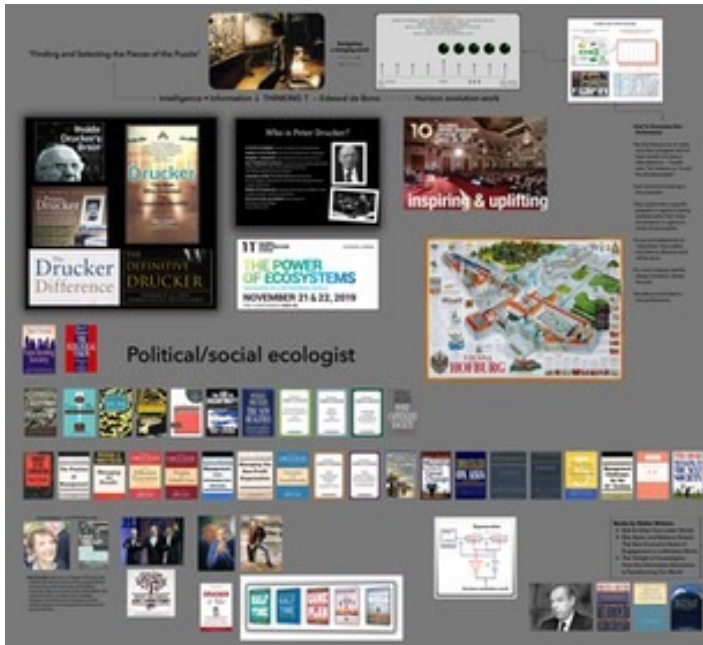


1 Management As Social Function And Liberal Art

2 Chapter 1 in [The Essential Drucker](#)

3 by [Peter Drucker](#)

4 [Executive Realities](#)



5

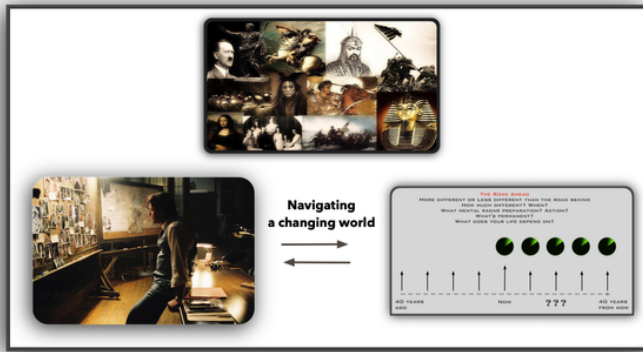
[Larger](#)
[Who was Peter Drucker](#)

6 *Born and raised in Vienna, Dr. Drucker has been a banker, a journalist, a teacher of political theory, and the developer of the discipline of management (for which he is most famous), but, as the [interview](#) discloses, he considers himself to be primarily a writer on human relationships.*

7 *[Adventures of a Bystander](#), a series of essays on men and women he has known, is a kind of autobiography.*

8

[Larger view](#) ↓



Time/life Navigation

9

[The alternative to tyranny](#)

10

The road to Davy's bar
[missing the turn to the future](#)

11

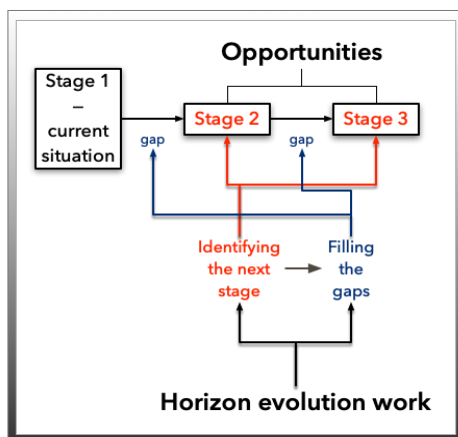
Major [Assumption](#) !!!

12

Where to jump next?



13



14

16 Most **mistakes in thinking** are
mistakes in PERCEPTION:

- 1) Seeing only **part of the situation**;
- 2) Jumping to conclusions;
- 3) Misinterpretation caused by **feelings**

17 ↑ Everyone is born totally ignorant
 and get their guidance
 from someone else
born ignorant at an earlier point in time

18 [The memo THEY don't want you to see](#)

19 [Intelligence, Information, Thinking](#)

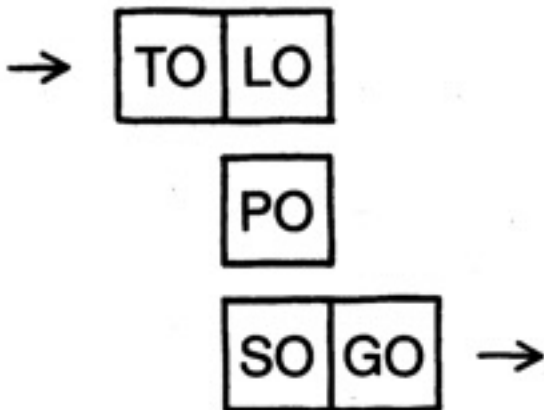
20 [Knowledge society and Society of organizations](#)

21 [Practical Thinking](#)

 Knowing what to do? ↑
 The USE of understanding

22 [Teach Your Child How To Think](#)

23 ecological-[awareness](#) → [Teach Yourself To Think](#)



24
25 ecological-awareness includes
 [managing oneself](#) and [society](#)

26 [Management Challenges for the 21st Century](#)

27 [Managing in the Next Society](#)

28 [What do you want to be remembered for?](#)

 NYT [Obits](#)

30 When Karl Marx was beginning work on *Das Kapital* in the
1850s, the phenomenon of management was unknown.

31 So were the enterprises that managers run.

32 The largest manufacturing company around was a
Manchester cotton mill employing fewer than three
hundred people and owned by Marx's friend and
collaborator Friedrich Engels.

33 And in Engels's mill—one of the most profitable
businesses of its day—there were no “managers,” only
“charge hands” who, themselves workers, enforced
discipline over a handful of fellow “proletarians.” ...

34 Rarely in human history has any institution emerged as
quickly as management or had as great an impact so fast.

35 In less than 150 years, management has transformed the
social and economic fabric of the world's developed
countries.

36 It has created a global economy and set new rules for
countries that would participate in that economy as
equals.

37 And it has itself been transformed.

38 Few executives are aware of the tremendous impact
management has had.

39 Indeed, a good many are like M. Jourdain, the character in
Molière's *Bourgeois Gentilhomme*, who did not know that
he spoke prose.

40 They barely realize that they practice—or mispractice
management.

41 As a result, they are ill prepared for the tremendous
challenges that now confront them.

42 The truly important problems managers face do not come from technology or politics; they do not originate outside of management and enterprise.

43 They are problems caused by the very success of management itself. ...

44 To be sure, the fundamental task of management remains the same: to make people capable of joint performance through common goals, common values, the right structure, and the training and development they need to perform and to respond to change.

45 But the very meaning of this task has changed, if only because the performance of management has converted the workforce from one composed largely of unskilled laborers to one of highly educated knowledge workers.

46 ***The Origins and Development of Management***

47 On the threshold of World War I, a few thinkers were just becoming aware of management's existence.

48 But few people even in the most advanced countries had anything to do with it.

49 Now the largest single group in the labor force, more than one-third of the total, are people whom the U.S. Bureau of the Census calls "managerial and professional."

50 Management has been the main agent of this transformation.

51 Management explains why, for the first time in human history, we can employ large numbers of knowledgeable, skilled people in productive work.

52 No earlier society could do this.

53 Indeed, no earlier society could support more than a handful of such people.

- 54 Until quite recently, no one knew how to put people with different skills and knowledge together to achieve common goals. ...
- 55 Eighteenth-century China was the envy of contemporary Western intellectuals because it supplied more jobs for educated people than all of Europe did—some twenty thousand per year.
- 56 Today, the United States, with about the same population China then had, graduates nearly a million college students a year, few of whom have the slightest difficulty finding well-paid employment.
- 57 Management enables us to employ them. ...
- 58 Knowledge, especially advanced knowledge, is always specialized.
- 59 By itself it produces nothing.
- 60 Yet a modern business, and not only the largest ones, may employ up to ten thousand highly knowledgeable people who represent up to sixty different knowledge areas.
- 61 Engineers of all sorts, designers, marketing experts, economists, statisticians, psychologists, planners, accountants, human resources people—all working together in a joint venture.
- 62 None would be effective without the managed enterprise. ...
- 63 There is no point in asking which came first, the educational explosion of the last one hundred years or the management that put this knowledge to productive use.

- 64 Modern management and modern enterprise could not exist without the knowledge base that developed societies have built.
- 65 But equally, it is management, and management alone, that makes effective all this knowledge and these knowledgeable people.
- 66 The emergence of management has converted knowledge from social ornament and luxury into the true capital of any economy. ...
- 67 Not many business leaders could have predicted this development back in 1870, when large enterprises were first beginning to take shape.
- 68 The reason was not so much lack of foresight as lack of precedent.
- 69 At that time, the only large permanent organization around was the army.
- 70 Not surprisingly, therefore, its command-and-control structure became the model for the men who were putting together transcontinental railroads, steel mills, modern banks, and department stores.
- 71 The command model, with a very few at the top giving orders and a great many at the bottom obeying them, remained the norm for nearly one hundred years.
- 72 But it was never as static as its longevity might suggest.
- 73 On the contrary, it began to change almost at once, as specialized knowledge of all sorts poured into enterprise.
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- 74 The first university-trained engineer in manufacturing industry was hired by Siemens in Germany in 1867—his name was Friedrich von Hefner-Alteneck.

- 75 Within five years he had built a research department.
- 76 Other specialized departments followed suit. ...
- 77 By World War I the standard functions of a manufacturer had been developed: research and engineering, manufacturing, sales, finance and accounting, and a little later, human resources (or personnel). ...
- 78 Even more important for its impact on enterprise—and on the world economy in general—was another management-directed development that took place at this time.
- 79 That was the application of management to manual work in the form of training.
- 80 The child of wartime necessity, training has propelled the transformation of the world economy in the last forty years because it allows low-wage countries to do something that traditional economic theory had said could never be done: to become efficient—and yet still low-wage—competitors almost overnight. ...
- 81 Adam Smith reported that it took several hundred years for a country or region to develop a tradition of labor and the expertise in manual and managerial skills needed to produce and market a given product, whether cotton textiles or violins. ...
- 82 During World War I, however, large numbers of unskilled, preindustrial people had to be made productive workers in practically no time.

- 83 To meet this need, businesses in the United States and the United Kingdom began to apply the theory of scientific management developed by Frederick W. Taylor between 1885 and 1910 to the systematic training of blue-collar workers on a large scale.
- 84 They analyzed tasks and broke them down into individual, unskilled operations that could then be learned quite quickly.
- 85 Further developed in World War II, training was then picked up by the Japanese and, twenty years later, by the South Koreans, who made it the basis for their countries' phenomenal development. ...
- 86 During the 1920s and 1930s, management was applied to many more areas and aspects of the manufacturing business.
- 87 Decentralization, for instance, arose to combine the advantages of bigness and the advantages of smallness within one enterprise.
- 88 Accounting went from "bookkeeping" to analysis and control.
- 89 Planning grew out of the "Gantt charts" designed in 1917 and 1918 to plan war production; and so did the use of analytical logic and statistics, which employ quantification to convert experience and intuition into definitions, information, and diagnosis.
- 90 Marketing evolved as a result of applying management concepts to distribution and selling.
- 91 Moreover, as early as the mid 1920s and early 1930s, some American management pioneers such as Thomas Watson Sr. at the fledgling IBM; Robert E. Wood at Sears, Roebuck; and George Elton Mayo at the Harvard Business School began to question the way manufacturing was organized.

- 92 They concluded that the assembly line was a short-term compromise.
- 93 Despite its tremendous productivity, it was poor economics because of its inflexibility, poor use of human resources, even poor engineering.
- 94 They began the thinking and experimenting that eventually led to "automation" as the way to organize the manufacturing process, and to teamwork, quality circles, and the information-based organization as the way to manage human resources.
- 95 Every one of these managerial innovations represented the application of knowledge to work, the substitution of system and information for guesswork, brawn, and toil.
- 96 Every one, to use Frederick Taylor's term, replaced "working harder" with "working smarter." ...
- 97 The powerful effect of these changes became apparent during World War II.
- 98 To the very end, the Germans were by far the better strategists.
- 99 Having much shorter interior lines, they needed fewer support troops and could match their opponents in combat strength.
- 100 Yet the Allies won—their victory achieved by management.
- 101 The United States, with one-fifth the population of all the other belligerents combined, had almost as many men in uniform.
- 102 Yet it produced more war materiel than all the others taken together.
- 103 It managed to transport the stuff to fighting fronts as far apart as China, Russia, India, Africa, and Western Europe.

- 104 No wonder, then, that by the war's end almost all the world had become management-conscious.
- 105 Or that management emerged as a recognizably distinct kind of work, one that could be studied and developed into a discipline—as happened in each country that has enjoyed economic leadership during the postwar period.
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- 106 After World War II we began to see that management is not exclusively *business* management.
- 107 It pertains to every human effort that brings together in one organization people of diverse knowledge and skills.
- 108 It needs to be applied to all third-sector institutions, such as hospitals, universities, churches, arts organizations, and social service agencies, which since World War II have grown faster in the United States than either business or government.
- 109 For even though the need to manage volunteers or raise funds may differentiate nonprofit managers from their for-profit peers, many more of their responsibilities are the same—among them defining the right strategy and goals, developing people, measuring performance, and marketing the organization's services.
- 110 *Management worldwide has become the new social function.*

111 ***Management and Entrepreneurship***

- 112 One important advance in the discipline and practice of management is that both now embrace entrepreneurship and innovation.
- 113 A sham fight these days pits “management” against “entrepreneurship” as adversaries, if not as mutually exclusive.
- 114 That's like saying that the fingering hand and the bow hand of the violinist are “adversaries” or “mutually exclusive.”

- 115 Both are always needed and at the same time.
- 116 And both have to be coordinated and work together.
- 117 Any *existing* organization, whether a business, a church, a labor union, or a hospital, goes down fast if it does not innovate.
- 118 Conversely, any *new* organization, whether a business, a church, a labor union, or a hospital, collapses if it does not manage.
- 119 Not to innovate is the single largest reason for the decline of existing organizations.
- 120 Not to know how to manage is the single largest reason for the failure of new ventures. ...
- 121 Yet few management books have paid attention to entrepreneurship and innovation.
- 122 One reason is that during the period after World War II when most of those books were written, managing the existing rather than innovating the new and different was the dominant task.
- 123 During this period most institutions developed along lines laid down thirty or fifty years earlier.
- 124 This has now changed dramatically.
- 125 We have again entered an era of innovation, and it is by no means confined to "high-tech" or to technology generally.
- 126 In fact, social innovation—as this chapter tries to make clear—may be of greater importance and have much greater impact than any scientific or technical invention.
- 127 Furthermore, we now have a "discipline" of entrepreneurship and innovation (see my *Innovation and Entrepreneurship*, 1986).
- 128 It is clearly a part of management and rests, indeed, on well-known and tested management principles.
- 129 It applies to both existing organizations and new ventures, and to both business and nonbusiness institutions, including government.

130 *The Accountability of Management*

- 131 Management books tend to focus on the function of management inside its organization.
- 132 Few yet accept it as a social function.
- 133 But it is precisely because management has become so pervasive as a social function that it faces its most serious challenge.
- 134 To whom is management accountable?
- 135 And for what?
- 136 On what does management base its power?
- 137 What gives it legitimacy? ...
- 138 These are not business questions or economic questions.
- 139 They are *political* questions.
- 140 Yet they underlie the most serious assault on management in its history—a far more serious assault than any mounted by Marxists or labor unions: the hostile takeover.
- 141 An American phenomenon at first, it has spread throughout the nonCommunist developed world.
- 142 What made it possible was the emergence of the employee pension funds as the controlling shareholders of publicly owned companies.
- 143 The pension funds, while legally “owners,” are economically “investors”—and, indeed, often “speculators.”
- 144 They have no interest in the enterprise and its welfare.

- 145 In fact, in the United States at least they are “trustees,” and are not supposed to consider anything but immediate pecuniary gain.
- 146 What underlies the takeover bid is the postulate that the enterprise’s sole function is to provide the largest possible *immediate* gain to the shareholder.
- 147 In the absence of any other justification for management and enterprise, the “raider” with his hostile takeover bid prevails—and only too often immediately dismantles or loots the going concern, sacrificing long-range, wealth-producing capacity to short-term gains. ...
- 148 Management—and not only in the business enterprise—has to be accountable for performance.
- 149 But how is performance to be defined?
- 150 How is it to be measured?
- 151 How is it to be enforced?
- 152 And to *whom* should management be accountable?
- 153 That these questions can be asked is in itself a measure of the success and importance of management.
- 154 That they need to be asked is, however, also an indictment of managers.
- 155 They have not yet faced up to the fact that they represent power—and power has to be accountable, has to be legitimate.
- 156 They have not yet faced up to the fact that they matter.

157 ***What Is Management?***

158 But what is management?

159 Is it a bag of techniques and tricks?

- 160 A bundle of analytical tools like those taught in business schools?
- 161 These are important, to be sure, just as thermometer and anatomy are important to the physician.
- 162 But the evolution and history of management—its successes as well as its problems—teach that management is, above all else, based on a very few, essential principles.
- 163 To be specific: ...

164 **Management is about human beings.**

- 165 Its task is to make people capable of joint performance, to make their strengths effective and their weaknesses irrelevant.
- 166 This is what organization is all about, and it is the reason that management is the critical, determining factor.
- 167 These days, practically all of us work for a managed institution, large or small, business or nonbusiness.
- 168 We depend on management for our livelihoods. ...

- 169 And our ability to contribute to society also depends as much on the management of the organization for which we work as it does on our own skills, dedication, and effort. ...

170 **Deeply embedded in culture**

- 171 Because management deals with the integration of people in a common venture, it is deeply embedded in culture.

- 172 What managers do in West Germany, in the United Kingdom, in the United States, in Japan, or in Brazil is exactly the same.
- 173 How they do it may be quite different.
- 174 Thus one of the basic challenges managers in a developing country face is to find and identify those parts of their own tradition, history, and culture that can be used as management building blocks.
- 175 The difference between Japan's economic success and India's relative backwardness is largely explained by the fact that Japanese managers were able to plant imported management concepts in their own cultural soil and make them grow. ...

176 **Commitment to common goals and shared values**

- 177 Every enterprise requires commitment to common goals and shared values.
- 178 Without such commitment there is no enterprise; there is only a mob.
- 179 The enterprise must have simple, clear, and unifying objectives.
- 180 The mission of the organization has to be clear enough and big enough to provide common vision.
- 181 The goals that embody it have to be clear, public, and constantly reaffirmed.
- 182 Management's first job is to think through, set, and exemplify those objectives, values, and goals. ...

183 **Enable the enterprise and each of its members to grow and develop as needs and opportunities change**

184 Management must also enable the enterprise and each of its members to grow and develop as needs and opportunities change.

185 Every enterprise is a learning and teaching institution.

186 Training and development must be built into it on all levels—training and development that never stop. ...

187 Every enterprise is composed of people with different skills and knowledge doing many different kinds of work.

188 **Built on communication and on individual responsibility**

189 It must be built on communication and on individual responsibility.

190 All members need to think through what they aim to accomplish—and make sure that their associates know and understand that aim.

191 All have to think through what they owe to others—and make sure that others understand.

192 All have to think through what they in turn need from others—and make sure that others know what is expected of them. ...

193 **Performance has to be built into the enterprise and its management**

194 Neither the quantity of output nor the “bottom line” is by itself an adequate measure of the performance of management and enterprise.

195 Market standing, innovation, productivity, development of people, quality, financial results—all are crucial to an organization's performance and to its survival.

196 Nonprofit institutions too need measurements in a number of areas specific to their mission.

197 Just as a human being needs a diversity of measures to assess his or her health and performance, an organization needs a diversity of measures to assess its health and performance.

198 Performance has to be built into the enterprise and its management; it has to be measured—or at least judged—and it has to be continually improved. ...

199 **Results exist only on the outside**

200 Finally, the single most important thing to remember about any enterprise is that results exist only on the outside.

201 The result of a business is a satisfied customer.

202 The result of a hospital is a healed patient.

203 The result of a school is a student who has learned something and puts it to work ten years later.

204 Inside an enterprise, there are only costs. ...

205 Managers who understand these principles and function in their light will be achieving, accomplished managers.

206 ***Management as a Liberal Art***

207 Thirty years ago the English scientist and novelist C. P. Snow talked of the "two cultures" of contemporary society.

- 208 Management, however, fits neither Snow's "humanist" nor his "scientist."
- 209 It deals with action and application; and its test is results.
- 210 This makes it a technology.
- 211 But management also deals with people, their values, their growth and development—and this makes it a humanity.
- 212 So does its concern with, and impact on, social structure and the community.
- 213 Indeed, as everyone has learned who, like this author, has been working with managers of all kinds of institutions for long years, management is deeply involved in moral concerns—the nature of man, good and evil. ...
- 214 Management is thus what tradition used to call a liberal art—"liberal" because it deals with the fundamentals of knowledge, self-knowledge, wisdom, and leadership; "art" because it is also concerned with practice and application.
- 215 Managers draw on all the knowledges and insights of the humanities and the social sciences, on psychology and philosophy, on economics and history, on ethics—as well as on the physical sciences.
- 216 But they have to focus this knowledge on effectiveness and results—on healing a sick patient, teaching a student, building a bridge, designing and selling a "user-friendly" software program. ...
- 217 For these reasons, management will increasingly be the discipline and the practice through which the "humanities" will again acquire recognition, impact, and relevance.