

## 2.9: Contingency and System Management

### Learning Objectives

1. Understand how contingency and systems management transformed management thought.

The 1950s and 1960s saw the establishment of two schools that competed with and complemented the scientific management and human relations approaches. The first school of thought was the systems school. Some of the leaders of the systems school were Kenneth Boulding, Daniel Katz, Robert Kahn, and Ludwig von Bertalanffy. These men came from diverse disciplines (psychology, economics, sociology, and even biology) and attempted to explain how external factors determine managerial outcomes (Boulding, 1956). The major purpose behind systems school research was to understand the external conditions that organizations face and how to handle these conditions. The major overview of the systems theorists was that firms were an **open system**, that is, a system that interacts with its environment. In this case, the environment interacts with the firm in that it provides and accepts valued resources from the firm. For instance, Apple gathers the raw components of an iPhone. Through knowledge, procedures, tools, and resources, Apple takes these components and creates something of value for its customers, after which the consumer purchases the final product. In addition to providing financial resources to the firm, customers provide the firm with information—namely whether they like the product enough to purchase it.

The issue that systems management raises is that the managers' actions are the products of outside factors. For example, if you are a human resource manager, your actions are determined by employment law. The law requires corporations to have tests that are both consistent and reliable. When a manager violates this law, the firm can expect a lawsuit. Likewise, the laws of supply and demand determine the salary range a firm will offer job applicants. If the firm pays above market, it can expect its pick of the best candidates; if it is below market, it may have difficulty finding quality workers. From a strategic perspective, how firms compete against each other will be determined, in part, by the general external environment. For example, Apple's ability to sell iPhones is constricted by outside factors, including technology, suppliers, customers, and competitors. Every Android phone sold limits how many iPhones Apple can sell.

The other school that made a contribution to management thought during this time was the contingency school. Before the development of the **contingency school**, management scholars sought the one best way of managing. The contingency school changed this by proposing that there are no universal rules in management. External and internal factors create unique situations, and each situation requires a different response. What is the most appropriate response in one situation may not work in another. The key statement of the contingency school is "it depends." One of the major theorists in this school is **Joan Woodward**, a British scholar who did her work in the 1950s and 1960s (Woodward, 1970). She argued that contingencies, such as technology, affect how much training workers should receive. For instance, one of the major themes in management today is that workers should be well-trained. Woodward would argue that for low-tech jobs, this might not be the case, but training would be a necessity for jobs requiring quite a bit of technology.

### Modern Management

From the 1970s to the present, we have seen the various management schools of thought interwoven. One of the major approaches in modern management is the development of managerial theories. When people hear the word theory, they usually assume that it refers to something impractical and disconnected from real life. The reality is that theory is a prediction and an explanation. Since the 1970s, the concept of theory has entered into the management literature, leading to more rigorous research (Sutton & Staw, 1995). The body of knowledge explored in this book about concepts such as strategy, organizational behavior, human resource management, and organizational theory has many roots in the 1970s. For example, when you get to job design, you will learn about the Hackman and Oldham model of job design, which was first proposed in 1975. Management has been enriched over the last 40 years by contributions from researchers in allied fields such as economics, psychology, and sociology.

Based on the theoretical research of the last 40 or so years, scholars such as Stanford University's Jeffrey Pfeffer have now proposed the idea for evidence-based management (Pfeffer & Sutton, 2006). The idea is to recommend managerial practices that have been tested. In many ways, this brings us back to Taylor and the need for science-based management. Once again, management thinkers are seeking to use formalized research to eliminate bad management techniques that have been recommended over the last several years.

Exhibit 2.6 indicates how each of the thinkers we discussed in this chapter relates to the others. From Taylor and others, we learned about the basic outcomes of human resource management, control, and some aspects of motivation. From Fayol and Barnard, we

began to develop concepts related to strategic management and authority. Mary Parker Follett provided insights into leadership. Elton Mayo and his colleagues launched the field of organizational behavior, and their work continues to have an impact on the fields of motivation, stress, and job design. Weber gave us the start of organizational design and the importance of authority.

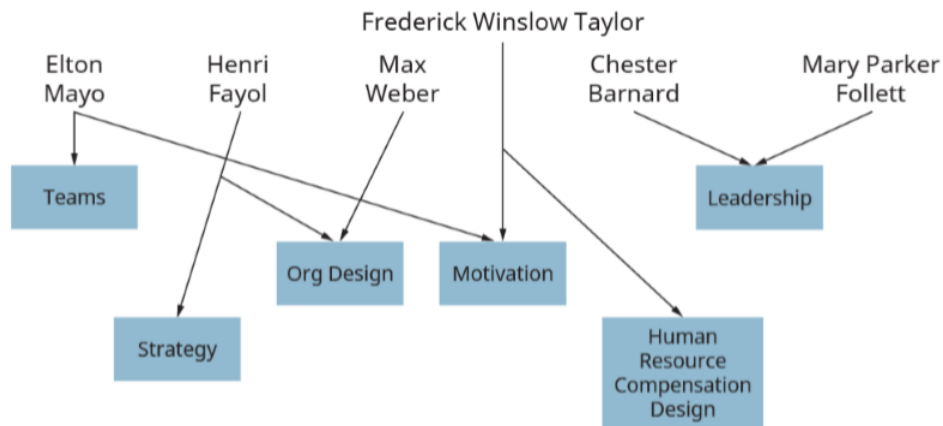


Exhibit 2.6 The Development of Management Thought (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

### ? Concept Check

1. What is the going contribution of systems and contingency management thought?
2. What is the idea of evidence-based management?

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