

Navigating into the Unknown

A new way for management, governance and leadership

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Leseprobe

Preface

Navigation is the helmsman's art: how to identify our current position, determine our destination, and steer our ship towards it.

The high art of navigation is the ability to get our bearings in unknown territory - that is, when we are faced with uncertain locations, moving targets and a variety of possible routes.

Most organizations today confront such a "New World." This book describes the new methods of navigation required in the New World, including principles of thought and rules of action in conditions of uncertainty and great complexity.

The New World is unknown to us in many respects. So what can we nevertheless know? Perhaps we know much more already than we are aware of.

We know, for instance, that the new will be complex. Managing complexity will be the greatest challenge. This will be true for organizations of every kind: commercial enterprises and hospitals, public authorities and schools, cities and states. We know that all these organizations need to function in conditions of growing complexity; it is also true that this very complexity will enable them to function better and better, and in ever new ways. This book describes the methods and tools to handle complexity, and how systems-cybernetic management helps us master complexity.

As such, we are able to navigate through periods of change despite all the uncertainties we face. With each step we take we will learn more, for that is how complexity-compatible control methods with appropriately designed feedback loops work.

The New World is born from the Great Transformation²¹, a term I coined in 1997 for the ongoing fundamental change processes across society. It frees us from the organizational and managerial limitations of the Old World, allowing us to function better and to think in new ways and design new things.

It is a principle of mine not to publish any of my books until their content has proven valid in years of cooperation and discussions with hundreds of man--

a-gers - clients as well as friends - in various top management bodies. I owe my sincerest thanks to all of them. I would also like to thank Jutta Scherer for her insightful translation work, as well as my long-term publisher, Campus Verlag. Specials thanks to my colleague and friend Keith Roberts for reviewing the English manuscript with a critical eye, as well as to Annaliza Tsakona for her comments and to Tamara Bechter, Senior Editor at Malik Institute for her contribution to structure

and formulate this book.

Fredmund Malik

St. Gallen, December 2015

Chapter 1

Why We Must Revolutionize Our Thinking

Where am I? What is going on "out there?" How can I find my way? What should I do? How do I even know what my choices are? While smartphones and SatNav have reduced our geographic confusion, in our society of complexity, many of us lack the orientation to fight our way through fragmenting markets, technologies, careers, academic disciplines, regulations, etc. Reliable guidance has become a major challenge for managers of all organizations in society. And everyone else is paralyzed by too many confusing choices and possibilities.

Observations

When naysayers abound, telling us what is not possible and what cannot be done, as is currently the case, this is always an indicator of profound change. What used to be right is suddenly wrong. Many will only see the old in the new, and steer their actions in the wrong direction. In times of change, that is a common pattern.

Both business and society face one of history's greatest transformations: from the Old World as we know it to a New World we do not know yet. This transformation will change almost everything: what we do, how and why we do it - and also, who we are.

The greatest challenge of the New World is its ever-increasing complexity. Complexity is the main reason for the escalating number of local and global crises.

Crises originate from outdated organizations incapable of mastering increased complexity. More and more organizations are overstrained, sluggish, inefficient, and paralyzed.

This incapacity results from poorly programmed navigation systems, from structures that originated in the previous century, from an outdated understanding of management, and from steering, directing, and shaping with obsolete methods and tools.

It is due to this incapacity that more and more organizations respond to the challenge with the wrong strategy. They attempt to reduce complexity so they can cling to their obsolete functions. To them, complexity is something entirely negative. This attitude keeps them from finding effective

solutions, and further exacerbates the crisis.

The right strategy is to take advantage of complexity. It is the only strategy that creates solutions. Flexibility in responding to complexity is the raw material of intelligence, innovation, and evolution, for self-regulation and self-organization, and for all major achievements. Complexity and differentiation are the materials from which the New World and its new organizations will be built. The success of the Great Transformation²¹ largely depends on our ability to profoundly reform the organizational fabric of our society and its management.

A sound knowledge of complexity, and the ways of mastering it, is a key resource of a well-functioning organization. Smart use of systems knowledge, feedback loops, and control mechanisms is more productive than redoubling our time and effort. Information on cybernetics will outrank money, and smart delegation to self-organized subunits will outrank power.

This is equally true for society as a whole. Its previous political categories, based on the polar opposites of capitalism and socialism, are outdated because in a society of complexity there is not one best way for everything. In their stead, we need a new integration of systems - human functionism - as a compass for those navigating through times of proliferating confusion.

Chapter 2

The Great Transformation²¹

"Our very understanding of the world

changes the conditions of the changing world."

Karl Popper

A Sign of Our Times?

More often than ever before I run into people who will explain to me what cannot be done. This happens at all management levels - even the most senior ones - and it includes people who would never have said that in the past.

It almost seems to me as though it is a sign of our times that the number of inveterate naysayers keeps growing. If I count in the waverers and falterers, they are even in the majority. What used to be "anything goes" has turned into "nothing goes."

That said, today's naysayers are different from those of former times. Often they are not "simply against it" - they usually have good reasons. Many are even right, as it is a fact that many things

are not or no longer possible.

I take that to be an indicator that the transformation that has been going on in the world, previously at a slower pace, is now entering the phase of acceleration and intensification. People sense that there are fundamental changes in more and more areas of society, and that these changes will be irreversible. But most cannot make head or tail of what is going on. They are increasingly and acutely aware that they lack orientation.

In the Old World, many things no longer work because it is coming to an end. In the New World, many things do not work yet because they are not fully evolved by trial and testing. That is precisely why it is a key task of management in all organizations to look for ways to make things happen nevertheless. It is all about navigating in the turbulent times of a major transformation. We are entering new territory, and we do not know how to deal with it yet.

From the Old World to the New

In all countries around the globe, business and society are going through one of the most fundamental changes that ever occurred in history. We are witnesses to the profound transformation of the Old World as we know it into a New World of the yet unknown. A new order is forming, and so is a new mode of functioning of society - a new kind of social REvolution.

What may look like a financial, economic or debt crisis on the surface can better be understood as something much bigger: the birth pangs of a New World in which everything will be different from the way it used to be. And even if the transformation turns out to be less cataclysmic in retrospect, we would not have committed a strategic mistake by assuming. There is less danger in overestimating a challenge than there is in underestimating it.

A Complete Change

How do you distinguish a genuine transformation from the incremental innovations and changes that always occur in an open economy and a global society?

Part of the answer is to integrate knowledge areas across many disciplines and the relationships between them, as well as accurate knowledge of history. A second part is observation - looking for yourself rather than relying on what the media tell you. A third part is asking questions - not only about the bottom line but also about the top line, turning the world upside down, as it were. And always asking ourselves the same question: Is this really true? And a fourth part is systemic thinking: the ability to see and think in holistic terms, refusing to blank out connections, making links, and paying attention to emerging patterns. Plus you need the right methods to bring everything into line.

Or rather, put everything in context - as linear thinking would probably not be helpful. Hans Ulrich, the founder of St. Gallen Systems-Oriented Management Theory, put it in very clear terms: "Holistic thinking is creative, as it connects things previously thought to be unconnected, thus creating patterns into which we organize individual observations, which enables us to understand what we see."

The key is to put the pieces together to form a system, a coherent whole. From the integrated perspective, you suddenly notice things you did not see when you considered things separately - they simply were not there. To get this perspective you need models, knowledge organizers, which support the navigation through unknown territory.

The challenge is not to keep looking for new data, as has become the custom - even worse, a brainless mania - in empirical social research. Years ago a different attitude was in order, as data represented a substantial bottleneck. Now we have more data than we usually need, and more than we are able to process in meaningful ways. It is a myth to believe that more data will lead to more knowledge, and more knowledge to deeper insight.

What is much more important is that we question the importance of the data we have. Their significance is based on the interrelationships hidden in the data set or, even more important, the connections that can be established between the factors as they change over time.

Copernicus, who initiated the transformation from the geocentric to the heliocentric world view, did not do so by collecting more data. He had access to the same data, observations, and impressions as all his contemporaries. I believe his particular achievement was that he queried the meaning of these data in a different way. This made him realize that the exact same data did not necessarily only imply the geocentric model of the universe, but also its opposite, the heliocentric model.

Navigating in times of transformation requires a similar Copernican capability of the managers of our society. This does not generally take a genius. Most of the time, it is enough to have mastered a certain craft. But which one?

For roughly 1,400 years, hardly anybody had questioned the geocentric view. Copernicus was the man who initiated a major rethink at a time when society was in the midst of a change and traditional concepts were being challenged, sometimes even abandoned. Printing had been invented only about 100 years earlier, giving people easier access to knowledge. It was the time of the Reformation, of religious unrest, and of peasant revolts. The existing social system had begun to totter.

In Copernicus's time, seafaring flourished. Sailors were in urgent need of exact astronomical data in order not to lose their way on the seven seas. The familiar rules of navigation remained in place.

The stars, the sun, and the earth with its physical laws were the same as before. What had changed was how their connections were viewed. It took some time for everything to be put together, but when it happened the borders of the known universe had fundamentally been shifted.

This example about the Copernican Revolution is important, as it shows how fundamental transformations can run their course so slowly and spanning such long periods of time that it is not really possible to see the shift. You need a trained eye and special tools to observe and even identify great transformations. That is typical of navigation. From the media and the world-wide web we get unlimited amounts of topical news on individual events, data, and facts. But what they imply and the patterns that connect them - that is something we almost always have to find or discover on our own.

When in 1997 I worked on my book on corporate governance, where I sharply criticized the American shareholder approach, I also wrote a chapter titled "The Great Transformation." In it, I analyzed the socio-political and economic change that was underway. Key sources were Karl Polanyi and Peter F. Drucker who, each in his own way, had described such processes before. Both knew each other well. At the time that Polanyi was writing his classic about the Great Transformation, The Origins of Our Time, Drucker wrote The Future of the Industrial Man. Their mutual influence is quite obvious, though their interpretations differed. In their very own ways, both authors are still relevant today - more so than many newer publications.

The term "transformation" also appears in the title of the introduction to Peter F. Drucker's 1993 book Post-Capitalist Society. In it, he outlines the key developments leading from capitalism to the knowledge society and from the nation-state to the transnational mega-state.

By choosing this term, I am integrating some of its previous meanings to describe the generalized concept of a fundamental transformation process for the 21st century. Among other things, this process is characterized by exponentially growing complexity, the emergence of globally interlinked systems, and the dynamics of self-accelerating change. As a result, we are facing historically new challenges. Mastering them will require radically innovative biological forms of organization, cybernetic systems for management, governance and leadership, and hugely more effective social technologies.

In practice, however, working with the managers of business and other organizations, in seminars and workshops, I realized back in the 1990s that holistic thinking was unfamiliar to most of them. Today, sustainability and systems thinking have become boardroom buzzwords.

Understanding this change was important for me in 1997, as I set out to determine the right kind of corporate governance - the kind that we need to make large corporations function reliably. I must emphasize that this applies not only to commercial enterprises but to organizations of any kind, a fact that warrants emphasis as it is often misunderstood. "Functioning" is the most general term I

could find to describe the reliable and optimal working of an organization in line with its basic purpose. That was the subject of my book.