

Fredmund Malik

# Strategy

Navigating the Complexity of the New World

Translated from German by Jutta Scherer,  
js textworks (Munich, Germany)

Campus Verlag  
Frankfurt/New York

# Contents

Preface .....	19
Strategic Solutions for <sup>R</sup> Evolutions .....	19
The New Challenges .....	19
The Right Knowledge .....	21
<b>The Right Strategy for the Great Transformation<sup>21</sup> .....</b>	<b>23</b>
The Revolution in the Great Transformation <sup>21</sup> .....	24
Innovative, Intelligent and Right Solutions .....	25
Strategy: Navigating Effectively Through the Complexity of the Great Transformation <sup>21</sup> .....	26
Key Propositions .....	28
A Word On the Terms Used .....	30
<b>Part I</b>	
<b>Strategy for the Great Transformation<sup>21</sup></b>	
1. What Strategy Looks Like When the Future is Unknown .....	37
2. The Great Transformation <sup>21</sup> .....	41
The Old World Ends as a New World Is Born .....	43
Megachange in Megasystems .....	44
The Current Crisis as the New World's Birth Pangs .....	45

It Takes More than Economics to Understand the Global Economic Crisis . . . . .	46
Anglo-Saxon Corporate Governance—A Machine of Destruction . . . . .	47
Complexity and Management Crisis: The Absence of Neuronal Systems . . . . .	50
Third Act of the Crisis: Deflation . . . . .	51
The New Way of Functioning: Mastering Complexity . . . . .	53
<b>3. When You Do Not Know What You Need to Know:</b>	
<b>The Minefield of Strategic Errors . . . . .</b>	<b>55</b>
Strategic Delusion by Operational Data . . . . .	55
Operational and Strategic Management . . . . .	60
Strategic Thinking Traps . . . . .	66

## **Part II**

### **Strategy as Master Control in the Wholistic Management Systems**

<b>1. Making Companies Function Well . . . . .</b>	<b>77</b>
Enhancing Management Impact Through Management Support Systems . . . . .	77
Right and Good Management—Universally Valid . . . . .	78
Management, Financial Markets, and Alpinism . . . . .	81
A Practical Hint for Readers in the Know . . . . .	82
<b>What are Master Controls? . . . . .</b>	<b>83</b>
The Basic Management Model and Its Basic Concepts . . . . .	84
Management of Institutions: The General Management Model . . . . .	85
Management of People: The Standard Model of Effectiveness, or “Management Wheel” . . . . .	88
The Integrated Management System—IMS . . . . .	89
Integrated Strategy as a Top Cross-Divisional Function . . . . .	92

<b>2. Providing Direction Through</b>	
<b>Corporate Policy and Business Mission</b> . . . . .	95
The Right Purpose . . . . .	95
The Right Mission . . . . .	100
The Right Performance . . . . .	106

**Part III**

**Mastering Complexity Through Reliable Navigation  
in Any Circumstance**

<b>1. Revolutionizing Strategic Navigation</b> . . . . .	113
The Malik-Gälweiler Navigation System . . . . .	114
The Right Strategy for a Future Unknown . . . . .	117
Putting an End to Arbitrariness in Strategy Design . . . . .	117
Looking Further Into the Future—Without Forecasts . . . . .	119
Time Constants and System Dead Time . . . . .	119
Limitations of the Market Economy:	
Why Economists Do Not See Far Enough . . . . .	120
What Must Be Monitored: Variables for Control and Orientation . . . . .	121
Reliable Function With Cybernetic Control Systems . . . . .	122
<b>2. Reliable Control Through Cybernetic Navigation</b> . . . . .	124
First System Level: Liquidity . . . . .	124
Second System Level: Profit . . . . .	129
Third System Level: Current Profit Potential (CPP) . . . . .	131
Fourth System Level: Future Profit Potentials (FPPs) . . . . .	136
<b>3. Setting the Right Strategy, Irrespective of Economic Climate:</b>	
The Strategy Map . . . . .	143
The Solution-Invariant Customer Problem . . . . .	147
Solution Technologies . . . . .	154

Socioeconomic Trends . . . . .	157
Market Position . . . . .	159
Investments and Cost Reduction Potentials . . . . .	166
Research and Development Objectives . . . . .	168
Finance and Balance Sheet Variables . . . . .	170

## **Part IV**

### **Following the Change: Success Factors for Your Current Business**

<b>1. No More Blind Flying: PIMS—The High Art of Strategy</b>	
Development . . . . .	175
Strategic Leadership . . . . .	176
The PIMS Revolution . . . . .	178
Strategy at the Strategic Business Unit Level . . . . .	179
Discovery of the “Laws of the Market Place” . . . . .	179
A Brilliant Research Idea: Profits Are Driven by Structure, not the Industry . . . . .	181
New Benchmarking Based on the Biological Pattern . . . . .	182
The PIMS Database Suites . . . . .	183
Universally Valid Factors Determine Seventy-five Percent of Profits . . . . .	185
Answering Key Questions of Strategy . . . . .	187
Eight Key Factors for Success . . . . .	188
<b>2. Strategic Core Knowledge: A Cornucopia of Insights</b> . . . . .	189
Market Position . . . . .	189
Stability of Results Over Time . . . . .	190
A Seeming Anomaly Triggers Discovery of a New Factor . . . . .	191
Is Innovating a Good Thing? . . . . .	192
Where Many Businesses Lose Earning Power Without Even Noticing . . . . .	193
How Important Is Market Growth? . . . . .	194

Systemic Interconnectedness of PIMS factors . . . . .	195
PIMS and the Six Central Performance Controls (CPC) . . . . .	198
The Cybernetics of PIMS Strategy Development . . . . .	198
Overview: Benefits of PIMS Findings for Top Management . . . . .	199
Criticism of the PIMS Program . . . . .	200
What Remains Valid in Business When Everything Changes . . . . .	201
<b>3. Breaking Strategic Barriers:</b>	
<b>Three Pioneering Models From PIMS . . . . .</b>	<b>203</b>
Knowing the Potential of a Business:	
The PIMS Par Model . . . . .	203
Learning From Winners: The PIMS Look-Alike Model . . . . .	206
The Customer Value Map: Using Customer Value and Competitiveness as Reliable Guiding Stars . . . . .	211

**Part V**

**Ahead of Change: Success Factors for Your New Business**

<b>1. Constants in the Currents of Change . . . . .</b>	<b>223</b>
The Magic of Patterns that Connect . . . . .	225
We, too, Will Be Replaced: Creative Destruction . . . . .	226
Symphony of S-Curves: Seeing the Future Clearly . . . . .	228
Simple Growth Processes . . . . .	229
From Growth to Substitution . . . . .	233
When Several Systems Compete for Existence . . . . .	234
Discovering the Secret Driver of Epochal Change . . . . .	236
Centennial Cycles: Invention—Innovation— Substitution—Exploitation . . . . .	238
Was Kondratieff Right?	
The Rhythm of Long Economic Cycles . . . . .	241
Self-Destructing and Self-Creating Systems . . . . .	243

2. <b>Innovating for the Great Transformation</b>	21:	
<b>How to Preprogram Success</b>	.....	246
<b>From the Art to the Craft of Innovation</b>	.....	247
<b>Misconceptions About Innovation</b>	.....	249
3. <b>Mastering Even the Unknown: The PIMS Start-up Strategy</b>	..	255
<b>Start-ups as a Synthesis of Several Arts:</b>		
<b>The Secrets of Innovation Success</b>	.....	256
<b>The Right Environment for Start-up Businesses</b>	.....	265
<b>Choosing the Right Strategy in the Right Environment:</b>		
<b>Knowing, Not Guessing</b>	.....	267
4. <b>Implementing Start-up Strategies:</b>		
<b>Basic Rules for Effective Innovation</b>	.....	274
1. <b>Go for the Top: Market Leadership</b>		
<b>and Distinct Changes</b>	.....	275
2. <b>Make Room for New Things</b>	.....	275
3. <b>Separate the Old From the New</b>	.....	276
4. <b>Look for Opportunities in Problems</b>	.....	278
5. <b>Ask Controllers for a Second “First Page”</b>	.....	279
6. <b>Write Down Your Expectations</b>	.....	279
7. <b>Determine Cut-off Points</b>	.....	280
8. <b>Make Sure You Have the Best People</b>	.....	280
9. <b>Run Tests</b>	.....	281
10. <b>Strictly Focus on a Few Things</b>	.....	281

## **Part VI**

### **Revolutionizing Management Methods:**

#### **Strategic Approaches Without Time or Space Limits**

1. <b>Direttissima: Taking the Most Direct Path</b>		
<b>to the Right Strategy</b>	.....	285
2. <b>Revolutionizing Change With the Syntegration Method</b>	.....	293

Epoch of New Leadership: Quantum Leap in the Social Technology of Functioning . . . . .	293
Change and Innovation—Swift and Effective . . . . .	294
What is the Syntegration Method and What Does it Accomplish? . . . . .	295
<b>3. The Cyber-Tools . . . . .</b>	<b>310</b>
SensiMod: The Sensitivity Model As the Organization’s GPS . . . . .	311
EKS: Dynamic Specialization . . . . .	318
Management System Audit (MSA): New Ways of Functioning and Implementing . . . . .	325
Operations Room: Implementation With Real-Time Control . . . . .	330
<b>4. How Even Giants Learn to Dance: HyperSyntegration . . . . .</b>	<b>337</b>

## **Appendix**

Concept and Logic of the Series “Management; Mastering Complexity” . . . . .	347
The Malik Management Systems And Their Users . . . . .	354
What Readers Need to Know in Order to Understand this Book Series . . . . .	364
Glossary . . . . .	373
Termin protected by trademark and copyright . . . . .	385
About the Author . . . . .	386
Selected affiliations . . . . .	388
Selected awards . . . . .	389
Bibliography . . . . .	390
Index . . . . .	393