August 2001

Are popular management techniques a waste of time?

Mario Fernando
University of Wollongong, mariof@uow.edu.au

Are popular management techniques a waste of time?

Abstract

Management by objectives, zero-based budgeting, T groups, Theory Y, Theory Z, diversification, participative management, management by walking around, total quality management, teams, and empowerment. We've seen such popular approaches to management come and go with great regularity. Organizations often appear eager to embrace the newest managerial fads and just as eager to let go of those that lose popularity. Do these popular management techniques really improve an organization's performance, or are they just passing fads?

Disciplines

Business | Social and Behavioral Sciences

Publication Details

This article was originally published as: Fernando, M, Are popular management techniques a waste of time?, The Academy of Management Executive, 2001, 15(3), 138-141. The journal homepage can be found here.

ARE POPULAR MANAGEMENT TECHNIQUES A WASTE OF TIME?

Management by objectives, zero-based budgeting, T groups, Theory Y, Theory Z, diversification, participative management, management by walking around, total quality management, teams, and empowerment. We've seen such popular approaches to management come and go with great regularity. Organizations often appear eager to embrace the newest managerial fads and just as eager to let go of those that lose popularity. Do these popular management techniques really improve an organization's performance, or are they just passing fads?

According to research conducted by Barry M. Staw and Lisa D. Epstein, both of the University of California at Berkeley, the answer may be surprising. Staw and Epstein's study of large industrialized companies in the United States revealed no significant improvement in organizational performance resulting from an association with some popular management techniques. Yet the researchers found other outcomes resulting from organizations' association with these techniques, and their findings provide insight into why these techniques appear to be so popular.

Their study specifically focused on the effects of some of these current managerial practices--TQM, teams, and empowerment--on organizational performance, reputation, and CEO compensation. In addition, Staw and Epstein looked into the ways in which possible social and material outcomes may result from association with these management techniques.

Staw and Epstein studied a number of intriguing questions. For instance, in order to gain beneficial outcomes from these managerial techniques, must organizations show that the techniques lead to improved economic performance, or is simple association with a popular technique sufficient? Does the use of these techniques lead to an improved organizational reputation, irrespective of an organization's resulting economic performance? Similarly, are corporate leaders compensated for

simply adopting such management techniques, or must they actually show improved organizational performance?

The study sample consisted of the 100 largest (in terms of sales) U.S. industrial corporations, based on the 1995 Fortune 500 database, for which data on corporate reputation or executive compensation were available. The researchers used the number of business press references linking an organization to TQM, teams, and empowerment as a measure of the degree to which that organization was associated with a particular technique. Recognizing the importance of a time-lag effect on associating with a technique (the time between a management technique's becoming associated with an organization and the final appearance of its results) the researchers also examined longitudinal data. Measures of corporate reputation, organizational economic performance, and CEO compensation were also included in the study.

Staw and Epstein found very few effects of popular management techniques on organizational performance. This lack of a relationship between the use of TQM, empowerment, and teams was consistent for longitudinal analyses as well. When assessed over one-, three-, four-, or five-year periods, there were no significant effects of these managerial techniques on changes in performance.

The absence of any performance outcomes resulting from these popular management techniques conflicts with recent commentary on the quality movement. Earlier writings indicated that an increase in U.S. product quality was due to TQM programs. Staw and Epstein assert that we still do not know whether these improvements in quality translate into improved economic performance. They do suggest, however, that readers of the business press should understand that the press coverage of popular management techniques used by an organization is not an indication of the financial outcomes (positive or negative) achieved by that organization.

Staw and Epstein recognize that their study does not provide a definitive test of the relationship between management techniques and organizational performance. More supportive results, they claim, might have been found with plant or division-level data. The researchers also recognize that these management techniques might produce beneficial outcomes that are not included in traditional performance measures, such as more satisfied workers, lower turnover, or more ethical work relationships.

The findings also highlight the influence of media exposure on corporate reputation. When the business press associated particular organizations with popular management trends, those organizations were consistently more admired, seen as more innovative, and rated as having higher-quality management.

Staw and Epstein also found that the use of popular management techniques led to increases in CEOs' short-term pay, including salary and bonuses, independent of organizational performance. Are CEOs being rewarded for implementing popular management techniques, even without evidence of improved economic outcomes? Staw and Epstein suggest that corporate boards may be influenced in CEO pay decisions by public perceptions regarding the implementation and use of popular management techniques. Association with current management trends may signal to the board that the CEO is forward-thinking and worthy of a high level of compensation.

According to Staw and Epstein, their findings clearly indicate that organizations pursue goals other than basic financial performance. The outcomes associated with the use of popular management techniques, including enhanced corporate reputation and CEO pay, despite an apparent lack of financial justification for such practices, would suggest that organizations place an important premium on corporate reputation. In fact, the researchers contend that organizations consider

corporate reputation a goal separate and distinct from economic outcomes.

Staw and Epstein's study provides important evidence that organizational reputations, but not necessarily performance, can be improved through association with popular management techniques. Their findings speak directly to the faddish nature of many of these techniques. As Staw and Epstein note, the short life cycles of popular management approaches may be due to the ever-changing nature of social trends rather than objective measures of effectiveness. For both managers and organizational researchers, a healthy skepticism toward unproven management techniques may be necessary.

Source: Staw, B. M., & Epstein, L. D. 2000. What bandwagons bring: Effects of popular management techniques on corporate performance, reputation, and CEO pay. Administrative Science Quarterly, 45: 523-556.

By Mario Fernando, Victoria University of Wellington, New Zealand