

5.6: Modern Management Theories

Learning Objectives

- Differentiate among modern team management theories

These early scientific and humanistic approaches to managing people gave way to more studies on how to achieve more productivity, efficiency and profit. Those theories and findings became the basis for further learning.

Systems View

The systems view of management suggests that organizations are a complex collection of interrelated parts, working toward a common purpose.



In the systems view, a system is defined in two ways: externally, by its purpose and internally, by its subsystems and internal functions.

Externally, the concept dictates that each system has a role to play in the system at the next level up. For instance, a company that makes boxed macaroni and cheese creates its product for the system at the next level, the boxed macaroni and cheese market. The boxed macaroni and cheese market impacts the next level systems, like the food industry.

Internally, the system view looks at subsystems and internal functions. Each of these systems interrelates and contributes to the overall purpose of the parent system. So, the accounts receivable and accounts payable departments contribute to the overall purpose of the finance department, which contributes to the overall purpose of the organization and so on.

Managerially speaking, an organization looks to the system above it in the hierarchy to define its purpose, and then organizes its subsystems to serve that purpose. A manager's duty is to operate the systems in his charge to support the larger systems.

Contingency View

The contingency view of management suggests that the effective management of an organization depends on various factors that cannot always be predicted with certainty. If a manager is going to be successful he or she must understand the different aspects of an organization and the factors which can affect performance.

What kinds of variables affect the performance of an organization and its workers?

For one, an organization's size is a contingency factor. Small organizations can behave informally and are often more flexible than larger organizations. They can make decisions faster, and managers have direct control over processes. Large organizations require indirect control mechanisms, and they can't change direction quickly the way a smaller organization can. But they can have divisional structures with workers that are highly specialized, and this may not be appropriate for a smaller organization. The size of the organization, however, may not always be a predictor of performance.

For example, another contingency factor may be environmental change and uncertainty may also impact the way an organization is managed. A organization with centralized processes works best with a stable environment. Certainty and predictability allow an organization to create policies, rules and procedures to fit the way they do business. An organization with decentralized processes is an advantage when there's a unstable environment. Organizations in an unstable environment need to be able to respond quickly to changes, thus they require specialization for non-routine tasks and problems.

Work technologies have an impact on organizations as well. The technology to do the work impacts the type of worker that needs to be hired, the span of management to manage those workers, and so on.

What about customer diversity? Globalization? A business must adjust for all of these contingencies as well. The contingency view is based on the idea that there's no one best way to manage an organization, and that managers should be ready to adjust to different situations as they present themselves. Conversely, researchers suggest that managers themselves perform differently in different situations, and their success is as much situational as it is based on their talents and behaviors. We'll talk more about that in a future module.

Chaos View

Chaos theory is a scientific principle that describes the unpredictability of systems, such as weather patterns, water flows and, if you're a Steven Spielberg fan (the movie director), the actions of human-engineered dinosaurs. Although they appear to be chaotic behaviors, they can be defined by mathematical formulas and are not as random as one might think.

Chaos management views pick up where contingency views leave off. In the early 1980s, Tom Peters, management guru, wrote a handbook explaining the Chaos Theory, specifically intended for managers. In it, he emphasizes that managers must be prepared for a constantly changing environment.

According to Peters, changing global environments and technology are evidence of chaos, and businesses should not just observe them without response. Peters suggests that the permanently installed hierarchical structure is a cause of inflexibility in organizations that's damaging. Not only should organizations be flexible with their structures, but they should be prepared to achieve their organizational results in a variety of ways.

The secret to capitalizing on the chaos view is a customer-responsive approach. Peters suggests that organizations review their vision and mission, and be open to and willing to embrace change.

Practice Question

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