

A Contingency Theory Revisited: The Operational and Environmental
Uncertainty and Leadership

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Abstract

Leadership as a complex social construct has been studied practically in all social and organizational sciences and has been considered as a driving force of both psychological and organizational transformation. A more recent emphasis by many business scholars on this transformational aspect of an organization moved to an extreme and assumed in their writing that the ‘old way’ of doing things is no longer effective and all organizations need to adopt a change, and leaders are and should be a change agent for such an inevitable organizational change. Such a monolithic assumption and an untethered push for a dramatic change without considering the operational and environmental circumstances could possibly move an organization in the wrong direction and potentially create unwarranted conflict and frustration within an organization. We suggest instead that organizational leaders should closely evaluate and comprehensively understand their organization’s operational reality and business environment and adopt different leadership styles appropriate for their internal and external context. We propose that when the external business environment is highly dynamic and unexpectedly changeable and thereby the internal operations need to adapt to their rapidly changing and extremely uncertain environment, the change oriented leadership be appropriate. We propose, conversely, that when their business environment and operations are relatively less changeable and easier to predict though potentially complex, the administrative leadership style should be more effective than the change leadership. Higher educational institutions fall in this type of relatively predictable environment and complex but manageable operations, whereas the information technology industry falls in the other contingency of highly dynamic and unpredictable environment and thereby in the contingency of highly uncertain operational predictability. Even banking institutions experience significantly higher amount of uncertainty lately compared to relatively predictable change of the

higher educational institutions. We develop a comprehensive theoretical model relating operational and environmental uncertainty to two proposed leadership styles, administrative and change-oriented leadership. We will also propose an empirical study to test this new contingency theory of leadership and to test the new measures of leadership constructs to be developed for their reliability and validity.