Methods and concepts in management: significance, satisfaction and suggestions for further research — perspectives from Germany, Austria and Switzerland

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Considering the number of management concepts and methods that are created, published and promoted it seems possible to create breakthrough initiatives every day. Unfortunately some of them are ephemeral fads with little effect on business success.

Based on a survey of 114 German, Swiss and Austrian consultants, this paper tries to help managers to determine which concepts will be of significant importance in the coming years.

The authors argue that shareholder value is out, strategic planning makes a comeback, downsizing, lean management and TQM were themes of the last century, knowledge management has to become more user-friendly to survive, and process management and CRM gain in importance.

Introduction

Strategic management is characterized by continuous change. Shareholder value, core competencies, knowledge management, the balanced scorecard and TQM are but a few of the trends which strategic management has surfaced in the past few years. The number of tools and methods exceeds the ability of most organizations to experiment and implement successfully.

In America alone managers spend more than $1 billion on management books (Ford et al., 2003; Micklethwait and Wooldrige, 1996). Only a small percentage of these books are written by serious management academics, with the vast majority of successful books written by consultants and managers. In Germany the situation is very similar. Twenty years ago, 60% of the books published by the
German publisher Campus were written by academics, while in 1997 their share was only 11%. At the same time the number of books written by managers rose from 0% to 11%, and the share of consultants rose from 25% to 55% (Ernst and Kieser, 2000). Academics’ criticism comes hardly as a surprise. They argue that practitioners are interested in fast solutions rather than systematic and fundamental concepts which increase competitiveness in the long run (Ford et al., 2003). Practitioners are faced with the challenge to maintain an overview and decide which concepts and methods they should focus on. Managers have the responsibility to implement those methods and tools which have lasting positive effect on their business. Unfortunately many of the concepts are short-lived.

The empirical study reported here was initiated with the objective to help managers in the process of selecting the tools and techniques that would be of value to them. Based on a survey of management consultants, the future significance of various management methods and concepts in practice, the satisfaction of companies with these methods and concepts, and the need for further development and research is identified.

**The research**

A total of 114 German-speaking consultants were contacted. They received a questionnaire allowing the researchers an analysis of 20 selected management methods and concepts. Future trends and the depth and significance of these concepts were the main aspects on the research agenda. Management consultants were the target group of the survey, based on the assumption that their role in suggesting and implementing new concepts is not only crucial, but forces them to anticipate customer needs and to become experts in such methods and tools.

**Method**

The survey was conducted via the internet. Consultants first received an email containing a link to a website with a questionnaire which was active for 10 days. Consultants from Germany, Switzerland and Austria were in the target group. To gain access to a representative group of consultants, members of the institutions representing consultants in all three countries were contacted.

**Selection of management methods and concepts**

The selection of management methods and concepts was based on Rigby’s work (2001, 2003). Rigby stated that in his work:

*Tools are selected for inclusion in or exclusion from the survey based on their relevance to senior managers and the degree to which they can be measured. We assess relevancy through a number of methods; the usage and usage trajectory of tools for which we have data; literature research to track the number of mentions of specific tools each year; the input of senior business executives and professors of leading business schools and the discretion of the author.* (Rigby, 2001)

As stated above, 20 management methods and techniques were chosen. Consultants were asked the following questions:

1. How important will the following management methods and concepts be in the next five years? (1 = very important, 5 = not important)
2. How satisfied are customers with the following management methods and concepts? (1 = very important, 5 = not important)
3. How much need do you see for further development of the following management methods and concepts? (100%-scale)

**Results**

A total of 114 questionnaires were returned (equivalent to a 13% response rate). The number of returned questionnaires was similar in all three markets (each country being coded as a market: see Figure 1).
In terms of expertise from the sectors represented, the returned questionnaires deliver a balanced view. Consultants appear to deal equally with areas such as finance, organizational change, strategy, marketing and information technology (IT). Human resource management (HR) is the only exception, with a reduced activity level (see Figure 2).

Consultants were asked to rank the different concepts on a scale from 1 (=unimportant) to 5 (=very important).

Figure 3 shows how they judged management methods and concepts according to their future importance. Strategic planning was ranked as a clear leader, followed by process management and customer relationship management (CRM). On the other side of the scale shareholder value management, downsizing and total quality management (TQM) were reported to be of little or no importance in the next five years.

Consultants gave similar responses when they were asked how satisfied customers are with the tools available (see Figure 4). Once again strategic planning gets the top ranking, followed by process management. Core com-
Figure 4. Companies' satisfaction with management methods and concepts.

Figure 5. Importance performance analysis.

...petencies scored third position. At the bottom end of the scale, shareholder value management occupied the last position again.

Based on a visualization of satisfaction and relevance in a two-dimensional matrix, four groups of management methods and concepts can be defined. Figure 5 shows the four groups described below.

High-performer. Strategic planning, process management and core competences lead...
on both dimensions. They appear to be the focus of attention over the next five years. In contrast to many management fads they can have a deep and lasting effect on structures and processes.

**High-potential.** Knowledge management falls into this category. Frequently unchallenged in terms of importance, knowledge management runs into considerable difficulties when it comes to implementation. Whether the tool will climb from high-potential to high-performer in the next five years remains an interesting question. In the same category is customer relationship management. Seen as an important tool it scores low on companies’ satisfaction.

**Standard.** A number of concepts and methods score high on satisfaction while they are not deemed to be particularly important. They are, in effect, part of the standard repertoire of corporate strategy. The application of these tools can indeed be useful, but they appear to be only loosely related to attaining competitive advantage. Vision and mission, re-engineering and the balanced scorecard fall into this category.

**Management fads overdue.** TQM, lean management and downsizing were popular in the 1990s. Fading interest suggests that these fashionable tools have been downgraded to a fad. Shareholder value and pay for performance are part of this dimension as well.

Management methods and concepts that can be applied universally are rare exceptions. In most cases continuous improvement and optimization are necessary. Furthermore, each company and situation is different, which makes a universal approach almost impossible to attain. Consultants were asked which tools should be developed further from a methodological perspective to increase the chances for successful implementation. The results are straightforward, with knowledge management taking a clear lead (see Figure 6).

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**Management methods that can be applied universally are rare exceptions**

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**Conclusions**

The results of this survey can be summarized in five, partly provocative conclusions. They will be explored in more detail below.
1. Shareholder value is out!

For all the recent hype about shareholder value, almost no value for shareholders has been created! This is particularly true for pure internet companies where it has taken such firms less than five years from being portrayed as the major engines of growth, to being the major cause of mischief for investors and analysts. Bearing this in mind, the most obvious result of our survey is less of a surprise. Consultants neither expect the shareholder value concept to be of great importance in the next five years, nor are they satisfied with the tool.

Starting in the 1980s, American companies adopted a view that value creation and value maximization for shareholders should be a primary goal. Many European companies were critical of this approach, seeing it as ignoring social objectives and considerations. As Calori and de Wood explain:

*Europeans have never fully adopted the simplistic approach of Milton Freeman, who claims that the only social responsibility of business is to make money.* (Calori and de Wood, 1994)

In Germany, shareholder value maximization is a hotly debated issue (Jörg et al., 2004; Wagner, 1997) and can be traced back to the beginnings of German management science. Eugen Schmalenbach, one of the first and most influential German management researchers, stated at the beginning of the last century that the purpose of science is not to focus on the interest of the providers of capital but rather on how firms establish their social productivity (Wagner, 1997). Furthermore, German law, which entitles employee representatives to sit on the firms’ governing boards, reflects the assumption that the firm’s interests are interpreted as being those of all stakeholders.

While American companies are generally perceived as being at the forefront of the shareholder value movement, European and Japanese corporations are often more wedded to the stakeholder approach (Hinterhuber et al., 2002; Witt, 2004; Yoshimori, 1995). In order to maximize value creation, stakeholders need to be consulted and persuaded to take the prevailing management viewpoint. Being guided solely by the desire to satisfy shareholders is often counterproductive to the creation of long-term competitive advantage, and may lead to an erosion of a company’s market value.

Collins and Porras conducted a major research project on long-term success (Collins and Porras, 1998). Based on a survey of 700 American CEOs they identified 18 ‘visionary companies’. Over a period of 60 years these visionary companies outperformed the general market by a factor of 16 and direct comparison companies by a factor of 6. Profit and shareholder value was not the main strategic driver here. While these companies generated superb returns for their shareholders, they were guided by different principles that they were willing to uphold even when they experienced a measure of competitive disadvantage. These companies had a clear understanding that a complex organization can only survive and thrive if stakeholders are properly managed.

A second major contribution to understanding long-term success comes from de Geus (1997). His work is based on research undertaken at Shell, exploring the question of which major companies managed to survive longer than the integrated oil major that was reaching its 100th anniversary at the time. Yet again shareholder value was not among the factors cited.

In contrast to the shareholder value model, the stakeholder model takes the interest of different groups into consideration, recognizing that the overall objective of a corporation is sustainability and viability for its long-term development and growth (Halal, 1996; Hinterhuber and Krauthammer, 1998). Managers face a challenging task in a stakeholder oriented company:

*Corporate managers are dependent on stakeholders because the economic role of the firm is to combine as effectively as possible the unique resources each...*
stakeholder contributes: the risk capital of investors; the talents, training and efforts of employees; the continued patronage of customers; the capabilities of business partners and the economic infrastructure provided by government. The need for capital is essential of course, but the contributions of other stakeholders are no less essential. Because companies are socioeconomic systems, these functions are all essential as the diverse organs of a body. (Halal, 1996)

A study based on a survey of leaders in the USA, Britain, Germany and Japan underlines the different orientation in the Anglo-Saxon world (Yoshimori, 1995). Yoshimori sees a strong shareholder orientation in the USA and Britain, while Germany and Japan are much more stakeholder orientated. Given the option of either laying off workers or lowering dividends, 90% of CEOs questioned in the USA and Britain would rather start a redundancy round. In Germany and Japan, however, the surveyed leaders preferred to lower dividends, with 60% responding in Germany and some 97% in Japan. Deciding on a preference for shareholders or stakeholders, the situation again appears similar. Some 75% of US CEOs gave priority to shareholders, while in Germany 82% and some 97% in Japan stated that they prefer a stakeholder approach.

Short- and long-term value creation, however, depends to a great extent on how companies manage their stakeholders (Mintzberg et al., 2002). Capitalism, which does not take ethical and social values into account, is a poor foundation for society. In an interview with the Academy of Management Executive, Henry Mintzberg put it this way:

We are certainly seeing some of the trend toward shareholder value in Europe. I don't know whether they'll wake up and realize what nonsense shareholder value really is, or whether they will keep pursuing it until people are out in the streets protesting. It is a philosophy of greed, not a philosophy of large institutions serving society as well as their own particular needs. It's anti societal and the only advantage to it sweeping through Europe and Japan is that it will decrease the damage of our own nonsense in North America. So if others are stupid enough to do it that will only help North American business. (Mintzberg, 2000)

The seminal and acclaimed work of both de Geus (1997) and Collins and Porras (1998) proves that successful companies go far beyond the interest of shareholders. In doing so they create lasting success for all stakeholder groups.

2. Strategic planning makes a comeback!

Downsizing, lean management and restructuring have been important in the past few years. In an economic climate characterized by crises and the effects of globalization, this is hardly surprising. Increasing competition has forced many companies to pay more attention to their bottom line and cut costs, and many have tried to make short-term gains with operational measurements. Downsizing and lean management were meant to help withstand the storm. Today the first signs of an upward trend can be seen, with consumer spending remaining high and confidence rising: corporate investment has increased and profits are once again returning. In this atmosphere companies start to remember that there are few examples in history where greatness was achieved through cost savings. Of course, continuous improvements to reduce costs are necessary, but what makes better sense is to plan for the future and to look forward and develop new concepts. This seems to account for why strategic planning is making a comeback. An annual survey conducted by Bain and Company, one of the most influential strategy consulting firms, reached the same conclusion:

Surprisingly, given the pressure to control expenses, executive's choice of tools shows
a clear bias toward growth over cost cutting. The message: moving ahead, not retrenching, is critical to control your destiny... Overwhelmingly, senior executives favored tools that help sharpen strategies and prepare managers for an increasingly hard road to growth. Proven disciplines like strategic planning and core competencies drew raves once again for helping companies stay on course. (Rigby, 2003)

3. Downsizing, lean management and TQM were themes of the last century

Downsizing is often seen as a quick way to increase shareholder value (Kieser, 2002). A well-staged announcement of a major redundancy round is almost as important as the actual staff reduction. Starting in the USA, where 10 million people were made redundant since 1979 (Budros, 1999), the downsizing wave has also reached Europe in the past two decades. It is seen as a method to increase a company’s market value and competitiveness. Four main factors appear to support this trend (Kieser, 2002):

- Introduction of new technologies
- Rationalization of overheads
- Deregulation and privatization
- Increasing pressure from shareholders and the rise of shareholder value management

Introducing the term lean management, consultants have played the main part in a process which made mass layoffs socially acceptable. Furthermore, a number of empirical studies have shown that downsizing does not produce the desired effect of making a business more efficient in the long run (Cascio et al., 1997). Cascio and colleagues studied 5000 cases of downsizing in more than 500 American companies and observed that those companies which made more than 5% of their staff redundant were not able to increase their performance in terms of return on assets (ROA). The stock market, however, reacted positively with downsizing exercises making stocks rise. The authors conclude that the gains from downsizing do not make up for the lost jobs. Other studies show that downsizing has a negative impact on the motivation of employees, innovation, organizational learning and knowledge management (Dougherty and Bowman, 1995; Kieser, 2002).

Another tool which appears past its prime is total quality management. As a reaction against strong Japanese competition, American corporations started to seriously explore process and product quality. They introduced management methods which were characterized by customer orientation, process orientation, continuous improvement, employee orientation and the deployment of cross-functional teams. The various methods and tools were pooled together under the term TQM and gained enormous endorsement with General Electric (GE)'s Six Sigma program being the most prominent and copied by many other corporations. Sigma is a statistical term that measures how far a given process deviates from perfect. The central idea is that if the number of mistakes can be measured, then it may be possible to arrive at a situation where no mistakes are made. GE claims that Six Sigma has changed their corporate DNA and it now shapes the way they work (Harry and Schroeder, 2000).

Despite prominent companies such as GE promoting TQM programmes, the hype was further fueled by initiatives such as the Malcolm Baldrige National Quality Award in the USA and the European Quality Award, as well as ISO 9000. Overall the results have been mixed. GE's impressive growth indicates a positive impact, while other programs appear to be less successful.
Central to TQM is the assumption that customer satisfaction is the starting point for the development of products and services. This assumption is based on a multidimensional understanding of what constitutes quality. The basic frame is: Quality $\rightarrow$ Satisfaction $\rightarrow$ Business Success.

These relations were tested in a number of studies. In their meta analysis, Capon, Farley and Hoenig quote 20 studies which claim that there is a positive correlation between quality and success, at least in terms of return on capital employed (RCE) (Capon et al., 1990). Based on an analysis of PIMS data, Buzzell and Gale conclude that compared to their immediate competitors, companies with a higher product quality achieve a higher return on investment (ROD) (Buzzell and Gale, 1987). More recently, however, TQM has been subject to increasing criticism with many researchers asking whether TQM really is responsible for considerable improvements. A survey conducted by Ernst & Young and the American Quality Foundation in the USA indicates that TQM has no positive influence on a company’s success (American Quality Foundation, 1992). AT Kearney and Arthur D. Little, two leading strategy consultants, independently presented similar results with some 80% of the 100 British companies questioned stating that there was ‘no significant impact as a result of TQM’ and almost two thirds of the 500 US companies declaring ‘zero competitive gains’ (Anderson et al., 1994).

Other work, however, argues that total quality management has a positive impact on a company’s success. Hendricks and Singhal (1997, 2001) showed that the share price of companies which received quality prizes performed better in the long run than the share price of those that did not. The contradicting results seem to indicate that there is no simple relation Quality $\rightarrow$ Success $\rightarrow$ Business Success. Considering the complexity of TQM concepts this criticism needs to be reconsidered. Quality is certainly a success factor, but the complex approach of TQM appears to be too ambitious for many corporations and produces disappointing results.

4. Knowledge management is not going to survive the next five years if it is not supplemented by hands-on tools!

Knowledge management developed in the mid-1990s as a response to the advance of the knowledge society. Businesses need to concentrate on allocating their knowledge resources in order to produce the highest yield (Drucker, 1997). A knowledge-based view was established with the focus on knowledge as a valuable strategic resource (Grant, 1997). The knowledge-based view is seen as an improvement of the resource-based view, with knowledge being a fundamental component of competitiveness.

While the knowledge-based view prompted a debate about what knowledge actually is, how it is developed and how it can be transferred in businesses, the obvious danger is that everything happening in a company is seen as relevant knowledge. In order to make sure that ‘knowledge is important’ is not the only conclusion management can draw, new tools need to be developed. Originally most tools were driven by information technology, but their use is limited when it comes to knowledge. The various aspects of this unique resource need to be taken into consideration when new tools are developed. Compared to information, knowledge presupposes values and beliefs and is closely related to human action (Tsoukas and Vladimirou, 2001). Knowledge is therefore grounded on personal judgements and tacit commitments. For the development of tools this definition is too vague. A more concrete definition of the term can be based on the following five criteria:

- Knowledge needs to be understood as a process of knowing in which the two complementary dimensions — explicit and implicit knowledge — need to be integrated.
- Knowledge develops while practicing it.
- Knowledge is constructed by the active parties in a specific situation.
The interaction and cognition of the people involved is central for development and exchange of knowledge.

Language not only transports knowledge it is an impulse as well to develop new knowledge and thinking.

The first criterion points at the different knowledge dimensions. Besides the obvious explicit dimension there is always an individual implicit dimension which is not articulated (Polanyi, 1985). Consequently it is not enough to capture the explicit part of knowledge in a tool. Knowledge as understanding and recognition operates at different levels of consciousness. Knowledge management therefore needs to concentrate on knowing as a process. Other than understanding and recognition this process includes action. Knowledge is closely related to concrete actions, problems and situations and should not be dealt with in separation (Argyris, 1993). Knowledge develops in a situation through the construction of the active parties. Organizations are social systems in which people exchange and develop new knowledge. Furthermore, knowledge is not perceived passively but constructed and developed by active thinking people (Foerster, 2002; Glasersfeld, 2002). People then have to be central to the development of any management tool. Their way of behaviour needs to be explored as well as questioning how they exchange and build up new knowledge (Renzl, 2002). Language is important (Krogh et al., 1996) as it is the vehicle for transporting knowledge. Knowledge management represents a particular challenge for the development of universally applicable management tools.

Compared to the other tools in this study, knowledge management occupies a particularly challenging position. It is perceived as being important in the future but scores very low on satisfaction. Consultants have reported that past implementation exercises have failed to produce the results expected by their customers and it must be questioned whether knowledge, however defined, can be ‘successfully’ managed.

5. Process management und CRM gain in importance!

The increasing alignment of processes with the needs of customers appears to explain the high significance of process management and customer relationship management. CRM is currently one of the most popular management tools. Traditional marketing instruments, often termed transaction marketing (Payne and Rapp, 2003), have several weaknesses (Bruhn, 2001):

- The main target is new customer acquisition
- There is no distinction between profitable and non-profitable customers
- All customers are treated the same way
- The issue of lost customers is not investigated and there is no reaction when customers leave

This is when CRM comes into the picture. CRM should offer tools and techniques which identify profitable customers and help to acquire, satisfy and retain them. The results of our study show that there is considerable need for the development of tools and concepts with consultants estimating that current satisfaction is relatively low. A survey of the Gartner Group shows that 55% of all CRM projects fail to make a difference (Bruhn, 2001).

Rigby et al. (2002) identify four reasons:

- CRM is introduced without a customer strategy. Businesses believe that CRM techniques are introduced instead of customer segmentation, objectives and strategies. No CRM project will, however, be successful if the traditional steps taken in marketing are not done properly simply because no attractive customers were identified and no offers were developed fitting their needs.
Organizational structure does not adapt. CRM demands that business processes and customer strategies fit each other. CRM projects will be effective only after job description, score card, incentives, training programmes, etc. are aligned with customer needs.

- Narrow focus on technology. Many businesses concentrate exclusively on technology and software. They forget that technology and software has only a support function.

- Customers are harassed. Telemarketing, direct mailing, etc. are automated to a large extent, failing to take the segment-specific differences and needs of customers into account. Consequently customers are often annoyed rather than animated to take an offer.

In most cases considerable investment for training and consultant fees are needed to implement new management methods and concepts. Despite these costs almost all companies try to implement and benefit from management methods and concepts.

Concluding remarks

Managers face the challenge to implement the ‘right’ tools and concepts for their organizations. Even if the ‘correct’ tool was selected, there is no guarantee of success. What then distinguishes substantial management methods from fads? This question has neither a simple nor a clear answer. No defined classification of tools is possible, but a serious management instrument usually has particular characteristics that can then be sympathetically aligned to the operating context of the organization, not simplistic concepts based on the ‘one size fits all’ approach.

Biographical notes

Kurt Matzler is a Professor and Chair of the Department of Marketing and International Management at the University of Klagenfurt, Austria. His primary research and teaching interests are in the area of customer value management, resource based view of strategy and knowledge management. Kurt is the author of three books and editor of ten others. He has published over fifty articles in peer-reviewed journals.

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