

REQUIREMENTS FOR A NEW GENERATION OF THE ST. GALLEN MANAGEMENT MODEL

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"The essence of management is to make knowledge productive. Management, in other words, is a social function. And in its practice management is truly a liberal art."

Peter Drucker 1994

"Plans don't mean anything, planning is everything"

Unknown

ABSTRACT

This article outlines the requirements for a future new release of the St. Gallen management model. Defined as an open architecture framework, it should serve the purpose of a more structured and integrated management education across the disciplines of technology, management, economics and law. The key elements of the model should be an organization model, a value creation model, a leadership model, a transformation model and an education model. Next to the structure of these semantic models a variety of techniques and procedural models should enhance the semantic view, enabling the model also to be used for capturing dynamic aspects in business as well as conditions of special industry sectors.

1 The history of the St. Gallen management model

In 2007, the University of St. Gallen decided to launch a Competence Center on Integrative Management at the Executive School of Management, Technology and Law to do further research on the St. Gallen management model with particular attention to integrative education models.

We use this occasion to reflect the positioning and the history of the St. Gallen management model, to gain knowledge from it and to craft issues for an outline of a new version of the model.

The history of the St. Gallen model, which has a long tradition in Management and Management education, is well recorded (Spickers 2006, Schwaninger 2001a,b). Furthermore, numerous books about the model have been published (and sold) and many generations of managers have been coached to think and act with the support of the model (see Spickers 2006). Thus we can keep the historic review short and mention only the major accomplishments and steps:

1968: Ulrich introduces first management model

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1984/91: Bleicher integrated strategy, structure and culture into the model

1994: Gomez, Krogh enhanced the model through inter-linkage and focus on value creation

2001: Müller-Stewens and Lechner integrated Change Management and developed the General Management Navigator

2004: Rüeegg-Stürm defined the current model with integration of process oriented thinking

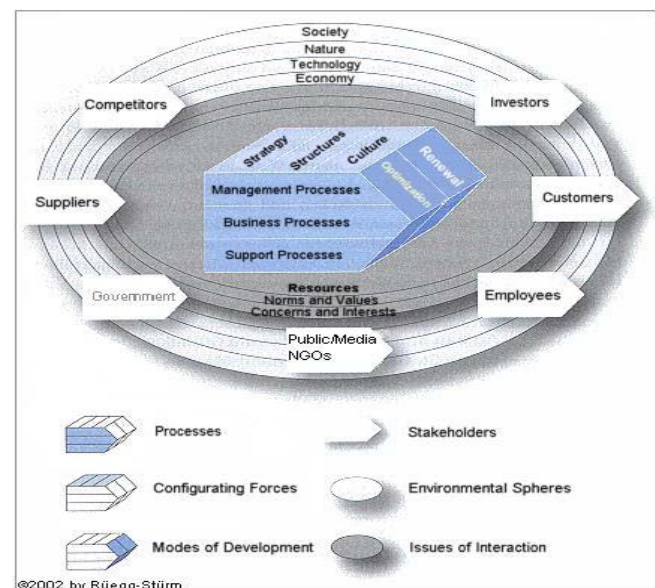


Figure 1: The dimensions of the current St. Gallen management model as formulated by Rüeegg-Stürm (2002).

2007: New Competence Center – integration of economics, law and technology

In 2007 - due to a changing environment in the business world - new requirements for the model became apparent, including globalized business, business models along distributed value chains fueled by Internet technology, volatility of markets during catastrophes (e.g. USA 9/11) and other crises. The emergence of new and complex forms of business (i.e. private / public partnerships) as well as the need for integration of the disciplines of law, technology and economics demanded a response and reflection in the model.

Within the newly founded Executive School of Management, Technology and Law (ES-HSG) a new Competence Center "Integrated Management" was established in 2007. Its task will be the development of management models in the tradition of the St. Gallen management model with a special emphasis on Executive Education. For this reason we intend to reflect shortly on the current achievements of the model, to then capture the requirements for the future and to come up with future model enhancements.

2 What is the use and value of the integrated model in Exec. Education today?

Since the sixties, the St. Gallen Management model following the IfB institute tradition has evolved over time and has been updated regularly. For more than 40 years, the University has worked on a realistic, actual management model driven by two important design goals (Spickers 2006). First, it is striving for integration and completeness. Second, it is the search for the most useful framework for research and education. The actual model is a picture of how a firm works (organization model). It aims to help to understand management problems in a structured way without losing sight of interdependencies. At the same time, the model serves as a framework or anchor point for a variety of management concepts, tools and techniques.

A closer look at how the model is used today in education reveals the following aspects:

- **Enterprise model:** Currently the model is used as an enterprise model for showing students how to operate a commercial enterprise and which elements a commercial enterprise may consist of – the focus is here "run the business" not transforming or creating a business. This model is abstract, generic and not industry specific nor is it scalable (large enterprise vs. SME) or reflecting the life cycle of the enterprise (start up vs. established enterprise).
- **Integrated view of management:** The model allows linking various management disciplines and categorizes them and relates them next to each other (yet is not integrated in the sense that is connected to other non management disciplines and refers to neighboring subjects like law, economics and technology, e.g. see Martin 2007)
- **Teaching categorization tool:** The model gives an overview and guidance, acting like a checklist for students and lecturers to identify where they are and to what the discussed content relates to.
- **Curriculum design tool:** The model helps in the construction of curricula to balance topics and check against completeness and integration.

Next to the management model from the IfB institute, the IWI institute (Institute for Information Management) has

also formulated a model called "Business Engineering" around the dimensions of strategy, processes and (IT) systems. The business engineering model from Oesterle (Oesterle 1999, 2003) was utilized on all the dimensions above and was, and still is, used for the following additional purposes:

- **Consulting toolbox:** With the incarnation of the PROMET methodology out of the business engineering model (a transfer of knowledge to an independent commercial firm), many specific procedural models and individual methods were developed (i.e. a business process redesign method, standard software implementation etc.). These models allowed selling professional consulting services to corporations and were used to train consultants and clients in a consistent way.
- **Competence centers for research:** The business engineering approach was used to build a series of competence centers around a certain theme together with corporations and allowed to acquire external sponsorships. The researchers gained insights into professional practice from company experts, while the experts received a professional structuring of their problems enhanced by experience from other companies and leading research results.

3 What are the experiences with the model so far - do management models make sense for a university?

Long tradition and positive experience in teaching: As mentioned before, the St. Gallen model has over 40 years of teaching practice and generations of managers have been trained in this model. The current model is mandatory in the assessment phase (pre Bachelor) and is currently used in the way described above in chapter 2. It is also used in executive education, i.e. EMBA programs. The main outcome of these trainings can be summarized as follows:

- Good experience for gaining overview on management subjects
- The model trains differentiation and categorization skills of undergraduate and graduate students as well as in executive education
- The model reduces complexity thus enabling easier learning
- The model explains and shows relationships between elements and topics

Differentiation from other universities: Aside from serving education purposes, the model can have also a stake in the marketing communication. As with Harvard University's Case Method approach the global competition - fired by standardization such as accreditation standards or the Bologna standard curriculum - it requires powerful brands and differentiation. So education along the lines of a holistic, integrative, European view on management may

stand then against American individualism in research and may therefore act as a brand building differentiator in international marketing communication. So it is possible to find various course descriptions with a reference to the St. Gallen model.

Unique element in management education: A closer look at the curricula of business schools worldwide reveals that management models as an entire framework are hardly used outside of St. Gallen – only some business schools in New Zealand (NZIM 2007) use a model and some European schools teach the EFQM model (EFQM 2003). The majority of the universities rely – for integration - on Harvard University’s case study method of and teach merely function by function in their MBA and EMBA programs – without having an integrative backbone or theory to draw upon.

4 Why have a new integrated model? The case for a new model

Just having a functional view on management along the traditional disciplines (marketing, accounting, sales etc.) is not enough today. I.e. if employees are highly motivated, yet the strategic set up and orientation is not adjusted to the market - the enterprise will have severe troubles, despite functional excellence. An integrative view on management - as requested by literature (see Martin 2007) demands a different model.

Globalization and other cultural influences (i.e. Chinese way in doing business strategy) shape and change our western oriented business thinking. This is not reflected in the current model and might be one reason for adjustment.

Volatility of customer needs and market demands require agility in business structures and risk management more than in previous decades - the enterprises and organizations of today need **adaptable structures**. Nevertheless, the Internet has speeded up international information flow and technology has shaped a lot of new and previously non-existent business models.

Another very important reason can be the result from cognitive science. Klein (Klein 1999) has done a lot of research on experts. His research shows, that real experts do not think linearly and with clearly defined written recipes. They act intuitively and judge situations in a holistic way. When experts train junior experts they focus on **peripheral scanning** (Day & Shoemaker 2005) and teaching them to see also lateral issues - a hint, that probably modern managers need a different model for management education and leadership.

Last but not least can an integrative way of thinking reveal **new kinds of business potentials or profit pools** (Gadiesh & Gilbert 1998a, 1998b, Jungmeister & Huber 2006), at the edges of the disciplines. In a world where information is

spread around the world in a few seconds and every business model can be copied more or less without larger efforts, new possibilities for new business models and differentiation may be important. An example might give some better explanation for this. A traditional view on law is - i.e. for a building construction project - setting up a contract where the parties define their rights and duties. An integrated view with a new management model can define the processes between the parties, may lay out the fields of law to apply to each step and define then the business potentials along, either decreasing cost or pushing up revenues.

5 Short literature review on management models

We would like now to give a short, yet not complete overview over the literature on "Integrated Management" to give an indication of what the St. Gallen model can be held in comparison with.

Peter Drucker elaborated a management model around an **"Effective Executive"** (Drucker 1967, 1973).

The model focuses around the dimensions of:

- Organizational results and performance with special respect to social impact and common good
- Theory of the business meaning business model, organizational structure, processes
- Innovation, entrepreneurship induced through environmental trends
- Leadership skills, practices and tasks

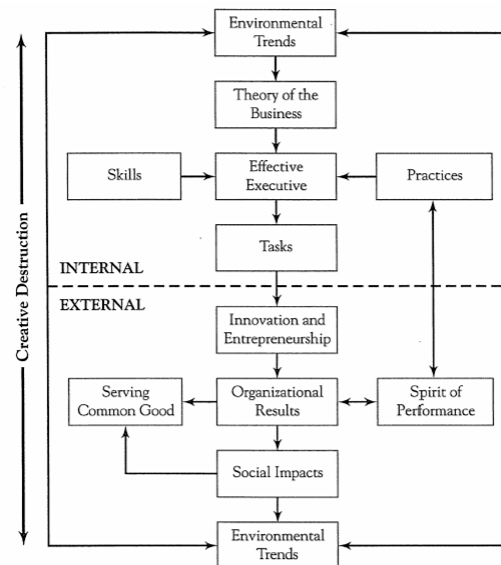


Figure 3: Peter Drucker's management model (as published in Maciariello, J. (2006))

If we compare this model to the current St. Gallen model, we can state for an enhanced model the demand for a leadership model (incl. tasks, skills, practices) as well as the

dimensions of value creation and innovation/ renewal and performance measurement.

The well known and well documented **EFQM Model** (i.e. EFQM 2003, Saizaboritoria 2006) - often used in functional lectures on Quality Management at universities – has two parts: enablers and results (each enabler leads to matching results). The main enablers are grouped as follows:

- Leadership
- People
- Processes
- Policy and Strategy
- Partnership Development

Compared with the current St. Gallen model, the people and partnership development sections as well as result dimension are new - although earlier versions of the model (Gomez 1998) included already a value (equals results) section, yet this value was somewhat unspecified. The model does not include a specific transformation or organizational development mode or model, yet annual achievements are rated by so called “EFQM assessors” demanding improvement over time on a best practice basis in industry. The organization is then referred to a status from beginning to mature, which indicates the transformation results.



Figure 2: The dimensions of the EFQM model

The **New Zealand Management Model** from NZIM (NZIM 2007) defines a model around leadership issues, including

- Management (=organizational structures and disciplines)
- Leadership
- Organizational development (= transformation)
- Governance

New – compared to the current St. Gallen model formulated by Rüeegg-Stürm (Rüeegg-Stürm 2002) –here are the dimensions of leadership and governance.

The Viable System Model (VSM) defined by Stafford Beer 1975 and enhanced by Christopher under the name of "Holistic Management" (Christopher 2007) integrates

- Environment(s)
- A management channel (with the differentiation on current operations and future strategic directions, allocated to top and executive management)
- A routine channel (operations)
- and a systems channel.

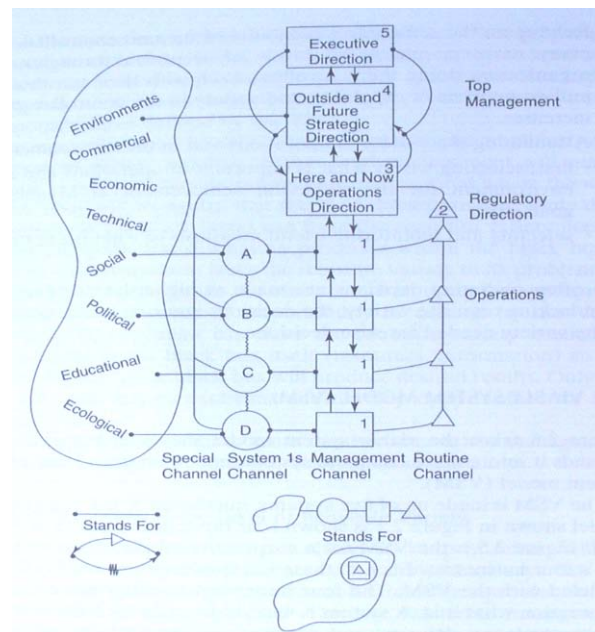


Figure 3: The Viable System Model as published by Christopher (Christopher 2007, p. 44)

This is the only management model which integrates the environmental dimension - similar to the St. Gallen approach from Rüeegg-Stürm where outside spheres of the environment influence corporate action. As for new requirements one can record the different time horizons in management - current operations and future directions, which have some analogy to the St. Gallen dimensions of normative, strategic and operational management.

Interesting and worth keeping it as a requirement for a future model is the differentiation between different (communication) channels according to the routine or plannable character of the subsystem.

Wrap up: All models reviewed here are more or less semantic models with a high level of abstraction, all of the reviewed management models are missing an action – response or cause – effect modeling and function merely as categorization schemes. Best practice out of these models includes a role dimension (leadership) and organization model, an organizational development mode (transforma-

tion model) as well as a results model (value generation model).

6 Key design goals for a new model

7.1 Outcome goals

This leads us to the new design goals for and to the purpose of the new model.

Better and quicker management decisions and results: To be reactive and productive in a faster and more often changing world, the model should educate managers in the sense that they are enabled to make better and quicker decisions (see NZIM 2007). Better means that the results of the decisions create value to the organization (i.e. in terms of reputation, profits or other benefits).

Better education: The new model should deliver better education for managers – better here means: consistency in terms; no overlapping content; no contradictions; and giving a matrix or structure for the required management skills for defined situations. It may also mean clarity and transparency of the involved content, interfaces and interdependencies between disciplines as well as showing teaching quality indicators.

Better complexity management: Handling of complexity in organizations is an important issue in management today (i.e. Schwaninger 2006, Marti 2007, Kirchhof 2003). A new model should help to spot and reduce complexity in business structures or should make them at least transparent.

Clarity and transparency: A clear and easy to understand structure of the model as well interfaces and interdependencies between the individual management disciplines. This means consistency in wordings and terms as well as in teaching as a quality indicator.

Execution orientation: The model should have an execution orientation and be of value in practical management tasks. Execution - far away from the management radar and considered "operational", it appeared in management literature prominently in the nineties (see Ansoff 1990, Bossidy & Charan 2002).

Fosters reflective and integrative thinking: As recent literature points out, experts think different and integrated (Klein 1999, Ericsson et. al. 2007, Martin 2007). The new model should enable integrated and holistic thinking.

Fosters thinking in potentials and capabilities: The model should therefore indicate how value to stakeholders or profit can be generated and thinking in business potentials as well as organizational capabilities must be fostered (Pümpin & Amann 2005).

7.2 Methodological goals

As we have seen in the quick review, the management models are basically a collection of categories or semantic models (EFQM 2003, Rüegg-Stürm 2002).

From a method engineering point of view (see Gutzwiller 1994), a good model should provide more - a meta model (semantics), techniques, results, procedural models and a role model.

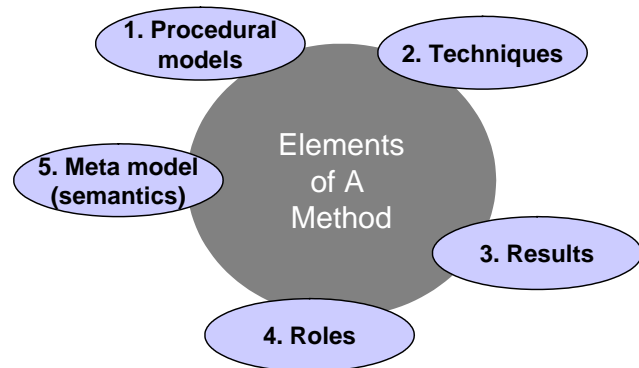


Figure 4; The design principles of method engineering according to Gutzwiller 1994.

As method engineering is bound to static design principles, a future model should be able to reflect system dynamics and the effects of own interactions (i.e. Ninck, Bürki, Hungerbühler & Mühlemann 2004; Gomez & Probst 1999), too.

7 Key requirements for a new model

Having laid out the key design goals and the background as well as the literature around the model building, we would like to focus on detailed requirements for the new model. Basically these requirements fall into two categories: enhancement of the content (new semantic areas) and enhancement of the methodology.

8.1. Semantic enhancement

For enhancement of the semantic areas we see the following points:

Integration of more disciplines: In the current management model spheres of influence lie around the enterprise model and are hardly connected to the organization model or have defined interactions or relationships, like law, technology and economics. A new model should embrace these spheres and integrate these dimensions into either defined relationships or items within the organization model, e.g. law issues are handled by the law department of the firm, specific through distinct semantic items in the model. Current research also finds integration and integrated thinking important (Martin 2007).

Life cycle of organizations – transformation and configurational setups: The current release does not show for what problem or issues the model can be applied to or whether its use may be appropriate. We think instead of a generic model it might be useful to have a set of typical situations or challenges along the life cycle of an organization (i.e. start up, growth period, restructuring / consolidation, turnaround management, internationalization, disintegration, M&A) and reflect the use of the model for these situations. These can be then the basis for the transformation model.

Value creation: Like the EFQM model (EFQM 2003) includes a “results” section, it may be necessary to describe how these results can be achieved and value for the organization can be created and developed. As many references indicate, at the core of a business is profit and strategies and models should align to it (Gadiesh & Gilbert 1998, Pümpin & Amann 2005). For non-profit or hybrid organizations this means value creation (Drucker 1990, Gomez & Probst 1998). Therefore a new model should not only show the mechanics of how value can be created, yet it should show what the results of the value creation are and how they can be achieved through the use of the model.

Integration of leadership issues and managerial roles: The current Management Model is a model of elements in a commercial enterprise, yet managerial roles or human factors issues are not included in the model. The role of the manager or leader is an important one, heavily reflected in management literature (i.e. Drucker 1967, 1973, Meyer 2006) - therefore our model should include a leadership model as well. Managerial roles, their skills, leadership styles and necessary competences should be included and may require a separate leadership model.

Education issues: The current model does give answers about structures of the firm – yet does not reflect on impacts for leadership and education. We would like to have an education model interlinked with the enterprise model to cope with the requirements of integrating human factors. This model should address the issues of how leaders are educated with what didactics and what skills are necessary for which managerial role.

Organization model instead of an enterprise model: The current model focuses on commercial firms - reality also has public organizations, NGOs as well as Hybrid models like public private partnerships. In the nineties, Drucker had already drawn conclusions from public management for commercial enterprises (Drucker 1990). So it would be a plus, if a new model could also describe the functions and structures of these organizations - in other words, the enterprise model should evolve into an organization model.

Virtual organizations and value chains: In the recent decade we could see, that globalization and the internet made it possible, that the classical monolithic enterprise

very often changed into a networked structure of interlinked supply chains of independent enterprises, so called virtual enterprises with outsourced yet controlled entities emerging (see i.e. Rainbird 2004). These new structures – virtual enterprise configurations – should be reflected in the new model.

International and global aspects: As developed in Switzerland at the University of St. Gallen primarily for local education purposes, the model was never explicitly designed for international use nor were international issues the basis for its design specifications. As the world becomes more and more into focus for even the smallest SME, the model should reflect globalization issues and input from foreign thinkers as well as be useful in other parts of the world other than central Europe. This issue has been widely reflected in management literature (e.g. Drucker 1996). Basically this means that cultural variables have to be integrated into the model.

Better integration of IT: Today the role of IT is not reflected properly in the model – as IT and technology are at the core of many businesses (Stock Exchanges, Banks, online auction houses like EBAY – just to name a few), IT and technology should be more than just secondary support processes (i.e. Sambamurthy, Bharadwaj & Grover 2003). So the model has to reflect the role of IT in a more detailed way.

Volatility and foresight: As our world is seeing more discontinuities (Drucker 1969, 1995, 1980) and markets are more turbulent (D' Aveni 1994, Lowell 2005) for the reason of new technologies (Internet) and globalization, the issues of weak signals and corporate foresight/early warning systems appear on the radar of management. Therefore we think the new model - needs a structure which prepares for agile movements, allows peripheral scanning, gives corporations foresight and processes weak signals (Ansoff 1981, Day & Shoemaker 2005).

8.2 Methodological enhancements

From the **methodological point of view** we see the following needs for model enhancements:

Open Architecture - extendibility: The current model is static and monolithic, it fosters a “one size fits all” approach from the SME to a multinational large corporation. It additionally does not allow enhancements or the creation of industry specific derivatives. We assume that one single model cannot capture all the complexity of many industry sectors, organization types, country specifics, cultural traditions and psychological set ups. We would like therefore to see the possibility of easy updates and enhancements of the model without changing the underlying structure completely: in other words, a framework in the sense of an open extendable architecture instead of closed blocks.

Building principles instead of a closed model: For the future model it might be more important to show the goal of the model and its building principles rather than showing the complete model itself. A look at the open source software industry shows that this community has understood how to manage remotely the development of a model. The basis of independent yet joint developments are defined interfaces, generally accepted building or construction principles and rigorous testing – all principles which may also apply to the model development (f.e. www.openoffice.org.)

Scalability: Currently we are missing the aspect of scalability of the model (KPMG 2000): shifting demand should allow the growth of structures or the reduction of structures. Also,, the structures for SMEs might be different from a global multinational's and the model should reflect this. This includes the issue of adaptability (see Lowell 2005, Denton 1998) or intelligent reaction of an organization (Stein & Giffort 1995, Schwaninger 2006).

Additional tools and techniques: The current management model shows some elements of management yet non of the techniques or tools of how to achieve or modify these results. A future model should have connections to tools and techniques on top of a structured (semantic) model, as, for example, method engineering requires (Gutzwiller 1994, p.11.).

Procedural models: As semantic models are useful for categorization tasks, they do not provide much help for solving real world problems. A management model should

therefore include a collection of procedural models for specific problems – acting on top the categories and items of the semantic model. A process reengineering procedural model could, for example, show how to reengineer processes on a step by step basis. Procedural models may be useful also for specific and concrete industry problems, enhancing so the value of the model. As the architecture is planned to be open, the collection of procedural models may grow over time.

Prioritization for importance and urgency: Working with students on managerial case studies shows very often that students are able to identify the weak spot in a situation and are able to cluster them – with the help of the model. Yet prioritization and valuation of the found issues and action items in terms of urgency and importance is difficult – the model also gives currently no hints for this. So it would be helpful if an enhanced model could include knowledge about “the right order” to solve the issues or in other terms procedural models are needed.

Capturing System Dynamics: the current model (Rüegg-Stürm 2002) is static – it does not show defined relationships between its elements or to the environment nor does it show causes or effects between its parts. It does not reflect the dynamic nature of the business, too. A new model should allow capturing system dynamics and giving hints to the effects of managerial interaction. (see Gomez & Probst 1999).

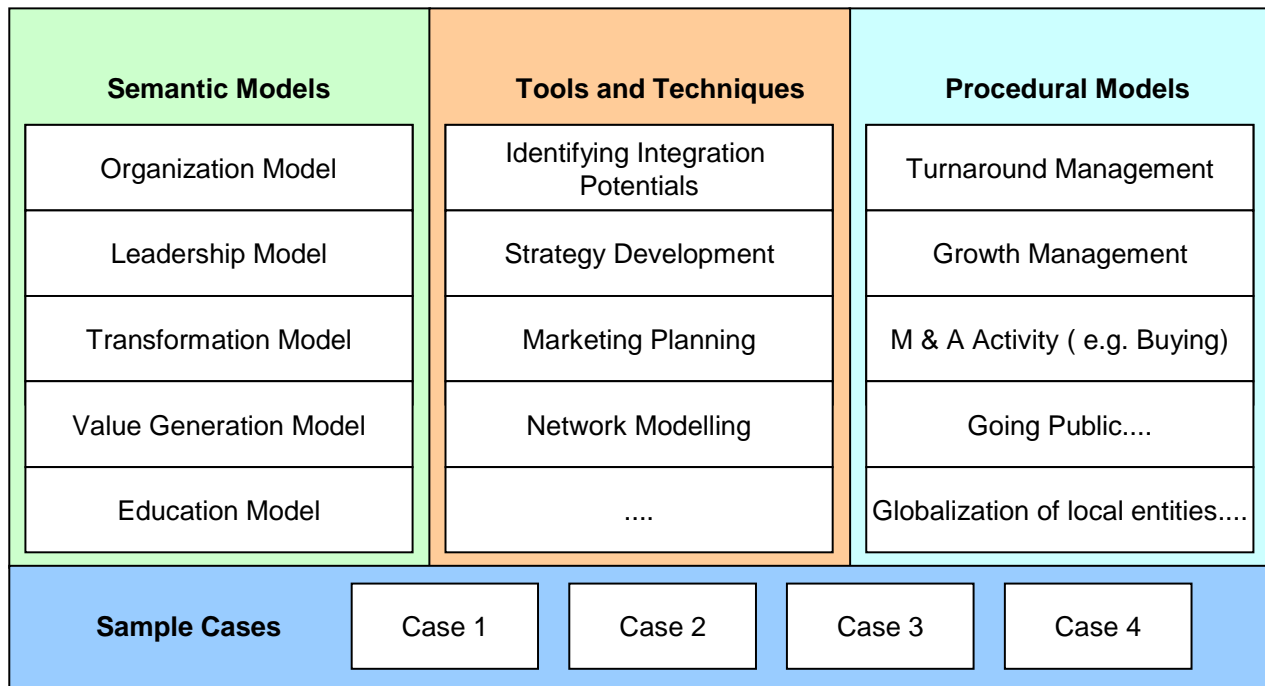


Figure 5: Overview of a possible structure of a future management model

8 What the model should not provide:

Having stated what the model should provide, it may also be useful to set the scope right and define what should NOT be in the new model:

- Checklists, action plans and sequences for individual organizations
- Best practices in terms of result templates or complete industry solutions as best practices often become obsolete quickly
- Micro level semantic entities and elements like job descriptions and processes, IT application design templates etc. because a too detailed level may lead to a lose of overview for the core themes in management

9 Outline for a new integrated management model

The biggest challenge in developing a new model - especially one that has been around for such a long time and has so many thinkers attached to - is focus and scope. What should be in, what is relevant and what not, which are the bodies of experience and literature to draw upon? What meta methodology is useful to follow? And of course: for who is it and what are their benefits from the new approach?

Focus: The target audience for the new model should be Executive students in any education format.

Next to this overall scope and framework we had to decide, what nature and content the model should have. We decided that before we go into holistic integration and interdependence an assembled inventory of all concepts and terms has to be achieved, therefore we decided to start with a collection of **interconnected semantic models** of terms along the areas of the classical business administration content (Marketing, Organization, Processes, Strategy, Accounting, Human Resources etc.), which is more or less classical to MBA type programs. On top of this we decided to integrate more disciplines at the intersection of management (technology, law, economics) to capture the business potential of these and have a better integrated view on management. The semantic model(s) can serve then as a "**backbone of the new model**" to which then tools, techniques and procedural models can be linked.

After many sessions with respected Professors from University of St. Gallen³, we came to the conclusion that probably not one model may satisfy all needs, yet four models interconnected with each other through clear relationships might serve the requirements better; they can be seen as the follows:

- **Organization model** - shows the structure and elements of which any organization consists of, not just a commercial enterprise, this includes public organizations as well as hybrid structures of public / private partnerships.

- **Leadership model** (incl. competence model) - describing the requirements or competences a leader must have in dealing with the organization.
- **Education model** (incl. competence model) - describes how the competences of the leadership and the elements of the organization model can be taught incl. didactics and curricula of integrated management.
- **Transformation model** - describes how change and transformation in an company can be organized and how to transform a company from a given set up or starting position.
- **Value generation model** - describes outcome or benefits reached of managerial activity, the results of the organization. This includes non financial values like common property, welfare benefits as well as financial results like profit, turnover or increase on financial capital.

As formulated in the requirements and to address one of the critical points of the current model, we see the need for accompanying **tools and techniques** to enable concrete usability in a corporate context as well, which will be the next step, from the semantic models to an enhanced toolbox. Within this toolbox there should be a technique for dynamic modeling to create **cause and effects models** coping with the requirements for system view and system dynamics.

Next to the tools and techniques we will set up specific **procedural models for specific purposes** like buying a company / M & A activities, globalization of a local company etc.

To illustrate the application of the model(s) we think for teaching purposes it makes sense to define "Integration Days" throughout a curriculum for which **small teaching cases** in the tradition of Peter Drucker (Drucker 1977) can be developed. Students and lecturers may then get a better understanding of the use of the model components and its application in a concrete context. The first cases to be developed will be:

- Financial Market Strategy for Switzerland (Peter Gomez)
- Public Value (Peter Gomez)
- Consolidation of Corporate Infrastructure (Thomas Gutzwiller, Leo Staub)
- Strategic dispositions against unfriendly takeovers (Leo Staub)
- Relocation Decision Making (Franz Jaeger)

10 Further proceedings

This article has just been an outline of future directions for research and development of the St. Gallen management model. Many further steps have to be done, until the structures of the model can really emerge and can be used in the future.

We see further research necessary in the following areas:

- Definition of detailed semantic models on key areas of management, technology and law and assignment of these to distinct elements of the meta-model
- Harmonization (“normalization”) of these models to have a clear understanding of terms – that means no overlapping and inconsistencies between them as well no incomplete content
- The interfaces between the business disciplines have to be identified and specified
- The model and its components need to be verified with experts from academia and business
- Empiric data around the concept and usage of the model have to be collected, a research array has to be defined for this.

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³ Prof. Dr. Thomas Gutzwiller, Prof. Dr. Leo Staub, Prof. Dr. Peter Gomez, Prof. Dr. Franz Jaeger (all University of St.Gallen), Prof. Dr. Alexander Jungmeister (Charles Sturt University and UAS Bern), seven model building meetings were held from May 2007 to November 2007.