

Outline	Action
New society of organizations (1992)	
<ul style="list-style-type: none"> ▼ • Action column 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • Is there an important implied action in this sentence? 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • Who needs to understand the point made in this sentence? What about their successor? 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • When do I need to revisit this idea? 	
<ul style="list-style-type: none"> ▼ • The transformation 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ▼ • Every few hundred years throughout Western history, a sharp transformation has occurred. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> <ul style="list-style-type: none"> • In a matter of decades, society altogether rearranges itself-its worldview, its basic values, its social and political structures, its arts, its key institutions. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> <ul style="list-style-type: none"> • Fifty years later a new world exists. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> <ul style="list-style-type: none"> • And the people born into that world cannot even imagine the world in which their grandparents lived and into which their own parents were born. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ▼ • Our age is such a period of transformation. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> <ul style="list-style-type: none"> • Only this time the transformation is not confined to Western society and Western history. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> <ul style="list-style-type: none"> • Indeed, one of the fundamental changes is that there is no longer a "Western" history or a "Western" civilization. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> <ul style="list-style-type: none"> • There is only world history and world civilization. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ▼ • In this society, knowledge is the primary resource for individuals and for the economy overall. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> <ul style="list-style-type: none"> • Land, labor, and capital-the economist's traditional factors of production-do not disappear, but they become secondary. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> <ul style="list-style-type: none"> • They can be obtained, and obtained easily, provided there is specialized knowledge. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ▼ • At the same time, however, specialized knowledge by itself produces nothing. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> <ul style="list-style-type: none"> • It can become productive only when it is integrated into a task. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> <ul style="list-style-type: none"> • And that is why the knowledge society is also a society of organizations: the purpose and function of every organization, business and nonbusiness alike, is the integration of specialized knowledges into a common task. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ▼ • If history is any guide, this transformation will not be completed until 2010 or 2020. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> <ul style="list-style-type: none"> • Therefore, it is risky to try to foresee in every detail the world that is emerging. 	

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<ul style="list-style-type: none"> ▼ • But what new questions will arise and where the big issues will lie we can, I believe, already discover with a high degree of probability. 	
<ul style="list-style-type: none"> ▼ • All of these will be central concerns, especially in the developed world, for years to come. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • They will be resolved where they originate: in the individual organization and in the manager's office. 	
<ul style="list-style-type: none"> ▼ • Organizations as destabilizers 	
<ul style="list-style-type: none"> ▼ • Society, community, and family are all conserving institutions. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • They try to maintain stability and to prevent, or at least to slow, change. 	
<ul style="list-style-type: none"> ▼ • But the modern organization is a destabilizer. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • It must be organized for innovation, and innovation, as the great Austrian-American economist Joseph Schumpeter said, is "creative destruction." 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • And it must be organized for the systematic abandonment of whatever is established, customary, familiar, and comfortable, whether that is a product, a service, or a process; a set of skills; human and social relationships; or the organization itself. 	
<ul style="list-style-type: none"> ▼ • In short, it must be organized for constant change. 	
<ul style="list-style-type: none"> ▼ • The organization's function is to put knowledge to work-- 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • on tools, products, and processes; 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • on the design of work; 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • on knowledge itself. 	
<ul style="list-style-type: none"> ▼ • It is the nature of knowledge that it changes fast and that today's certainties always become tomorrow's absurdities. 	
<ul style="list-style-type: none"> ▼ • In the society of organizations, however, it is safe to assume that anyone with any knowledge will have to acquire new knowledge every four or five years or become obsolete. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ▶ • This is doubly important because the changes that affect a body of knowledge most profoundly do not, as a rule, come out of its own domain. 	
<ul style="list-style-type: none"> ▼ • And it is by no means only science or technology that creates new knowledge and makes old knowledge obsolete. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ▶ • Social innovation is equally important and often more important than scientific innovation. 	

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<ul style="list-style-type: none"> • The greatest change of all is probably that in the last forty years, purposeful innovation-both technical and social-has itself become an organized discipline that is both teachable and learnable. 	
<ul style="list-style-type: none"> ▼ • Nor is rapid knowledge-based change confined to business, as many still believe. 	
<ul style="list-style-type: none"> ▶ • No organization in the fifty years since World War II has changed more than the U.S. military 	
<ul style="list-style-type: none"> ▶ • Similarly, it is a safe prediction that in the next fifty years, schools and universities will change more and more drastically than they have since they assumed their present form more than three hundred years ago, when they reorganized themselves around the printed book. 	
<ul style="list-style-type: none"> ▼ • For managers, the dynamics of knowledge impose one clear imperative: every organization has to build the management of change into its very structure. 	
<ul style="list-style-type: none"> ▶ • On the one hand, this means every organization has to prepare for the abandonment of everything it does. 	
<ul style="list-style-type: none"> ▼ • On the other hand, every organization must devote itself to creating the new. 	
<ul style="list-style-type: none"> ▼ • Specifically, every management has to draw on three systematic practices. 	
<ul style="list-style-type: none"> ▶ • The first is continuing improvement of everything the organization does, the process the Japanese call kaizen. 	
<ul style="list-style-type: none"> ▶ • Second, every organization will have to learn to exploit its knowledge, that is, to develop the next generation of applications from its own successes. 	
<ul style="list-style-type: none"> • Finally, every organization will have to learn to innovate-and innovation can now be organized and must be organized-as a systematic process. 	
<ul style="list-style-type: none"> • And then, of course, one comes back to abandonment, and the process starts all over. 	

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<ul style="list-style-type: none"> • Unless this is done, the knowledge-based organization will very soon find itself obsolescent, losing performance capacity and with it the ability to attract and hold the skilled and knowledgeable people on whom its performance depends. 	
<ul style="list-style-type: none"> ▶ • The need to organize for change also requires a high degree of decentralization. 	
<ul style="list-style-type: none"> ▶ • All this implies, however, that the organizations of the post-capitalist society must constantly upset, disorganize, and destabilize the community. 	
<ul style="list-style-type: none"> ▶ • Equally disruptive is another fact of organizational life: the modern organization must be in a community but cannot be of it. 	
<ul style="list-style-type: none"> ▼ • Power & social responsibility 	
<ul style="list-style-type: none"> • The issue of social responsibility is also inherent in the society of organizations. 	
<ul style="list-style-type: none"> ▼ • This is why post-capitalist society talks so much about social responsibilities of the organization. 	
<ul style="list-style-type: none"> ▼ • It is futile to argue, as Milton Friedman, the American economist and Nobel laureate does, that a business has only one responsibility: economic performance. 	
<ul style="list-style-type: none"> ▼ • Economic performance is the first responsibility of a business. 	
<ul style="list-style-type: none"> • Indeed, a business that does not show a profit at least equal to its cost of capital is irresponsible; it wastes society's resources. 	
<ul style="list-style-type: none"> • Economic performance is the base without which a business cannot discharge any other responsibilities, cannot be a good employee, a good citizen, a good neighbor. 	
<ul style="list-style-type: none"> • But economic performance is not the only responsibility of a business any more than educational performance is the only responsibility of a school or health care the only responsibility of a hospital. 	
<ul style="list-style-type: none"> • Unless power is balanced by responsibility, it becomes tyranny. 	
<ul style="list-style-type: none"> • Furthermore, without responsibility, power always degenerates into nonperformance, and organizations must perform. 	
<ul style="list-style-type: none"> • So the demand for socially responsible organizations will not go away; rather, it will widen. 	
<ul style="list-style-type: none"> ▶ • Fortunately, we also know, if only in rough outline, how to answer the problem of social responsibility. 	
<ul style="list-style-type: none"> ▼ • Organizations 	

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<ul style="list-style-type: none"> ▼ • Organization has become an everyday term. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • Everybody gives a nod of understanding when somebody says, "In our organization, everything should revolve around the customer" or "In this organization, they never forget a mistake." 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • And most, if not all, social tasks in every developed country are performed in and by an organization of one kind or another. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • Yet no one in the United States-or anyplace else-talked of "organizations" until after World War II. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • The Concise Oxford Dictionary did not even list the term in its current meaning in the 1950 edition. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • It is only the emergence of management since World War II, what I call the "Management Revolution," that has allowed us to see that the organization is discrete and distinct from society's other institutions. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • Unlike communities, societies, or families, organizations are purposefully designed and always specialized. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • Communities and societies are defined by the bonds that hold their members together, whether they be language, culture, history, or locality. 	
<ul style="list-style-type: none"> ▼ • An organization is defined by its task. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • The symphony orchestra does not attempt to cure the sick; it plays music. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • The hospital takes care of the sick but does not attempt to play Beethoven. 	
<ul style="list-style-type: none"> ▼ • Indeed, an organization is effective only if it concentrates on one task. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • Diversification destroys the performance capacity of an organization, whether it is a business, a labor union, a school, a hospital, a community service, or a house of worship. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • Society and community must be multidimensional; they are environments. 	
<ul style="list-style-type: none"> ▼ • An organization is a tool. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • And as with any other tool, the more specialized it is, the greater its capacity to perform its given task. 	
<ul style="list-style-type: none"> ▼ • Because the modern organization is composed of specialists, each with his or her own narrow area of expertise, its mission must be crystal clear. 	

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<ul style="list-style-type: none"> • The organization must be single-minded, or its members will become confused. 	
<ul style="list-style-type: none"> • They will follow their own specialty rather than apply it to the common task. 	
<ul style="list-style-type: none"> • They will each define "results" in terms of their own specialty and impose its values on the organization. 	
<ul style="list-style-type: none"> • Only a focused and common mission will hold the organization together and enable it to produce. 	
<ul style="list-style-type: none"> • Without such a mission, the organization will soon lose credibility and consequently its ability to attract the very people it needs to perform. 	
<ul style="list-style-type: none"> ▼ • Membership in an organization is voluntary 	
<ul style="list-style-type: none"> ▼ • It can be all too easy for managers to forget that joining an organization is always voluntary. 	
<ul style="list-style-type: none"> • And the more an organization becomes an organization of knowledge workers, the easier it is to leave it and move elsewhere. 	
<ul style="list-style-type: none"> ▼ • Therefore, an organization is always in competition for its most essential resource: qualified, knowledgeable people. 	
<ul style="list-style-type: none"> ▼ • All organizations now say routinely, "People are our greatest asset." 	
<ul style="list-style-type: none"> • Yet few practice what they preach, let alone truly believe it. 	
<ul style="list-style-type: none"> • Most still believe, though perhaps not consciously, what nineteenth-century employers believed: people need us more than we need them. 	
<ul style="list-style-type: none"> ▼ • But in fact, organizations have to market membership as much as they market products and services-and perhaps more. 	
<ul style="list-style-type: none"> • They have to attract people, hold people, recognize and reward people, motivate people, and serve and satisfy people. 	
<ul style="list-style-type: none"> ▼ • An interdependent relationship 	
<ul style="list-style-type: none"> • But the relationship between the organization and knowledge workers, who already number at least one-third and more likely two-fifths of all employees, is radically different, as is that between the organization and volunteers. 	
<ul style="list-style-type: none"> • They can work only because there is an organization, thus they too are dependent. 	

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<ul style="list-style-type: none"> • But at the same time, they own the "means of production"-their knowledge. 	
<ul style="list-style-type: none"> • In this respect, they are independent and highly mobile. 	
<ul style="list-style-type: none"> ▼ • Knowledge workers cannot be supervised effectively. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • Unless they know more about their specialty than anybody else in the organization, they are basically useless. 	
<ul style="list-style-type: none"> • The marketing manager may tell the market researcher what the company needs to know about the design of a new product and the market segment in which it should be positioned. 	
<ul style="list-style-type: none"> • But it is the market researcher's job to tell the president of the company what market research is needed, how to set it up, and what the results mean. 	
<ul style="list-style-type: none"> ▼ • One consequence of this new relationship-and it is another new tension in modern society-is that loyalty can no longer be obtained by the paycheck. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • The organization must earn loyalty by proving to its knowledge employees that it offers them exceptional opportunities for putting their knowledge to work. 	
<ul style="list-style-type: none"> ▼ • Not so long ago we talked about "labor." Increasingly we are talking about "human resources." 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • This change reminds us that it is the individual, and especially the skilled and knowledgeable employee, who decides in large measure what he or she will contribute to the organization and how great the yield from his or her knowledge will be. 	
<ul style="list-style-type: none"> ▼ • Colleagues and teams 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • Because the modern organization consists of knowledge specialists, it has to be an organization of equals, of colleagues and associates. 	
<ul style="list-style-type: none"> • No knowledge ranks higher than another; each is judged by its contribution to the common task rather than by any inherent superiority or inferiority. 	
<ul style="list-style-type: none"> • Therefore, the modern organization cannot be an organization of boss and subordinate. 	
<ul style="list-style-type: none"> ▼ • It must be organized as a team. 	
<ul style="list-style-type: none"> ▶ • There are only three kinds of teams. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> • Which team to use or game to play is one of the riskiest decisions in the life of an organization. 	

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▶ • Few things are as difficult in an organization as transforming from one kind of team to another.	
• But if the organization is to perform, it must be organized as a team.	
• This is now rapidly changing.	
▶ • As more and more organizations become information-based they are transforming themselves into soccer or tennis teams, that is, into responsibility-based organizations in which every member must act as a responsible decision maker.	
▼ • Must be managed	
• Even so, an organization must be managed.	
• But there have to be people who make decisions or nothing will ever get done.	
• There have to be people who are accountable for the organization's mission, its spirit, its performance, its results.	
• Society, community, and family may have "leaders," but only organizations know a "management."	
• And while this management must have considerable authority, its job in the modern organization is not to command.	
• It is to inspire.	
▼ • The society of organizations is unprecedented in human history.	
• It is unprecedented in its performance capacity both because each of its constituent organizations is a highly specialized tool designed for one specific task and because each bases itself on the organization and deployment of knowledge.	
• It is unprecedented in its structure.	
▶ • But it is also unprecedented in its tensions and problems.	
• The challenge that faces us now, and especially in the developed, free-market democracies such as the United States, is to make the pluralism of autonomous, knowledge-based organizations redound both to economic performance and to political and social cohesion.	