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MALIK

|Strategy|

Navigating the
Complexity
of the New World

Management: Mastering Complexity
Volume 3

Fredmund Malik

Strategy

Navigating the Complexity of the New World

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*For the early thinkers on accurate navigation
and reliable strategies for the
Great Transformation²¹:
Aloys Gälweiler, Cesare Marchetti und Sidney Schoeffler*

How I Look at Management

Management is the driving force wherever a number of people pursue common goals they can only achieve by sharing the work and the knowledge.

Management is also the governing body in any institution of society—whether it is a business enterprise, a university, a hospital, a public authority, or any other kind of organization.

It is management's duty to give direction to those managed. This includes thinking through the organization's mission, determining its objectives, and organizing its resources for the results to be achieved.

Management is the organ of society which makes everything function properly.

Right and Good Management, in My Definition, Is...

... the function of society which enables its organizations and systems to function properly

This also includes responsible leadership and governance. It takes right management to effectively transform a society's resources into meaningful results and value. Under this comprehensive concept, management also includes enabling people to make their contribution to the proper functioning of their organizations. As such, management provides purpose, orientation, structure, and performance, thus implementing political and societal responsibility and ethics.

Management—Mastering Complexity

One of the greatest challenges for management is presented by the exponentially growing complexity and dynamic change of today's globally interlinked systems. These profound changes are what I refer to as “The Great Transformation²¹”¹.

Management, in my mind, is *mastering complexity*, which is why I chose this title for my six-volume book series. It is the perspective that provides the most effective access to management in all its aspects and enables us to find the best solutions.

As far as the scientific foundation is concerned, my management systems are rooted in three sciences of complexity: systemics, cybernetics, and

¹ How and why I use the term “Great Transformation²¹” is explained in the glossary section in the appendix to this volume.

bionics. I see systemics as the theory of the coherent whole, cybernetics as the theory of functioning, and bionics—at least the way I use it—as enabling managers to transfer nature’s evolutionary solutions to their organizations in order to maximize performance.

This is what makes my management theory so very different from conventional approaches: It provides clarity where there is currently confusion, contradiction, arbitrariness, and the indiscriminate adoption of management fashions. Above all, I have long taken the subject far beyond the teachings of business theory and business administration, which has led to fundamental management innovations and provided new solutions to a number of management problems.

Management—Operating System for Organizations

In terms of its significance and impact, management is comparable to the operating systems in computers. Just like the proper function of a computer is enabled by its operating system, the proper functioning of organizations is enabled by the “operating system called management.” In my view, right management is the operating system for organizations of any size and kind—a system that is capable of evolving.

Management—Profession of Effectiveness.

Managers are the people who fulfill this function and pursue it as a profession. This includes doing what is right for the organization, and doing it well. That is why consider management to be the *profession of effectiveness* in complex systems.

For people in the 21st century, it is just as important to master the basic skills of right management and self-management as reading and writing have been ever since the 18th century. Today, management is the key competence that makes people employable and effective in organizations. In any organization, accomplishments on the job are predominantly owed to what I call “right and good management”. It is the key prerequisite to ensure that, in addition to economic resources, also things like talent, intel-

ligence, creativity, information, knowledge, and insights are transformed into results.

Management *for people* and management *for organizations* are the dimensions of applying my wholistic management systems. They help create the conditions in which people can transform their strengths into performance, and thus to be successful and to find meaning and fulfillment in their work.

St. Gallen, 2013

Fredmund Malik

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Preface

Strategic Solutions for ^REvolutions

This book describes my strategic solutions for the ^REvolutions of the New World, which—although already under way—have yet to be recognized for what they are. That is why most of the measures taken so far are ineffective, with some even having a destructive impact on society.

What I call the New World will be the result of one of the largest global transformations of business and society that has ever taken place. I call it “The Great Transformation²¹”.²

The New Challenges

This transformation involves the danger of a social meltdown. At the same time, it also offers a chance for a new economic miracle to bring about a better and more humane social order where organizations function reliably.

What particular course this development will take depends, among other things, on the solutions, methods and tools that leadership elites worldwide can resort to in facing these challenges. It depends on which of the solutions at hand they can identify as genuine solutions, and which they ultimately opt for. One thing is certain: conventional means will not suffice to master the complexity of this transformation, as they have caused much of the current global crisis.

² Why and how I have been using this name since 1997 is explained in the glossary section of this book.

A strong driving force arises from the strategic solutions themselves that I am presenting here. They contribute their share so the upcoming revolutions will happen quickly, while—contrary to previous revolutions—manifesting itself as an innovative breakthrough rather than a violent upheaval.

They liberate us from both, long outdated forms of management and organization and the grotesque limitations of today's social and political problem-solving processes.

Since 2011 my “*Manifesto for Corporate^REvolution*” has been laid down in my book *Corporate Policy and Governance*, the second volume in my series *Management: Mastering Complexity*. Many of the developments outlined there—and even before—have meanwhile materialized, first and foremost the beginning collapse of the financial system. Further profound changes, such as in technology and the sciences as well as in people's social value structures—in particular those of the younger generation—, in their perspective on and perception of the world, have progressed to a point where they cannot be stopped anymore, so they should be accelerated instead and directed along more constructive paths wherever possible.

So, what most people believed impossible at the time of the above publications became a reality just a few years later. In 2008 I wrote that knowledge would outrank money and information would outrank power. The ongoing self-destruction of the financial system proves my first point; the ever-increasing global impact of the social media proves the second. Ruling and leading will never be the same again.

The financial crisis itself, however, will not be a central topic in this book. I have published everything that needed to be said in this respect in the course of the past 15 years; now I let the facts speak for themselves. The scenarios I have presented—some of them as early as in the 1990s—have come true. The basic pattern of this development is “deflationary depression”, accompanied by social impoverishment and revolution—that is, unless economists and politicians do a radical rethink and change their course of action. That is why this book is dominated not so much by analyses as it is by solutions and the tools required for implementation.

The Right Knowledge

The knowledge society in the stricter sense is another topic I will not elaborate on here. I have addressed it in my book *Corporate Policy*.

Rather, what I make available here is the strategic knowledge that enables top managers in all kinds of organizations to tackle the challenges of the Great Transformation²¹ reliably, quickly, and effectively. The means to do that are my Management Systems® and the navigation, information, and control systems they include, as well as my strategy concepts and about a dozen new and greatly improved methods and tools.

Many of the pioneers among the top managers applying my management systems are left speechless by the power and speed at which problems are solved and more and more often resolved. Particularly effective are the high-performance processes of the social technology of Syntegration which helps master even huge and highly complex challenges better than ever before.

Just like in earlier phases of epoch-making transformation, almost everything is going to change fundamentally and radically. But while past revolutions were driven by machines, the imminent revolution will be driven by a new functioning of societal organizations, of their management at all levels, of their strategies and methods—including the levers of cybernetic self-organization and self-control.

My cordial thanks go to Mag. Tamara Bechter and Dr. Sonja Böni for their enormously professional support with the new edition of what are so far three volumes of this series. Without their help I could have hardly accomplished the task.

St. Gallen, 2013
Fredmund Malik

The Right Strategy for the Great Transformation²¹

The Great Transformation²¹—as I have been referring to the transition from the Old to the New World—will be larger than any other social transformation we have seen so far, as it will span the entire globe.

The more intensely I studied the effective but also explosive power of the Great Transformation and the relevant strategic solutions, the tighter became the limits of language. Describing the complexity of globally interconnected systems and finding words for the simultaneousness of their change dynamics is just as difficult a task as putting a Beethoven symphony in words. Wherever I turn there is a lack of terms to describe the new, its many forms and dimensions, and above all the enormous speed of change as well as the unknowable that comes with it.

The usual superlatives—all the “super” and “mega” terms—, even if they were not as trite as they are, would never suffice to capture the scope of the Great Transformation. Apart from that, these terms originated in the Old World, so they can hardly convey any more than the Old World’s limited power of imagination. Still, occasionally I have to use these terms for lack of better ones (at least to date).

If, for instance, the new methods introduced in this book enable even the most complex decisions to be taken and implemented 100 times faster, to increase team efficiency by more than 80 times, and to find solutions based on maximum consensus in just three days where even the smallest compromise was previously blocked by social gaps, and if this power of solution has led to success in hundreds of applications, without exception—what terms could be considered adequate for such achievements, when the aim is to describe the new dimensions of effectiveness but avoid both grandiloquence and advertising slang?

Historically, previous transformation of a similar kind—in particular in technology and science—have always spawned a new language because

the new could not be put in old words. In the social and political sphere, however, new terms will often gain ground when the change itself progresses, or even later than that. For instance, people in the Renaissance age did not know they were experiencing the Renaissance—a term coined as late as in the 19th century. And it was more than 10 years after Columbus had landed in “India” (1492), in 1503, that someone else realized that a “mundus novus”, something completely new, had been discovered—a fact that never occurred to the discoverer Columbus himself in his lifetime. Amerigo Vespucci had never set foot on the continent called “America”—which, however, was rightfully named after him, for he was the one who ultimately identified it.

The Revolution in the Great Transformation²¹

The Great Transformation from the Old to the New World will fundamentally—and almost completely—change *what* people do, *why* they do it and *how* they do it. It will also change *who* we are and what concept of the world we have.

It will revolutionize the way society and its organizations function. Functioning twice as well at half the money is just one of many challenges that most people consider impossible to solve—although its solution is already being practiced.

In just a few years’ time it will be with incomprehension and pity that we think back of the sluggish political decision-making processes we have today, of coalitions getting in their own way, of corporate management bodies paralyzing themselves, of slowly moldering change processes, of lethargy and resignation in so many organizations, of monstrous mega conferences that had no impact, and of the cluelessness of global organizations.

With the challenges we are currently facing and which seem to have appeared out of the blue—such as the complete turnaround in energy policy, the rotten financial system, the global debt mountain, and the increasing decay of the social fabric—the limitations of our present problem-solving approaches have become more obvious than ever.

The leaders of these organizations will be pitied and admired at the same time for having given their best and having tried to do their du-

ties even under such inhumane conditions—although their efforts have increasingly failed, as even the most outstanding driver cannot win a race if he is given an outdated car.

Innovative, Intelligent and Right Solutions

At the same time, people will wonder why the new solutions were not made available to those leaders much earlier, in particular as they had long been published by us and applied successfully in hundreds of cases. Anyone who knows these solutions will immediately see how they offer new ways to end crises, and even to use these crises to make inroads into the New World.

For me, the ethical mission resulting from all that is to ensure with all my might that the necessary information about these new, global, society-saving solutions will be spread.

The funds to be freed up by the new solutions—and which are presently and pointlessly tied up in old structures and processes—will be used to create the innovations of the New World, instead of continuing to finance outdated approaches from the previous century.

For instance, one key task will be to establish the new type of high-performance educational institution—preferably outside the current educational system, as this will be the fastest way—and teach the new generation right from the outset of their student careers the leadership skills that, had they been in place, would have had the potential to prevent the current calamity. They include wholistic and networked thinking, familiarity with systemics as the science of entities, practical application of cybernetics as the science of functioning, and the ability to leverage bionics by using evolution's best solutions to innovate societal organizations.

This would strengthen our social solution intelligence by several orders of magnitude, because all of the above can be accomplished in less than half the time and in one integrated and in itself fully compatible study course.

The present book—just like the other volumes of the series *Management: Mastering Complexity*—presents the knowledge and approaches required to prevent the imminent social disaster and bring about new prosperity as well as a well-functioning social order well beyond the current political categories of left-wing and right-wing.