

A Causal Model of Linkages Among Environmental Dimensions, Macro Organizational Characteristics, and Performance

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Published Online: 30 Nov 2017 | <https://doi.org/10.5465/256460>

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Abstract

An integrative model of relationships among environmental dimensions, diversification strategy, firm size, structural divisionalization, and economic performance was developed and tested using environmental and organizational data from 110 large manufacturing firms. The results suggested that among those organizations, (1) higher levels of environmental instability were associated with lower levels of divisionalization and diversification, (2) strategy followed structure, and (3) size did not mediate the strategy-structure relationship. Furthermore, both environmental instability and diversification were positively related to market-determined performance, and instability was negatively related to operating performance. The results provided support for portions of each of three models, the external control, strategic management, and inertial models.



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