How do firms adopt, apply and 'root' management concepts?

Working Paper
Institute of Management, University of St. Gallen

Authors (in alphabetical order):

Dr. Christoph Lechner
Kai-Christian Muchow
Prof. Dr. Günter Müller-Stewens

E-mail:
christoph.lechner@unisg.ch
kai-christian.muchow@unisg.ch
guenter.mueller-stewens@unisg.ch

Institute of Management (IfB)
University of St. Gallen
Dufourstrasse 48
9000 St. Gallen, Switzerland

ABSTRACT

Since the beginning of strategic management research numerous concepts (such as Portfolio Analysis, Scenario Planning, Business Process Reengineering or currently the Balanced Scorecard) have been developed and applied by academics, consultants and business practitioners. However, little attention has been paid to the complex processes taking place between concept producers, firms applying a concept and the concept itself. In this paper we describe how firms adopt, apply and root management concepts. We formulate several propositions on the relationship between concept producers and users as well as on the cognitive and political processes within firms. Finally, our propositions are summarized and integrated into a process model of the interplay of some crucial factors during the life cycle of management concepts within organizations.

INTRODUCTION

In the course of the last decades numerous *management concepts* such as Portfolio Analysis, Scenario Planning, Shareholder Value Analysis, Benchmarking, Business Process Reengineering or Balanced Scorecard have been developed by academics, consultants or managers and been applied in managerial practice (e.g. Henderson 1971, Kaplan and Norton 1996). Scientific studies have investigated the diffusion of these concepts in terms of how many firms used them and how many judged them positively (Rigby 1994, Al-Laham 1997). Others recognized the shift from quantitative forecasting and decision methods to more qualitative process-type concepts (Houlden 1985) or studied the diffusion process of software-based tools (Tampoe and Taylor 1996). Some authors also focused on prominent concepts such as Scenario Planing and its application within firms and made suggestions how to fruitfully apply them (Malaska 1985, Schoemaker 1995).

The use of management concepts can vary considerably across firms: Some firms almost totally ignore them. Often these firms experience an overload of daily operational activities and thus lack the time and resources to stay in touch with the current “state of the art” in this field. Other firms, however, are constantly in close contact with concept producers such as scientific institutions or consulting firms and carefully observe new ideas appearing on the market and experiment with them.

Surprisingly, little attention has been paid to the *complex processes initiated through management concepts in firms and their environments:* Why and how do firms seek for new concepts? Why are some concepts broadly adopted while others are not? How are concepts adopted by firms and fitted into their specific context? Are there any feedback-loops between the activities of producers and users of such concepts? Which factors influence the supply and demand for concepts? Who are the dominant promoters of concepts and through which behavioral patterns do they receive or lose their prominent position? How are concepts retained or dropped in firms and why?

In this paper we want to dig deeper into the above mentioned questions. As a *concept* we define *an explicit systematic set of ideas aimed at application in managerial practice and offering support for managerial problems.* Management Concepts are either based on experience gained through an inductive approach or are deductively derived through normative statements. Frequently, a mixture of both approaches is applied following an iterative mode. A concept includes explicit knowledge and encourages the potential users to apply it in their day-to-day actions (Froschmayer 1997, Osterloh and Grand 1994). According to Eppler (1999), management concepts in general rely on *five basic principles*:

- they separate particular issues from more peripheral ones (Categorization)
- they transform situations or sequences into graphic form (Visualization)
- they transform data into manageable pieces of information (Aggregation)
- they provide mechanisms to make implicit knowledge explicit (Elicitation)
- they provide an incremental approach to gain insights into a problem (Guidance).

While our definition includes concepts such as Balanced Scorecard, Scenario Techniques or the Portfolio Analysis, notions like Core Competencies are not included. Only when these constructs are linked to a systematic set of guidelines we consider them as concepts. Otherwise they are only vaguely specified ideas. In our opinion, it is important to make this distinction because within the scientific and managerial discourse, expressions such as *techniques*, *instruments*, or *concepts* are often used synonymously without specifying more in detail their semantic characteristics.

First, several propositions based on theoretical reasoning are suggested. To structure our propositions, we will distinguish between three phases of the use of concepts: (1) During the *adoption phase*, firms are screening the market for concepts and making decisions on either using a concept or abstaining from it (2). In the *application phase*, firms are working with specific concepts, trying to integrate it into their individual ways of thinking and acting. (3) In the course of the *rooting phase*, firms either institutionalize a concept or finally get rid of it. Each of these three phases of the life-cycle of a concept is characterized by specific phenomena which will serve us as the starting point for the formulation of our propositions. Then, we will discuss some implications and draw some conclusions for academics, managers and consultants with regard to the interplay between concepts, concept producers and concept users.

ADOPTING, APPLYING AND ROOTING CONCEPTS

The Adoption Phase: getting in touch with concepts

Activities of firms are usually both guided and constrained by their specific "dominant logic" (Prahalad/Bettis 1986). Cognitive structures which are developed over time based on experience and justification processes determine how an organization perceives its environment, takes its decisions and handles its business activities. As long as these activities run smoothly, the prevailing cognitive structures are not challenged and therefore remain unchanged. They are, in other words, sufficient to maintain the current business model of the organization. However, when crises emerge, well established models of thinking start losing their status of legitimacy within the organization (Hall 1976, 1984) since they no longer provide a platform for coping with upcoming problems and challenges. Consequently, an increased level of management attention for the perceived problem as well as a growing need among organizational members for reduced uncertainty and ambiguity arise. In that sense, the impact of crises on organizational cognition is twofold: *"Once an emergency in the organization has been identified, it generates both information and the demand for information."* (Kiesler and Sproull 1982, p. 562).

In this situation, firms begin to reconsider their approach on how to do business. They start to question their dominant logic, search for more helpful ideas and eventually adopt and experiment with management concepts which they consider as helpful for meeting their specific needs. Crisis cover a broad range of internal or external events. They refer not only to situations when financial figures deteriorate but also include more diffuse situations when managers become aware that developments are on their way that might be detrimental for the organization. This perception can also result from processes of social cognition, i. e. through consensus-building within a management team (Kiesler and Sproull 1982). Hence, regardless whether a crisis is actually existent or rather socially constructed, it can be argued that the probability increases that firms will open up themselves for new ideas. As a result, the perception of environmental change is to be considered as a basic element of managerial behavior in the context of a crisis and as a prerequisite for the adoption of a new concept corresponding to the organization's needs.

P1: The perception of a crisis among managers increases the probability that new management concepts are adopted.

Like any other initiative of corporate change, the adoption of a concept is the outcome of a process of *organizational learning*. However, due to its inherent complexity, this process is subject to the impact of a broad range of situational factors most of which are beyond managerial control (Kirsch 1992). According to Gomez and Müller-Stewens (1994), the success or failure of organizational learning depends on the external as well as on the internal context of the focal organization. The external context includes variables such as rules or structures (e.g. within a given industry) that are largely independent of the organization. In contrast, the internal context is constituted by structures, rules, values, norms, beliefs, as well as knowledge on pure facts and procedures that are to be found within the organization. As far as these elements are shaping the range of possible forms of thinking and acting within the organization, they represent and contribute to organizational knowledge (Strasser 1994). According to Pautzke (1989), the *knowledge base* of an organization is defined as *a network of implicit or explicit assumptions of a collective unit on itself and its environment being developed and justified through organizational discourses*. In this sense, the term is closely related to the notion of organizational memory which is described as *"stored information from an organization's history that can be brought to bear on present decisions"* (Walsh and Ungson 1991). It should be noted, however, that it not only covers the knowledge which is relevant to the specific organizational context but rather includes all elements of knowledge available to and derived from everyday experience of the organizational members.

The adoption of a concept depends, among other factors, on the question whether its underlying assumptions and ideas are compatible with the existing knowledge base of an organization. If they are considered as too exotic or hardly understandable, the concept has little chance to be adopted. The same holds if a firm is lacking the know-how to assess the potential benefits of a new concept. Using a Shareholder Value approach, for example, requires the ability to understand and work with cash flow projections.

However, if the ideas of a concept are not very different from what the firm already knows, its problem-solving capacity is too limited. Therefore, the successful adoption depends on finding the balance between being either too far away from the existing knowledge base or being too close to it offering no new insights. It can be expected that concepts representing this equilibrium are chosen by firms whereas others are neglected. Therefore, it can be assumed that

P2: The more a concept is compatible with the knowledge base of a firm, the better is its chance to be adopted.

Following this proposition, one could assume that the quality of a concept and its underlying ideas are the most decisive factors for the adoption. Concepts which have a high power of persuasion and can demonstrate that they are well crafted to cope with managerial problems should be selected due to these superior properties.

However, the power of persuasion is an important but not sufficient precondition for the adoption of a management concept. With reference to Weber (1963), Kirsch (1997) points out that only where new ideas fit with the interests of and within an organization, adoption will actually take place. According to Kirsch, it is helpful for this purpose to distinguish between the notion of primary and secondary knowledge. Primary knowledge refers to all the ideas that are convincing due to the strength of their underlying reasoning. One could call this persuasion based on the logic and quality of ideas. In contrast, secondary knowledge refers to the social process of persuasion which is influenced by concept producers as well as internal interest groups of an organization. Kirsch argues that in cases of doubt secondary knowledge will be the decisive factor for the adoption of new ideas. In the context of management concepts, this implies that only where interests exist that are tightly linked to the ideas of a new concept the concept has the chance to be applied.

This linkage between ideas and interests has far-reaching implications. First, it highlights that it is not necessarily the 'best' concept (in terms of primary knowledge) that is applied as there is no 'neutral', objective form of evaluation by an organization. Second, it points to the importance of the political processes where divergent interest groups interact (Dutton 1995; Eden 1992).

P3: The better the fit between individual interests and the basic ideas of a concept, the higher the probability that the concept will be adopted.

On the supply side of the market of concepts, the activities of the concept producers also have impact on the adoption of management concepts. In this context, three factors have to be taken into consideration: *marketing intensity, reputation* of the producer and *successful reference cases*.

First, management concepts are broadly marketed nowadays using a wide range of media channels. Whereas journals, books and seminars are rather traditional means, the production of CD-ROMs or distribution via the Internet offer new channels of communication for enhancing the potential user's familiarity with concepts. Corresponding to current marketing practice in the business services sector, it can be assumed that the more intensely and the more completely the whole range of available communication channels is used in order to promote a new management concept, the more widely the public will be reached and hence the more likely the concept is to be adopted.

Second, apart from the intensity of marketing activities, the reputation of the concept producer also has a strong impact on the adoption process. As new concepts in the beginning offer new solutions for managerial tasks the interested firms cannot be sure whether a concept can accomplish its promises. In order to assess a concept from this perspective, it has to be applied and tested by the firm. Due to this causal ambiguity regarding the operational logic of the concept and its problem-solving capacity, the reputation of the concept producer becomes an crucial factor. It is assumed that well-known producers who were able to prove their capability to construct successful concepts in the past will also be able to do so in the present and the future. However, reputation is not a static asset. Each successful concept will add to the reputation of a concept producer and give rise to a self-reinforcing process in which every concept stemming from a renowned consulting company is considered as valuable simply because of the company's reputation. Of course, the same logic can also be applied to the case of a concept producer who on a downturn spiral in which every new concept is automatically regarded as being of inferior quality. Reputation has thus to be seen as path-dependent and is enhanced with each success and diluted by each failure. The more reference applications a concept producer has at its hand, the better the chance for a concept to be broadly used within the adopting organization.

Third, in the adoption phase, the success of a concept and the perceived status and reputation of the concept producer as well as the promoters and intermediaries involved are closely interdependent. Thus, it is often rather the *mise en scène* by prominent consultants or management gurus than the content of a concept that is evaluated while adopting it. Accordingly, meetings or seminars held in order to introduce a concept into the organizational context take the role of *rituals of confirmation* (Kieser 1996). In this context, the ritual aspect helps to attribute a specific normative status to the concept that goes beyond purely rational justification. Of course, even the reputation of a famous concept producer can not guarantee that a new concept will offer the promised benefit. Therefore, successful reference cases giving evidence for the problem-solving capacity of a concept can be assumed to have the strongest external impact on the adoption process.

P4: The higher the reputation and marketing intensity of the concept producer and the more successful case references he can demonstrate, the higher the probability that a new concept will be adopted.

Closely linked to the behavior of concept producers trying to optimize their marketing activities, to enhance their reputation and to demonstrate reference cases is the phenomenon which we label the "impact of benevolent followers." It refers to a set of individuals sharing, among other mutual relations, a positive attitude towards a specific management concept. The social structure emerging from these linkages representing a social network (Tichy et al. 1979, Tichy and Fombrun 1979), either formal or informal, is favorable to the adoption and application of a concept. Correspondingly, *"... an organization is conceived of as clusters of people joined by a variety of links which transmit goods and services, information, influence, and affect."* (Tichy and Fombrun 1979, p. 925). It should be noted that the relationships among individuals underlying the network structure may evolve based on commonly shared experiences (e.g. from the former affiliation with a concept producer) but can also be intentionally installed by the management of a firm (Charan 1991).

As an example, consulting firms often actively try to place former consultants into client firms, both in order to support their careers and to stay in close contact with their clients in order to get better access to potential consulting projects. Employees who formerly worked as consultants have the propensity to promote the adoption of concepts developed by their previous employers but also share a positive attitude towards other new concepts available on the market. The same behavior can be assumed for members of the alumni network of a university. In analogy to Crozier and Thoenig (1976), the adoption of a management concept can thus be interpreted as a result of micropolitical games that are supported, among other factors, by interpersonal relationships going beyond organizational boundaries. Therefore, we can formulate the following proposition:

P5: The more "benevolent followers" of a concept producer are working in a firm, the higher the chance that the concepts of this specific producer are adopted compared to concepts of other producers.

The Application Phase: working and living with concepts

The experiences of firms applying management concepts are quite heterogeneous. Regarding the benefits of application we have to take another look at the notion of the organizational knowledge base. If knowledge is conceived as an ongoing stream of activities within the organization rather than as a static organizational resource (Blackler 1995, Spender 1996), the benefits of a new concept will correspondingly vary according to the dynamics and trajectories of the processes that are constantly reshaping the existing knowledge base of the firm. The value added of a management concept thus becomes a fuzzy and highly firm-specific issue. Why is this the case? Why does a new concept not offer the same benefit to all firms regardless of the specific point of time of their application and the specific knowledge base it is added to?

To understand these issues we have to take a look at the interaction between concepts and the knowledge base of firms. In general terms, we can say that the larger the knowledge base of an organization is the more new insights can be generated. In case of a broad knowledge base, there is not only one link between the ideas of a concept and the knowledge base of a firm but several ones, each offering new insights. In other words, the more an organization already knows the more possibilities it has for fruitfully applying and interrelating new ideas.

The relationship of mutual reinforcement between concepts and the knowledge base of organizations can also be described as a positive feedback loop generating increasing returns as known from the development of new technologies (Arthur 1989, 1994). As a result of the adoption process described above, a concept is chosen from a broad range of available alternatives. Once the choice on a concept is made, however, the variety of possibilities for future organizational evolution is restricted and further decisions on the adoption of new concepts are made on the basis of the knowledge and experience gained through the use of the initial concept. This path dependency is driven by the growing necessity over time to combine the knowledge already developed with new concepts that are largely compatible and incur only low costs of application.

P6: The larger the knowledge base of a firm already is, the more beneficial new concepts are.

The next proposition is linked with the process of “embedding” a concept. Although concepts offer specific guidelines for action, there nevertheless remains ample space for interpretation and adjustment for most of them (Gioia and Chittipeddi 1991; Weick 1995). For example, the axes of a portfolio matrix allow different features, different measurement criteria and different units of analysis. The real form and shape of a concept in managerial practice can therefore significantly differ from the original as well as across firms applying the concept. One could even argue that the most widely disseminated management concepts allow the adjustment to specific organizational contexts and avoid prescriptions limiting the potential range of applications too much.

As already mentioned, the process of embedding a concept – like any effort of organizational change – has to be regarded as highly political, especially if a concept serves as a communication platform on which crucial and far-reaching decisions are taken. Crozier and Friedberg (1979) argue that individuals engage in organizational activities because the organization has an instrumental role for attaining these aims to a degree that would otherwise be impossible. Hence, organizations are described as the result of individual behavior which is basically guided by the pursuit of personal aims of their members but which, as a whole, combines to mutual benefit. Since organizational members are dependent on each other in attaining their goals, they mutually represent “zones of uncertainty” in the sense that these dependencies constrain the range of choice for individual behavior. Thus, the political games of individuals with respect to embedding an adopted concept into the organizational context can be generally understood as an example for the processes of mutual bargaining on the shape and meaning of corporate transformation initiatives (Miele 1998).

P7: The more space for interpretation and firm-specific adjustments a management concept has, the higher the probability that interest groups are shaping and using it according to their particular interests.

The impact a management concept has on a firm largely depends on the question whether it can become a legitimate and widely accepted part of the procedural structure of an organization. This process can fail due to the conflicting interest of partial groups or simply due to the fact that the organization is lacking the capabilities required to work with it. Here, supportive mechanisms such as education programs, the provision of slack resources or the support of experienced advisers are necessary to provide an organization with the required skills. Often firms are not putting enough emphasis on such topics and neglect them. After a short period of time, management attention is then shifting towards other issues, thus implicitly giving a signal to the organization that other priorities rule the agenda.

A further basic precondition for bringing management concepts into the application phase is the availability of platforms for communication and reflection, so-called *arenas of change* (Buschor 1996, Rüegg-Stürm 1998). Their purpose is to provide a basis for the creation of common patterns of communication in the course of the change process which can help the individuals involved to mutually combine and integrate their sometimes diverging perceptions and interpretations about the concept. In order to ensure these functional properties, arenas of change have to be designed according to principles which facilitate experimenting and training. In that sense, they serve as a laboratory for developing and evaluating the concept as a new element of organizational reality. The design of such arenas of change should therefore correspond to the future application of the concept as closely as possible.

P8: The more managerial action is taken to support the introduction of a concept, the higher the probability that it will be broadly applied.

Although most management concepts take some time to be fully understood and integrated into the working mode of an organization, many firms tend to be overly ambitious in introducing many new concepts available on the market at once. Regardless whether these concepts have to be rather considered as "fashions" offering little value added (Kieser 1996; also see Abrahamson 1991, 1996) or whether they can provide a significant benefit to the firm adopting it, several questions arise: What is the appropriate speed for introducing new concepts? With how many concepts can an organization cope at the same time? When is it too much? Are there cases in which a specific time frame cannot be reduced?

Hamel and Prahalad (1989) suggest that in order to attain leadership in competition, firms should set their goals at standards that clearly go beyond current organizational resources. The corresponding managerial task is then to build up and disseminate such an ambition throughout the whole company as well as to create self-confidence among organizational members to deliver even on tough goals. This collective aspiration is labeled "strategic intent" and receives its coherence and shape through an intuitively transparent vision. *"The concept also encompasses an active management process that includes: focusing the organization's intention on the essence of winning; motivating people by communicating the value of the target; leaving room for individual and team contributions; sustaining enthusiasm by providing new operational definitions as circumstances change; and using intent consistently to guide resource allocations."* (Hamel and Prahalad 1989, p. 64).

Closely related to the notion of strategic intent are the concepts of stretch and leverage in corporate strategy (Hamel and Prahalad 1993). Stretch refers to the misfit of organizational resources and ambitions that leads companies with limited resources to leverage instead of simply allocating them by constantly seeking more efficient ways for attaining their goals. However, in the context of the adoption and application of management concepts the question arises in how far stretch can be maintained without exceeding the organization's absorptive capacity (Cohen and Levinthal 1990) that decides on its ability to adequately assess the value of a concept as well as to adopt and apply it in organizational practice.

Here, we argue that the existing knowledge base of an organization has again to be taken into account. The lower it is, the faster an organization will experience an overload of concepts over time. As a result, corresponding projects remain stuck and lose support and legitimacy. However, firms with high professional standards seem to have much less problems applying and testing new concepts. They also seem to have a profound understanding on how many concepts they can introduce and assimilate within a specific period of time.

P9: The smaller the existing knowledge base of an organization and the more new management concepts are introduced, the higher the probability that an operational overload will occur.

The Rooting Phase: institutionalizing concepts or getting rid of them

We called the final phase of the life cycle of a management concept the "rooting phase". In this phase, the concept is either retained, eliminated, or replaced by a competing approach. In general terms, the management concept has either become part of the specific *modus operandi* of an organization and influences the patterns of thinking, communicating and acting in an either implicit or explicit manner, or the company will get rid of it.

Elimination of a concept can occur in situations where a concept which was already successfully fitted into the organizational context is subject to changes of its properties that originally led to its adoption. However, this only happens in few cases in which fundamental issues of organizational structures or processes are concerned. In contrast, a concept already embedded into the organizational context will achieve increased stability over time if the internal organizational environment remains stable as well. The notion of embeddedness is used here with reference to Granovetter (1985) who suggested that all economic activities are embedded in networks of social relations, thus reducing uncertainty of the information economic behavior is based upon. This implies that stable action patterns and structures within as well as between organizations can only exist on the fundaments of personal relationships and mutual trust.

P10: The stronger a concept is "embedded" into the management systems of a firm, the higher the probability that it will remain in use.

With regard to the analysis of networks of social relations, Granovetter (1973, 1982) also introduced the concept of "weak ties", holding that mutual social involvement among personal acquaintances (weak ties) of a given individual is less likely to occur than among his or her close friends (strong ties). As a consequence, the social network relying on strong ties will be more densely woven than the network based on weak ties. Strong ties define a social sphere or clique in which a broad range of tasks, including the formation of individual attitudes and beliefs, is performed. These high-density networks are only loosely coupled with each other by occasionally existing weak ties of individual members of a clique to members of other high-density networks or cliques.

Nevertheless, it is these weak ties which are essential for interchanging and disseminating information throughout the overarching social system. In absence of weak ties, the knowledge base of an existing high-density network as well as the creation of new ideas purely relies on the available knowledge of its members. *"It follows that individuals will be deprived of information from distant parts of the social system and will be confined to the provincial news and views of their close friends"* (Granovetter 1982, p. 106). With respect to the rooting of management concepts within the organizational context, the organization has therefore to find an equilibrium which combines the stability of strong ties supporting the rooting of concepts with weak ties to potential sources of concepts facilitating innovation and the adoption of new ideas.

However, the embeddedness of a concept within the existing organizational network of social relations depends on whether or not the concept is already established as a legitimate element and how many employees were educated with the concept and internalized its basic ideas. The formal rooting of a concept as a management system is of major importance in this context since firms often only slowly change their management systems (Hannan and Freeman 1984).

Hannan and Freeman argue that in situations of diversity of interest among organizational members and uncertainty about means-ends relationships, individual purposeful behavior and organizational performance are unlikely to coincide. Thus, the attempt to cope with environmental change will be rather arbitrary with respect to its future outcomes. In these cases, stable organizations sticking to reliable and accountable patterns of behavior while facing volatile, uncertain environments will maintain a higher degree of viability within their competitive environment compared to organizations undergoing rapid change. Accordingly, organizational inertia or conservatism (Child et al. 1987) – as expressed through the consistent use of a specific management concept over time – can be favorable to the long-term integrity and viability of the organization.

Once a concept has gained overarching legitimate status within the organization, it has a better chance to survive in the on-going processes compared to a concept that is only applied for single tasks. In that sense, the processes of embedding and rooting within the life-cycle of a concept can be seen as path-dependent as well as self-reinforcing.

P11: The longer the duration period of a concept is, the higher the probability that it will remain in use.

Quite similar to the development of technological innovations, the fate of management concepts is often closely connected with the activities of so-called promoters (Witte 1973, Hauschildt 1993) or product champions (Chakrabarti 1974, Howell and Higgins 1990, Pettigrew 1998) fostering and promoting a new concept in all phases of its usage. Their activities are often institutionalized through special projects equipped with abundant human resources and visibly placed into the organization. Depending on the complexity of the concept, the process of rooting a concept can require several types of promoters focusing on its different aspects. According to Hauschildt (1993), organizing for innovation may in general involve up to three types of promoters including power promoters, specialist promoters, and procedural promoters. Whereas the two former roles cover the aspects of power resources and content expertise, respectively, the latter is dedicated to the coordination of the whole process with special attention the specific organizational needs.

However, when one or several of these promoters quit the firm, they potentially leave a power vacuum, and the concept comes into danger of losing support. This risk gives, among other factors, support to the argument for careful succession planning and the tendency to favor homogeneity especially within top management teams (TMTs) in order to avoid major disruptions for the organization (Zajac 1990, Zajac and Westphal 1996). Also, due to the tendency to favor managers newly hired by a firm from outside the organization may, for various reasons, be less interested in promoting the use of a management concept or set different priorities on the agenda. Also, these managers often bring other concepts with them which they had been used to with their former employers, thus transferring them to their new employer and creating competition between various and possibly diverging ideas about the appropriate way of working. In case of emerging critical situations in the application phase in which the concept does not seem to be able to adequately solve a managerial problem, its position in the organization will be further eroded.

P12: The more promoters of a management concept leave a firm, the higher the probability that it will be eliminated

P13: The more new managers enter a firm, the higher the probability that the existing concepts of that firm will be replaced by others.

The supply on the concept market and the impact of external stakeholders on the achievement of the organization’s objectives (Freeman and Reed 1983) also play a decisive role for the evolution of a management concept in organizational practice. The sources of the stakeholders’ potential impact thereby provide the justification for their specific claims to the organization. Thus, the organization is exposed to a constant influx of new concepts developed by consultants or academics challenging the existing ones. The story line mostly follows a typical pattern: first, the shortcomings of old concepts or pressing managerial problems are pointed out in the organizational discourse. Then, the new concept is presented as the logical answer to the identified weaknesses. As a third step, reference cases are presented in which the new concept was successfully applied in practice. Finally, a pilot study is then proposed in order to assess the benefits of the new concept in the specific organizational context.

The diffusion of a new concept is fostered by stakeholders such as financial analysts or fund managers. For example, the financial consulting firm Stern Stewart is actively promoting its concept of Economic Value Added (EVA) among firms and financial analysts. These stakeholders, in turn, urge firms to use it and to drop other concepts.

P14: The higher the pressure of external interest groups to introduce a new concept, the higher the probability that an existing concept will be replaced.

Our final proposition argues that firms which frequently apply and use management concepts in order to solve their managerial problems are more profitable than firms which are characterized by having a low expertise and professional standard in this field. Provided that this proposition would not hold, this would imply that there is no difference between firms working with or without concepts. While this proposition on the first glance seems to be somewhat audacious, it should be kept in mind that if it fails the empirical test most of the efforts undertaken by the scientific and consulting community during the last 30 years would not have been fruitful for managerial practice, since their impact is guided by theories and frameworks which constitute the basic ideas of most management concepts. The proposition also hints to questions such as: What is the relationship between theory and practice? Does theory have an impact on managerial practice and, if so, by which means and with which results?

Since about 1970, the impact of the degree of planning formality in strategic management on organizational performance has been investigated in a large number of studies (e. g. Ansoff et al. 1970, Herold 1972), most of them finding positive correlations. However, some authors, while reviewing the growing amount of literature in this field, also criticized the lack of theoretical and methodological foundation, the often contradictory findings and the marginal relevance for research and management practice to be found in many of these studies (Armstrong 1982, 1986; Shrader et al. 1984; Pearce et al. 1987). From a resource-based perspective, Powell (1992) analyzed the correlation between strategic planning formality and organizational performance in a more refined research design, finding that within industries that showed imperfections on the strategic planning factor market, the degree of planning formality and financial performance of the firms considered were positively related. According to this view, the value of strategic planning tools is dependent on their specific value, scarcity and imperfect imitability (Wernerfelt 1984, Barney 1991, Peteraf 1993), thus implying that, under certain circumstances, their effect on organizational performance could also be nil.

P15: The more management concepts are used by firms and the more expertise they have regarding conceptual tools, the better their financial performance compared to low scoring firms.

DISCUSSION AND CONCLUSION

In this section, some preliminary implications for the development and use of management concepts as well as for future scientific research are drawn. Moreover, we summarize and integrate our propositions into a simple model of the use of management concepts (see Fig. 1) which is aimed at describing the forces underlying the three processes of adoption, application and rooting of concepts taking place within organizations as well as their mutual interrelations and interdependencies. Doubtlessly, the model does not cover all issues relevant to the topic discussed here and thus leaves space for further refinement. However, it should be noted that it is not intended to postulate any developmental law or predetermined sequence of procedural steps with inevitable outcome but is rather meant to provide an integrative overview which could serve as a starting point for a more elaborated discussion of the various issues we presented in this paper.

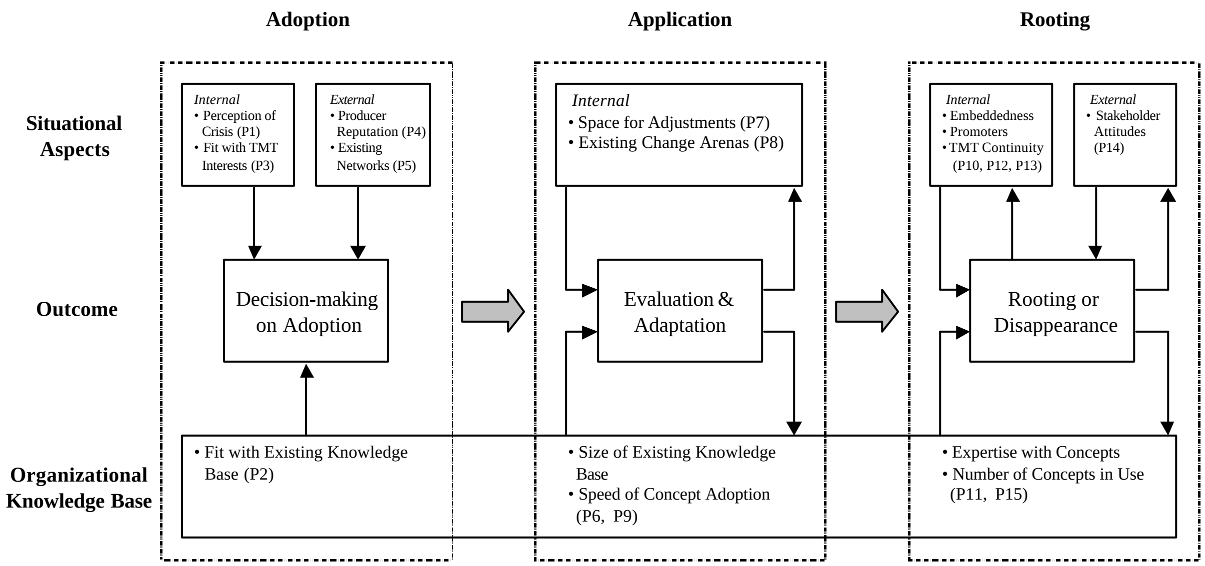

Fig. 1: A framework for the adoption, application and rooting of management concepts

In general terms, we believe in accordance with Pautzke (1989) and Kirsch (1997) that in the context of all these three processes, the organizational knowledge base and its evolution through organizational discourses constitute a factor of overarching importance for the creation and selection of knowledge as well as of norms, values, attitudes and beliefs commonly shared not only within organizations but any social system. With special reference to the issue of the use of management concepts as discussed in this paper, the impact of the organizational knowledge base on the adoption, application and rooting processes as well as the effect of the corresponding feedback-loops from the use of concepts back to the organizational knowledge base is moderated by the influence of range of situational variables in our model.

For reasons of analytical clarity, both internal and external factors should be distinguished here. Whereas external aspects refer to factors which are located in the economic, social, political, competitive and sectoral environments of the firm, internal aspects include structural, political and cultural forces unfolding within the organizational context (Pettigrew 1992). In combination with the organizational knowledge base, these situational aspects jointly help to shape the context for dealing with management concepts and are conversely shaped by them at the same time. Furthermore, this reciprocal causality represents an important explanation for the historical dimension of the path-dependent use of concepts as suggested above.

In this paper, we described the perception of a crisis as a decisive precondition for the initiation of organizational activities of decision-making on the adoption of a specific management concept. Based on their potential fit with the existing knowledge base of specific organization, available concepts are assessed according to the reputation of the concept provider as a well as with reference to previous successful applications in business practice and are finally selected the top management team. Existing personal networks going beyond organizational boundaries help to favor and promote certain concepts in this decision-making process.

The adoption of management concepts can thus be described in terms of unidirectional, mechanistic relations between the impact of the organizational knowledge base as well as situational factors and the outcome of a decision on the adoption of a specific concept. Much in contrast, the subsequent processes of evaluation and adaptation in the application phase are rather characterized by reciprocal relations between the involved factors taking the form of iterative feedback-loops. Also, the processes taking place in this phase are located inside the organization with no significant perturbation by external factors.

Depending on the size of the existing knowledge base and the corresponding absorptive capacity that determines whether the organization can keep pace with the actual speed of concept adoption, the preliminary results of the evaluation and adaptation of a specific concept will alter the organizational knowledge base and thus positively or negatively affect the further application of the concept. Analogously, the concept in its current shape is constantly compared with and gradually modified by the structural aspects of its application (i. e. the existing range of possibilities for adjustments of the concept and the availability of change arenas within the organization) in organizational practice.

As a result of these reciprocal processes of repetitive evaluation and adaptation, a specific concept will be either rooted into the organizational context or either disappear over time. Put differently, their fate is in a way governed by the specific organizational context but is not foreseeable for organizational members. Again, we believe that the course these evolutionary processes take is closely linked to various aspects of the organizational knowledge base, namely the existing expertise with concepts and the number of concepts already in use within the specific organization. Internal situational aspects such as the embeddedness of a management concept in networks of social relations, the existence of promoters of concepts as well as the velocity of membership change among the top management of the firm have to be taken into account here. Also, external factors such as the impact of stakeholder attitudes are relevant in this context.

Implications for the development and use of management concepts

In the light of the propositions made in this paper, it becomes more obvious that on the one hand, the adoption, application and rooting of a new concept in general represents a massive intervention in the on-going process of organizations. On the other hand, it has to be taken into account that these activities give rise to autonomously evolving organizational processes with largely unpredictable outcomes. Thus, the introduction of new concepts into an organization can lead to unexpected consequences as they come in touch with the established operational logic of a social system. Academics and consultants involved in the development and the proliferation of management concepts may find it useful to take this aspect into consideration with respect to issues of implementation.

We therefore suggest that firms should strive to develop capabilities with respect to the dealing with concepts. This would help them to achieve a more mature professional level based on which concepts available on the market could be screened, selected, adopted, applied, rooted or dropped in a more effective and systematic fashion. Furthermore, we believe that such capabilities should be collectively embedded within the organization whereas the activities of concept producers or concept intermediaries could support this process. At the same time, these capabilities would help to provide the firm's management with a conceptual framework for the adoption, application and rooting of management concepts in the sense that these processes could be identified and analyzed within the organizational context according to specific evolutionary patterns, thus reducing managerial uncertainty.

Implications for future scientific research

The adoption, application and rooting of management concepts so far constitutes a scarcely covered research topic. Since these concepts have a strong impact on the on-going process in organizations, we suggest to study these issues in greater detail. The analysis, which is especially relevant in the adoption phase, should thereby encompass the supply and demand of the concept market as well as the interaction between both forces. The political dimension here also holds a prominent position on the research agenda since the interests of the participant individuals guide the overall behavior towards a specific concept. The decision on whether a concept is adopted applied is therefore not to be considered as a purely rational process determined by the problem-solving capability of a concept but rather as a political process following its inherent logic (Eisenhardt et al. 1992).

Similarly, the influence of management concepts on organizational power structures and discourses of power (Gergen 1995) also appears to be highly significant in the rooting phase in view of our analysis. As an example, the reputation of a concept promoter within the organization and the outcome of the adoption of a concept are closely interrelated. This aspect highlights the relevance of the evaluation of the specific power structures and micropolitics within a firm in terms of the use of concepts. We therefore suggest to study what role concepts have in processes of micropolitical bargaining as well as how they are made use of by organizational members with respect to individual or group interests.

When interpreting our propositions in the context of the scientific discourse (Rouleau and Seguin 1995), the search for objective guidelines offering the most efficient and effective approach has to be considered as unrealistic as it rather follows the logic of a prominent scientific “tale” (Derrida 1985; Copper 1989) which is just one among others (Goold and Campbell 1991). Due to the reciprocal relation between management concepts and the factors influencing their use within organizations as suggested in our model, the notion of exclusively rational managerial planning and control should also be abandoned here. Moreover, it becomes clear that the production and application of the constituent ideas of a concept is always embedded in the context of specific interest groups, be it a consulting firm, an academic institution, a traditional manufacturing company or any groups within the organization.

In our view, some other research issues are also worth to be covered more intensively. First, future research should further delve into examining the impact of organizational perception and “languaging” processes on the use of management concepts since they are aimed at triggering changes in cognitive patterns (e.g. Business Process Reengineering, Total Quality Management) and brought forward by language (von Krogh and Roos 1995). Second, research should also attempt to clarify to which extent concepts themselves change organizations. More specifically, we suggest the following issues to be addressed in greater detail:

- What is the impact of management concepts on patterns of cognition, communication and action as well as on institutionalized structures and processes?
- How do concepts help to attain coherence in strategic thinking and acting?

Again, these questions are intended to reflect the reciprocal nature of the causal relations we incorporated in our model.

As a result, we argue that the impact of management concepts on organizational practice is far from trivial. Concepts are increasingly used in business practice for initiating and sustaining organizational redesign within and across industrial sectors and can thus serve as platforms for discussions regarding the future direction of a firm’s development. We think that it is therefore essential to cover this promising field of study with greater attention in future research.

REFERENCES

Abrahamson, E. (1991): Managerial fads and fashions: the diffusion and rejection of innovations. In: Academy of Management Review, 16, pp. 586-612.

Abrahamson, E. (1996): Management fashion. In: Academy of Management Review, 21, pp. 254-285.

Al-Laham, A. (1997): Strategieprozesse in deutschen Unternehmungen. Gabler, Wiesbaden.

Ansoff, H. I., Avner, J., Brandenburg, R., Portner, F. and Radosevich, R. (1970): Does planning pay? The effect of planning on success of acquisitions in American firms. In: Long Range Planning, 3, pp. 2-7.

Armstrong, J. S. (1982): The Value of Formal Planning for Strategic Decisions: Review of Empirical Research. In: Strategic Management Journal, 3, pp. 197-211.

Armstrong, J. S. (1986): The Value of Formal Planning for Strategic Decisions: Reply. In: Strategic Management Journal, 7, pp. 183-185.

Arthur, W. B. (1989): Competing Technologies, Increasing Returns, and Lock-in by Historical Events. In: The Economic Journal, 99, pp. 116-131.

Arthur, W. B. (1994): Increasing Returns and Path Dependence in the Economy. University of Michigan Press, Ann Arbor.

Barney, J. (1991): Firm resources and sustained competitive advantage. In: Journal of Management, 17 (1), pp. 99-120.

Blackler, F. (1995): Knowledge, Knowledge Work and Organizations: An Overview and Interpretation. In: Organization Studies, 16/6, pp. 1021-1046.

Buschor, F. (1996): Baustellen einer Unternehmung: Das Problem des unternehmerischen Wandels jenseits von Restrukturierungen – Resultate einer empirischen Untersuchung. Haupt, Bern.

Chakrabarti, A. K. (1974): The Role of Champion in Product Innovation. In: California Management Review, 17 (2), pp. 58-62.

Charan, R. (1991): How networks reshape organizations – for results. In: Harvard Business Review, September/October, 69, pp. 104-115.

Child, J., Ganter, H.-D. and Kieser, A. (1987): Technological Innovation and Organizational Conservatism. In: Pennings, J. M. and Buitendam, A. (eds.): New Technology as Organizational Innovation. Ballinger, Cambridge (Mass.).

Cohen, W. and Levinthal, D. (1990): Absorptive Capacity: A New Perspective on Learning and Innovation. In: Administrative Science Quarterly, 35, pp. 128-152.

Copper, R. (1989): Modernism, post modernism and organizational analysis 3: the contribution of Jacques Derrida. In: Organization Studies, 10 (4), pp. 479-502.

Crozier, M. and Friedberg, E. (1979): Macht und Organisation – Die Zwänge kollektiven Handelns. Athenäum, Königsstein.

Crozier, M., Thoenig, J. C. (1976): The regulation of complex organized systems. In: Administrative Science Quarterly, 21, pp. 547-570.

Derrida, J. (1985): Die Schrift und die Differenz. Suhrkamp, Frankfurt am Main.

Dutton, J. E. (1995): Strategic agenda building in organizations. In: Shapira, Z. (ed.): Organization decision making. Cambridge University Press, Cambridge.

Eden, C. (1992): Strategy development as a social process. In: Journal of Management Studies, 29 (6), pp. 799-811.

Eisenhardt, K. M. and Kahwajy, J. L. and Bourgeois, L. J. (1997): Conflict and strategic choice: how top management teams disagree. In: California Management Review, 39 (2), pp. 42-62.

Eppler, M. (1999): Conceptual management tools: a guide to essential models for knowledge workers, working paper, Institut für Medien und Kommunikationsmanagement

Freeman, R. E. and Reed, D. L. (1983): Stockholders and Stakeholders: A New Perspective on Corporate Governance. In: California Management Review, 25 (3), pp. 88-106.

Froschmayer, A. (1997): Konzepte für die strategische Führung von Unternehmensverbindungen. B. Kirsch, München.

Gergen, K. (1995): Relational theory and the discourses of power. In: Hosking, D., Dachler, P. and Gergen, K. (Eds.): Management and organization: relational alternatives to individualism, pp. 29-50. Avebury, Aldershot.

Gioia, D. A. and Chittipeddi, K. (1991): Sensemaking and sensegiving in strategic change initiation. In: Strategic Management Journal, 12, pp. 433-488.

Gomez, P. and Müller-Stewens G. (1994): Corporate Transformation: Zum Management fundamentalen Wandels großer Unternehmen. In: Gomez, P. et al. (eds.): Unternehmerischer Wandel. Gabler, Wiesbaden.

Goold, M. and Campbell, A. (1987): Many best ways to make strategy. In: Harvard Business Review, November/December.

Granovetter, M. (1973) The Strength of Weak Ties. In: American Journal of Sociology, 78 (6), pp. 1360-1380.

Granovetter, M. (1982): The Strength of Weak Ties: A Network Theory Revisited. In: Marsden, P. and Lin, N. (eds.): Social structure and network analysis. Sage, Beverly Hills.

Granovetter, M. (1985): Economic Action and Social Structure: The Problem of Embeddedness. In: American Journal of Sociology, 91 (3), pp. 481-510.

Hall, R. I. (1976): A System Pathology of an Organization: The Rise and Fall of the Old Saturday Evening Post. In: Administrative Science Quarterly, 21, pp. 185-211.

Hall, R. I. (1984): The Natural Logic of Management Policy Making: Its Implications for the Survival of an Organization. In: Management Science, 30, pp. 905-927.

Hamel, G. and Prahalad, C. K. (1989): Strategic Intent. In: Harvard Business Review, May/June 1989, pp. 63-76.

Hamel, G. and Prahalad, C. K. (1993): Strategy as Stretch and Leverage. In: Harvard Business Review, March/April 1993, pp. 75-84.

Hannan, M. T. and Freeman, J. (1984): Structural inertia and organizational change. In: American Sociological Review, 49, pp. 149-164.

Hauschildt, J. (1993): Innovationsmanagement. Vahlen, München.

Henderson, B. D. (1971): Construction of a business strategy. The Boston Consulting Group Series on Corporate Strategy, Boston.

Herold, D. (1972): Long range planning and organizational performance: A cross-validation study. In: Academy of Management Review, 15, pp. 91-104.

Houlden, B. T. (1985): Survival of the corporate planner. In: Long Range Planning, 18(5), pp. 49-54.

Howell, J. M. and Higgins, C. A. (1990): Champions of Technological Innovation. In: Administrative Science Quarterly, 35, pp. 317-341.

Kaplan, R. S. and Norton, D. P. (1996): The Balanced Scorecard - translating strategy into action. Harvard Business School Press, Boston.

Kieser, A. (1996): Moden & Mythen des Organisierens. In: Die Betriebswirtschaft, 56, pp. 21-39.

Kiesler, S. and Sproull, L. (1982): Managerial Response to Changing Environments: Perspectives on Problem Sensing from Social Cognition. In: Administrative Science Quarterly, 27, pp. 548-570.

Kirsch, W. (1992): Kommunikatives Handeln, Autopoiese, Rationalität. Sondierungen zu einer evolutionären Führungslehre. B. Kirsch, München.

Kirsch, W. (1997): Wegweiser zur Konstruktion einer evolutionären Theorie der strategischen Führung. B. Kirsch, München.

Malaska, P. (1985): Multiple scenario approach and strategic behavior in European companies. In: Strategic Management Journal, 6, pp. 339-355.

Miele, Markus (1998): Unternehmerischer Wandel durch Informatikprojekte – Zur Bedeutung von technischen Informationssystemen als Repräsentationstechnologie bei tiefgreifenden Wandelprozessen am Beispiel der Sulzer Thermtec AG. Dissertation thesis, University of St. Gallen.

Miles, M. B. and Huberman, A. M. (1984): Qualitative data analysis: a sourcebook of new methods. Sage, Newbury Park.

Ortmann, G. (1995): Formen der Produktion. Westdeutscher Verlag, Opladen.

Osterloh, M. and Grand, S. (1994): Modelling oder Mapping? Von Rede- und Schweigeinstrumenten in der betriebswirtschaftlichen Theoriebildung. In: Schweizerische Zeitschrift für betriebswirtschaftliche Forschung und Praxis, 48 (4), pp. 277-295.

Pautzke, G. (1989): Die Evolution der organisatorischen Wissensbasis. Bausteine zu einer Theorie des organisatorischen Lernens. B. Kirsch, München.

Pearce, J. A. II, Robbins, D. K. and Robinson, R. B. jr. (1987): The Impact of Grand Strategy and Planning Formality on Financial Performance. In: Strategic Management Journal, 8, pp. 125-134.

Peteraf, M. A. (1993): The Cornerstones of Competitive Advantage: A Resource-Based View. In: Strategic Management Journal, 14, pp. 179-191.

Pettigrew, A. M. (1992): The character and significance of strategy process research. In: Strategic Management Journal, 13, pp. 5-16.

Pettigrew, A. M. (1998): Success and Failure in Corporate Transformation Initiatives. In: Galliers, R. D. and Baets, W. R. J. (eds.): Information Technology and Organizational Transformation. J. Wiley, Chichester.

Powell, T. C. (1992): Strategic Planning as Competitive Advantage. In: Strategic Management Journal, 13, pp. 551-558.

Prahalad, C. K. and Bettis, R. (1986): The dominant logic: a new linkage between diversity and performance. In: Strategic Management Journal, 7, pp. 485-501.

Rajagopalan, N., Rasheed, A. M. A and Datta, D. K. (1993): Strategic decision processes: Critical review and future directions. In: Journal of Management, 19 (2), pp. 349-384.

Rigby, D. K. (1997): Managing the management tools. In: Planning Review, September-October, pp. 20-24.

Rouleau, L. and Seguin, F. (1995): Strategy and organization theories: common forms of discourses. In: Journal of Management Studies, 32, pp. 101-117.

Rüegg-Stürm, J. (1998): Implikationen einer systemisch-konstruktivistischen “Theory of the Firm” für das Management von tiefgreifenden Veränderungsprozessen. In: Die Unternehmung, 52 (2), pp. 81-89.

Schwenk, C. R. (1995): Strategic decision making. In: Journal of Management, 21, pp. 471-493.

Shoemaker, P. (1995): Scenario planning: a tool for strategic thinking. In: Sloan Management Review, Winter, pp. 25-40.

Shrader, C., Taylor, L. and Dalton, D. (1984): Strategic planning and organizational performance: A critical appraisal. In: Journal of Management, 10 (2), pp. 149-171.

Spender, J.-C. (1996): Making knowledge the basis of a dynamic theory of the firm. In: Strategic Management Journal, 17 (Winter Special Issue), pp. 45-62.

Strasser, G. (1994): Change, Organizational Learning and Knowledge Management: Effects of Organizational Knowledge During Change Processes. Working Paper, University of St. Gallen.

Tampoe, M. and Taylor, B. (1996): Strategy software: exploring its potential. In: Long Range Planning, 29 (2), pp. 239-245.

Tichy, N., Fombrun, C. (1979): Network analysis in organzational settings. In: Human Relations, 32, pp. 923-965.

Tichy, N., Tushman, M., Fombrun, C. (1979): Social network analysis for organizations. In: Academy of Management Review, 4, pp. 507-519.

von Krogh, G. and Roos, J. (1995): Conversation Management. In: European Management Journal, 4, pp. 390-394.

Walsh, J. P. and Ungson, G. R. (1991): Organizational Memory. In: Academy of Management Review, 16, pp. 57-91.

Weber, M. (1963): Gesammelte Aufsätze zur Religionssoziologie, Bd. 1. J. C. B. Mohr (Paul Siebeck), Tübingen.

Weick, K. (1995): Sensemaking in Organizations. Sage, Thousand Oaks.

Wernerfelt, B. (1984): A resource-based view of the firm. In: Strategic Management Journal, 5, pp. 171-180.

Witte, E. (1973): Organisation für Innovationsentscheidungen – das Promotorenmodell. Schwartz, Göttingen.

Zajac, E. J. (1990): CEO Selection, Succession, Compensation and Firm Performance: A Theoretical Integration and Empirical Analysis. In: Strategic Management Journal, 11, pp. 217-230.

Zajac, E. J. and Westphal, J. D. (1996): Who shall succeed? How CEO/board preferences and power affect the choice of new CEOs. In: Academy of Management Journal, 39, pp. 64-90.