
In a historical analysis of 100 large U.S. firms and an in depth study of DuPont, Sears, GM, and Standard Oil of N.J., Chandler determined that an organization's environment affects the type of strategy it selects. The strategic plans in turn determine the type of organization structure. An organization in a stable environment should adhere to its strategic plans and be structured mechanically while a firm in an uncertain environment should follow a strategy of diversification and organize in a decentralized organic fashion.

Environment → Strategy → Structure

Source: Gannon, M.J. Management: An Organizational Perspective.