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FREDMUND

MALIK

Managing
Performing
Living

Effective Management
for a New World

MANAGING PERFORMING LIVING

Prof. Dr. Fredmund Malik is one of Europe's most renowned experts on management, leadership and governance. He is known for his precise way of thinking, sharp analyses, and candid language. For over 40 years, the management scientist, entrepreneur, and author of several award-winning bestsellers has been working on establishing a universal standard for professional management that can be taught and learned.

Malik is the founder and chairman of an institution carrying his name, which is now one of the leading institutions on managing complex systems. Having served as a member, chairman and advisor to several international boards, Malik is an acknowledged connoisseur also of the practice of corporate governance. His numerous distinctions and awards include the Cross of Honor for Science and Art from the Republic of Austria and the Heinz von Foerster Award for Organizational Cybernetics from the German Society of Cybernetics. With a habilitation in Corporate Management from the University of St. Gallen, Switzerland, Malik is a Special Professor of Management at the Capital University of Economics and Business (CUEB), Beijing, as well as at the Inner Mongolia Agricultural University (IMAU), Hohhot; he also serves as an honorary professor at Jilin University (JLU) in Changchun, China. Prof. Malik is married and a father of two, and lives in St. Gallen, Switzerland.

Fredmund Malik

MANAGING PERFORMING LIVING

Effective Management for a New World

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(JS textworks – Munich, Germany)

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Managing Performing Living is one of the most important books I have written. It deals with people's effectiveness in the increasingly complex organization setting of multinational corporations. The book addresses the kind of effectiveness that allows individuals to keep pushing their boundaries. Above all, it demonstrates that it is possible to learn to be effective—and it shows you how.

The book answers the question of what knowledge and what skills people need in order to be successful—both at work and in their private lives, both as managers and as experts in their fields. *Managing Performing Living* tells you what you need to manage yourself and others, at every organizational level and in every position, and thus to generate the right kind of performance that will enable you to lead a meaningful life. The much deplored work-life imbalance is thus dissolved.

Effectiveness means to do the right things and to do them right. This is the core competency of Right and Good Management: the profession of transforming resources into results and thus creating value.

In today's world, factors such as knowledge, talent, personal strength, creativity, innovation, and intelligence have become even more important than conventional economic parameters; the same goes for emotional energy and commitment, social responsibility, and the courage to think and act in new ways. In themselves, however, these factors – including the economic ones – just are potentials. It takes effective implementation—that is Right and Good Management—to transform these potentials into meaningful results that meet a specific purpose. Also, the “leadership” so often talked about these days depends particularly on effective management: Without it even the best leaders would remain unsuccessful.

So what has changed since *Managing Performing Living* first appeared in 2000? I have two answers: Almost everything has changed “out there” in business and society, and these changes have been more fundamental than most people could have imagined. Even so, the essence of what constitutes right management has remained unchanged.

It was in response to this fundamental transformation and the resulting management needed that *Managing Performing Living* was originally written. Back in 1997, I had already described and analyzed the imminent social transformation in my book on corporate governance, in a

chapter called “The Great Transformation 21.” It is no coincidence that the subtitle I chose for the first edition of this present book was “Effective Management for a New Era.”

Even back then, the stage was set for the deflationary debt and financial crisis that was to ensue; the revolution of science and technology (including digitalization) had begun; demographic and ecological change was inevitable, as was political and social instability. It was also plain to see that traditional management and existing organizations were less and less equipped to cope with the rapidly increasing complexity of their environment.

The Great Transformation of the 21st century has been underway ever since that time. It is affecting more and more spheres of life at ever-growing speed, and it is increasingly plain to see that what we are facing is actually more than a new era: A new world is on the rise.

In this new world, almost everything will be different. And yet there is no need to change anything about the theoretical foundations of *Managing Performing Living*. Effective management is not based on the economic and social sciences taught in conventional management training. Even though these are still needed, much more important are the three sciences of complexity—systems theory, cybernetics, and bionics—that have provided the theoretical foundations for my management theory ever since I embarked on my first research projects. Over the years these three fields of science have gained even more significance than when the first edition came out.

That is why in this new edition I have placed even stronger emphasis on the new application fields for management that this fundamental transformation generates. First and foremost, they include the exploding complexity of more and more tightly interconnected systems, as well as the increasing dynamics of global change and the resulting social, political, and economic turbulences. In a manner of speaking, these represent what is called “creative destruction” of the Old World and the birth pangs of the New World. To master the Great Transformation 21, virtually all societal organizations will need new, innovative tools and high complexity management systems.

At the heart of this new “functioning of organizations”—and the self-regulation and self-organization needed for it—is the effective individual. My cybernetic management systems offer the support needed

to develop and unfold full effectiveness. They provide tools for the right thinking and acting that have been designed specifically for that purpose.

The new methods and tools I have developed, and which are described in my other books, help the homo *effectivus* (in my definition a counterpart to the homo oeconomicus) to achieve the enhancement in power and intelligence that is needed to master the new and complex challenges.

Complexity, when uncontrolled, becomes complicatedness. At the same time, it provides the raw material for organizational intelligence. Releasing this intelligence and making it effective is key to managing major change, and to ensuring the adaptivity and evolutionary functioning of any kind of organization. Hence this book also leads the way to exploiting the immense opportunities contained in the complexity of globally interconnected systems and in revolutionary technologies.

The focus of this book was initially on managerial effectiveness. Over the years, it has spawned an entire, universally applicable social technology for mastering complexity: the social methodology of effectiveness. My contention is that the societal significance of this technology is even greater, even more revolutionary than that of digitalization. Without this “effectiveness technology” it would be impossible, for instance, for the “Industrial Revolution 4.0” to really take effect. The same is true for the revolution of the life sciences, which is certain to happen.

It is also true for growing trends such as the circular economy, economic resilience, mindful economics, and meditative schools of thinking. The social methodology of effectiveness addresses the target outcomes of these movements and ensures they will become effective at all organizational levels. Hence, it is evident that old ways of thinking and conventional approaches no longer suffice for effective management in today’s world.

For having had the opportunity to develop and test these systems, methods, and tools and to put them into practice, I owe sincere thanks to the many executives I have worked with, some of them for years or even decades, either as a member of corporate governance boards or on joint projects dealing with corporate development, strategic leadership, and governance. Particular thanks go to all my friends, partners, colleagues, and staff, who have dedicated enormous amounts of innovativeness, enthusiasm, and energy to the creation of our present man-

agement solutions. I also extend cordial thanks to the team of Campus Verlag. Last but not least, my heartfelt thanks go to Tamara Bechter, Jutta Scherer and Annaliza Tsakona for incisive suggestions and judicious support in revising this manuscript.

Fredmund Malik

St. Gallen, February 2015

RIGHT THINKING—RIGHT MANAGEMENT

Start with what is right, rather than with what is acceptable.

Peter F. Drucker

The Key to Success

The best and only way for people to be successful is through Right and Good Management—the profession of effectiveness. It is the key to effectively transforming potentials into results, and to implementing decisions taken. It is the only way to make organizations functional, and societies viable. ‘Right and good’ means effective and efficient. This book explains why this is so, and what the key prerequisites are.

Right, Not Wrong—Good, Not Bad

I have chosen these straightforward terms because, in the chaos of ever-changing fashions and errors in management I wanted to set a cornerstone for reliability and orientation: right management, so organizations can *function reliably*; right management, so that people can transform their strengths and skills into performance and success—allowing them to master their lives in an increasingly complex world.

Right management comprises both thinking *and acting*. That is why the management systems presented here are thought *and* action systems. Thought systems are needed for the proper organization of *knowledge*, and action systems are required for proper implementation. These systems comprise the principles, tasks and tools for right thought and action in organizations, as well as for the associated responsibilities. “Best practice” is not enough—what we need is “right practice.”

Perhaps it is impossible in a world dominated by the media to put an end to management fads and fashions. After all, they promise quick and

easy wins, a notion many people cannot resist. We all want to be successful. Books of the “effortless success” variety were bestsellers even back in the 1970s when I was a university student. Not much has changed since then. Books promising that you can “learn fluent Spanish in just five lessons,” “become a manager in 5 minutes,” or “lose weight overnight” or explaining how *Good Golf Is Easy* still hold enormous appeal. Granted, almost anybody can be successful—but hardly ever does it happen this way. The key to becoming successful is *making yourself* effective.

Peter F. Drucker was the first to express this insight, as early as 1967, in his book *The Effective Executive*. He was the first to write about effectiveness, and to explain the difference between effectiveness and efficiency: “Effectiveness means doing the right things; efficiency means doing things right.”

The key to becoming successful is making yourself effective.

Even the title of his book, which was so perfectly clear in English, was made to appear like a grave error in its poor German translation: What had been “The Effective Executive” was translated as “The Ideal Executive”—even though the author himself, in this very book, had given perfect reasons for why there can be no such thing as an “ideal” manager. It is a relief to see that a new translation has been provided where this is made clear in the title.¹

Nevertheless, to this date the notion of the “ideal” executive blithely lives on and keeps popping up in HR systems and processes. I strongly suggest to every executive that they read Drucker’s work. He is often referred to as the one who “invented” management. Well, he did not actually “invent” it, but he was the first to recognize its significance for modern society and its organizations, and put it in comprehensible language.

In doing this, he created a clear, permanently valid terminology. In this book I have adopted many of his terms, and used them as a basis for my own considerations. Ever since we first met in the late 1980s, we have regularly corresponded and shared our thoughts—for instance, on questions such as: How can I become effective in an organization, and through an organization? How can I ensure I will do the right thing?²

New or Right?

After years of research in the field of systems-oriented management,³ from 1978 I headed the Management Zentrum St. Gallen, in addition to holding lectures at St. Gallen University. In this function, I gave a large amount of speeches and seminars on the subject of management every year. Participants were entrepreneurs and mid- to senior-level executives. Time and again they asked me what was new in management. My answer usually was, “I am happy to tell you what is new—but perhaps it would be even more interesting for you to know what I consider to be right?”

In almost 40 years as a management trainer and consultant, I have experienced new fashions in management every two to three years—a new guru, a new hype, a new wave of seminars, a new flood of books written overnight. For many media, these were irresistible topics. They needed content—and due to the authority of the printed word, they would rapidly disseminate what, in fact, was not much more than hot air. Two years later, the dust would have settled—but the next hype would follow. Meanwhile, tens of thousands of executives all across the country would have been sent—by well-meaning training officers—to multi-day seminars to acquaint themselves with these fashionable topics.

Especially executives with degrees in fields such as engineering, chemistry, physics, law, medicine, or economics often did not understand the use of such trainings as in many cases they were dealing with charlatanry. But how were they to know? Who was able to provide criteria for good or bad, right or wrong—as had existed for hundreds of years in other disciplines or professions?

In most university courses you will not find fashions, just hard-won progress—which has been made because scholarly criticism has uncovered and erased existing errors. In management, this motor of progress—well documented, systematic criticism—is almost non-existent. Other disciplines continually build on earlier insights. By contrast, most management authors consider it their noblest goal to create something “completely new”, without providing any reference to what has already been tested and proven.

In other disciplines, what matters is not the date of publication of a book but its content. The fact that Isaac Newton formulated his law of