

Management fads and information delays: An exploratory simulation study

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Abstract

Management fads seem omnipresent. Adoption research that focuses on the uptake of change says little about subsequent abandonment behaviors. In this paper a simulation model is developed that extends adoption and diffusion models to consider abandonment from a dynamic perspective. Analysis of the simulation results leads to the conclusion that incomplete information and bandwagon effects can lead to fad-like behaviors.

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Management innovations seem to appear and disappear as a matter of routine. Over the last decade Total Quality Management, Business Process Reengineering, knowledge management and other techniques have been lauded as revolutionary and transformative, only to be subsequently abandoned as impractical or unachievable. Does a systemic rationale for fad behavior exist? Can these systemic pressures be used to stimulate consumer behaviors that generate sustained product adoption, or on the other hand, to maximize the short-term adoption for products that have limited recurring potential?

In this paper I extend a classic model of diffusion to include explicit experimentation and abandonment as well as adoption. This extension provides a platform for consideration of fad behaviors. Dynamic simulation of the model shows how incomplete information and bandwagon effects lead to fad-like behaviors. Analysis of the simulation's results presents interesting directions for future research and understanding of fad behaviors in marketing and managerial applications.

1. What distinguishes a fad from an innovation?

Rogers (1995) defines an innovation as “an idea, practice or object that is perceived as new by... [a] unit of adoption”. In this paper, “management innovation” denotes a change in management practice that becomes available to firms in a market. Firms accept or reject the innovation, creating diffusion behaviors that can be examined over time. This section of the paper examines the diffusion characteristics of several recent management innovations; the motivations that create the behavior are considered later.

What is the dynamic, or time-based, behavior of a successful management innovation? The Bass Diffusion Model (Bass, 1969), though designed for product marketing innovations, has been adapted for discussion of technology innovations (e.g., Mahajan and Petersen, 1985; Rogers 1995). In this approach, an innovation is freely available for transfer across firms and has universal value. Innovations produce benefits for the adopters, which in turn cause others to adopt the practice. At some point the practice becomes commonplace, and the number of new adopters decreases. The resulting level of cumulative adoptions over time is an S-shaped curve, depicting how innovations diffuse across the population of potential adopters. Mahajan and Petersen (1985, pg. 71) present several different mathematical formulations for this model, and trace its successful use for forecasting consumer behavior. They caution the reader to understand the importance of

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rescinded adoptions, the abandonment of the innovation, in future formulations, which is addressed in Section 2, below.

Contrast such prototypical behavior with that of a management fad (Fig. 1). The diffusion behavior of management fads is characterized as having a steep acceleration period, similar to that of the Bass model. In fads, however, the initial surge in adoptions is followed by significant abandonment of the innovation. The final result is a limited sustained effect on organizations and on the psyche of managers.

This fad diffusion curve is consistent with common perceptions of the effects of management innovations. Rigby (2001) reports on a multi-year survey of top managers involved with tool and technique selection. He finds that several highly touted interventions have fallen into disuse. Since 1993, the respondents using Total Quality Management techniques (TQM) fell from 72% in 1993 to 41% in 2000. Business Process Reengineering (BPR) fell from 67% to 38% over the same period. Other techniques maintained their adherents: Strategic Planning, Mission and Vision Statements, and Benchmarking all declined in use over the survey period, but not as dramatically. While the distribution of Rigby's survey frame has changed over time, the presence of complex diffusion dynamics remains (Rigby and Bilodeau, 2005). The business press has become quite cynical in its analysis of innovations, warning of the recent history of great promises and dashed hopes, and the apparent inevitability of this pattern (Anonymous, 1997, 2000; McManus, 2001).

Apologias and explanations for why a particular innovation achieved (or failed to achieve) its objectives abound. For example, the waning interest in TQM programs has been attributed to an absence of good measures of results and outcomes (Hackman and Wageman, 1995), the presence of multiple and conflicting innovation programs (Krishnan et al., 1993), resistance to the organizational and cultural changes demanded by the program (ibid), or underestimating the importance of top management leadership (Choi and Behling, 1997). Zbaracki (1998) presents a bleaker picture of TQM by noting that satisfied users may be defining success to suit whatever outcomes paint their actual results in the best light, rather than against any objective metric. Thus conflicting guidance on what creates success and the lack of a consistent measure of how success is manifested confounds empirical analysis.

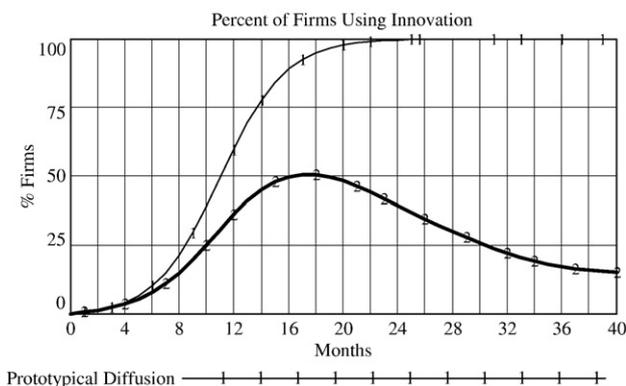


Fig. 1. Behavior of diffused innovations versus fads.

Most, if not all, of these same rationales could be used to explain the rise and fall of Business Process Reengineering. This technique places great value on radical process change, largely enabled by technology (Hammer and Champy, 1993). After generating remarkable excitement, the approach has also fallen from grace. Davenport (1997) argues that BPR failed in many firms because firms failed to consider the secondary effects of consequent organizational disruptions. Clemons et al. (1995) and Huizing et al. (1997) argue that successful re-engineering must be linked to the overall strategy of the firm. The early successful reports from BPR advocates (e.g., Caron et al., 1994) note the importance of senior management commitment. Within a few years, BPR moved from radical innovation to “a charade” (Hope and Hope, 1997), or an excuse for downsizing.

The fad-like behavior of management innovations has not gone unnoticed. Birnbaum (2000) traces the academic literature for seven different management innovations, and finds a characteristic life cycle: Creation of a new approach is followed by advocacy through anecdotal cases. After some time, literature on contradictory anecdotes emerges. At the end of the cycle, attempts are made to resolve the dissonance by pointing to the complexity of the problem, or misapplication of the approach. This consistency leads one to look beyond the merits or failures of any particular tool for fad behavior. David and Strang (2006) note that once the TQM fad nature cooled off, serious practitioners of quality management were able to demonstrate consistent value from the approach.

Abrahamson (1996) applies the metaphor of aesthetic fashion as a basis for management fads. He notes that, unlike decisions about clothing, management adoption decisions are attempts to solve problems rationally, and are therefore subject to scrutiny and pressures for legitimacy. Being in the forefront of management innovation, or at least in conformity with other managers within and external to their own environment, is an important motivator to consider new techniques. This makes these managers particularly vulnerable to the recommendations of trendsetters, such as consultants and business authors, who gain prominence by developing innovational (if not always successful) techniques.

Once a technique has some well-known adherents, pressure accumulates for others to join with earlier innovators in adopting the technique. This acceleration, termed the “bandwagon effect”, is a powerful reinforcing pressure that drives competing firms towards adoption, fearing that they may lose competitive position (Richardson, 1991). Companies associated with popular management techniques were found to be more admired and more highly rated than others, even though the innovative firms did not have higher economic performance (Staw and Epstein, 2000). In addition, adoption of an innovation may be perceived as an assertion of progress and leadership, though managers can fall short when they are unable to enact the change they espouse (Pfeffer and Sutton, 1999).

In an earlier work, Abrahamson and Rosenkopf (1993) use a simulation model to look at bandwagon effects. Their work suggests that innovations that have ambiguous returns will diffuse by bandwagon, even though the overall returns from the

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