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# Investigation of Structural Fit of Southern Khorasan Province's Public Organizations in Iran

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## ABSTRACT

We can call the current time, the era of fit management. Successful organizations are the ones being able to establish internal and external fit inside and between content variables and different parts of organization such as structure, management, technology, etc. It is obvious that although properties of these elements in different organizations are different from each other, it is important that they will be based on fit principle. Here the current paper investigates internal and external fit of organizational structure of 29 governmental organizations of southern Khorasan in Iran and their structural properties are analyzed. The results of the research support their mechanical nature, contingency and parametric misfit and their high formalization. **KEY WORDS:** Organizational structure; contingency fit; parametric fit; organization design.

## INTRODUCTION

The importance of organizational structure is as McCullough believes; the most of researches are done in literature of organization about organizational structure (McCullough, 2004). Many researchers and theorists according to different approaches studied organization structure environment including contingency theory. For more than half century, contingency theory has dedicated special position in organization and management studies. Studies of Burns& Stalker, 1961, Woodward (1965), Lawrence, and Lorsch (1967) were the beginning of an attitude by which the existence of the best method for organizing was eliminated. These researches showed that poor structural fit could lead into poor performance of organizations. Thus different structures, forms and organizational combinations were raised to increased organizational fit by contingency factors. They well found that organizational structures should be designed and modified in accordance with content factors. Here environment, technology, life cycle and organization size are contingency factors being mentioned at the first stage of studies. In recent years, two branches of contingency theories are created: Strategic contingency theory and structural contingency theory. Strategic contingency theorists emphasize on the importance of strategic selection and process as reducing variable and on power role, politics and personal goals in structure design process (Bitz, 2003:123). Structural contingency theory is consisting of 3 main aspects: First, there is signification association between contingency factors and organization structure. Second, contingency factors determine organizational structure. Thus, as soon as contingency factors change, structure of organization also changes. Third, organizational structure fit can led into better performance and by poor structural fit or misfit, the performance of organization cannot be improved. The relation between fit and organization performance is the core issue of organization contingency paradigm. As always the performance of organizations is at loss due to misfit, thus the organization should be fit continually, as it is called dynamic fit (Donaldson, 2001:7).

## **Problem statement**

The children who didn't feel hardship of life with the aid of their parents supports and due to this support, they think that the reality of outside is the thing that their parents has instilled in their mind due to the type of their behavior. But this is not so. The outside environment is brutal and complex. Thus, as they don't have true understanding of this environment and they are not prepared to face with it or they don't need it, as they face with the first realities of their life, lose in their life.

The reality of government organizations is such that. Although in proved organization theories, business environment conditions in the current time are getting more complex, these conditions are to some extent different for governmental organizations. Because supports and total dependency of most of the organizations on government budget, have created conditions that they don't feel the turmoil and instability like their pampered children. Under such condition, most of administrative mechanisms and elements are organizational structures of public organizations without required adaptability and fit. Mostly under the support of government and irrelevant with their activity environment they are consisting of mechanical structures. Ignoring the fact that whether this structure is compatible with their activity environment or not. Even they do not have internal fit. In other words, the lack of

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internal fit with internal fit weakness or as Burton and Obel said: Parametric misfit has caused that beside other factors, organizational structure plays an important role in poor performance of governmental organizations.

Here, the current research investigates the structures of public organizations of southern Khorasan province and investigated the mechanical or organic amount structure their parametric design was reviewed in accordance with their fit.

#### **REVIEW OF LITERATURE**

For more than half century, contingency theory has dedicated special position in organization and management studies. The most important issue in this field is identification and presentation of structural designs ensuring effectiveness, efficiency and viability of organization in current varied environments condition (Klass, 2005:2). Contingency model of organization design is based on this assumption that fit principles can lead into better performance. This principle is weak point of contingency theory and it is the correlation between a set of elements. According to the belief of contingency theorists, misfit can disturb the life or performance of each system. For example, misfit between size, weight, age and blood pressure etc in human being can make individual performance or even in some case his life problematic. At organizations level, as Burton and Obel believe, misfit in the form of inconsistency of organization properties with structure design elements can disturb the effectiveness and efficiency of organizations. Lead into poor organization performance in present and future. Hamilton and Shergill studies showed that the organizations with structural fit have totally better performance in comparison with other organizations (Krebs, 2006:6).

According to the importance of fit, contingency theorists started wide range of activities in this regard. Chandler by raising the issue of the fit between strategy and structure stated that "The structure is dependent upon strategy". In the followings Woodward (1965) the fit between technology and structure, Lawrence and Lorsch (1967) environment -structure fit and finally Mintzberg (1979) by combining these theories presented a model that indicated organization structure is depending upon size, technology, environment and management. But Miller by referring to internal and external fit claimed that Chandler. Woodward, Lawrence and Lorsch and even Mintzberg studies displaced incomplete aspect of fit. He believed that external fit can not necessarily lead into internal fit. His empirical studies showed that the organizations that adapt in the best manner with their external environment, has the weakest relation between their structure and process variables. Improvement of organization performance to the extent that is dependent upon structure fit with environment (external fit) is depending upon internal fit (structural dimensions fit) (Decanio et al, 2000:1285'; Baligh, et al (1996). Cohen and Sims explained these two kinds of fit in another form. They believed that contingency model is consisting of 3 kinds of variables: Contingency variables, response variables and performance variables. Contingency variables are external variables affecting the performance of organizations. Response structures are structural properties and structure of organization activity. They believe that the fit between external variables and response variables can lead into good results in performance variables such as growth rate, effectiveness etc (Cohen and Sims, 2007:5).

In the followings Regio Wagman presented static and dynamic fit principles that indicated stability of fit over time. They believed that static fit is one-dimensional and is based on accepting stability assumption of environmental factors. But dynamic fit is the result of fuzzy theory in organization theory studies and is multi-dimensional and based on not accepting environmental stability assumption (Regio Wagman, 2004:257). Based on dynamic fit principle, Nissen and Living criticized classic contingency theories. They believe that Woodward and Liwack analysis raising the issue of structural fit principle in terms of technology, Burns& Stalker from environment aspect and Charles pro and Thompson from strategy aspect followed one-dimensional and static attitude. Although Mintzberg introduced a more integrated view of the results of studies use 11 environmental variables in relation to four structural design variables (situation design, super structure design, horizontal relations design and decision making system design)and designed structural fit as multi-dimensional, it was involved with static pre-assumption of contingency factors (Nissen and Living, 2008:3-4)). According to static fit concept, X structure in achieving Y goal is being influenced by contingency factor , but if the situation of W variable is turned into W\*, then its effect of the structure is not as the amount of I\*. These conditions can created different structural arrangements (Eshari, Nasoshen, 2005:55).



Figure 1- Explaining dynamic contingency relation between structure (X), goal (Y) and contingency factor (W)

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Despite Edward Zajac, dynamic and static fit are not merely good or bad. The measurements the organization take to conform itself with contingency factors are useful when the lack of permanent dynamic fit requirements makes unavoidable doing or not doing them. He presented a model to explain different kinds of fit as shown in the following figure. Structural changes made in accordance with the conditions, are useful when they are unavoidable along with dynamic fit (Rant, 2000:436).

		Are structural modifications don	e in the organization?
		Yes	No
Are structural modifications necessary for permanent	Yes	Inadequate consistency (dynamic misfit)	Useful consistency (dynamic fit)
dynamic fit?	No	Useful consistency (static fit)	Over consistency (dynamic misfit)

Figure 2- Typology of structural fit

Finally Burton and Obel by combining previous studies presented a comprehensive contingency model of organizational structure that is shown in figure (3) (Burton et al, 2000:3-5). This model is based on four kinds of fit including: contingency fit, situation fit, design parameter fit and total fit. Contingency fit is the traditional concept of fit showing the compatibility between organization structure and contingency factors set. In other words, this kind of fit shows general rule of contingency theory, "if....then..." Situation fit as called "strategic fit" shows that design contingency factors have homogenous structure. In other words, it refers to the fact that environment, technology, strategy and management of the organization are aligned. This fit indicates internal homogeneity of "if" principle. Design parameter fit indicates internal fit and homogeneity of structural dimensions with each other or its homogeneity between "Then" principles. For example, the structure with low formalization is consistent with reward system based on result and total fit is as simultaneous fit of these three kinds of fit. The lack of each of these three fits can lead into structural misfit (Burton et al, 2000:3-5; Bligh et al, 1996).

## **Research purpose**

The current research is based on two objectives. First, validity assessment of the proposed research model to design structure of public organizations based on fit principle. Second, evaluation of fit between public organization's structure of the province in two aspects of contingency fit (External) and parametric design fit (internal fit) based on Burton and Obel model (Fig. 3). In contingency fit aspect, public organization's structure are analyzed separately based on governmental organizations and firms in the form of technical-engineering, economics- social cultural and in parametric design fit aspect, the relations between three main variables of structural dimensions (complexity, formalization and centralization) are analyzed in connection with each other and the mechanical nature of organizations are also assessed.

## Conceptual model and research hypotheses

In the current research, to evaluate organizational structures fit of public organizations, a conceptual model was presented by which public organizations were divided based on two components of "duties nature" and executional system nature". According to duties nature component, public organizations of technical-engineering are responsible for infrastructural, technical and production affairs in Iran and their duties nature are mostly based on technical-engineering knowledge. Economical, social and cultural organizations are mostly responsible for economical, political, security, social and cultural affairs and their duties nature is based on human science and social science. On the other hand, based on "Legal nature of system" criterion, these organizations are divided into two groups of governmental companies, organizations and institutions.

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## Figure 3- contingency model of multi-dimensional fit of organizational structure

As the structure of governmental organizations structure is mostly being influenced by two components of "legal nature" and "duty nature", to evaluate contingency fit these two components are proposed as content variables and in the proposed model their relation was considered with structure type (Mechanical or organic nature) (Fig. 4).

Duties nature Legal nature	Technical-engineering	Economical-social cultural
Governmental company	Organic structure	very Organic structure
Governmental organization	Very mechanical structure	Mechanical structure

Figure 4- Proposed model of contingency fit of research

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According to this model, it was expected that the type of structure is depending upon legal nature of systems but its intensity is affected by their duty nature. As governmental companies in comparisons with governmental organizations and institutions are more autonomus, it is assumpted that the structure of governmental companies is "Organic" and the structure of governmental organizations covered by province budget system are "Mechanical" (Hypothesis 1). But their organic or mechanical intensity depends upon "duties nature" of governmental organizations. In this regard, it was assumpted that due to routine nature of technical-engineering duties and their relative stability, structure of public organizations responsible for doing these duties for public organizations responsible for economical, social and cultural affairs at governmental companies level are less organic and at governmental organizations level, they are more mechanical (Hypothesis 2). With the assumption of true proposed research model at public organizations level of Southern Khorasan province, it can be claimed that they are contingency fit (hypothesis 3).

<u>Hypothesis 1</u>- There is relationship between legal nature of public organizations of the province and the type of their organizational structure.

<u>Hypothesis 2</u>- There is relationship between mechanical or organic amount of public organizations structure and the nature of their duty.

Hypothesis 3- Public organizations of southern Khorasan province have contingency- fit

On the other hand, to evaluate parametric design fit two indices are evaluated: 1- Fit between organizational structure and structural variables 2- Fit between structural variables with each other. Among structural variables, three variables being compared are consisting of centralization, formalization and complexity (vertical, horizontal and spatial) their selection reason was that first three mentioned variables were the most important structural properties to be compatible with environment (flexibility) and in comparison with other structure components; their modification is more viable from management aspect. Second, almost they are comparatively evaluated from different structural form in all studies of organization theory (Wood, 2005: 270).



Figure 5- Proposed model of parametric fit in the research

Based on proposed parametric fit model, it was assumpted that as governmental companies are involved less in rules and procedure in comparison with governmental organizations and they are having less vertical formalization, centralization and complexity. It was predicted that at governmental companies' level, the intensity of these variables for the companies with technical-engineering nature is more than the companies with economical-social nature. In other words, due to routine and relative stability of technical –engineering duties, it was expected that they have more vertical formalization, centralization and complexity in comparison with economical-social cultural public organizations (Fig. 5). Thus, if public organizations of four clusters have the related structural properties, it can be said that regarding this index, they are fit in terms of parametric design (hypothesis 4).

<u>Hypothesis 4</u>- Public organizations of southern Khorasan province have parametric design fit in terms of the relationship between the type of structure (mechanical/ organic) and structural properties (formalization, centralization and complexity).

In terms of second index, the fit between structural properties of the organization was analyzed with each other (hypothesis 5). In fit structures, there is significant relationship between structural properties. Centralization increase can lead into increase in vertical formalization and complexity. On the other hand, it is expected that by increasing spatial complexity, centralization and formalization will be reduced.

<u>Hypothesis 5</u>- Public organizations of southern Khorasan province have parametric design fit in terms of the relation between structural properties with each other.

## **RESEARCH METHODOLOGY**

Considering the variety and heterogeneity of research statistical population, to take a suitable sampling method public organizations of southern Khorasan along with conceptual model of the research are classified into four clusters, then, according to group sampling method in proportion to population members of cluster volume, corresponding ratio was selected as sample volume. Classification of public organizations with sample volume of each of clusters is shown in the following table.

Duties nature Legal nature	Technical-engineering	Sample volume	Economical-social cultural	Sample volume
Governmental company	Regional water company, water and sewage company in the province, electricity distribution company in the province, oil company in the province, Gas company in the province, Telecommunication company in the province	192	Islamic Republic News Agency, Province insurance companies, Carpet company in the province, international fair companies in the province, Post office, Institute for the Intellectual Development of Children and Young Adults in the province.	134
Governmental organization	Road and Transportation's general office in the province, natural resources general office in the province, renovation general office, province development and equipment of schools, Housing and urbanization in the province, industry and mines organization in the province	164	General office of tax affairs in the province, general office of physical education in the province, custom office, martyrs foundation organization in the province, general office of Islamic guidance and culture in the province, trading organization in the province, general office of welfare in the province, labor and social affairs organization in the province, governor office, security and prisons organizations in the province, cultural heritage and tourism organization in the province, Education organization in the province.	500

 Table 1- Distribution and volume of statistical sample

In order to collect required information, four questionnaires are used. As questionnaire of "Mechanical and organic evaluation of organization "designed by Sashkin & Morris evaluates staffs perception of the organization, the mentioned questionnaire was distributed among statistical sample staffs. In this questionnaire, the higher score indicates more mechanical nature of public organizations. To evaluate the amount of complexity, formalization and centralization of the organization structure. This questionnaire was distributed at "managers and deputies of financial administrative unit", "centralization" questionnaire to evaluate decentralization of low managers among deputies and managers of town units and "formalization "questionnaire to evaluate authority of staffs in doing their duties. In order to calculate validity of instruments, Cronbach's alpha is use. The mentioned coefficient for questionnaire of mechanical- organic limit of the systems was 0.76 % and regarding evaluation questionnaire, complexity, centralization were respectively, 0.78%, 0.73% and 0.76%. The obtained data were analyzed by SPSS software and two sample t test, Pearson correlation coefficient and ANOVA analysis.

#### **Research analysis**

In the current research to investigate the relation between structure nature and legal nature of public organizations, two-sample t test was used (table 2). The results of the research considering the fact that Sig=0.007 is smaller than the value of  $\alpha$ =0.05, supported the research hypothesis. Thus, at confidence level 0.95, we can say that the structure nature is being influenced by legal nature of the system (Supporting hypothesis 1).

	Leven's Equality of	Test for Varaiance	e t-test for Equality of Means						
	F	Sig	t d.f	d.f	d.f Sig(2-	Means	Std.Error Difference	95% Confidence Interval of the Difference	
					taneu)	Difference		Lower	Upper
PATENT Equal Variances Assumed	.334	.568	2.910	27	.007	1.35	.465	.399	2.308
Equal Variances not Assumed			2.818	20.985	.010	1.35	.480	.355	2.353

Table 2- two independent sample t-test

Also, to evaluate this assumption that mechanical or organic level of organizational structures is affected by the nature of systems duties nature or not, two sample t test is used (table 3). These hypotheses are supported when the mean of scores in governmental companies and organizations active in economical-social cultural field is more than technical-engineering companies.

 $H_0: \mu_{soc} \leq \mu_{eng}$  Organic level of governmental companies active in economical-social cultural affairs is equal or less than that of governmental companies active in technical-engineering companies.

**H**<sub>0</sub>:  $\mu_{soc} > \mu_{eng}$  Organic level of governmental companies active in economical-social cultural affairs is more than that of governmental companies active in technical-engineering companies.

**H'**<sub>0</sub>:  $\mu_{soc} \leq \mu_{eng}$  Mechanical level of governmental organizations active in economical-social cultural affairs is equal or less than that of governmental companies active in technical-engineering companies.

**H'**<sub>0</sub>:  $\mu_{soc} > \mu_{eng}$  Mechanical level of governmental organizations active in economical-social cultural affairs is more than that of governmental companies active in technical-engineering companies.

The results of statistical analysis of governmental companies and governmental organizations supported research hypotheses (H1). Considering these results at confidence level 95%, it can be claimed that mechanical or organic amount of governmental public organizations are influenced by their legal nature.

As it is shown in the mean column of the following table, organic level of governmental companies active in economical-social cultural affairs is more than that of technical-engineering companies and mechanical level of technical-engineering companies is more than that of economical-social companies (supporting hypothesis 2).

Legal nature of public organizations	Duties nature of Public organizations	Number	Mean	SD	T-test statistics	Critical value	Result
Governmental companies	technical-engineering affairs	6	41.53	1.09	-0.428	1.812	supported
*	Economical-social affairs	6	41.18	1.68			
Governmental	technical-engineering affairs	12	43.08	0.63	-0.871	1.753	supported
organizations	Economical-social affairs	5	42.55	1.28			**

Table 3- two independent sample t- test to evaluate second research hypothesis

Considering the support of hypotheses (1) and (2), it can be claimed that contingency fit is occurred when there is fit between the type of structure, legal nature of the system and its duties nature. The structure nature can be defined from very organic to very mechanical and according to the related questionnaire, 10-19 score indicates "very organic" structure, 20-29 score "organic", 30-39 score "Mechanical" and 40-50 score "very mechanical". As it is shown in mean scores columns of the above table, the structure of all public organizations of southern Khorasan province are of "very mechanical "type. This means that only governmental organizations active in economical-social cultural affairs are contingency-fit. Thus, hypothesis (3) is rejected. Because having very organic structures is only acceptable for 17% of public organizations of the research.

On the other hand, to evaluate parametric design fit in terms of fit between the type of structure and structural dimensions, correlation coefficient test was used (table 4). The statistical findings showed that there is significantly positive association between mechanical nature of the structure of public organizations in the province

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and formalization at confidence level of 99%. In other words, mechanical/organic level of the mentioned systems is mostly influenced by their formalization degree. This is while; according to Khandwalla, mechanical nature of the structure is mostly affected by centralization (http://www.imaginary.dk). Thus, hypothesis (4) is rejected.

Structural	Number	correlation coefficient	coefficient of determination $(\mathbf{P}^2)$	T-test	Critical	Result
component		(K)	(K )	statistics(t)	value	
Vertical division	29	0.282	0.080	1.53	±2.36	(H <sub>1</sub> ) is rejected
Horizontal division	29	-0.142	0.020	-0.74	±2.36	(H <sub>1</sub> ) is rejected
Spatial division	29	0.037	0.001	0.192	±2.36	(H <sub>1</sub> ) is rejected
Centralization	29	0.270	0.073	1.457	±2.36	(H <sub>1</sub> ) is rejected
Formalization	29	0.488	0.238	1.905	±2.36	(H <sub>0</sub> )is supported

Table 4- correlation coefficient test to evaluate parametric design fit of structure type and structural dimension

Also, based on the results of variance analysis of structural variables, it can be said that at confidence level 0.97, vertical division mean and at confidence level 0.995 formalization mean of governmental companies are different from governmental organizations. It means that vertical division and formalization are affected by legal nature of public organizations. This value is less in governmental companies in comparison with governmental organizations. On the other hand, spatial division at confidence level 0.957 is being influence by reciprocal influence of legal nature of public organizations and their duties nature. Spatial division degree of governmental organizations is more than that of governmental companies and at public organizations level of technical-engineering is more than that of economical-social and cultural systems (table 5).

variance analys	is test to evaluate	parametric uc	sign ne ni terms o	i ne between s	ti uctui	ai vaii
structural variables	Changes source	sum of squares	Degree of Freedom	Means squares	F	Sig
Vertical division	Legal nature Duties nature Reciprocal influence Error Sum	7.038 0.552 4.966 33.083 1872	1 1 1 25 29	7.038 0.552 4.966 1/323	5.319 0.417 3.753	0.030 0.524 0.064
Horizontal division	Legal nature Duties nature Reciprocal influence Error Sum	0.259 1.845 1.413 30.533 841	1 1 1 25 29	0.259 1.845 1.413 1.221	0.212 1.511 1.157	0.649 0.230 0.292
Spatial division	Legal nature Duties nature Reciprocal influence Error Sum	9.602 1.962 24.665 135.667 2017	1 1 1 25 29	9.602 1.962 24.665 5.415	1.773 0.362 4.555	0.195 0.553 0.043
Centralization	Legal nature Duties nature Reciprocal influence Error Sum	29.889 0.025 8.294 318.573 27211.415	1 1 1 25 29	29.889 0.025 8.294 12.743	2.346 0.002 0.651	0.138 0.965 0.427
Formalization	Legal nature Duties nature Reciprocal influence Error Sum	197.020 14.104 34.575 516.360 84301.278	1 1 1 25 29	197.020 14.104 34.557 20.654	9.539 0.683 1.674	0.005 0.416 0.208

Table 5- Variance analysis test to evaluate parametric design fit in terms of fit between structural variables

Regarding second index, parametric design fit evaluation, the significant relation between vertical centralization, formalization and division was not supported (Hypothesis 5 rejection). While it was expected that by increasing horizontal division, centralization is reduced and the results didn't support this hypothesis. Of important points is the positively significant association between horizontal and vertical division. This is while according to structural theories, this negative association between them. But the relation between horizontal and spatial division and negative association between spatial complexity and formalization were supported, although this relation was not significant (table 6).

structural variables	Statistics	Centralization	Vertical division	Horizontal division	Spatial division	Formalization
Centralization	Correlation coefficient	-	0.081	0.022	0.057	0.290
	Significant level	-	0.675	0.911	0.770	0.127
Vertical division	Correlation coefficient	0.081	-	(0.387)*	(0.640)**	0.042
	Significant level	0.675	-	0.038	0.000	0.827
Horizontal division	Correlation coefficient	0.022	(0.387)*	-	(0.637)**	-0.180
	Significant level	0.911	0.038	-	0.000	0.351
Spatial division	Correlation coefficient	0.057	(0.640)**	(0.637)**	-	-0.244
	Significant level	0.770	0.000	0.000	-	0.202
Formalization	Correlation coefficient	0.290	0.042	-0.180	-0.244	-
	Significant level	0.127	0.827	0.351	0.202	-

Table 6- Correlation coefficient test of parametric design fit evaluation based on internal fit of structural variables

\*\* Correlation is significant at 0.01.

\*Correlation is significant at 0.05.

#### Conclusion

In near future, considering the dominance of new governmental management attitude and practice, governmental organizations are faced with competitive environment inside and outside the governmental sector. This challenge requires that governmental organizations provide necessary measurements to make their performance more dynamic and better. Here, the basis of organizational structure of governmental public organizations on fit principle can play an important role here. As the results of the research indicated all the public organizations of the statistical population were having mechanical structure that indicates the lack of their external or contingency fit. But the important point in mechanical level of public organizations is the degree of "Formalization". The lower the amount of formalization, the lower mechanical level of the structure. Low level of mechanical nature of governmental companies in comparison with governmental organizations have more legal freedom (Less formalization), and this is the main reason. Also, governmental organizations. Although this ratio was not significant statistically. On the other hand, in internal fit aspect or parametric design, the lack of fit between different structural variables is completely obvious. The lack of significant association between formalization, centralization and complexity on one hand and positive significant association between vertical division, horizontal and spatial division indicates this misfit.

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