

The New St. Gallen Management Model

**Basic Categories of an Approach to Integrated
Management**

Johannes Rüegg-Stürm



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First published as *Das neue St. Galler Management-Modell* by Paul Haupt Berne (2002)

First English edition published 2005 by
PALGRAVE MACMILLAN
Houndmills, Basingstoke, Hampshire RG21 6XS and
175 Fifth Avenue, New York, NY 10010
Companies and representatives throughout the world

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ISBN 1-4039-3631-5

This book is printed on paper suitable for recycling and made from fully managed and sustained forest sources.

A catalogue record for this book is available from the British Library.

Library of Congress Cataloging-in-Publication Data
Rüegg-Stürm, Johannes, 1961–

[*Neue St. Galler Management-Modell. English*]
The new St. Gallen management model: basic categories of an approach to integrated management / Johannes Rüegg-Stürm.
p.cm.

Includes bibliographical references and index.

ISBN 1-4039-3631-5

1. Industrial management. 2. Management. I. Title.

HD31.R7974 2004

658--dc22

2004050106

10 9 8 7 6 5 4 3 2 1
14 13 12 11 10 09 08 07 06 05

Printed and bound in Great Britain by
Antony Rowe Ltd, Chippenham and Eastbourne

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Preface

Thirty-five years ago, the old business trade school in St. Gallen opened itself up to new horizons, when a group of professors and lecturers under the leadership of Hans Ulrich took a bold and decisive step away from traditional ways of teaching business management and towards an integrated approach to its delivery. The 'St. Gallen Management Model' established a completely new way of training future managers, while also showing the way forward for other institutions and helping the University of St. Gallen (HSG), as it is known today, achieve an exemplary reputation of international standing.

This original St. Gallen Management Model has, even today, lost none of its attractiveness for both students and managers alike. Its clarity, its optimal simplification of complex relationships and its immediate applicability remain unequalled. There are, however, two crucial reasons for presenting additional features here. Both the practice of management and the knowledge about it have continued to develop in many ways. This must be taken into account in designing the model, without permitting faddish trends to dilute the clear basic message.

Thus on the threshold of the new century, the University of St. Gallen (HSG) undertook a fundamental reform of its system of study. On the surface, the introduction of the Anglo-Saxon Bachelor and Master system may be quite innovative. What is far more critical, however, is orienting the course towards 'head, hand and heart' (Pestalozzi) or in today's terminology 'think inter-connectedly – act professionally – convince through personality'. The new St. Gallen Management Model presented here attempts to blend these dimensions and thereby provide students with a comprehensive platform for their education. I thank Johannes Rüegg-Stürm for his commitment and overall supervision in expanding the new St. Gallen Management Model and all participating lecturers at the University of St. Gallen (HSG) for their creative involvement. Of course, I hope that the new system of study will inspire our 'HSG' (as the university is known) just as the quantum leap back then gave the impetus towards an integrated management theory.

*Prof. Dr Peter Gomez
Vice-Chancellor of the University of St. Gallen*

Foreword

In 1998, a group of lecturers from HSG decided to develop a framework that was to underpin a new textbook for an integrated delivery of the school's management education. It would be used as an introductory text in the newly restructured curriculum's first year of study, the so-called assessment level. This endeavour fits seamlessly into the tradition of our university. The *St. Gallen Management Model* by Hans Ulrich and Walter Krieg (1972/74) had already sprung from the desire to offer both managers and students a framework that could integrate diverse management subjects that were progressively developing into separate disciplines. This framework intended to allow complex problems to be seen in their overall context and to be dealt with effectively. By understanding management as *designing, controlling and developing purpose-oriented social institutions*, the aim was to work against a reductionist consolidation of management into a more or less random aggregation of individual disciplines. Assuming that management means primarily *mastering complexity*, an authentic approach to management was created on the basis of testing systems, and cybernetic discoveries and concepts. These insights and concepts met with great uniform resonance in both scientific discourse and in practice. This gave rise to a variety of theoretical research (for example, in St. Gallen by Gomez, 1981; Malik, 1984/2002; Probst, 1981/1987; H. Ulrich, 1978/1987 or in Munich by Kirsch, 1990), of practical applications (e.g. Gomez, 1983; Malik, 1981; H. Ulrich and Probst, 1988/2001, Gomez and Probst, 1999) and of valuable further developments (e.g. Bleicher, 1991/1999; Schwaninger, 1994).

The *St. Gallen Management Concept*, which was developed by Knut Bleicher in the second half of the 1980s and has since been constantly expanded (1991/99), forms a cornerstone of future developments. The concept is a milestone in the development of an holistic, integrated perspective on management. What is especially valuable about it is its careful differentiation between management in normative, strategic and operative dimensions.

The text presented here also lies in the tradition of HSG as a contribution to a *systems oriented management science and education*. In this sense, the new version of the St. Gallen Management Model proposed here can be considered as an organic continuation of the St. Gallen systems approach in three crucial ways:

- First, *ethical normative standards* including *social* and *ecological* responsibility now play an extraordinarily important role in businesses, as well as a careful identification and inclusion of all *stakeholders* (cf. Bleicher, 1994).
- Secondly, this text reflects the significantly increased importance of a *process-oriented perspective* of firms. On the one hand, this is due to *time-based competition* brought about through advances in information technology and, on the other hand, it is because of the increased importance of the *management of social processes*.
- This introduces the third dimension, which can be considered as an expression of an '*interpretative turn*'¹ in the social sciences. There is a growing discourse in the social sciences nowadays proceeding from the assumption that the social order (and reality) of the human world, and thus also the practice of management, is seen to be founded upon *constructing and interpretative social processes*.² There is an attempt to explain this order through careful contextual analyses of complex communicative and relational processes. In the study of management, this interpretative turn is expressed in themes such as *corporate culture* or *symbolic management* – and it is precisely in *change management*, where the implementation of these phenomena significantly determines success or failure.

This text also embodies the framework of the new management studies textbook (Dubs *et al.*, 2004), which is already being used as an instruction tool in the new *assessment level* (the first year of study) at HSG. In this sense, the observations made here provide a short, introductory overview of the *basic categories of an integrated management education* within an overall context for the manager and student.

I would like to thank sincerely everyone who has provided me with valuable ideas and constructive criticism. During the stage of conception, these people were, in particular, *Rolf Dubs, Peter Gomez, Georg von Krogh, Günter Müller-Stewens, Markus Schwaninger* and *Emil Walter-Busch*. During the stage of realisation, *Dieter Euler, Christina Wyss, Matthias von der Heyden, Hans Seitz, Peter Staub* and *Christian Erk* – authors of the many management studies textbook and students from the first generation of our newly restructured curriculum – have given a great deal of assistance.

I would like to give special thanks to both *Peter Gomez*, for his friendly preface and for his untiring support for the entire textbook project, and to my colleague *Peter Ulrich*, who has repeatedly analysed the whole text critically and constructively, and has provided me with extremely important and valuable inputs concerning both the methodology and terminology I have used.

Christina Wyss, doctoral candidate and research associate at the University of St. Gallen (HSG) has greatly contributed to the editing of the final versions of this translation. In cooperation with *Sally Gschwend-Fisher* and *Dominik Reichenmiller*, they cautiously considered the different cultural contexts of language in translation. As a wide range of management science can be considered to be a hermeneutic discipline, this involves transforming implicitly held, yet interconnected assumptions from the German into the Anglo-Saxon culture. I want to sincerely thank *Christina Wyss*, *Sally Gschwend-Fisher* and *Dominik Reichenmiller* for their excellent work. Last but not least, I am deeply grateful to *Nicole Weber*. Her highly competent project management combined with her charming esteem contributed continuously and profoundly to the successful completion of this task.

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Introduction

1.1 Structure and notes for the reader

This first chapter will discuss fundamental aspects about the reason and purpose for a management model and provide a short overview of the theoretical basis for this text. The second chapter reveals our underlying perception that firms can be conceptualised by means of six fundamental descriptive dimensions (basic categories). The following chapters will examine the individual basic categories in more detail.

Important conceptual terms appear in blue – these terms are listed in alphabetical order in the index. The page reference in the index indicates where in the book certain terms are explained in detail. If you encounter an unfamiliar term a glance in the index should prove helpful.