowledge centred on the contingency approach is already in place. Building on this foundation should allow marketers to study more precisely the relationships among contingency, response
and performance variables. Critical situational variables may be integrated into frameworks that advance theory, research and practice. Before reviewing a group of marketing studies that implicitly represent the contingency approaches, we present evidence of the general relevance of the contingency notion for marketing.

**Contextual Relevance in Marketing**

The emergence of general research streams, such as industrial marketing, services marketing, health care marketing, industrial buying behaviour, international marketing, social marketing, marketing under various states of supply and demand, and marketing during periods of shortage, testify to marketers’ realisation of the contextual relevance of contingency variables to marketing strategy formulation. Better understanding of important differences among these contexts have led to the formulation of specialised marketing strategies and marketing behaviours.

Specific topics within marketing also reflect this tendency. For example, the literature on the classification of goods highlights the relevance of product characteristics and consumer behaviour variables for marketing strategy [60,61,62,63,64,65]. Although controversy surrounds the concept, the extensive body of marketing literature on marketing strategies for the product life cycle suggests that marketers view stage of the product life cycle as a contingency variable. Finally, the emerging body of literature on strategies for high market share and low market share companies [44,45,46,47,48], marketing strategies for market leaders, challengers, followers and nichers [43], and strategies for leader and followers in high and low-growth markets [49] indicate marketing’s recognition of the contextual relevance of an organisation’s competitive position in strategy formulation.

In particular, the marketing strategy literature has emphasised this approach. Abell [66] summarised the interrelationship between strategic variables, situation variables, company-specific variables and performance variables quite succinctly by noting that: "Strategies of Type A, in markets/situations of Type B, pursued by companies of Type C, will lead to performance of Type D. (p. 2, italics ours)". A similar line of reasoning is also revealed in a number of empirically testable propositions pertaining to competitive marketing strategy summarised in Eliashberg and Chatterjee [67]. Illustrative of the contingency thrust of these propositions are the following (the propositions are rephrased in line with Abell’s [66] generalised statement):

1. Entry-deterring product positioning strategies pursued in markets where the fixed cost of entry is high and product repositioning infeasible by early-entrant firms will be profitable in the long run [68].

2. Positioning the product to appeal to the larger (and more profitable) segments pursued by early entrant firms in situations where it is difficult (prohibitively expensive) for firms to change their product positioning strategies once implemented will lead to higher profits [68].

3. Allocating the budget over all customers is the appropriate strategy for
firms with a larger budget to pursue in a duopolistic situation where the companies compete for the business of several customers whose (single) vendor choice is based on the relative sales promotion efforts of the firms. Concentrating only a fraction of customers, effectively ignoring the others, is the appropriate strategy for the smaller firm to pursue [69].

Along similar lines, the contextual relevance of market-situation variables for strategic choice has been highlighted by Yoon and Lilien [59]. Summarising the results of their empirical study on the effects of market characteristics and strategy on the performance of a new industrial product, the authors note:

Our findings suggest that two major sets of variables seem to be at work in determining the success of a new industrial product. These are market-situation variables and R&D/marketing-strategy variables. We see varying levels of success for different product types in different market situations here. And strategy variables must be tuned to the specific market situation, determining the best use of marketing resources and the best time to launch the new product (p. 143).

A potential contribution of the contingency approach to the marketing management field is the integration of basic laws or principles of marketing management with relevant situational factors. Contingency propositions may be viewed as extensions of the basic principles of marketing management, thereby introducing the contingency approach as a refinement of established marketing thought. An example of this potential contribution may be found in the works of Leone and Schultz [70], and Eliashberg and Chatterjee [67]. Leone and Schultz [70], in a study of marketing generalisations, state a number of basic laws and principles of marketing. Among them are the following:

1. Selective advertising has a direct and positive influence on individual company (brand) sales.

2. Distribution, defined by a number of outlets has a positive influence on company sales (market share).

Eliashberg and Chatterjee [67], in a review of analytical models of competition, present the following propositions in a contingency approach that can be viewed as extensions of the Leone and Schultz generalisations — extend these generalisations in a contingency perspective:

1. A strategy of spending more on advertising by a firm with a cost advantage will generally result in a larger market share and higher profits. The best strategy for the rival firms may be to employ different competitive tools, even when the sales response to different instruments is identical for all firms [71,72].

2. A strategy of spending more on advertising, particularly during the beginning of the planning period by the firm with the smaller sales decay parameter (a greater long-run effect of a dollar spent on advertising, relative to the rival), will result in larger profits as well as a larger terminal market share [73].
(3) Expenditure on distribution and awareness advertising should be decreased in response to new entries, unless it is possible, through a pre-emptive distribution or advertising strategy, to prevent the entry of a new brand[74].

These extensions have both scholarly and practical implications. Theorists and researchers can easily build on existing streams of literature, allowing for the coherent and systematic development in the marketing literature. Incorporating the situational variables also allows marketing practitioners to use resources more efficiently for these activities, increasing the likelihood that their firms can compete more effectively.

Explicit and Implicit Contingency Approaches in Marketing

Table II summarises selected contingency perspectives evidenced in marketing literature. The contextual relevance of environmental variables and/or organisational variables is the underlying theme common to all 25 studies. As previously noted, explicit reference to a contingency framework is made in only six[33,55,32,51,34,75]. A contingency perspective is implied in the additional 19 studies summarised in the table. These studies are intended to be illustrative rather than exhaustive, for many other marketing studies could also be viewed as contingency approaches.

The examples reveal the use of an implicit contingency perspective in most areas of marketing. General marketing strategy (studies 7, 8, 9 and 15), market share strategies (10 and 11), generic competitive strategies (12), and market segmentation strategies (13 and 14) are represented. All elements of the marketing mix have been treated in the contingency perspective: product (16, 17, 21), pricing (18, 19, 20), promotion (18, 20, 21) and distribution (23, 24, 25).

Examination of the table reveals that most works cited are normative/conceptual in scope, and very few are empirical in nature. This parallels the early development of the contingency perspective in the management literature, suggesting that empirical research is the next logical step. A detailed review of all relevant literature (both theoretical and empirical) pertaining to the topics covered in Table II would also aid in identifying a more comprehensive and richer set of relevant contingency variables.

Major Issues Associated with Use of the Contingency Approach

The contingency perspective provides an opportunity to build a body of knowledge centred on appropriate strategic choices for commonly recurring marketing settings. In order for the approach to be used effectively, certain key issues must be addressed.

(1) Selection and measurement of performance variables — The selection and measurement of performance variables in contingency frameworks will influence the match between contexts and appropriate response variables. Because organisational effectiveness can be measured in many ways (e.g. productivity, return on investment, employee job satisfaction, profit,
employee turnover and efficiency), different contingency frameworks have emerged to achieve the objectives. Therefore, the multiplicity of contingency frameworks associated with organisational effectiveness is due in part to the absence of consistent definitions and operationalisations of effectiveness[76]. In using contingency approaches, performance measures should be clearly defined and widely accepted[77,78]. If possible and appropriate to the subject of interest, they should rely on multiple criteria[76]. Tosi and Slocum[26] provide a detailed discussion on the theoretical and practical implications of:

(a) defining organisational effectiveness either too broadly or too narrowly, and

(b) failing to realise the multi-dimensional nature of the concept of effectiveness.

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<td>Strategy choice: Project position Invest to build Build selectively Manage for earnings Limit expansion Harvest Project and refocus Divest</td>
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<td>Author(s)</td>
<td>Contingency Perspectives</td>
<td>Strategic Choice:</td>
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<td>It pays to launch a RFNP as early as possible, whereas success levels are highest for an ORNP when launch is delayed somewhat</td>
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<td>19. Day [49]</td>
<td>Pricing strategies (ICF; N/C)</td>
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<td>20. Robinson and Lakhani [90]</td>
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<td>21. Udell [91]</td>
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<td>22. Kotler [43]</td>
<td>Promotion mix strategy (ICF; N/C)</td>
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<td>23. Stern and Reve [92]</td>
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Table II (continued) Selected Contingency Perspectives in Marketing
Table II (continued)
Selected Contingency Perspectives in Marketing

<table>
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<tr>
<th>25. Kotler [43]</th>
<th>Distribution strategies (ICF; N/C)</th>
<th>Market size</th>
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<tbody>
<tr>
<td>ICF; N/C</td>
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<td>Firm's resource position</td>
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<td>Firm's product mix</td>
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<td>Competitors' distribution strategies</td>
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<td>Product characteristics</td>
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<td>Channel characteristics</td>
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Legend: ECF — Explicit contingency framework (1 to 6)
ICF — Implicit contingency framework (7 to 25)
N/C — Normative/Conceptual
N/C & E — Normative/Conceptual and Empirical
E — Empirical

+ The source cited [49] is intended to be illustrative. These two dimensions form the basis for a number of contingency approaches to business unit strategy formulation such as the BCG Growth-Share Matrix, the GE-McKinsey Business Screen, and the Shell Directional Policy Matrix. See, Wind and Mahajan [50] for detailed descriptions and comparisons of several portfolio models.

(2) Identification and grouping of contingency factors — Effectiveness is often related to numerous contingency variables. The key is to identify the contingencies which explain the greatest variance in performance. This identification process begins with an examination of the literature for a relevant set of contingency variables based on theoretical grounds and/or prior research findings. A systematic plan of research can then be developed to evaluate the impact of these contingency variables, and to determine whether other contingency variables should be identified. Contingency frameworks are compelling because of their simplicity, but this simplicity may lead researchers to stop short of identifying all relevant factors. Hambrick and Lei [93] offer a method that empirically prioritises contingency variables. Based on an analysis of 636 PIMS businesses, the authors ranked ten contingency variables widely cited in the strategy literature by their relative significance. Significance was defined as the degree to which businesses that differ on that variable also exhibit major differences in how strategic attributes or actions are associated with performance. Major differences indicate the presence of a significant contingency variable [93, pp. 765-6].

Another example of consolidation of contingency variables is illustrated by Achrol, Reve and Stern’s [94] discussion of framing the environment. Researchers have expressed concern about the immense inventory of environmental variables and sub-variables that may serve as contingency variables. In Achrol, Reve and Stern’s view, excessive detail results in
an inventory of situational factors that limits the generalisability across situations. They propose an alternative approach, although still consistent with the contingency perspective, that entails conceptualising the environment as a dynamic but amorphous reality (without well-defined shape, size or elements) that can be characterised in terms of its abstract qualities or dimensions. For example, the following qualitative dimensions could be used to conceptualise the environment: environmental capacity (rich vs. lean); environmental homogeneity-heterogeneity; environmental stability-instability; environmental concentration-dispersion, and environmental turbulence. The practice of framing the environment in terms of its abstract qualities or dimensions is prevalent in the contingency research stream[33,32,34].

Problems associated with multiplicity of contingency variables can also be handled by first identifying all relevant factors, grouping the factors into broad categories, eliminating highly interrelated variables, and empirically prioritising the remaining variables. For example, after identifying a comprehensive set of relevant factors, Hofer[8] grouped environmental and organisational contingency variables of relevance to business strategy formulation into six broad classes—

(a) broader environmental variables;
(b) industry structure variables;
(c) competitor variables;
(d) supplier variables;
(e) market and consumer behaviour variables, and
(f) organisational characteristics and resources.

From this point, interrelated variables could be eliminated and empirical prioritisation could take place.

(3) Independence of contingency factors — The contingency approach has been criticised in the organisation theory literature for encouraging the development of different contingency factors to represent the same phenomena[95,76]. This difficulty may stem from conceptual confusion in specifying the contingency variables[76] or from high correlations between variables. In the latter case, conceptually different models may represent the same phenomena and yield similar predictions[95]. As a case in point, Udell[91], in his study of successful marketing strategies, considered a fifth contingency variable — value of typical purchase — that was found to be highly intercorrelated with the other four variables and was therefore dropped from further consideration. To deal with this issue, clear conceptualisation of variables and measurement of relationships among contingencies are required.

(4) Number of levels in the contingency variable — The number of levels for contingency variables can be an arbitrary decision. Many of the early contingency frameworks used simple dichotomies that were difficult to justify: stable vs. changing environments[24], centralised vs. decentralised
(5) **Deterministic view of the organisational context** — Most contingency theories assume that the contexts or environments in which organisations operate are fixed and outside the control of the organisation. This deterministic view of the organisational context has been challenged by theorists[27,96] who claim that variations in performance may be due in part to managerial discretion in changing the contexts. The revised view, called environmental management[27,97] or the strategic choice view[98,99,100], argues that managers have freedom to select and to influence their environments and situations, and need not merely accept them as constraints. This view does not invalidate the contingency frameworks themselves, but suggests that an organisation can move from context to context and need not merely accept its current situation.

(6) **Outcome models, not process models** — The contingency approach has been compared to stimulus-response models of the behaviourists in that they both largely ignore the processes by which a given outcome is achieved[28]. Contingency frameworks view the relationships among variables at one point in time; they are static, rather than dynamic models. They can, however, incorporate dynamic models as reasons for choosing contingency variables. Current research examining strategic decision processes has begun to integrate process models and contingency approaches[101].

(7) **Post hoc inference** — A number of classic and current contingency frameworks were empirically derived[24,1,7,6]. Inferences based on empirical work or case analysis led to the development of these frameworks. While some scholars would argue that using data to develop theory is incorrect, Harrigan[38] encourages multiple “hybrid” technologies for developing and testing contingency approaches.

(8) **Mechanistic flavour** — Child[102] criticised the mechanistic flavour of contingency approaches that advocated a single response to a given context. The tendency to under-emphasise or ignore the possibility of more than one feasible organisational response to the same task environmental stimulus characterised many early contingency theories[28]. More recent frameworks acknowledge that different responses may yield similar performance[1] and specify more than one organisational response where appropriate.

(9) **Issue of strength vs. form** — Schoonhoven[103] argues that a central issue for contingency theorists is “whether the environment modifies the strength or form of the relationship between strategic variables and performance”. If environment modifies only the strength of the relationship, the role of
contingency approaches would be to identify meaningful sub-environments and the relative strength of strategic variables within and across the sub-environments. On the other hand, if environment modifies the form of the relationship, the role of contingency theory would be to identify key interacting variables and establish their links to performance[13]. Moderating effects of contingency variables have been investigated in the contingency literature by including interaction variables in additive models (to examine the form of the relationship), and by estimating parameters of an additive model for sub-groups of the total sample (to examine the strength of the relationship)^5. The issue of form vs. strength of the relationship appears to remain unresolved. Based on a review of prior empirical research and analysis of 1,638 PIMS businesses using moderated regression and sub-group analysis, Prescott[13] reports that environment modifies the strength but not the form of the strategy-performance relationship. On the other hand, the market share-profitability implications of the new BCG matrix[104] illustrate contingency variables that moderate the form rather than the strength of the relationship between strategy and performance^6. In that matrix, the relationship between market share and profitability is viewed as being moderated by the size of the competitive advantage and the number of ways of achieving competitive advantage.

(10) Fine-grained, coarse-grained and hybrid methodologies — In a recent review of contingency studies focusing on methodological issues, Harrigan[38] contends that the study of contingency approaches to strategy formulation requires the use of hybrid designs, incorporating attributes of both fine- and coarse-grained research methodologies. She notes that the salient characteristics of the proposed hybrid methodology — the use of the multiple sites, multiple data sources and intricate sample designs — compensate for some of the limitations of the fine- and coarse-grained methodologies. Harrigan points out that while coarse-textured studies (such as early PIMS studies) fail satisfactorily to incorporate intra-industry competitive nuances, fine-textured single-site studies (such as case-studies) lack generalisability and statistical rigour.

Directions for Theory and Research
Although a variety of theory and research issues have been suggested above, several general topics appear most appropriate for immediate enquiry. First, theorists and researchers need to develop and group environmental and organisational contingency variables directly relevant to marketing management and strategy. Because the level of analysis often differs between management and marketing (i.e. the organisation vs. a functional unit), marketing contingency variables may be more specialised. As suggested earlier, the management literature may provide a helpful starting point, but contingency approaches to marketing must be tailored to the specific issue and level of analysis. Second, the relevance of consumer behaviour variables in strategy contexts has not been addressed sufficiently. While this omission is understandable, given the primary focus of researchers in the
strategic management area, further research on the contextual relevance of consumer behaviour variables to marketing strategy formulation holds the potential for a major contribution. A logical starting point for such a research endeavour would be to review the extensive body of literature on situational influence paradigms in consumer behaviour and their relevance to marketing strategy (see Leigh and Martin[105] for a review). The contextual relevance of consumer behaviour variables in marketing strategy studies is illustrated by Udell[91]. Third, the contingency approach can be extended to areas of marketing other than strategy.

Conclusion
Contingency approaches to theory building represent an alternative to searching for universal principles, and instead focus on key situational relationships. These approaches reduce the vast array of combinations a researcher must consider by focusing research on key variables and inter-relationships. They also provide important pedagogic usefulness[1] by helping to translate theory and research to practice. Day and Wensley[106] emphasise the dividends obtainable through focusing on these mid-range approaches:

Productivity will be further assured by building upon existing conceptual and methodological strengths within marketing, and focusing these strengths on the development of mid-range integrative theories (p. 85).

Wind and Robertson[107] urge the development of approaches that change the “isolatory focus of marketing” and call for new linkages between marketing and the other management disciplines. Contingency approaches, such as the ones discussed in this article, offer an opportunity to integrate perspectives from management and marketing, thereby acknowledging the interdependency of the business functions.

Footnotes
1. It should, however, be noted that in recent years, the PIMS database has been extensively used by strategy researchers for investigating the moderating effects of contextual variables on the strategy-performance linkage, e.g.[42,108,93,13]; see also, Ramanujam and Venkataraman[109, pp. 141-5] for a summary of findings of several other studies.
2. More realistically, Burke’s[51] contingency framework builds on the contributions of researchers in at least three major areas — marketing, business policy and strategy, and industrial organisation economics.
3. See Day[49] for a review of studies critical of the PLC concept, as well as an extensive discussion on the strategic relevance of the PLC concept and its potential shortcomings.
4. While Abell’s[66] generalised statement appears to be fairly comprehensive (i.e. its reference to response (strategy) and performance variables, and environmental and organisational contingencies), a cursory examination of numerous other contingency statements reveals no explicit reference to performance. Nevertheless, implicit in statements that postulate that the appropriateness of alternative strategies is contingent on certain environmental and organisational variables is the notion that pursuit of appropriate strategies is conducive to superior performance, as opposed to pursuit of inappropriate strategies.
6. See Hax and Majluf[11] for a graphic exposition of the moderating effects of contextual variables on the form of the relationship between market share and profitability; also, of related interest are the findings reported in a recent study by Jacobson and Aaker[85]. Based on an analysis of a sample of PIMS business, the authors found that a large proportion of the market share-ROI relationship is spurious in the sense that both market share and ROI are joint outcomes of some third factors. The direct impact of market share on ROI was found to be much smaller than previous studies indicated them to be. The authors report that the impact of market share on profitability to be greater under certain contingencies:

- (1) the more fragmented the buyer concentration;
- (2) the less frequent the purchase;
- (3) the higher the marketing intensity, or
- (4) the higher the product quality.

The effect of conditions relating to product life cycle, product importance, vertical integration and relative price on the relationship between market share and profitability were found to be insignificant.

References


Further Reading
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MacMillan, I., Hambrick, D. and Day, D., ‘‘The Product Portfolio and Profitability — A PIMS-
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