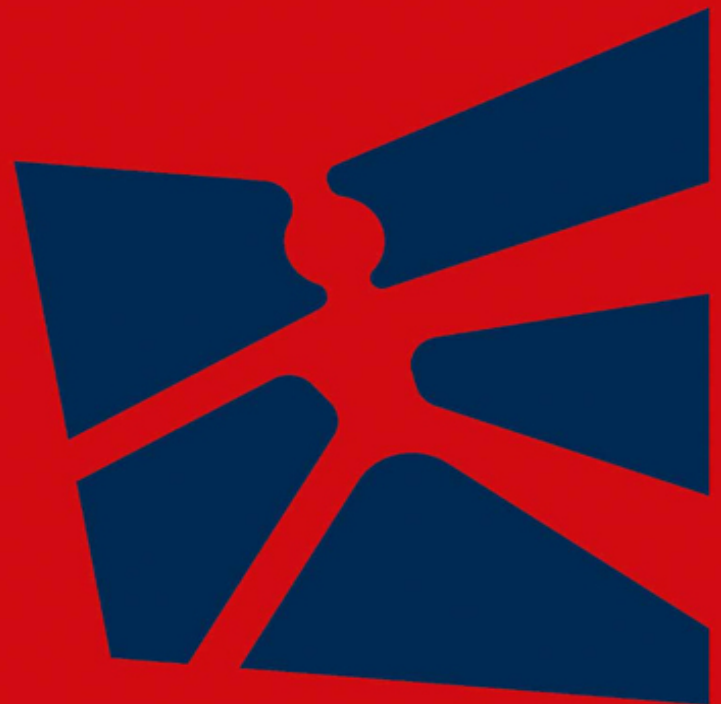


Thomas Bieger
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An Introduction to Management Studies

Based on the
St.Gallen Management Model



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Preface

[5] *Managing* as a task and activity, *management* as an institution, and *managers* as actors are truly fascinating. Management carries both positive connotations — with design, responsibility, competition, and success — and negative ones — with mismanagement, excessive management salaries, or a lack of managerial responsibility.

Various developments shape today's management:

- Professional management is gaining ground: not only in private-sector companies, but also in public administration, churches, and nongovernmental organizations. Managers are either undergoing further training or are being recruited from outside.
- The debate over management long focused on whether it is a science, a profession, or even an art for which people have a talent or not. Today, with the aforementioned development, management seems to be becoming more and more a profession in its own right, characterized by all the features of a professional community, such as its own language, habitus, values, and standards.
- Correspondingly, managers seem to be changing sectors a lot more than previously. In this context, the sector or industry seems to be losing importance as a reference point.
- Management is becoming ever more demanding given the increasing complexity of the global economy,

trends in society, and the demands of the natural environment, technological change, and the associated increase in regulation. Today's world is now often referred to as a "VUCA world," characterized by volatility, uncertainty, complexity, and ambiguity.

- The call for integrative management is thus becoming louder. This integration is required with regard to various dimensions and tensions: from the concerns of different stakeholders to both the different functions in companies and the different time horizons of organizational development.
- [6] With management becoming increasingly important in all areas of the economy and society, and given the increasing need for integration, managers must meet ever greater requirements in terms of responsibility and sustainability. Accordingly, the vision of the University of St. Gallen, which has one of the largest management faculties in the German-speaking world, is: *As a leading business university, we set global standards in research and teaching by promoting integrative thinking, responsible action, as well as an entrepreneurial and innovative spirit in business and society.*

For these reasons, this book does not provide an introduction to business studies, which mainly rests on functional principles. Rather, this book provides an introduction to management, which addresses the specific challenges, fields of tension, and tasks of an integrative management approach. The book builds on the tradition of the St. Gallen management models, which have provided several generations of students with an intellectual map for classifying and addressing management challenges.

This book is a required reading for all first-semester students attending the assessment year at the University of St. Gallen. It thus complements the textbook *Marketing Concept: The St. Gallen Management Approach*, which explores (1) value creation as an objective and as a field of managerial activity and (2) how to design the value chain. The book at hand highlights the management and support processes that every organization needs in an appropriate form. It also embeds management in the organizational environment and its societal demands.

This book emerged from teamwork pursued online during the COVID-19 pandemic. Our goal was to supplement online lectures with a self-study book. Since this is an introductory textbook, it presents topics in simplified form for the sake of didactic clarity. Only the most essential references are provided. The book is available in German and English (the latter version is primarily a translation of the German text).

[7] We have divided this book into six chapters, each corresponding to six lecture modules dealing with two main topics:

1. Integrative Management and Management Models
2. Decisions and Communication
3. Strategy and Development Modes
4. Structure and Culture
5. Leadership and Governance
6. Environment and Interaction Issues

Every chapter contains a short case study with introductory questions. The case studies are all linked to the University of St. Gallen: The companies discussed were either founded or are managed by HSG alumni. Each of these companies faces challenges, and experiences ups and downs. The case

studies are short and thus do not illumine all facets of these companies. Instead, they provide illustrative material as a basis for discussing specific aspects.

Its concise format, practical examples, and topical references also make the book suitable as a “refresher course” for managers or as an introduction for career changers entering management.

The team of authors wishes to thank the over 20 lecturers teaching business studies in the University of St. Gallen’s Assessment Year. We are grateful for their important input. We also thank the pioneers among the HSG faculty — Prof. Dr. Johannes Rüegg-Stürm and Prof. Dr. Kuno Schedler — who used to oversee the lecture series and who have made an essential contribution as well as provided inspiration. Many thanks to Margareta Brugger and Greta Gillet for editing the manuscript, to Barbara Bieger and Jay Binneweg for their attentive proofreading, and to Mark Kyburz for carefully editing the English version.

Bieger, Heer, Kuster, Tuckermann
St. Gallen, July 2021

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1 Integrative Management and Management Models

1.1 Case Study: On

[13] On was founded in 2010 to revolutionize running experience. The idea was radical: soft landings followed by explosive push-offs (on-running.com). The three company founders were united by their love of running. Former professional athlete, three-time duathlon world champion, and multiple Ironman winner Olivier Bernhard came up with the idea of developing running shoes for the perfect running experience, along with Swiss ETH engineer David Allemann and HSG graduate Caspar Coppetti. They were driven by the mission “to develop a product range characterized by Swiss engineering” (on-running.com). Their running shoes are based on a proprietary, patented technology, so-called cloud technology.

The founding team is strongly cohesive, as company outsiders soon realize. It positions its innovative product in a global growth market (running shoes) estimated to have a volume of USD 20 billion per year (Müller, 2015). In doing so, the company pursues its growth strategy through penetrating the European market and through accessing new geographical markets overseas, beginning with a branch in Portland, Oregon (USA). Other target markets include Australia, Latin America, and Asia. To expand its product range, On launched its first clothing collection in 2016. The aim, as with its shoes, was to offer clothes that do not follow fashion and change every season. Despite this expansion, however, the focus has remained on shoes (Iseli, 2017).

On is headquartered in Zurich-West. Indirect distribution is handled by its subsidiaries, which in turn supply specialist retailers. End customers are served by independent specialist stores in the respective countries. On gears its pricing toward achieving premium positioning in its target markets. For example, its shoes are slightly cheaper in the USA than in Switzerland.

On’s business processes are strongly oriented toward outsourcing and long-term cooperation. Design and development are based largely at the

Zurich headquarters. Its shoes are produced by selected partner companies in Vietnam while logistics are handled and scaled by partner companies. On strongly emphasizes ongoing performance innovation. Thus, after developing its original model (“Cloud”), the company soon developed new products, including “Cloudflash,” its fastest shoe ever. In order to cater to new trends, On has [14] also developed specialized trail running shoes and benefits from sneakers becoming everyday shoes.

On’s culture is sporty and creative. The company has no fixed offices and maintains contacts at sporting events. The founders are actively involved in employee meetings (Ruschmann, 2018). On cultivates its stakeholders foremost through personal contacts. Staff must fit the company culture and are addressed personally by the founders at employee meetings (see above). Staff and founders maintain personal contact with purchasers (i.e., specialist retailers) across the world. One example is jointly organized running events such as “Run to Switzerland.” Organized in London, this event involved Londoners jogging together to the Swiss embassy. Other important stakeholders include manufacturers in Vietnam, which are carefully selected and required to meet high quality standards. On also boasts prominent shareholders including Roger Federer. However, the three founders still have unrestricted control over the company (Ruschmann, 2018).

In terms of the St. Gallen Management Model (SGMM), On can be described as follows (for an overview of the SGMM’s task perspective, see [Figure 1-1](#)):

- Environmental spheres: Technological, economic and social environments are relevant, for example, to developing purchasing power in the target countries and to keeping pace with the trend toward running.
- Stakeholders: The main focus is on employees, end customers (runners), and direct customers (retailers). Other important stakeholder groups include service partners (for production and logistics) and financial backers (shareholders).
- [15] Interaction issues: The company’s interactions with other actors (e.g., production partners in Vietnam) involve key issues such as ongoing innovation.
- Business processes: Disruption and differentiation occur along the entire value chain — from product through production to marketing, sales, and organizational form. Key processes: structuring the value creation process through product development and involving production partners; outsourcing production and logistics; distribution

(i.e., imports and market development by subsidiaries); retailing via existing specialist dealer networks.

- Structuring forces: Organizational value creation is structured by various "forces" such as governance, strategy, structure, and culture. In a start-up, corporate governance is typically not yet well defined. At On, it is based mainly on a strong founding team with a clear purpose. On's strategy focuses on innovative running shoes and directly related products such as clothes; growth is achieved through market penetration, market development, and product range expansion. On is a flat and lean organization whose structure corresponds to the value chain. Its culture is innovative and sporty.
- Development modes: Continuous optimization and further development based, among others, on consistent internationalization (due to the small home market Switzerland), as well as on the scalability of systems and processes.

This case study was developed without the involvement of On using generally available sources. It introduces and illustrates the interrelationships within the St. Gallen Management Model.

Key Figures:

- [16] On was founded in 2010 in Zurich.
- Approx. 1000 employees from 50 countries (ca. 40 % based in Zurich; another 5000 staff in outsourced production and logistics).
- International focus, only 5 % of sales in Switzerland; the largest markets are the USA, Germany, Japan, UK, Switzerland, Austria, and China.
- On is one of the fastest growing sports brands in the world; average revenue growth of 85 % per year since 2010.

Discussion Questions:

- A. What key tasks does On's management face in the growth phase described above?
- B. Create a system that describes On's dependencies on environmental spheres and stakeholders (i.e., how these forces impact the company).

1.2 The St. Gallen Management Model as the Basis of an Integrative Approach to Management

[17] Management is an action-oriented science. It deals with the organization and design of purpose-oriented socio-technical systems. Its strong practical relevance means that management science interfaces with a wide variety of disciplines (e.g., economics, law, sociology, psychology, ethics, engineering, and computer science). The term “management” derives from Latin *manus* (hand) and *agere* (to lead). Ultimately, “management” is about goal-oriented leadership. At the same time, “the management” means a community of managers in an organization.

Organizations are embedded in a diverse environment and face the demands of different stakeholders. They also involve division of labor and functionally differentiated value creation. Managers must (1) optimally configure short- and long-term organizational value creation in the face of a constantly changing environment and (2) critically question their own managerial activities in the process. To do so, they need an integrative approach (see [Section 1.4](#)).

The University of St. Gallen (HSG) has long taken an integrative view of management. The St. Gallen Management Model (SGMM) has served as an intellectual map for the academic and practical discussion of management in and of organizations for several generations (see [Section 1.3](#)). Despite the SGMM’s continuous evolution, three elements have remained consistent: environment, organization, management. In the current version of the SGMM (Rüegg-Stürm & Grand, 2020), these elements are structured and detailed according to (among others) the following key categories:

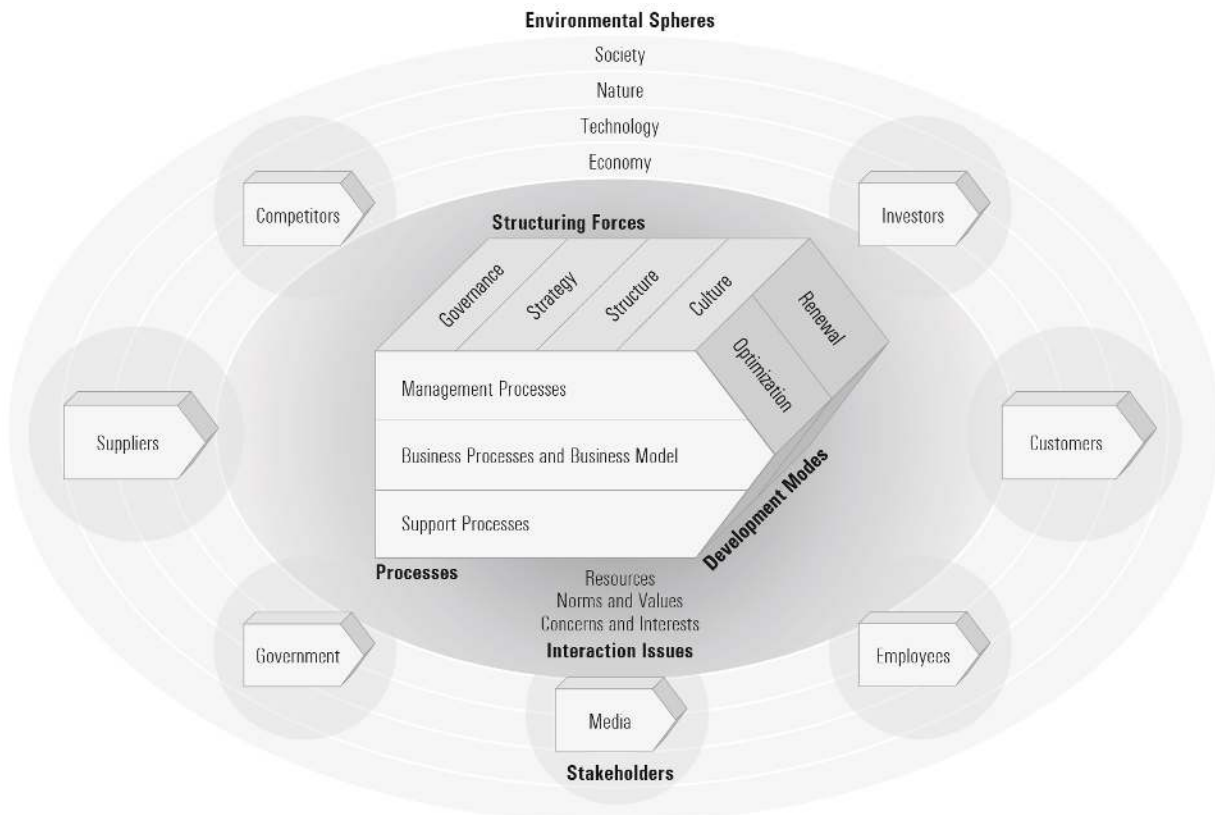
Task perspective:

- *Environment*: environmental spheres, stakeholders, interaction issues.

- *Organization:* processes, structuring forces, development modes.

Practice perspective:

- *Management:* value creation, orientation framework, management practice.



[18] Figure 1-1: Task Perspective of the 2020 St. Gallen Management Model
Source: Rüegg-Stürm and Grand (2020)

The introductory case study (see [Section 1.1](#)) illustrates the key categories of the task perspective ([Figure 1-1](#)). Below, the components of environment and organization are briefly presented as a repertoire for the further discussion of management. In the subsequent chapters, the task perspective is also supplemented by selected terms and concepts of the practice perspective ([Figure 6-1](#)) (for a

comprehensive view of the current SGMM, see Rüeegg-Stürm & Grand, 2020).

Environmental Spheres:

The current version of the SGMM highlights that organizations are embedded in and define their own environment (see [Section 6.3.1](#)). This environment contains different so-called environmental spheres: societal, natural, technological, and economic ([Figure 1-1](#)). The company is influenced by these spheres and in turn influences them. For example, an innovation in the environmental sphere technology (e.g., a newly developed production process) compels the company to change its own production in order to remain competitive. If, for example, [19] jobs are reduced as a result, and if different employee training profiles are required, this in turn impacts the company's societal environment. According to the SGMM, environmental spheres are spaces of opportunity for the company from which opportunities and threats arise. Organizations need the environment and its different spheres to tap the resources they need for their products and services, and that enable an organization to develop strategic competitive advantages. For example, proximity to a research institution facilitates innovation and staff recruitment.

Stakeholders:

Stakeholders are key to the organization's relationship with its environmental spheres (see [Section 6.3.2](#)). They are specific actors (individuals, organizations, etc.) that operate in the environment and place their own demands on the organization. Stakeholder participation (e.g., employees, customers, investors, suppliers, or even the state) is necessary for the company's survival. The most

important task of management is to ensure cohesion among stakeholder groups (see Bleicher, 1991) and, in doing so, also to moderate conflicting goals between stakeholder groups. If, for example, in a crisis situation such as a pandemic, the company comes under economic pressure, management must decide how far it can accommodate employee demands (e.g., job preservation) without, for instance, jeopardizing supplier demands (e.g., cash flow). Because stakeholders are embedded in their environmental sphere, they also represent it. Environmental associations, for example, represent the natural environment; investors, suppliers, and customers the economic environment; the state and media the societal environment. Corresponding relationships with its environment enable the organization to tap the necessary resources via stakeholder groups. Media relations allow the organization to strengthen its reputation while investor relations contribute to raising capital. Good customer relations are essential for selling products and services, stable supplier relations for reliably providing the necessary components.

Interaction Issues:

[20] Interaction issues (see [Section 6.3](#)) are those topics that an organization negotiates with its stakeholders and that represent the organization's interrelations with its respective environmental spheres. For example, natural resources are at stake when a company needs more land to pursue an expansion project. Norms or values are at stake when a company negotiates leadership principles and its future strategic direction with employees. State concerns and interests vis-à-vis investors are at stake when stock corporation law is under review, and thus the voting rights of individual shareholder categories.

Processes:

Processes can be defined as sequences of activities (see [Section 1.5.2](#)). The central processes of companies are business processes (see also Bieger, 2019). These include service creation processes (i.e., what the company actually produces), service innovation processes, and customer processes. The latter comprise customer acquisition, customer loyalty, and reputation processes. Management processes include those processes that serve to steer the company as a system, as well as its relationships with the environment. These require communication and decision-making skills and techniques (see [Section 2.2](#)). Support processes are functions that indirectly support business processes (e.g., financial management processes and human resources processes).

Development Modes:

Because the environment is dynamic, organizations need to keep evolving. In terms of development modes (see [Section 3.7](#)), two types of organizational change are distinguished. One is the continuous optimizing of current operations. The other is renewing the organization or parts of it by challenging the status quo. Optimization presupposes an existing structure, whereas renewal also involves structural change. A production line in the automotive industry, for example, can be improved step by step in terms of throughput times by fine-tuning the individual production steps (grinding, gluing, coating, etc.). However, it can only be changed fundamentally (e.g., adapted and converted to a new propulsion technology such as electric drive) at considerable expense and time. Companies often switch between these two modes. If a value creation system has been reconfigured (renewal), it subsequently requires a phase of optimization and structural stability. In

management, these two modes often occur in parallel. Optimization decisions must be taken while questioning the status quo.

Structuring Forces:

[21] Structuring forces ensure the necessary basic order in the form of governance, a development direction defined by the strategy, an organizational form geared toward strategy implementation, and a system of norms and values defined by the culture.

- *Governance* (see [Section 5.6](#)) ensures the prerequisites for management and strategic capability by defining a suitable company purpose, management resources, division of powers, and processes: Governance defines the roles, rights and duties of management, as well as an organization's normative orientation, i.e. its vision and mission (Rüegg-Stürm & Grand, 2020).
- A *strategy* (see [Section 3.2](#)) can be designed only if an organization's long-term purpose is clear. A sports infrastructure facility, for example, needs to determine whether it is a health or a leisure company. This decision defines the fields in which a strategy is searched for (e.g., identifying new products). The purpose of strategy is to ensure competitiveness. To this end, strategic success factors are developed either within ("inside out," e.g. core competencies) or outside the company ("outside in," e.g. market positionings).
- An organization's *structure* (see [Section 4.2](#)) must be aligned with the strategic success factors according to which the organization needs to define its processes and to design its strategy to optimally support those processes (Osterloh & Frost, 1996). If, for example, a

company defines its ability to adapt service processes as optimally as possible to customer needs as its central strategic success position, it will focus on customer-oriented service processes. Consequently, the organization will need to align itself according to customer groups as its primary ordering criterion, possibly by defining its main departments according to customer groups.

- [22] Structure and *culture* correlate (see [Section 4.6](#)). For example, a strong hierarchical organization results in a culture of control, which in turn impacts the organization's functioning. The culture, in turn, must be consistent or at least compatible with the company's purpose.

These considerations, and the logic of the SGMM, lead to several basic management tasks that every organization must fulfill ([Figure 1-2](#)).

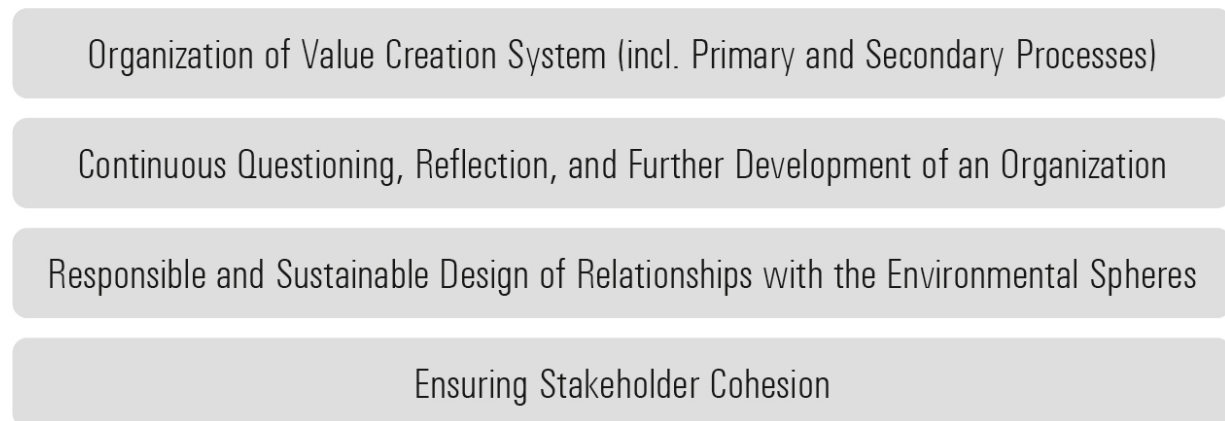


Figure 1-2: Basic Tasks of Management

Source: adapted from Rüegg-Stürm and Grand (2020)

1.3 Development of the St. Gallen Management Models

The latest version of the SGMM (introduced here) continues a 50-year tradition of systematically developing management at the University of St. Gallen. This began with the aspiration to create an “empty” framework in which to create meaning (Ulrich & Krieg, 1972). This framework (or “scaffold”) as such provides a structure for classifying problems and thus facilitates discussion. Like every model, it is a simplified representation of reality that needs to be concretized for the corresponding purpose.

1.3.1 First-Generation SGMM

[23] Already the first-generation SGMM, developed in the early 1970s, was guided by the idea of an open-minded approach to problems rather than a recipe-like imparting of knowledge (Ulrich & Krieg, 1972, p. 9). The model was based on systems-oriented business studies, which conceptualized companies as systems. The authors described systems thinking as holistic, process-oriented, interdisciplinary, analytical, synthetic, and pragmatic thinking (Ulrich & Krieg, 1972). Their approach took integrative thinking into account, while facilitating a cross-functional and cross-subdisciplinary approach to practical issues.