

City of Fürth: Back to financial health after Malik Syntegration®*

Outstanding results after just two years

- › Freed from oppressive financial burden
- › Widespread consensus with maximum participation
- › New, reliable and effective functioning

*“For the first time since I joined the company 25 years ago,
we have succeeded in pooling the expertise and know-how
of all executives to produce shared results.”*

Hermann Schnitzer, Head of HR, City of Fürth



Malik ManagementSystems®

* “Syntegration” is a portmanteau of “synergy” and “integration”. Malik Syntegration, Malik SuperSyntegration, Malik HyperSyntegration, Malik ExpressSyntegration and Malik SmartSyntegration are registered trademarks of Malik, St. Gallen.

The City of Fürth: Back to financial health after Malik Syntegration®

In 3 ½ days: Breakthrough to financial health and start of a better functioning

With the innovative Malik Syntegration®¹ method, the city of Fürth initiated deep financial and functional restructuring successes in July 2010 that would have been unimaginable before. With the Syntegration method's tools, 32 key city administrators found answers to the challenges that had been most urgent for years in just 3 ½ days: the pressing financial situation and ensuing erosion of the city. The Fürth example is so interesting in part due to the fact that, 2 years later, the highly persuasive and in part sensational consequences of the Syntegration are apparent.

The key question for the Syntegration process was:

“Beginning from today, what has to be done so that the city of Fürth can re-establish its ability to function in all areas and, thereby, manage to effectively and durably eliminate the existing deficit and balance the administrative budget by 2013?”

- › From threatening insolvency to a new ability to invest within the space of 2 years
- › Self-made measures against the serious financial difficulty worked out in just 3 ½ days – deficit reduced by 50% in a sustainable way
- › Budget consolidation thanks to previously nonexistent cooperation – government savings mandates over-fulfilled at 153%
- › Maximum consensus among those involved convinces city council and leads to unanimous, quick decisions in the city organs
- › Unique implementation successes:
 - 70% of measures developed in 2010 already successfully implemented after 7 months
 - 80% of supplementary measures agreed in 2011 realized within another 12 months
- › An innovative cybernetic regulation system for city and city administration increases the conscience for an effective functioning on all levels
- › Fürth becomes an example for successful, dynamic public governance
- › Satisfaction of all involved at over 90%
- › Optimism instead of resignation; confidence instead of hopelessness
- › No costs because Syntegration methods pay themselves

¹ The Malik Syntegration® method is the world's most innovative and most effective social technology for controlled realization of deep, fast, and wholistic transformations in all types of organizations. Unlike conventional methods, with the Syntegration method key persons in all organizations resolve even their most significant challenges themselves, with a 90% time saving. Syntegration produces optimal, innovative solutions. It generates the maximum social consensus by involving everyone needed for the solutions on an equal footing. Identifying and

implementing solutions is more than 100 times faster with the Syntegration method. The ability of an organization's management to resolve issues is more than 80 times higher.

Malik Syntegration, Malik SuperSyntegration, and Malik HyperSyntegration, as well as the abbreviations MSS and MHS are protected by copyright and are registered trademarks of Malik Management Zentrum St. Gallen AG.

1. The City of Fürth

Financially hopeless situation

Fürth is a German city with 114,000 inhabitants in the Bavarian administrative region of Middle Franconia (Mittelfranken). In 2010, Fürth was – pro capita – Bavaria's most heavily indebted city, and was in a seemingly hopeless financial situation. Ten consolidation projects in as many years had failed to effectively reduce the structural deficit.

A deficit of 25 million euros was again expected for the 2011 financial year. The city's total debts reached 340 million euros, or 130% of the municipal administrative budget.

The Middle Franconia government demanded that the city make radical, permanent savings to the tune of 13 million euros by 2013. After some significant effort, the city was able to identify potential savings of around 8 million euros. That left a shortfall of 5 million euros needed to meet the government target, making 40%.

Thereupon the superior authorities “put the squeeze” on the city: if they did not succeed in presenting a convincing restructuring plan their freedom of action would be withdrawn. The situation seemed desperate. By sheer coincidence, in the midst of this precarious situation at the beginning of July 2010, the city councilor for organization and financial affairs heard of a “miracle cure”, as she put it – the innovative social technology called Malik SuperSyntegration® – and she immediately called Malik in St. Gallen for assistance. “Vehemently, yet without much hope of it actually working,” the councilor added.

In the end, it worked way better than anyone could have hoped for – because here, as in the previous 600 applications, the Syntegration process was quick to demonstrate its superlative powers.

“I am convinced that this is the only method we could have used to achieve this level of unity and these results in such a short space of time.”

Syntegration participant

2. The liberation²

Breakthrough with Malik SuperSyntegration® (MSS®)

The challenge for the Syntegration method was to make the city of Fürth function better in every area in order to balance the existing administrative budget deficit in the long term by 2013 at the latest.

But in this kind of situation, savings alone were never going to be enough. A city can, after all, save itself into insolvency. However, unlike conventional approaches, the Syntegration method generates a new way of functioning without social damage and at a higher level of effectiveness in the long term.

The MSS “liberation” was conducted on the weekend of July 18 to 20, 2010, just three weeks after initially establishing contact. At the same time, it marked the start of the overarching project “Zukunft Fürth” (“Fürth’s future”).

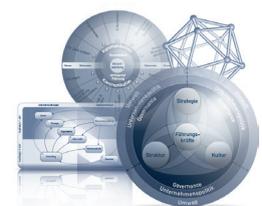
The 32 participants in the Syntegration process included the mayor, employees from all sections of city administration, and executive managers from companies and holdings linked to the city, such as the hospital chairman, savings bank CEO, head of the general staff council, and the school principal.

In the beginning, hardly anyone believed it would be possible to achieve any results at all with so many people in the allotted time of 3 ½ days. Even the initiator, the councilor for financial affairs, was skeptical.

But from the very first day of Syntegration, the Malik team managed to bring every single one of the highly disbelieving participants on board. Resignation became hope, and the administration’s skepticism was transformed into highly committed cooperation and grateful acceptance of help and support once it became clear that the advisors involved were not your run-of-the-mill consultants, but that something unique was happening, which no one could previously have believed possible.

“My expectations have been exceeded by far. Without the Syntegration we would still debate in working groups without achieving any results.”

Participant’s statement



Malik ManagementSystems®

² “Liberation” (German: “Befreiungsschlag”) was the city administration’s own term of choice for the restructuring project launched in July 2010, which was successful thanks to the Syntegration method.

3. The controversial challenge

A jungle of systemically networked sub-topics

Financially restructuring a city usually involves dealing with inextricably linked sub-issues. Almost every dimension of a city's functioning is directly or indirectly affected by financial change. This means that attempts to infiltrate this complex structure regularly have unforeseen and damaging side effects, and often put the entire system at risk. This is where the Syntegration method really comes into its own: Where conventional methods can usually only deal with one issue, the Syntegration method allows for simultaneous processing of 12 connected issues with all of their contexts and contraindications.

The 12 sub-issues for Malik Syntegration® in Fürth:

- › Boosting income
- › Mission statement, policy, and administration
- › Sustainable cost-cutting
- › Cutting social spending
- › Legal directives contrasted against practical necessities
- › Strengthening the business location
- › Improving deployment of human resources
- › Information for and involvement of citizens
- › Improving the management culture
- › Critical appraisal of activities
- › Intensifying collaboration between municipal authorities
- › Improving the organization

After identifying these sub-issues, the next step was what many of those involved described as the most intensive work they had ever experienced. It involved three concerted rounds, called syntegrative iterations, where the team used Syntegration's sophisticated, mathematically optimized interconnectedness logic to work through the 12 key issues in a gradually more intensely self-regulating communication, cooperation, and discussion process. And all under the professional direction of Malik experts.

The unique, incredibly precise rules for working and communicating during the Syntegration process guarantee that every scrap of shared knowledge is interconnected and creatively used for innovative solutions. And all in just 3½ days. The result?

Around 50 comprehensive action packages to reform the City of Fürth, with more than 200 actions in total that – in a completely unprecedented move for the city, and one that many of the participants saw as a kind of miracle – were unanimously approved.

Additionally, a Malik exploration team was deployed in parallel during the Syntegration process. This team developed solutions during the process for future management and regulatory systems of the city administration as well as support systems for an effective implementation of the many measures. In terms of end products, this team delivered interconnected steering and management models for a city that functions reliably.

First of all, these networking models illustrated absolutely every aspect of the multifaceted, complex interactions, particularly in the hotbed area between short-term financial decisions and a sustainable future for the city. This knowledge boost from “outside”, from the Malik system experts, generated a multidimensional new understanding of how the city works, of the solution actions to be approved, and of how to prioritize those actions. In the months that followed, city administrators assumed a pioneering role as they picked up and ran with their new – previously for many inconceivable – powers of implementation and used them to bring the results to life in line with planning.

4. Results bring redemption

Sweeping implementation success on five levels

The Syntegration process method produces innovative results on five levels simultaneously. The levels are: object, sociocultural, implementation, financing, and time axis.

a. Objective results

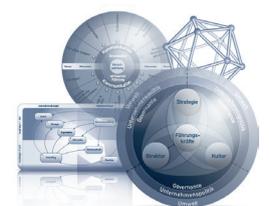
The savings demanded by the state auditor were not just achieved; they were exceeded and implemented immediately as well.

Savings required by the state auditor:	13 million euros
› With conventional methods (over a long 8 months)	8 million euros
› With the Syntegration method in just 3 ½ days plus by 2013	13 million euros
by 2015, with Syntegration, a further	3 million euros
Identified savings potential, total	24 million euros

Although the Middle Franconian government’s demands were initially seen as being extremely oppressive, the total 24 million euros in consolidation potential was a clear overfulfillment at 150%. Furthermore, there was enough left over to set up an investment reserve for the city’s future development.

The city also received concepts and tools:

- › for regulating its complex system relationships
- › for consistent management levers to boost impact
- › for a wholistic leadership and management system



Malik ManagementSystems®

b. Sociocultural results

For the first time, the Malik SuperSyntegration® process encouraged unconditional, cross-divisional collaboration in consolidating the administrative budget, produced outstanding results, and gave good reason to hope in new life for the City of Fürth.

Representatives from departments, units, and divisions now had a common awareness of the dynamic complexity of municipal administration, and in particular how to cope with it. Altogether a clear view of the whole was provided and the need to make a personal contribution to the consolidation was recognized.

Fürth's "liberation" tore down what were previously existing walls and paved the way for new forms of creative collaboration and shared goals. Among the key outcomes were enthusiasm, optimism, mobilized social energy, and an irrepressible desire to take action in order to save the city.

Even months of regular consulting could never achieve results with as much impact as these, because conventional approaches can never handle the full spectrum of participants' existing knowledge while simultaneously pooling the innovative expertise available.

c. Implementation results

No one could have predicted just how smooth implementation would be. Surprisingly all measures were passed by the city council without any problems. The unanimous verdict was: "If this administration has managed to agree unanimously on uniform measures, then they are bound to be the right ones...".

The Fürth municipal authorities were able to hold on to their financial autonomy. 70% of the measures were implemented after 7 months, and 80% of the supplementary measures agreed in 2011 were realized within another 12 months.

Other implementation successes as of September 2012:

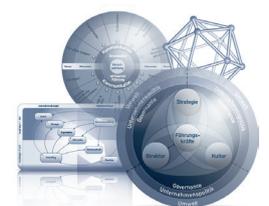
- › In November 2010, the city council approved around 150 actions from the Syntegration with a volume of 11,5 million euros.
- › In November 2011, the city council approved another 33 actions from the Syntegration with a volume of 1,5 million euros.
- › Around 72 % (108) of the measures agreed in 2010 and 79 % (26) of those agreed in 2011 have already been implemented.
- › 7,5 million euros in budget relief has already been achieved (status: June 19, 2012), equivalent to 58 % of the 2014 planned value.

One-off external and internal effects have also been generated:

- › City council has new, fast powers of decision-making – by its own admission, this is the result of the Syntegration.
- › A new, positive awareness of change, generated through collaboration between agencies.
- › Successful implementation of modern public governance that fits with today's dynamic environment.

"The method is excellent, [...] the results are amazing. I cannot put into words how valuable this shared learning experience has been."

Syntegration participant, Fürth



Malik ManagementSystems®

d. Financing results

Almost without exception, applications of the Syntegration method pay for themselves while at the same time yielding the highest returns of all investments – at least in double and often even triple figures. Malik Syntegration methods have sustainable impact and are gradually becoming a key component in an organization's potential capabilities.

e. Time-related results

Overall, these impressive results, unique in the urban sphere, were achieved on the four aforementioned levels using the highly time-efficient Syntegration method in just 3 ½ days. After endless, time-consuming and often demoralizing conventional working group meetings, the participants agreed that it was an entirely new experience to be able to achieve so much in such a short space of time thanks to the deployment of a suitable method.

5. Overwhelmingly satisfied participants

Once again, the terrific power of the Syntegration method has proved itself in practice. The level of satisfaction among participants and the degree to which expectations were fulfilled were very high. According to the survey responses, the actual value was more than 90%, which is a typical and regular outcome for the Malik Syntegration method.

"The method brings issues to the fore. Especially on the second day, I felt a sense of group dynamics and experienced emotional highlights. I came to see many colleagues in an entirely new light. We now treat one another far more respectfully. That is a huge improvement."

Dr. Thomas Jung, first mayor of Fürth

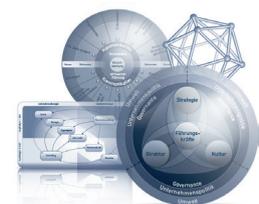
More feedbacks:

"It was an important step towards a new future – it couldn't have been better. We have now sown the seed. How it is nurtured and continues to grow is down to us."

"It was a fantastic, amazingly impressive re-orientation. Although skeptical at the beginning, I came out a believer."

Today, the Fürth project is being lauded in the German magazine for financial officers as a convincing example of how to master seemingly hopeless situations using the innovative social technology applied by the Malik Syntegration® method. The English professional journal "Town & Country" published a scientific study on the impact and benefit of the Malik Syntegration methods on cities in 2012.

The innovative cybernetic regulatory system that is Malik SuperSyntegration® guarantees widespread consensus with maximum participation. This unique social technology makes the impossible a reality. Experience has shown that attempts to use conventional methods to resolve complex issues generally fail because the more people are involved in the problem solving process, the fewer the eventual results. Reducing the number of participants is not an option because it usually just makes those concerned feel dissatisfied. For the first time in history, it is now possible to interconnect the entire shared knowledge of as large a number of participants as desired to generate persuasive solutions.



Malik ManagementSystems®