Peter F. Drucker was asked in early 1999. “What do you consider to be your most important contribution?” His answer:

- That I early on—almost sixty years ago—realized that management has become the constitutive organ and function of the Society of Organizations;
- That management is not “Business Management”—though it first attained attention in business—but the governing organ of all institutions of Modern Society;
- That I established the study of management as a discipline in its own right; and
- That I focused this discipline on People and Power; on Values, Structure, and Constitution; and above all, on responsibilities—that is, focused the Discipline of Management on management as a truly liberal art.

—Peter F. Drucker,

January 18, 1999

Source: The Drucker Institute
Claremont Graduate University
Claremont, California 91711

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Peter Drucker’s Legacy

During a discussion in graduate school, a professor challenged my first-year class: managers and leaders—are they different?

The conversation unfolded something like this:

“Leaders set the vision; managers just figure out how to get there,” said one student.

“Leaders inspire and motivate, whereas managers keep things organized,” said another.

“Leaders elevate people to the highest values.

Managers manage the details.”

The discussion revealed an underlying worship of “leadership” and a disdain for “management.”

Leaders are inspired.

Leaders are large.

Leaders are the kids with black leather jackets, sunglasses, and sheer unadulterated cool.

Managers, well, they’re the somewhat nerdy kids, decidedly less interesting, lacking charisma.

And of course, we all wanted to be leaders, and leave the drudgery of management to others.

We could not have been more misguided and juvenile in our thinking.

As Peter Drucker shows right here, in these pages, the very best leaders are first and foremost effective managers.

Those who seek to lead but fail to manage will become either irrelevant or dangerous, not only to their organizations, but to society.

Business and social entrepreneur Bob Buford once observed that Drucker contributed as much to the triumph of free society as any other individual.

I agree.

For free society to function we must have high-performing, self-governed institutions in every sector, not just in business, but equally in the social sectors.

Without that, as Drucker himself pointed out, the only workable alternative is totalitarian tyranny.
Strong institutions, in turn, depend directly on excellent management, and no individual had a greater impact on the practice of management and no single book captures its essence better than his seminal text, *Management*.

My first encounter with Drucker’s impact came at Stanford in the early 1990s, when Jerry Porras and I researched the great corporations of the twentieth century.

The more we dug into the formative stages and inflection points of companies like General Electric, Johnson & Johnson, Procter & Gamble, Hewlett-Packard, Merck and Motorola, the more we saw Drucker’s intellectual fingerprints.

David Packard’s notes and speeches from the foundation years at HP so mirrored Drucker’s writings that I conjured an image of Packard giving management sermons with a classic Drucker text in hand.

When we finished our research, Jerry and I struggled to name our book, rejecting more than 100 titles.

Finally in frustration I blurted, Why don’t we just name it *Drucker Was Right*, and we’re done!” (We later named the book *Built to Last*.)

What accounts for Drucker’s enormous impact?

I believe the answer lies not just in his specific ideas, but in his entire approach to ideas, composed of four elements:

1. He looked out the window, not in the mirror
2. He started first—and always—with results
3. He asked audacious questions
4. He infused all his work with a concern and compassion for the individual.

I once had a conversation with a faculty colleague about the thinkers who had influenced us.

I mentioned Drucker.

My colleague wrinkled his nose, and said:

“Drucker?”

But he’s so practical.”

Drucker would have loved that moment of disdain, reveling in being criticized for the fact that his ideas worked.

They worked because he derived them by precise observation of empirical facts.

He pushed always to look out there, in the world, to derive ideas, challenging himself and his students to “Look out the window, not in the mirror!”

Drucker falls in line with thinkers like Darwin, Freud and Taylor—empiricists all.

Darwin wrote copious notebooks, pages and pages about pigeons and turtles.

Freud used his therapeutic practice as a laboratory.

Taylor conducted empirical experiments, systematically tracking thousands of details.

Like them, Drucker immersed himself in empirical acts and then asked, “What underlying principle explains these facts, and how can we harness that principle?”

Drucker belonged to the church of results.

Instead of starting with an almost religious belief in a particular category of answers—a belief in leadership, or culture, or information, or innovation, or decentralization, or
marketing, or strategy, or any other category—Drucker began first with the question “what accounts for superior results?” and then derived answers.

He started with the outputs—the definitions and markers of success—and worked to discover the inputs, not the other way around.

And then he preached the religion of results to his students and clients, not just to business corporations but equally to government and the social sectors.

The more noble your mission, the more he demanded:

what will define superior performance?

“Good intentions,” he would seemingly yell without ever raising his voice, “are no excuse for incompetence.”

And yet while practical and empirical, Drucker never became technical or trivial, nor did he succumb to the trend in modern academia to answer (in the words of the late John Gardner) “questions of increasing irrelevance with increasing precision.”

By remaining a professor of management—not as a science, but as a liberal art he gave himself the freedom to pursue audacious questions.

My first reading of Drucker came on vacation in Monterey, California.

My wife and I embarked on one of our adventure walks through a used book store, treasure hunting for unexpected gems.

I came across a beaten-up, dog-eared copy of *Concept of the Corporation*, expecting a tutorial on how to build a company.

But within a few pages, I realized that it asked a much bigger question:

what is the proper role of the corporation at this stage of civilization?

Drucker had been invited to observe General Motors from the inside, and the more he saw, the more disturbed he became.

“General Motors … can be seen as the triumph and the failure of the technocrat manager,” he later wrote.

“In terms of sales and profits [GM] has succeeded admirably … But it has also failed abysmally— in terms of public reputation, of public esteem, of acceptance by the public.”

Drucker passionately believed in management not as a technocratic exercise, but as a profession with a noble calling, just like the very best of medicine and law.

Drucker could be acerbic and impatient, a curmudgeon.

But behind the prickly surface, and behind every page in his works, stands a man with tremendous compassion for the individual.

He sought not just to make our economy more productive, but to make all of society more productive and more humane.

To view other human beings as merely a means to an end, rather than as ends in themselves, struck Drucker as profoundly immoral.

And as much as he wrote about institutions and society, I believe that he cared most deeply about the individual.

I personally experienced Drucker’s concern and compassion in 1994, when I found myself at a crossroads, trying to decide whether to jettison a traditional path in favor of carving my own.

I mentioned to an editor for *Industry Week* that I admired Peter Drucker.
“I recently interviewed Peter,” he said, “and I’d be happy to ask if he’d be willing to spend some time with you.”

I never expected anything to come of it, but one day I got a message on my answering machine.

“This is Peter Drucker”—slow, deliberate, in an Austrian accent—“I would be very pleased to spend a day with you, Mr. Collins.

Please give me a call.”

We set a date for December, and I flew to Claremont, California.

Drucker welcomed me into his home, enveloping my extended hand into two of his.

“Mr. Collins, so very pleased to meet you.

Please come inside.”

He invested the better part of a day sitting in his favorite wicker chair, asking questions, teaching, guiding, and challenging.

I made a pilgrimage to Claremont seeking wisdom from the greatest management thinker, and I came away feeling that I’d met a compassionate and generous human being who—almost as a side benefit—was a prolific genius.

There are two ways to change the world:

the pen (the use of ideas) and the sword (the use of power).

Drucker chose the pen, and thereby rewired the brains of thousands who carry the sword.

Those who choose the pen have an advantage over those who wield the sword:

the written word never dies.

If you never had the privilege to meet Peter Drucker during his lifetime, you can get to know him in these pages.

You can converse with him.

You can write notes to him in the margins.

You can argue with him, be irritated by him, and inspired.

He can mentor you, if you let him, teach you, challenge you, change you—and through you, the world you touch.

Peter Drucker shined a light in a dark and chaotic world, and his words remain as relevant today as when he banged them out on his cranky typewriter decades ago.

They deserve to be read by every person of responsibility, now, tomorrow, ten years from now, fifty and a hundred.

That free society triumphed in the twentieth century guarantees nothing about its triumph in the twenty-first; centralized tyranny remains a potent rival, and the weight of history is not on our side.

When young people ask, “What can I do to make a difference?” one of the best answers lies right here in this book.

Get your hands on an organization aligned with your passion, if not in business, then in the social sectors.

If you can’t find one, start one.

And then lead it—through the practice of management—to deliver extraordinary results and to make such a distinctive impact that you multiply your own impact by a thousand-
Figure 1 presents a systems view of Drucker on management.

It summarizes Drucker’s teachings on management as an organic whole.

Managerial skills, personal skills, and managerial tasks must be combined into principles of managerial effectiveness to implement an enterprise’s theory of the business.

These principles include the discipline of innovation and entrepreneurship.

Management principles must be directed toward developing and maintaining a high
Each element of \textit{figure 1} is described in this book.

Unless otherwise indicated, all chapters in this book are adapted from the works of Peter Drucker and are contained in his numerous books and articles.

This book draws upon his entire body of knowledge, which is housed at The Drucker Institute (http://www.thedruckerinstitute.com).

\textbf{Preface}

What will future historians consider the most important event of the twentieth century:

The two World Wars?

The atomic bomb?

The rise of Japan to be the first non-Western great economic power?

The information revolution?

The demographic revolutions that occurred in the twentieth century—revolutions that have profoundly changed the world's human landscape and that have no precedents.

And I mean not only the quantitative change:

the explosive growth of population in the twentieth century and the equally explosive extension of life spans resulting in an aging population in all developed and in most emerging countries.

Equally important, indeed perhaps more important, was the qualitative change:

the unprecedented transformation of the workforce in all developed countries, from one doing largely unskilled, manual work, to one doing knowledge work.

At the beginning of the twentieth century, ninety out of every hundred people in the working population in every country were manual workers, farmers and their hired hands, domestic servants, factory workers, miners, or construction workers.

And life expectancies, especially working-life expectancies, were so low that a majority of working people were disabled well before they reached what was then the threshold of old age, that is, age fifty.

But while the life expectancy of the individual and especially the individual knowledge worker has risen beyond anything anybody could have foretold at the beginning of the twentieth century, the life expectancy of the employing institution has been going down, and is likely to keep going down.

Or rather, the number of years has been shrinking during which an employing institution—and especially a business enterprise—can expect to stay successful.

This period was never very long.

Historically, very few businesses were successful for as long as thirty years in a row.

\textit{To be sure, not all businesses ceased to exist when they ceased to do well.}

But the ones that survived beyond thirty years usually entered into a long period of \textit{stagnation}—and only rarely did they turn around again and once more become successful growth businesses.

Thus, while the life expectancies and especially the working-life expectancies of the individual and especially of the knowledge worker have been expanding very rapidly, the
life expectancy of the employing organizations has actually been going down.

And—in a period of very rapid technological change, of increasing competition because of globalization, of tremendous innovation—the successful life-expectancies of employing institutions are almost certain to continue to go down.

More and more people, and especially knowledge workers, can therefore expect to outlive their employing organizations and to have to be prepared to develop new careers, new skills, new social identities, new relationships, for the second half of their lives.

And now the largest single group in the workforce in all developed countries is knowledge workers rather than manual workers.

At the beginning of the twentieth century, knowledge workers in any country, even the most highly developed ones, were very scarce.

I doubt that there was any country in which they exceeded 2 or 3 percent of the working population.

Now, in the United States, they account for around 33 percent of the working population. By the year 2020, they will account for about the same proportion in Japan and in Western Europe.

They are something we have never seen before.

These knowledge workers own their means of production, for they own their knowledge. And their knowledge is portable; it is between their ears.

For untold millennia, there were no choices for the overwhelming majority of people in any country.

A farmer's son became a farmer.

A craftsman's son became a craftsman, and a craftsman's daughter married a craftsman; a factory worker's son or daughter went to work in a factory.

Whatever mobility there was was downward mobility.

In the 250 years of Tokugawa rule in Japan, for instance, very few people advanced from being commoners to being samurai—that is, privileged warriors.

An enormous number of samurai, however, lost their status and became commoners, that is, moved down.

The same was true all over the world.

Even in the most mobile of countries, the early twentieth-century United States, upward mobility was still the exception.

We have figures from the early 1900s until 1950 or 1955.

They show conclusively that at least nine out of every ten executives and professionals were themselves the sons of executives and professionals.

Only one out of every ten executives or professionals came from the "lower orders" (as they were then called).

The business enterprise, as it was invented around 1860 or 1870—and it was an invention that had little precedent in history—was such a radical innovation precisely because there was upward mobility within it for a few people.

This was the reason why the business enterprise ruptured the old communities—the rural village, the small town, or the craft guild.
But even the business enterprise, as it was first developed, tried to become a traditional community.

It is commonly believed—in Japan as well as in the West—that the large Japanese company with its lifetime employment is something that exists only in Japan and expresses specific Japanese values.

Apart from the fact that this is historical nonsense—lifetime employment in Japan even for white collar, salaried employees was a twentieth-century invention and did not exist before the end of Meiji (that is, before the twentieth century)—the large business enterprise in the West was not very different.

Anyone who worked as a salaried employee for a large company in Germany, Great Britain, the United States, Switzerland, and so on had, in effect, lifetime employment.

And even a salaried employee above the entry level in such a company considered himself “a company man” and identified himself with the company.

He—and of course in those days they were all men—was a “Siemens Man” in Germany or a “General Electric Man” in the United States.

Most of the big companies all over the West, just like the Japanese companies, hired people for only the entrance positions, and they expected them to stay until they died or retired.

In fact, the Germans, with their passion for codifying everything, even created a category for such people.

They were called “private civil servants” (Privatbeamte).

Socially, they ranked below civil servants.

But legally, they had the same job security and, in effect, lifetime employment—with the implicit assumption that they, in turn, would be committed to their employer for their entire working life and career.

The Japanese company as it was finally formulated in the 1950s or early 1960s was, in other words, simply the most highly structured and most visible expression of the large business enterprise as it had been first developed in the late nineteenth-century and then reached full maturity in the first half of the twentieth century.

The early nineteenth-century business—and even the mid-nineteenth-century business—derived success from low costs.

Successfully managing a business meant being able to produce the same commodities everybody else produced but at lower cost.

In the twentieth century this then changed to what we now call “strategy” or analysis for the purpose of creating competitive advantage.

I may claim to have been the first one to point this out, in a 1964 book called Managing for Results.

But by that time a shift was already underway to another basic foundation: knowledge.

[I had realized that in 1959—and the first result of this realization was my book The Effective Executive (1966).

It was in that book that the shift to the knowledge worker was foreshadowed and its implication for the business first analyzed.]

The knowledge worker, to repeat, differs from any earlier worker in two major aspects.

First, the knowledge worker owns the means of production and they are portable.
Second, he or she is likely to outlive any employing organization. Add to this that knowledge work is very different in character from earlier forms of work. It is effective only if highly specialized. What makes a brain surgeon effective is that he is a specialist in brain surgery. By the same token, however, he probably could not repair a damaged knee. And he certainly would be helpless if confronted with a tropical parasite in the blood. ¶¶¶ This is true for all knowledge work. “Generalists”—and this is what the traditional business enterprise, including the Japanese companies, tried to develop—are of limited use in a knowledge economy. In fact, they are productive only if they themselves become specialists in managing knowledge and knowledge workers. This, however, also means that knowledge workers, no matter how much we talk about “loyalty,” will increasingly and of necessity see their knowledge area—that is, their specialization rather than the employing organization—as what identifies and characterizes them. Their community will increasingly be people who share the same highly specialized knowledge, no matter where they work or for whom. ¶¶¶ In the United States, as late as the 1950s or 1960s, when meeting somebody at a party and asking him what he did, one would get the answer, “I work for General Electric” or “for Citibank” or for some other employing organization. In other words, one would get exactly the same kind of answer in Germany, in Great Britain, in France, and in any other developed country. Today, in the United States, if one asks someone whom one meets at a party, “What do you do?” the answer is likely to be, “I am a metallurgist” or “I am a tax specialist” or “I am a software designer.” In other words, in the United States, at least, knowledge workers no longer identify themselves with an employer. They identify themselves with a knowledge area. The same is increasingly true in Japan, certainly among the younger people. ¶¶¶ This is more likely to change the organization of the future, and especially the business enterprise, than technology, information, or e-commerce. ¶¶¶ Since 1959, when I first realized that this change was about to happen, I consciously worked at thinking through the meaning of this tremendous change, and especially the meaning for individuals. For not only is it individuals who will have to convert this change into opportunity for themselves, for their careers, for their achievement, for their identification and fulfillment. It is the individual knowledge worker who, in large measure, will determine what the organization of the future will look like and which kind of organization of the future will be successful. ¶¶¶ There is as a consequence only one satisfactory definition of management, whether we talk of a business, a government agency, or a nonprofit organization: to make human resources productive. It will increasingly be the only way to gain competitive advantage.
Of the traditional resources of the economist—land, labor, and capital—none anymore truly confers a competitive advantage.

To be sure, not to be able to use these resources as well as anyone else is a tremendous competitive disadvantage.

But every business has access to the same raw materials at the same price.

Access to money is worldwide.

And manual labor, the traditional third resource, has become a relatively unimportant factor in most enterprises.

Even in traditional manufacturing industries, labor costs are no more than 12 or 13 percent of total costs, so that even a very substantial advantage in labor costs (say a 5 percent advantage) results in a negligible competitive advantage except in a very small and shrinking number of highly labor-intensive industries (e.g., knitting woolen sweaters).

The only meaningful competitive advantage is the productivity of the knowledge worker.

And that is very largely in the hands of the knowledge worker rather than in the hands of management.

Knowledge workers will increasingly determine the shape of the successful employing organizations. ¶¶

What this implies is basically the topic of this book.

These are very new demands.

To satisfy them will increasingly be the key to success and survival for the individual and enterprise alike.

To enable its readers to be among the successes—as executives in their organization, in managing themselves and others—is the primary aim of the revised edition of this book. ¶¶

I suggest you read one chapter at a time—it is a long book. ¶¶

And then first ask, “What do these issues, these challenges, mean for our organization and for me as a knowledge worker, a professional, an executive?” ¶¶

Once you have thought this through, ask, ¶¶

“What action should our organization and I, the individual knowledge worker and/or executive, take to make the challenges of this chapter into opportunities for our organization and me?”

**Summary — Introduction: Management and Managers Defined**

In the twentieth century our society became a society of organizations.

Organizations depend on managers—are built by managers, directed and held together by managers, and made to perform by managers.

Once an organization grows beyond a very small size, it needs managers who practice professional management.

This means management grounded in a discipline and informed by the objective needs of the organization and of its people, rather than management based on ownership or on political appointment.
Every organization needs people managers who do the specific work of management: planning, organizing, integrating, measuring, and developing people. It needs managers who take responsibility for contribution. Responsibility for contribution, rather than rank or title or command over people, defines the manager. And integrity rather than genius is the manager’s basic requirement.

Summary – Management as a Social Function and Liberal Art

Managers have been agents of transformation, converting the workforce in developed countries from one of manual workers to one of highly educated knowledge workers. This has been accomplished by applying knowledge to work. Management brings human effort from all disciplines together in a single organization and therefore has become a new social function. As such the discipline and practice of management is important to the effectiveness of all of society’s institutions. In carrying out its function, management relies on knowledge from the humanities, social sciences, and technology. As such, management is a liberal art in the truest sense and a discipline wherein the liberal arts find relevance and usefulness.

Summary – The Dimensions of Management

There are three basic tasks—they might be called dimensions—in management. There is the first task of thinking through and defining the specific purpose and mission of the organization—whether business enterprise, hospital, school, or government agency. There is the second task of making work productive and the worker achieving. There is finally the task of managing social impacts and social responsibilities. In respect to the second and third tasks, all institutions are alike. It is the first task that distinguishes the business from the hospital, school, or government agency. And the specific purpose and mission of business enterprise is economic performance. To discharge it, managers always have to balance the present against an uncertain and risky future, have to perform for the short run and make their business capable of performance over the long run. Managers always have to be stewards of what already exists; they have to be administrators. They also have to create what is to be; they have to be entrepreneurs, risk takers, and innovators. For a modern business can produce results, both for society and for its own people, only if it can survive beyond the life span of a person and perform in a new and different future.
Summary — Knowledge Is All

Knowledge industries, knowledge work, and the knowledge societies have been emerging steadily since the 1950s.

They are now realities in developed countries.

And this has a number of implications for managers.

The expansion of knowledge work corresponds to the decline in manufacturing employment.

A rapidly growing segment of knowledge work consists of knowledge technicians, a trend that should continue.

The long-term trend in manufacturing employment is following the long-term decline in employment in agriculture.

Participation rates of women in the workforce have been steadily trending up because knowledge work is unisex, unlike most manufacturing employment, which is dominated by men.

Knowledge workers tend to identify at least as much with their knowledge discipline as they do with the organization in which they are employed.

This creates new challenges for managers, because knowledge workers are highly mobile and more difficult to integrate into the mission of the organization.

Summary — New Demographics

Demographic trends are having significant political and economic effects in developed countries.

Low birth rates in these countries are escalating political tensions over immigration policies and favor those countries, such as the United States, that have a culture of easily assimilating immigrants.

Yet even in the United States, immigration is increasing political tensions among various groups:

- employers who need immigrant workers,
- unions who fear the impact of new immigrants on wage and employment of their members,
- and large existing immigrant population, such as the Latino population, which strongly favor lenient policies toward both legal and illegal immigrants.

The aging of the population in developed countries is straining existing social pension systems, leading to pressure to increase the traditional retirement age.

Knowledge workers are likely to reenter labor markets as part-time employees after retirement in order to supplement their pensions.

Increased life expectancies, especially among knowledge workers, should make second and parallel careers possible and desirable.

This should continue to change the structure of the workforce.

As the population ages, so will the demand for financial services among the post-fifty-years-old segment of the population.

This is also the segment that likely to increase its demand for continuing education.

Continuing education, health care, and financial services are likely to continue to be among the growth markets of the future.
Summary – The Future of the Corporation and the Way Ahead

A number of key assumptions on which the corporation was invented are now being reversed.

Some of these assumptions will be discussed further in chapter 7. Two are especially important to summarize.

First, the specialized nature of knowledge, the reduction in communications costs, and the crisscross of technology are having a profound impact on reversing the century trend toward integrating the separate activities of the corporation into a hierarchy.

Second, development and growth of a business is increasingly taking place, not inside the corporation itself, but through partnerships, joint ventures, alliances, minority participation, and know-how agreements with institutions in different industries and with different technologies.

Thus the process of “integration” is being reversed by the process of “disintegration.”

Attracting and holding these diverse groups will become the central tasks of people management in the new corporation.

The people in these groups do not have permanent relationships with the business.

They may not have to be managed, but they have to be made productive.

They will, therefore, have to be deployed where their specialized knowledge can make the greatest contribution.

And they will have to be satisfied.

Summary – Management’s New Paradigm

Prevailing assumptions about the realities of management determine what scholars, teachers, and executives assume to be reality.

This chapter challenges three assumptions underlying the discipline of management:

management is business management, there is one right organization and there is one right way to manage people.

Also challenged are four assumptions underlying the practice of management:

 technologies and end-users are fixed and given, management’s scope is legally defined, and the inside is management’s domain.

The new paradigms that supersede the three disciplinary assumptions of management are:

1. Management is the specific and distinguishing organ of any and all organizations.

2. Management must look for the organization that fits the task.

3. One does not “manage” people. The task is to lead people and make productive the specific strengths and knowledge of each individual.

The new paradigms that supersede the four practice assumptions of management are:

1. Neither technology nor end-use of a product is the correct foundation for management policy. Management must start with customer values and customer decisions as the basis for its strategy.
2.2. The scope of management is not legal; it is operational, covering the entire economic chain.

3.3. The practice of management will have to be defined operationally rather than by political boundaries.

4.4. Finally, the results of any institution exist only on the outside.

Summary – The Theory of the Business

A theory of the business has three parts:

1.1. Assumptions about the environment of the organization. These define what the organization expects it can be paid for.

2.2. Assumptions about the specific mission of the organization. These define how the organization intends to make a difference in society and what results are meaningful.

3.3. Assumptions about the core competencies needed to accomplish the mission. These define in which areas the organization must excel in order to achieve its mission.

These three assumptions must fit one another and reality.

The theory of the business must be understood throughout the organization.

When an organization takes its theory for granted, it stops thinking and questioning the very premises of its existence.

And every theory eventually becomes obsolete.

Without systematic abandonment, an organization will squander its scarce resources on what it should not do and deprive itself of resources it needs to exploit opportunities.

One of the most effective ways to test the validity of a theory is to study the behavior of noncustomers.

Summary – The Purpose and Objectives of a Business

Marketing and innovation are the two result areas with which the setting of objectives has to begin.

Both are likely to require a range of objectives rather than one target figure.

Both also require prior decisions of high risk: on concentration and on market standing.

And then there is the need for objectives with respect to all resources—people, capital, and key physical resources—their supply, their utilization, and their productivity.

There is the need for objectives with respect to the social dimension of business, its social responsibilities and social impacts.

In all these areas, the small business needs clear objectives just as much as the big one.

Profit and profitability come at the end; they are survival needs of a business and therefore require objectives.

But the needed profitability also establishes limitations on all the other objectives.

Objectives have to be balanced—with each other, in terms of the different requirements of the short and the long term, and against available resources.

Finally, action priorities have to be set.
Summary – Making the Future Today

In human affairs it is pointless to try to predict the future.

But it is possible and fruitful to identify major events that have already happened irrevocably and that will have predictable effects in the next decade or two.

It is possible, in other words, to identify and prepare for the future that has already happened.

A dominant factor for organizations in the next few decades is going to be demographics.

The key factor for business will not be over-population that we have been warned of for many years but under-population of the developed countries—Japan, South Korea, and the nations of Western Europe.

Summary – Strategic Planning: The Entrepreneurial Skill

Strategic planning prepares today’s business for the future.

It asks, What should our business be?

It asks, What do we have to do today to deserve the future?

Strategic planning requires risk-taking decisions.

It requires an organized process of abandoning yesterday.

It requires that the work to be done to produce the desired future be clearly defined and clearly assigned.

The aim of strategic planning is action now.

Summary – Managing Service Institutions in the Society of Organizations

To make service institutions and service staffs perform does not require genius.

It requires, first, clear objectives and goals.

Next, it demands priorities on which resources can be concentrated.

It requires, further, clear measurements of accomplishment.

And finally, it demands organized abandonment of the obsolete.

And these four requirements are just as important for the service staff of a business as for the service institution in society.

Summary – What Successful and Performing Nonprofits Are Teaching Business

The first lesson business executives can learn from successful nonprofits is to begin with mission.

Successful nonprofits such as the Salvation Army avoid bland mission statements and focus their mission statement on specific strategies and action:

“to turn society’s rejects—alcoholics, criminals, derelicts—into citizens.”
Successful mission statements focus on the outside—the community and the customer. They look outside for what are considered meaningful results.

Many nonprofits have what is still rare in business, a functioning board with clear duties and responsibilities and measures of both CEO and board effectiveness.

Nonprofit boards often serve as volunteers and contributors to the organization and feel commitment toward the mission and active involvement in the actual operations of the organization.

As a result, they know more about operations of the organization than their business counterparts.

Finally, successful nonprofits know how to manage volunteers.

Managing volunteers requires a clear mission (or score), high demands, accountability, and training.

These requirements for effective volunteers are very close to the requirements for leading knowledge workers in other sectors of the economy.

Summary – The Accountable School

The knowledge society and knowledge workers require high levels of literacy, strengths-based education, and continuous learning.

The school is one of the primary institutions of society in which basic literacy and development of one’s strengths can take place.

Yet, the public schools in the United States have been handicapped by multiple missions that limit their ability to fulfill the educational needs of a knowledge-based society.

Numerous alternatives have sprung up both within and outside of the public school system.

Charter schools and magnet schools are direct competitors of the public school within the public school system.

Both have singular missions and are results driven.

Private schools and home schooling are also movements that have proceeded apace outside of the public schools.

The demand for basic literacy and for strengths-based education requires that primary and secondary schools be held accountable for their results, which, in turn, requires a clear mission and measurable results.

Summary – Rethinking “Reinventing Government”

Rethinking government should start by requiring each agency to immediately define its performance objective, its quality objective, and its cost objective.

This should be followed by the adoption of the formal processes of continuous improvement and benchmarking.

Next, every agency, every policy, every program, every activity, should be confronted with these questions:

“What is your mission?”

“Is it still the right mission?”

“Is it still worth doing?”
“If we were not already doing this, would we go into it now?”

If the answer to the last question is no, then the next question is, “What do we do about it?”

Continuing to carry out activities that we would not now start is wasteful and they should be abandoned.

Rethinking activities and programs will result in identifying those that should be strengthened and those that should be abolished.

It will also result in activities where alternative pilot projects should be carried out in specific locations where there is the capability and desire to do so.

The objective of this rethinking policy exercise is to rank programs according to their results not according to good intentions.

Summary – Entrepreneurship in the Public-Service Institution

For a society to prosper, it must have engines of capital formation.

Service institutions are paid out of the surplus of wealth-creating institutions.

A developed society cannot afford to have its service institutions waste capital.

As a result, public-service institutions must be made to perform and to innovate.

One way to do this is to privatize whatever activities a service institution can outsource and convert from a nonprofit to a for-profit activity.

This single step will make service activities more effective so long as their missions are clear.

The bulk of service activities performed in social-sector and governmental organizations cannot be privatized.

These institutions must go to work to eliminate the obstacles to innovation.

There are many successful examples to point the way, including the Girl Scouts of the U.S. A., the American Association for the Advancement of Science, and cities such as Lincoln, Nebraska.

There are four requirements for successful innovation in the public-service institution:

1. Provide a clear definition of mission.
2. Establish goals that are attainable and stated in terms of the optimum rather than the theoretical maximum.
3. Probe objectives that are not being attained after repeated attempts. Failure to obtain objectives after repeated attempts means either that the objectives should be redefined or that the objectives should be abandoned.
4. Build into public-service institutions entrepreneurial policies and practices that have been demonstrated to work in other sectors of the economy.

Summary – Making Work Productive and the Worker Achieving

The main challenges to managing work and working are the changed psychological and
social position of the manual worker;
the crisis of the traditional role and function of the union as a result of its success; and
the emergence of knowledge work as the economic and social center of the postindustrial, knowledge society. 

Work is changing—but so is the workforce, especially as more and more married women of all classes are working in the developed countries.

**Summary – Managing the Work and Worker in Manual Work**

The realization that skill and knowledge are in the working rather than in the work is the key to making work productive.

The generic nature of work implies that work can be studied systematically, if not scientifically.

Until recently the study of work has been confined to manual work for the reason that this was the main work around.

But the same principles and approaches apply to any other production work, such as most service work.

They apply to the processing of information, that is, to most clerical work.

They even apply to most knowledge work.

Only the applications and the tools vary.

Making work productive requires four separate activities, each with its own demands.

Because work is objective and impersonal and a “something”—even if it is intangible, like information or knowledge—making work productive has to begin with the end product, the output of work.

It cannot start with the input, whether craft skill or formal knowledge.

Skills, information, knowledge, are tools; and what tool is to be applied when, and for what purpose, must always be determined by the desired end product.

The end product determines what work is needed.

It also determines the synthesis into a process, the design of the appropriate controls, and the specifications for the tools needed.

**Summary – Managing the Work and Worker in Knowledge Work**

For thousands of years no one thought that manual work could be made more productive.

Even the term “productivity” was not known until around World War II.

But as soon as Frederick W. Taylor, in 1881, looked critically at how the manual worker did his job, manual-worker productivity rose dramatically.

In the century after 1880, productivity grew steadily at 3 to 4 percent compound per year, and that meant a fifty-fold growth in a hundred years. 

In manual work the task is always a given.
The machine or the assembly line program the factory worker. The manual worker's productivity is thus never a question of what to do. The question is always how to do it. And for the great majority of manual workers the employer owns and controls the means of production and the workers' tools.

With knowledge work, however, what to do becomes the first and decisive question. For knowledge workers are not programmed by the machine or by the weather. They largely are in control of their own tasks and must be in control of their own tasks. For they, and only they, own and control the most expensive of the means of production—their education—and their most important tool—their knowledge.

This is not just true of the people who apply high and advanced knowledge. It's just as true of the computer service technician who comes to fix a problem; of the technician in the hospital lab who makes a bacterial culture; of the trainee who oversees a market test of a new product in the supermarket.

The how in knowledge work comes only after the what has been answered.

There are a number of steps to improve knowledge-worker productivity. They include

- Define the task
- Focus on the task
- Define results
- Define quality
- Grant autonomy to the knowledge worker
- Demand accountability
- Build into tasks continuous learning and teaching

The only true competitive advantage for a company or a nation will increasingly be the productivity of its knowledge workers. This will have a future impact on the governance of the corporation.

**Summary — Social Impacts and Social Responsibilities**

Central to the issue of social responsibility are first the negative social impacts that are by-products of the legitimate and necessary conduct of business (or institution) and consequences of the fact that the institution exists in a community and has authority over people.

Such impacts should always be eliminated or at least minimized. If their elimination cannot be made into an opportunity, there is need for regulation; and it is the responsibility of business to think through and work for the appropriate regulation before there is a scandal.

Then there is the issue of the responsibility of business for the ills of society. And finally there is the leadership function of managers in a society in which executives of institutions have become the leadership group. The individual manager, even the chief executive of a giant corporation, has become anonymous, unassuming—just another employee.
But together the managers of our institutions—businesses, universities, schools, hospitals, and government agencies—are the leadership groups in the modern society of organizations.

As such, they need an ethics, a commitment, and a code.

The right one is the code developed more than 2,000 years ago for the first professional leadership group, physicians:

“Above all, not knowingly to do harm.”

**Summary — The New Pluralism: How to Balance the Special Purpose of the Institution with the Common Good**

In our society of pluralistic institutions, each institution must focus on its narrow mission if it is to achieve results and meet the minimum test of social responsibility.

But then, who looks out for the common good? The answer is no one unless executives of society’s institutions take on a second responsibility that looks beyond the borders of their institution to the common good.

This can be done

- by making *financial contributions* to social-sector organizations;
- by encouraging employees to *volunteer* their time and effort to community causes; and
- by encouraging the leadership group to volunteer their time and resources to help solve the problems of society.

A society of pluralistic organizations must be one that consists of leadership groups who look beyond the walls of the institution and take on *civic responsibility*, without shirking their primary responsibility, which is to their institution’s specific and narrowly defined mission.

**Summary — Why Managers?**

Managers are not helpers and their jobs are not delegated.

Their jobs are autonomous and grounded in the needs of the enterprise.

The only choice is between doing the managerial jobs well or badly—but the jobs exist because there is an enterprise that has to be managed.

**Summary — Design and Content of Managerial Jobs**

A manager’s job should always be based on a necessary task.

It should be a real job that makes a visible (if not a measurable) contribution toward the objectives of the entire enterprise.

It should have the broadest scope and authority possible.

Managers should be directed and controlled by the objectives of performance rather than by their superior.

In designing managerial jobs, six specific mistakes are to be avoided.

There is a need to design the *span of managerial responsibility*—and there are four ways
Managers are mutually dependent on superiors and subordinates. Their final duty is toward the enterprise.

**Summary – Developing Management and Managers**

Management development is based on the genuine needs of organizations and managers alike.

But, it is as yet rarely understood that there is management development tied to the needs of the organization, and manager development, tied to the needs of the individual—and that the two are different.

Manager development is self-development although the superior and the organization can encourage or stifle it.

And the aim of manager development is excellence.

**Summary – Management by Objectives and Self-Control**

Each member of the enterprise contributes something different; but all must contribute toward a common goal, a common performance.

Each should strive toward workmanship in his or her work.

Yet professional excellence is a means toward a common objective.

By its very nature, the organization tends to misdirect away from the common objective.

Organizations therefore require management by objectives so as to integrate individual efforts into common performance.

Managers objectives need to be set by themselves.

And they should be used for self-control.

Management by objectives and self-control can truly be called a philosophy of management for free men and women.

**Summary – From Middle Management to Information-Based Organizations**

There have been three distinct phases in the evolution of the structure and information systems in business organizations.

The first was the separation of ownership from the day-to-day management of the firm.

The second was the development of the command-and-control structure and system.

We have now entered the third phase, which may be called the information-based organization.

It is an organization of knowledge specialists with many fewer managerial layers.

Using examples from the modern complex hospital and the symphony orchestra, it is possible to determine the requirements for successful operation of an information-based organization.

First, there should be agreement on the overall mission (or score) and the mission should
be widely shared throughout the organization.

Second, for the information-based organization to function properly, every one in it must take responsibility for the information the specialist owes to others and the information the specialist requires from others.

Third, alternative compensation and career paths must be developed within the specialties, since the opportunities to move into management are becoming more limited.

Finally, there will be the need for an organization to train and develop its top management.

Examples of how this might be done are present in hospitals and in consulting and law firms.

Summary – The Spirit of Performance

The purpose of organization is to enable ordinary human beings to do extraordinary things.

The test of an organization’s leadership is, therefore, the spirit of performance.

This requires specific practices rather than preachment or charisma.

It requires, above all, the realization that integrity is the one absolute requirement of managers and leaders.

In summary, the effective decision maker follows seven steps to minimize the risks inherent in every decision.

These steps are

1. Determine whether a decision is necessary.
2. Classify the problem.
3. Define the problem.
4. Decide on what is right.
5. Get others to buy the decision.
6. Build action into the decision.
7. Test the decision against actual results.

Summary – The Elements of Effective Decision Making

Decision making is only one of the tasks of a manager.

It usually takes but a small fraction of his or her time.

But to make the important decisions is the specific managerial task.

Only a manager makes such decisions.

An effective manager makes these decisions in a systematic process with clearly defined elements and in a distinct sequence of steps.

Indeed, to be expected (by virtue of position or knowledge) to make decisions that have significant and positive impact on the entire organization, its performance, and its results characterizes the work of an effective manager.
Decision making is not a mechanical job. It is risk taking and a challenge to judgment. The “right answer” (which usually cannot be found anyway) is not central. Central is understanding the problem. Decision making is not an intellectual exercise. It mobilizes the vision, energies, and resources of the organization for effective action. At the end, it is an exercise in courage and responsibility.

**Summary – How to Make People Decisions**

There are the five steps in making people decisions:
- Carefully think through the assignment.
- Look at three to five qualified people.
- Consider each candidate’s strengths.
- Discuss each candidate with his or her colleagues and bosses.
- And make sure the appointee understands the job and what it requires, and reports back on it once he or she is in the job.

And there are five ground rules for the decision maker:
- Accept responsibility for any people decision, such as a placement or a promotion that fails.
- Accept also that people who do not perform must be removed.
- This is owed to the organization, to the nonperformer, and to his or her coworkers.
- This does not mean that such a person must be let go; instead, find the position that fits his or her strengths.
- It is the manager’s responsibility to make the right people decision every time and for every position.
- Newcomers should preferably be put first into an established position, where expectations are known and where they can be helped if necessary.

**Summary – Managerial Communications**

We know that communication in organizations is perception, is expectations, makes demands, and that communications and information are different, yet interdependent. We know that downward communications do not work—only upward communications do. And we know that effective communication in organizations requires management by objectives.

Communication is not between “me” and “you.” It is always from one member of “us” to another.

**Summary – Controls, Control, and Management**

Controls and Control are different. Controls are the means; control the needed end.
Controls can be neither objective nor neutral in a human organization. They are goal setting and value setting. Controls need to focus on results. Controls are needed for measurable and nonmeasurable events. Controls must satisfy seven specifications for effective control. And people decisions are the ultimate control of an organization.

Summary – The Manager and the Budget

The budget enables the manager to allocate resources for results, to balance income and expenditures, and to control events in time to take corrective action. The Gantt chart and its various refinements, such as the critical path chart or PERT chart, enable a manager to plan a major project, to allocate resources rationally to the various stages and kinds of work needed to complete the project, and to control progress toward completion of the project, both with respect to the time needed and to the cost incurred. Performance planning for units and individuals and performance appraisal, finally, enable the manager to make productive the people, the knowledge, the vision, and the motivation of the human organization, to focus human energy on performance, and to make organizational performance, in turn, redound to individual development.

Summary – Information Tools and Concepts

The manager needs three primary types of information, each with its own concepts and tools. First, there is what goes on inside the enterprise. Here we use standard accounting information along with the newer and rapidly evolving techniques of activity-based costing, EVA, and benchmarking. Then, there are the links to be made across organizations that are required in alliances and partnerships. Economic-chain accounting is the tool that is needed there. Finally, there is external information, where major changes usually originate. Business intelligence systems are necessary tools to assist in collecting and organizing this information. Managers must rely heavily on the information they need for their work, the information they owe to others, and on the methods they use to turn the chaos of data in the universe into organized and focused information for action.

Summary – The Entrepreneurial Business

A business that wants to be able to innovate, wants to have a chance to succeed and prosper in a time of rapid change, has to build entrepreneurial management into its own system. It has to adopt policies that create, throughout the entire organization the desire to innovate and the habits of entrepreneurship and innovation. To he a successful entrepreneur, the existing business, large or small, has to he managed as an entrepreneurial business.
Summary — The New Venture

In so many new ventures, especially high-tech ventures, the techniques discussed in this chapter—a focus on the market, financial planning, the early need for a top-management team, and the future role of the founding entrepreneur—are spurned and even despised.

The argument is that they constitute “management” and “we are entrepreneurs.”

But this is not informality; it is irresponsibility, it confuses manners and substance, it is old wisdom that there is no freedom except under the law.

*Freedom without law is license,* which soon degenerates into anarchy, and shortly thereafter, into tyranny.

It is precisely because the new venture has to maintain and strengthen the entrepreneurial spirit that it needs foresight and discipline.

It needs to prepare itself for the demands its own success will make of it.

Above all, it needs responsibility—and this, in the last analysis, is what entrepreneurial management supplies to the new venture.

Summary — Entrepreneurial Strategies

The choice of an entrepreneurial strategy that fits a certain innovation is a high-risk decision.

Some entrepreneurial strategies are better fits in given situations, for example, the strategy of entrepreneurial judo, which is the strategy of choice where the leading businesses in an industry persist year in and year out in the same habits of arrogance and false superiority.

We can describe the typical advantages and the typical limitations of certain entrepreneurial strategies.

Above all, we know that an entrepreneurial strategy has more chance of success the more it starts out with the users—their utilities, their values, their realities.

An innovation is a change in market or society.

It produces a greater yield for the user and greater wealth-producing capacity.

The test of an innovation is always what it does for the user.

Hence, entrepreneurship always needs to be market focused, indeed, market driven.

Still, entrepreneurial strategy remains the decision-making area of entrepreneurship and therefore the risk-taking one.

It is by no means a hunch or gamble.

But it also is not precisely science.

Rather, it is judgment.

Summary — Systematic Innovation Using Windows of Opportunity

A policy of systematic innovation produces the mind-set for innovation in an organization.

It makes the entire organization see change as an opportunity.

As a rule, these are changes that have already occurred or are under way.
The overwhelming majority of successful innovations exploit change. To be sure, there are innovations that in themselves constitute a major change; some of the major technical innovations, such as the Wright Brothers airplane, are examples. But these are exceptions, and fairly uncommon ones. Most successful innovations are far more prosaic; they exploit change. And thus the discipline of innovation is a diagnostic discipline: a systematic examination of the areas of change that typically offer entrepreneurial opportunities.

The seven sources require separate analysis, for each has its own distinct characteristic. No area is, however, inherently more important or more productive than the other. Major innovations are as likely to come out of an analysis of symptoms of change (such as the unexpected success of what was considered an insignificant change in product or pricing) as they are to come out of the massive application of new knowledge resulting from a great scientific breakthrough.

Everything new or improved should first be piloted before attempting to introduce the innovation on a large scale.

**Summary – Strategies and Structures**

Twice in the short history of management did we believe we had the right answer to organization. Once was during the time of World War I in Henri Fayol’s “functions” and, again, a generation later, in Alfred Sloan’s “federal decentralization.” If and when they fit, these two designs are still our best answers. But increasingly we have to structure organizations where neither of these two designs fit. Increasingly we have had to develop new and additional design principles: we now have five.

We have learned a great deal about organization in the last one hundred years. We know the specifications for effective organization. We know that we have to organize, in one and the same structure, three distinct kinds of work: operating work, top-management work, and innovating work. We know that structure follows strategy and that structure is therefore not mechanical but must be developed from the purposes, goals, and objectives of an organization, and on the foundation of the key activities needed to attain objectives. We have learned that organizing starts with “building blocks” of organization. We know what activities belong together and what activities should be kept apart. We know the symptoms of poor organization And we know that there is no one right organization (as shown in chapter 7).

Good organization structure does not guarantee performance But poor or inappropriate structure impedes performance—and performance is the test of organization structure.

**Summary – Work- and Task-Focused Design**

There are available to us now five different design principles.
Each satisfies some of the design specifications, but none satisfies all of them.

Each of the design principles has strengths, limitations, and rigorous requirements for effectiveness.

And each expresses different design logic.

The first two design principles, “functional organization” and “team organization,” are organized around the logic of work and task.

Though often seen as in conflict, they are largely complementary, especially for knowledge work, which is increasingly being organized in matrix organizations, using both functional and team designs.

Summary — Three Kinds of Teams

Teams are very much in vogue.

It is, therefore, important to know not only when the team is the appropriate design principle but what kind of team is appropriate for a given task.

There are three kinds of teams.

First, in the baseball team, each player is a specialist, plays mostly as an individual, and rarely leaves a fixed position.

The surgical team is an example of the first kind of team.

The second kind is the football team, where each person has a specialty but each performs their specialty in parallel as directed by the coach, and teamwork is critical to success.

The team of professionals that care for patients in a trauma unit is an example of the second team.

Finally, the third kind of team is the tennis doubles team, where team members are trained in a number of positions and have considerable flexibility with respect to the contribution they must make to achieve the goal of the team.

Summary — Result- and Relation-Focused Design

Both kinds of decentralization—federal decentralization and simulated decentralization—are organized around results.

The systems structure is organized around relationships.

Of all known design principles, federal decentralization comes closest to satisfying organization specifications.

But it is severely limited in its applicability and has stringent requirements that must be met if it is to function.

Otherwise, we have to apply simulated decentralization—complex, unwieldy, difficult, and far from satisfactory, but the only design principle we know for the organization of materials businesses, service businesses such as the very big banks, or government agencies.

The systems structure is even more complex and difficult, but necessary to organize such multicultural enterprises as the American space program under NASA.

Summary — Alliances
Organizations generally enter alliances for one of five reasons:

1. to obtain access to new, distinct technology
2. to achieve synergy between the strengths of two independent partners
3. to gain access to people with specialized knowledge
4. to outsource noncore activities to specialists
5. and to extend a company’s geographic reach.

Many alliances do well in the early stages. But they fall apart when they become successful. To avoid this fate, before they enter into an alliance the partners must think through and take care of four major questions:

What are the different objectives for the partners and their alliance?
How will the alliance be managed, and who will manage it?
What relationship will each partner have with the alliance and with each other?
And how will disagreements be resolved?

Alliances are risky. Alliances are difficult. But they are increasingly necessary for growth. The traditional means of growth either are becoming too expensive, like most grassroots developments, or are not easily available to existing businesses. They may require access to new and often totally different skills; to different people with different values, such as the values, habits, and policies of academia; or access to different geography and different markets.

Alliances should be managed as marketing relationships.

Summary — The CEO in the New Millennium

The CEO in the new millennium has six specific tasks. They are

1. To define the meaningful outside of the organization
2. To think through what information regarding the outside is meaningful and needed for the organization, and then to work on getting it into usable form
3. To decide what results are meaningful for the institution
4. To set priorities for the organization
5. To place people into key positions
6. To organize top management

The concept of the CEO is an American invention and export.

Summary — The Impact of Pension Funds on Corporate Governance
Increasingly the modern corporation is owned by employees through their representatives, the pension fund.

The size of the holdings of the large U.S. pension fund makes it difficult for trustees to sell shares as normal retail investors do when they are displeased with performance.

Therefore, institutional pension investors have actually encouraged takeovers and buyouts as a way of liquidating their shares.

The need stems from the lack of corporate performance and from accountability for the needs of the pension fund investor.

Three models of corporate accountability have evolved since the separation of ownership from control became a reality for the modern corporation.

The first, proposed by Ralph Cordiner, was to run the corporation “in the best-balanced interest of shareholders.”

This model failed to produce results for owners and led to hostile takeovers.

The second model that evolved in the U.S. was to run the corporation so as “to maximize shareholder value.”

This often takes the form of maximizing short-term profits and leads to actions that actually weaken the long-term viability of the corporation.

This model does not consider that the interests of employee investors in pension funds are long-term interests with a time frame of at least fifteen years.

Therefore, a model that maximizes the long-term wealth-producing capacity of the corporation, with strong metrics and an effective board of directors to hold top management accountable, seems advisable for U.S. corporations.

This model, in force in Japan and Germany, holds promise for enhancing corporate accountability and for serving the best long-term interests of the primary beneficiaries of pension funds, the employees.

Summary – Managing Oneself

The workforce has changed fundamentally in its life expectancy, but above all in its composition and work.

It has become a knowledge workforce.

And therefore to have even a chance of success and achievement, knowledge workers have to do something totally new and totally unprecedented.

They have to manage themselves, and this creates new demands on the individual.

First, they must understand what they do well—that is, their strengths.

Feedback analysis is a tool used by many successful executives to understand their strengths.

They must also understand the most effective way in which they work.

Once the knowledge worker understands her strengths and work style, the next demand is that she understand her values.

One tends to do best when applying one’s strengths in areas that one values.

Then the knowledge worker is able to determine where to try to place himself or herself as opportunities present themselves.

Once in an organization, the knowledge worker must ask, “Given my strengths and
values, where can I make the greatest contribution to the needs of this organization?”

Finally, the knowledge worker must take responsibility for the relationships required to make the contribution.

Relationship responsibility requires asking and answering the same questions about those with whom one works and adapting oneself to the strengths and work styles of associates.

**Summary — Managing the Boss**

Managing the boss is a fairly simple but important process.

All it requires is that you follow the seven keys to success:

- make a boss list to identify who your bosses are,
- ask for their input,
- enable each boss to perform,
- play to each boss’s strengths,
- keep each boss informed,
- protect each boss from surprises, and
- never underrate a boss.

All managing the boss requires is a little thinking, a little common sense.

But it does require some work.

Above all, however, it requires accepting that managing the boss is both a major opportunity and a major responsibility.

**Summary — Revitalizing Oneself—Seven Personal Experiences**

The responsibility for development of the individual has to become responsibility for self-development.

Responsibility for placing the individual has to become the responsibility for self-placement.

Otherwise, it is unlikely that knowledge people can continue to remain effective and productive and capable of growth over the long span of working life we can now expect.

**Summary — The Educated Person**

The knowledge society changes the very idea of what it means to be an educated person.

In earlier societies, the educated person was an ornament.

Now the educated person is the knowledge society’s chief representative and key resource.

This brings new responsibilities and new demands on the individual.

The person educated in the liberal arts must not only know the great traditions of the past but be able to perceive and come to grips with reality so as to gain mastery over it.

The educated person will have to be able to understand the world’s cultures, religions, and traditions and not limit himself or herself only to knowledge of Western civilization.
In an age of rapid change and turning points such as the one in which we are now living, the educated person will have to be trained in perception fully as much as in analysis.

The educated person will have to become familiar with knowledges in multiple disciplines, because changes in one discipline often originate from innovations in another discipline.

The integration of knowledges will increasingly be a part of the work of the manager.

This requires continuous learning and teaching.

Making one’s specialized knowledge accessible to those whose specialty is a different discipline will become increasingly necessary for managing knowledge organizations as knowledge splinters further.

**Conclusion: The Manager of Tomorrow**

Today’s student in the college course in management will still be active and working forty-five or fifty years hence—into the third quarter of the twenty-first century.

A century ago, no one could have predicted the world of 1950 or 1960.

And no one in the 1960s, when many of today’s managers began their college studies or went to work, could have predicted the world of 2008.

The one thing one can predict about the politics, society, and economy that lie half a century ahead is that there will be great changes.

Yet one can also predict, with high probability, some important things with respect to the manager of tomorrow—that is, the management student of today.

There will surely be new skills and, with them, a need for the manager of tomorrow to organize his or her own self-development and to acquire the habit of continuous learning.

Yet the three tasks of the manager will be the same.

Managers of tomorrow will have, as their first responsibility, the performance of the institution for which they work.

They will be responsible for making work productive and the worker achieving.

And the task of managing social impact and social responsibilities will hardly become less important or less demanding.

The managers of tomorrow will, in other words, concern themselves with the same tasks as the managers of today, will worry about the same things, will face similar problems and similar demands—though they will be expected to tackle these tasks with more knowledge, more thought, more planning, and greater competence in order to operate in the knowledge society.

First, managers will have to learn how to manage in situations where they do not have command authority, where they are neither controlled nor controlling.

That is a fundamental change.

Management textbooks still talk mainly about managing subordinates.

But one can no longer evaluate an executive in terms of how many people report to him or her.
That standard doesn’t mean as much as the complexity of the job, the information it uses and generates, the contribution expected, and the different kinds of relationships needed to do the work.

Similarly, business news still refers to managing subsidiaries.

But this is the control approach of the 1950s or 1960s.

Businesses used to grow in one of two ways:

from grass-roots up or by acquisition.

In both cases, the manager had control.

Today businesses often grow through alliances, all kinds of dangerous liaisons and joint ventures, which very few managers understand how to effectively manage.

This new type of growth upsets the traditional manager who believes he or she must own or control sources and markets.

Managers will have to make productive people who work for them but are not employees.

It is probable that an enterprise will eventually outsource most work that does not have a career ladder up to senior management.

To get productivity, you should consider outsourcing activities that lack their own senior management.

The trend toward outsourcing has less to do with economizing and a great deal to do with quality.

Managers still talk about the people who “report” to them, but that word should be stricken from management vocabulary.

Information is replacing authority.

A company treasurer with outsourced information technology may have only two assistants and a receptionist, but his or her decisions in foreign exchange can lose-or make-more money in a day than the rest of the company makes all year.

A scientist decides which research to do in a big company lab.

He doesn’t even have a secretary or a title, but his track record means that he is not apt to be overruled.

He may have more effect on results than the CEO.

In the military, a lieutenant colonel used to command a battalion, but today he may have only a receptionist and be in charge of liaisons with a major foreign country.

One can, however, also anticipate significant expansion in the application of managerial tasks.

One of them will surely be a major thrust toward systematic management in the public-service institution—whether government agency, hospital, school, or university.

Indeed, the frontier of management in this half of the twenty-first century is likely to be in the public-service institution, just as the frontier of management in the last seventy years was in business enterprise.

But there are also major priorities with respect to each of the major task areas that will, in all likelihood, demand systematic work on the part of the managers of tomorrow.

In the first task area—that of the specific performance of business and of the public-service institution—the biggest immediate problem is to organize for systematic
abandonment of the obsolete, the unproductive, the no longer appropriate.

We have learned a great deal about innovation as an organized activity.

At least we have learned that the making of a different tomorrow is a major responsibility of managers.

Now we will have to learn that sloughing off yesterday is also a central managerial task.

And this is something that managers in public-service institutions, in particular, have yet to learn.

So far, public-service institutions have rarely abandoned the obsolete, and almost never done so systematically.

In the area of work and working, the big job ahead is to make the management of human resources within our organizations conform to social reality.

Within the last seventy years, the “working class” has changed dramatically in all developed countries.

Today’s worker is likely to be a “knowledge worker” rather than a “manual worker.”

Indeed, the “blue collar worker” in manufacturing industry is already a distinct minority in all developed countries, and likely to be a very small segment of the working population by the year 2020.

But even the manual worker of today, the blue-collar worker in manufacturing industry, is very different in income and above all in education, from the manual worker of yesterday.

The traditional line between “worker” and “owner” is fast disappearing; it is already an anachronism, no matter how strong its emotional hold on our rhetoric.

For, through the pension fund, employees (especially in the United States) are fast becoming the true owners of commerce.

In the United States today, employee pension funds own about one-third of industry, and a good deal more of the truly big companies.

By 2020, pension fund ownership of the share capital of American business will have risen to 50 percent or so—again, considerably more with respect to big business.

Other developed countries are reaching the same end through different routes and with different mechanisms.

This will not usher in Utopia in the management of human resources.

The old tensions, problems, and conflicts of work and working discussed in this book will remain.

But the emergence of the worker as a true owner through pension funds—even though the worker does not directly control business—will make both possible and necessary systematic and purposeful work toward what this book has called “the responsible worker,” the worker who, regardless of job, takes a high degree of managerial responsibility for his or her own task, his or her own work group, and for the governance of the work community and its concerns.

Not much innovation is required.

A good many businesses, for well over a hundred years, have been doing the job.

But what has been the isolated exception will have to become general rule.

The needed changes will again be greatest in public-service institutions.

For in managing work and working, public-service institutions, by and large, are well
behind any reasonably well-managed business.

The next change in managing work and working is the need to manage one’s own career.

Even today, remarkably few Americans are prepared to select jobs for themselves.

When you ask, “Do you know what you are good at?

Do you know your limitations?” they look at you with a blank stare.

Or they often respond in terms of subject knowledge, which is the wrong answer.

When they prepare their résumés, they still try to list positions like steps up a ladder.

It is time to give up thinking of jobs or career paths as we once did and to think in terms of taking on assignments and acquiring competencies one after the other.

It is a very difficult thing to think through who you are and what you do best.

In helping people learn how to be responsible, our educational system is more and more counterproductive.

The longer you stay in school, the fewer decisions you have to make.

For instance, the decision whether to take French II or Art History may be based on whether one likes to get up early in the morning.

And graduate school is much worse.

Most graduates start with big companies because they have not figured out where to place themselves, and companies send in the recruiters.

But as soon as the recruits get through training and into a job, they have to start making decisions about the future.

Nobody’s going to do it for them.

And once they start making decisions, many of the best will move to midsize companies in three to five years, because there they can break through to top management.

With less emphasis on seniority, a person can go upstairs and say, “I’ve been in accounting for three years, and I’m ready to go into marketing.”

Strange as it may seem, a knowledge economy’s greatest pitfall is in becoming a Mandarin meritocracy.

You not only have to understand your own competencies, but you also have to learn the strengths of the men and women to whom you assign duties, as well as those of your peers and boss.

Too many managers still go by averages.

They still talk about “our engineers.”

And I say, “Brother, you don’t have engineers.

You have Joe and Mary and Jim and Bob, and each is different.”

You can no longer manage a workforce.

You lead individuals.
You have to know them so well you can go and say, “Mary, you think you ought to move up to this next job?”

Well, then you have to learn not to have that chip on your shoulder.

Forget you are a woman; you are an engineer.

And you have to be a little considerate.

Do not come in at ten minutes to five on Friday afternoon to tell people they have to work overtime when you knew it at nine AM.”

The key to the productivity of knowledge workers is to make them concentrate on the real assignment.

Do you know why most promotions now fail?

Poor fit.

The standard case, of course, is the star salesman promoted to sales manager.

That job can be any one of four things—a manager of salespeople, a market manager, a brand manager, or a super salesman who opens up an entire new area.

But nobody figures out what it is, so the man or woman who got the promotion just tries to do more of whatever led to the promotion.

That’s the surest way to be wrong.

One of the worst problems in managing knowledge workers is the assumption among knowledge workers that if you are understandable, you are vulgar.

When I was growing up, it was taken for granted that economists, physicists, psychologists, leaders in any discipline, would make themselves understood Einstein spent years with three different collaborators to make his theory of relativity accessible to the layman.

Even John Maynard Keynes tried hard to make his economics accessible.

We cannot afford arrogance among knowledge workers.

Knowledge is power, which is why people who had it in the past often tried to make a secret of it.

In knowledge work, power comes from transmitting information to make it productive, not from hiding it.

That means you have to be intolerant of intellectual arrogance.

At whatever level, knowledge people must make themselves understood, and whatever field the manager comes from, he or she must be eager to understand others.

This may be the main job of the manager of technical people.

He or she must not only be an interpreter but also work out a balance between specializations and exposure.

The productivity of knowledge has both a qualitative and a quantitative dimension.

We know executives must be both managers of specialists and synthesizers of different fields of knowledge—really of knowledges, plural.

This situation is as threatening to the traditional manager, who worries about high-falutin high-brows, as it is to the intellectual, who worries about being too commercial to earn respect in his or her discipline.

But in the knowledge-based organization, the highbrow and the lowbrow have to play on
Finally, with respect to managing social impact and social responsibility, 

... managers will have to learn how to think through systematically and carefully the difficult and risky “trade-offs” between conflicting needs and conflicting rights.

At the same time, managers will have to learn to think ahead with respect to the social impacts of the institutions—whether business enterprises, schools and colleges, hospitals, or government agencies; whether the impacts are technological or social; and whether they are impacts on individuals within the organization or on society, community, and the environment outside.

This is a leadership responsibility.

And in a society of organizations, managers as a group are the leadership—however modest the personal role and individual power of a specific manager might be.

These are new challenges for management and new demands on it.

But one can also predict a major change for the individual manager.

[The Individual Manager]

The manager of tomorrow will increasingly have more than one career.

Increasingly, men and women will change their work, their environment, their own role, sometime between the ages of forty and fifty.

And the more successful a person is as a manager or professional, the more likely that he or she will make such a career change.

It may only be a move from one company to another or a shift from accounting work to sales management.

But it may also be a move from one kind of institution to another.

The successful controller of a fair-sized company may move, as administrator, into a hospital, for instance.

“Second careers” are by no means uncommon today.

However, tomorrow they may well have become the accepted rule, though we still look upon them as an exception.

One reason, and by no means the only one, is the employee pension plan—especially the pension plan of businesses.

They now give the middle-aged manager and professional a substantial degree of economic security, where hitherto economic uncertainty alone tended to keep people in jobs and employment they had outgrown, had become bored with, and had ceased to feel as challenging and enjoyable.

And this, it is safe to predict, will put a high premium on continued learning by managers, on their taking responsibility for self-development as a person and as a manager, and on a thorough knowledge of a manager’s work, managerial skills, and managerial tools.

But the most important thing one can predict, with respect to the manager of tomorrow, is that there will be a manager of tomorrow, one defined by expected contribution.

In all likelihood, there will be more managers tomorrow than there are today, and they will matter more.
Unless mankind destroys itself in some such self-inflicted catastrophe as nuclear war, society will continue to be a society of organizations and a knowledge society.

And to the degree to which developing nations advance socially and economically, they will increasingly become societies of organizations too.

Organizations are far from perfect.

As every manager knows, they are very difficult; full of frustration, tension, and friction; clumsy and unwieldy.

But they are the only tools we have to accomplish such social purposes as economic production and distribution, health care, governance, and education.

And there is not the slightest reason to expect society to be willing to do without these services that only performing organizations can provide.

Indeed, there is every reason to expect society to demand more performance from all its institutions, and to become more dependent upon their performance.

And it is managers who make institutions perform.