

1 Management and the World's 2 Work

3 This "essay+" contains
4 multiple broad thoughtscapeS → [awareness](#) and
5 horizons to work toward ↓

6 ... in an unpredictable world
7 with the unimagined futureS that follow
8 (tomorrowS ain't going to be like yesterdayS or todayS)

9 It is **impossible**
10 to work toward things
11 that aren't on your mental radar
12 at the right point in time

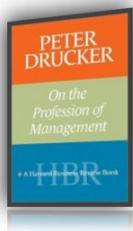
13 «§§§»

14 In **each** thought area ↓ Ask → what does this mean for
15 me?

16 [by Peter Drucker](#) a [political/social ecologist](#)

17 The basic material below is contained in [Peter Drucker on
18 the Profession of Management](#) published by *Harvard
19 Business School Press*.

20 I've tried to make it easier to perceive (**see**) and connect
21 to other areas of thought – thought-scapes or mental
22 landscapes.



23 [Peter Drucker on the Profession of Management :::
24 Amazon.com](#)

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

So were the enterprises that managers run. ↓

See the new pluralism below

The largest manufacturing company around was a Manchester, England cotton mill employing fewer than 300 people, owned by Marx's friend and collaborator Friedrich Engels.

And in Engels's mill—one of the most profitable businesses of its day there were no "managers," only first-line supervisors, or charge hands, who were workers themselves, each enforcing discipline over a handful of fellow "proletarians." ...

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

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

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

The new pluralism

And it has **itself (management) been transformed**.

To be sure, the **fundamental task** of management remains the same: to **make people capable of joint performance** by giving them

- 24 • common goals,
- 25 • common values,
- 26 • the right structure, and
- 27 • the ongoing training and development they

need to **perform**
and to **respond to**
change.

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

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

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

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

32 As a result, they are **ill**
prepared for **the**
tremendous challenges
that come upon them.

33 For the truly important problems managers face do not
come from technology or politics.

34 They do not originate outside of management and

enterprise.

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

36

37 Eighty years ago, on the threshold of World War I, when a few people were just becoming aware of management's existence, most people in developed countries (perhaps four out of every five) earned their living in **three occupations.**

38

There were **domestic servants**—in Great Britain, the largest single occupation (a full third of all workers), but a very large group everywhere, even in the United States.

39

There were **farmers**—usually family farmers, who accounted for more than half the working population in every country except England and Belgium.

40

And finally, there were **blue-collar workers in manufacturing industries**—the fastest growing occupation and the one that by 1925 would embrace almost 40 percent of the U.S. labor force.

41

Today **domestic servants** have all but **disappeared.**

42

Full-time farmers account for only 3 percent to 5 percent of the working population in the non-Communist, developed countries, even though farm production is four to five times what it was 80 years ago.

43

Blue-collar manufacturing employment is **rapidly moving down the same path as farming.**

44

Manual workers employed in manufacturing in the United States now

make up only 18 percent of the total work force; by the end of the century, they are likely to account for 10 percent or so in the United States and elsewhere—with manufacturing production steadily rising and expected to be at least 50 percent higher.

45 The largest single group, more than one-third of the total, consists of workers whom the U.S. Bureau of the Census calls “**managerial and professional.**”

46 And a larger proportion of the total adult population than ever before—almost two-thirds in the United States, for instance—is now **gainfully employed** in every developed, non-Communist country. ...

47 **Management** has been **the main agent** of this unprecedented **transformation.**

48 For it is management that explains why, **for the first time in human history**, we can employ large numbers of knowledgeable, skilled people in productive work.

49 No earlier society could do this.

50 Indeed, no earlier society could support more than a handful of such people because, until quite recently, no one knew how to put people with different skills and knowledge together to achieve common goals.

51 Eighteenth century China was the envy of contemporary Western intellectuals because it supplied more jobs for educated people than all of Europe did—some 20,000 per year.

52 Yet today, the United States with a roughly comparable population produces nearly one million college graduates a year, most of whom have little difficulty finding well-paid employment.

53 **What enables us to employ them is management.** ...

54 **Knowledge**, especially advanced knowledge,
is always **highly specialized**.

55 By itself it **produces nothing**.

56 Yet a modern large business can usefully employ up to
10,000 highly knowledgeable people who possess up to
60 different fields of knowledge.

57 Engineers of all sorts, designers, marketing experts,
economists, statisticians, psychologists, planners,
accountants, human resources people—all work together
in **a joint venture**, and none would be effective
without **the managed enterprise** that is business. ...

58 The question of which came first—the educational
explosion of the last 100 years or the management that
could put this knowledge to productive use—is moot.

59 Modern management and modern enterprise clearly
could not exist without the knowledge base that
developed societies have built.

60 But equally, it is **management and management
alone that makes all this knowledge and
these knowledgeable people
effective**.

61 The emergence of management has **converted**
knowledge from **a social ornament and luxury**
into what we now know to be **the true capital of
any economy**. ...

62 And knowledge, in turn—instead of bricks and mortar—has
become the **center of capital investment**.

63 Japan invests a record 8 percent of its annual GNP in
plant and equipment.

64 But Japan invests at least twice as much in education, two-

thirds in schools for the young, the rest in the training and teaching of adults (largely in the organizations that employ them).

65 And the United States puts an even larger share roughly 20 percent—of its much larger GNP into education and training.

66 In the modern society of enterprise and management, knowledge is **the primary resource and society's true wealth.**

67 "Because the knowledge society perforce **has to be** a society of organizations, its central and distinctive organ is management."

68

69 Not many business leaders could have predicted this development back in 1870, when large enterprises like those we know today were beginning to take shape.

70 The reason was not so much lack of foresight as lack of precedent.

71 At that time, the only large permanent organization around was the army.

72 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. ...

73 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 100 years.

74 But it was never as static as its longevity might suggest.

75 On the contrary, it began to change almost at once, as specialized knowledge of all sorts poured into enterprise.

76 The first university-trained engineer in manufacturing industry was hired in Germany in 1867, and within five years he had built a research department.

77 Other specialties followed suit, and by
78 **World War I** the familiar typical
79 functions of a manufacturer had been
80 developed:

78 research and engineering,
79 manufacturing,
80 sales,
81 finance and accounting,
82 and a little later, human resources.

83 **Even more important** for its **impact on**
84 **enterprise**—and on the **world economy in**
85 **general**—was another management-directed
86 development that took place at this time.

84 That was the **application of management** to
85 **manual work** in the form of **training**.

85 The **child of wartime necessity**, training has
86 **propelled** the **transformation** of the **world**
87 **economy** in the last 30 years because it allows low-
88 wage countries to do something that traditional economic
89 theory had said could never be done: to become
90 **efficient—and yet still low-wage competitors**
91 **almost overnight.** ...

86 Until World War I, it was axiomatic that it took a long time
87 (Adam Smith said several hundred years) for a country or
88 region to develop a tradition of labor and the expertise in
89 manual and organizational skills needed to produce and
90 market a given product, whether cotton textiles or violins.

87 But during World War I, **large numbers of totally**
88 **unskilled, preindustrial people had to be**
89 **made productive workers in practically no**
90 **time.**

88 To meet this need, businesses in the United States and the
89 United Kingdom began to apply **Frederick Taylor's**
90 **principles of "scientific management,"**

developed between 1885 and 1910, to the systematic training of blue-collar workers on a large scale.

89 They analyzed tasks and broke them down into individual, unskilled operations that could then be learned quite quickly.

90 Further developed in World War II, training was then picked up by the Japanese and, 20 years later, by the South Koreans, who made it the **basis** for their countries' **phenomenal development**. ...

91 During the 1920s and 1930s, management was **applied to many more areas and aspects of manufacturing business**.

92 **Decentralization**, for instance, arose to combine the advantages of bigness and the advantages of smallness within one enterprise.

93 **Accounting** went from "bookkeeping" to analysis and control.

94 **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 used quantification to convert experience and intuition into definitions, information, and diagnosis.

95 **Marketing** similarly evolved as a result of **applying management concepts** to distribution and selling. ...

96 Moreover, as early as the mid-1920s and early 1930s, some management pioneers (Thomas Watson, Sr. at the fledgling IBM, General Robert E. Wood at Sears, Roebuck, and Elton Mayo at the Harvard Business School among them) began to **question the way that manufacturing was organized**.

97 Eventually, they concluded that the assembly line was a short-term compromise despite its tremendous productivity: poor economics because of its inflexibility, poor use of human resources, even poor engineering.

98 And so they began the **thinking** that eventually led to "automation" as the way to organize the manufacturing process, and to "Theory Y," teamwork, quality circles, and the information-based organization as the way to manage human resources.

99 Every one of these **managerial innovations** represented **the application of knowledge to work**, the **substitution of system and information for guesswork, brawn, and toil**.

100 Every one, to use Frederick Taylor's terms, **replaced "working harder" with "working smarter."**

101 **_____**

102 The powerful effect of these changes became apparent during World War II.

103 To the very end, the Germans were by far the better strategists.

104 And because they had the benefit of much shorter interior lines, they needed far fewer support troops and could match their opponents in combat strength.

105 Yet the Allies won—**their victory achieved by management.**™

106 The United States, with **one-fifth the population**, had **almost as many men in uniform** as all the other belligerents together.

107 Yet it still produced **more war material** than all the others taken together.

108 And it **managed** to **get that material to fighting fronts** as far apart as China, Russia, India, Africa, and Western Europe.

109 **No wonder**, then, that by the war's end almost all the world had become **management conscious**.

110 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 of the countries that has exercised **economic leadership** during the postwar period. ...

111 But also, after World War II we began slowly to see that **management is not business management**.

112 It **pertains to every human effort that brings together in one organization people of diverse knowledge and skills**.

113 And it can be powerfully applied in hospitals, universities, churches, arts organizations, and social service agencies of all kinds.

114 These "**third sector**" institutions have **grown faster** than either business or government in the developed countries since World War II.

115 [The social sector](#)

116 And their leaders are **becoming more and more management conscious**.

117 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.

118 ***This is not to say that our knowledge of management is complete.***

119 Management education today is on the receiving end of a great deal of **criticism**, much of it justified.

120 What we knew about management 40 years ago—and have **codified in our systems of organized management education**—**does not necessarily help**

managers meet **the challenges** **they face today**. ↓

121 The Age of Social Transformations is not over yet
([continue](#))

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

123 [Managing in the Next Society](#)

124 Nevertheless, that knowledge was the **foundation** for
the **spectacular expansion** the world economy has
undergone since 1950, in developed and developing
countries alike.

125 And **what has made that knowledge obsolete**
is, in large measure, its OWN SUCCESS
in hastening the shift from manual work to
knowledge work in business organizations. ...

126 To take just one **example**, we now have a great need
for **new accounting concepts and methods**.

127 Experts like Robert Kaplan have pointed
out that many of the assumptions on
which our system is based are no longer
valid.

128 For example, accounting conventions
assume that manufacturing industry is
central; in fact, service and information
industries are now more important in all
developed countries.

129 They also assume that a business
produces just one product, whereas
practically all modern businesses produce
a great many different products.

130 But above all, cost accounting, that proud
invention of the mid-1920s, assumes that
80 percent of all costs are attributable to
direct manual labor.

131 In reality, manual labor in advanced
manufacturing industries today accounts
for no more than 8 percent to 12 percent
of all costs.

132 And the processes used in industries like
automobiles and steel, in which labor
costs are higher, are **distinctly**
antiquated.

133 Efforts to devise accounting systems that will reflect
changes like these—and provide accurate managerial
information—are under way.

134 But they are still in the early stages.

135 So are our efforts to find solutions to other **important**
management challenges:

- 136 • structures that work for information-
based organizations;
- 137 • ways to raise the productivity of
knowledge workers;
- 138 • techniques for managing existing
businesses and developing new and
very different ones at the same time;
- 139 • ways to build and manage truly global
businesses;
- 140 • and many more.

141

142 Management arose in developed countries.

143 How does its rise **affect the developing world**?

144 Perhaps the best way to answer this question is to start
with the obvious: **management and large**
enterprise, together with our **new**
communications capacity, have created **a truly**
global economy.

145 In the process, they have changed **what countries**

must do to **participate effectively** in that economy
and to **achieve economic success.** ...

146 In the past, starring roles in the world's economy were
always based on leadership in technological innovation.

147 **Great Britain** became an economic
power in the late eighteenth and early
nineteenth centuries through innovation
in the steam engine, machine tools,
textiles, railroads, iron making, insurance,
and international banking.

148 **Germany's** economic star rose in the
second half of the nineteenth century on
innovation in chemistry, electricity,
electronics, optics, steel, and the invention
of the modern bank.

149 The **United States** emerged as an
economic power at the same time
through innovative leadership in steel,
electricity, telecommunications,
electronics, automobiles, agronomy, office
equipment, agricultural implements, and
aviation. ...

150 But the one great economic power to emerge in this
century **Japan**—has not been a technological pioneer in
any area. (See [management as a liberal art](#) and [on Japan](#))

151 Its ascendancy rests squarely on **leadership in
management.**

152 The Japanese understood **the lessons of America's
managerial achievement during World War II**
more clearly than we did ourselves especially with respect
to **managing people as a resource rather
than as a cost.**

153 As a result, they adapted the West's new "social
technology" management—to make it fit their own values
and traditions.

154 They adopted (and adapted) **organization theory** to
become the **most thorough practitioners of
decentralization** in the world.

155 (Pre-World War II Japan had been completely
centralized.)

156 And they began to **practice marketing** when most
American companies were still only preaching it. (about
[marketing](#))™

157 Japan also understood sooner than other countries that
management and technology together had **changed
the economic landscape**.

158 The **mechanical model of organization and
technology**, which came into being at the end of the
seventeenth century when an obscure French physicist,
Denis Papin, designed a prototypical steam engine,
came to an end in 1945, when the first atomic
bomb exploded and the first computer went on line.

159 Since then, the model for both technology and
organizations has been a **biological one–
interdependent, knowledge intensive, and
organized by the flow of information**. ([From
Analysis to Perception – The New Worldview](#))™

160 One consequence of this change is that the industries that
have been the carriers of enterprise for the last 100
years—industries like automobiles, steel, consumer
electronics, and appliances—are **in crisis**.

161 And this is true even where demographics seem to be in
their favor.

162 For example, countries like Mexico and Brazil have an
abundant supply of young people who can be trained
easily for semiskilled manual work.

163 The mechanical industries would seem to be a perfect
match.

164 But as competitors in every industrial nation have found,

mechanical production is antiquated unless it becomes automated—that is, unless it is restructured around information.

165 For that reason alone, **education** is perhaps the greatest “**management**” challenge developing countries face. ...

166 Another way to arrive at the same conclusion is to look at a second fact with which developing countries must reckon: the developed countries **no longer need them** as they did during the nineteenth century.

167 It may be hyperbole to say, as Japan’s leading management consultant, Kenichi Ohmae, has said, that Japan, North America, and Western Europe **can exist by themselves** without **the two-thirds of humanity** who live in developing countries.

168 But it is a fact that during the last 40 years the countries of this so called **triad** have become essentially self-sufficient except for petroleum.

169 They produce more food than they can consume—in glaring contrast to the nineteenth century.

170 They produce something like three-fourths of all the world’s manufactured goods and services.

171 And they provide the market for an equal proportion. ...

172 This poses an acute problem for developing countries, even very big ones like China and India.

173 They cannot hope to become important economic powers by tracking the evolution of enterprise and management—that is, by starting with nineteenth and early twentieth century industries and productive processes based mainly on a manual work force.

174 Demographically they may have no choice, of course.

175 And maybe they can even begin to catch up.

176 But can they ever get ahead? I
doubt it. ...

177 During the last 200 years, **no country has become
a major economic power by following in the
footsteps of earlier leaders.**

178 Each started out with what were, at the time, advanced
industries and advanced production and distribution
processes.

179 And each, very fast, became a leader in management.

180 Today, however, in part because of automation
information and advanced technology, but in much larger
part because of the demand for trained people in all
areas of management, development requires a
knowledge base that few developing countries possess or
can afford.

181 **How to create an adequate managerial
knowledge base fast is the critical question
in economic development today.**

182 It is also one for which we have **no answer so far.**

183 §§§

184 The problems and challenges discussed so far are largely
internal to management and enterprise.

185 But the **most important
challenge ahead** for management in
developed countries is the result of an external change
that I first called "**pension fund socialism**" in my
1976 book, *The Unseen Revolution: How Pension Fund
Socialism Came to America.*

186 I am referring, of course, to the shift of the titles of
ownership of public companies to the institutional
trustees of the country's employees, chiefly through their
pension funds. ...

187 **Socially this is the most positive development** of the twentieth century because it resolves the "social question" that vexed the nineteenth century—the conflict between "capital" and "labor"—by merging the two.

188 But it has also created the most violent turbulence for management and managers since they arose a century ago.

189 For pension funds are the ultimate cause of the explosion of hostile takeovers in the last few years; and nothing has so disturbed and demoralized managers as the hostile takeover.

190 In this sense, takeovers are only a symptom of the fundamental questions pension fund socialism raises about **the legitimacy of management:**

191 To whom are managers accountable?

192 For what?

193 **What is the purpose and rationale of large, publicly owned enterprises?** ...

194 In 1986, the last year for which we have figures, the pension funds of America's employees owned more than 40 percent of U.S. companies' equity capital and more than two-thirds of the equity capital of the 1,000 largest companies.

195 The funds of large institutions (businesses, states, cities, public service and nonprofit institutions like universities, school districts, and hospitals) accounted for three-quarters of these holdings.

196 The funds of individuals (employees of small businesses and the self-employed) accounted for the other fourth.

197 (Mutual funds, which also represent the savings of wage earners rather than of "capitalists," hold another 5 percent to 10 percent of the country's equity capital.) ...

198 These figures mean that pension funds are already the

primary suppliers of capital in the United States.

199 Indeed, it is almost impossible to build a new business or expand an existing one unless pension-fund money is available.

200 In the next few years, the funds' holdings will become even larger, if only because federal government employees now have a pension fund that invests in equity shares.

201 Thus, by the year 2000, pension funds will hold at least two thirds of the share capital of all U.S. businesses except the smallest.

202 Through their pension funds, U.S. employees will be the true owners of the country's means of production. ...

203 The same development, with a lag of about ten years, is taking place in Great Britain, Japan, West Germany, and Sweden.

204 It is also starting to appear in France, Italy, and the Netherlands. ...

205 This startling development was not foreseen, but it was inevitable the result of several interdependent factors.

206 First is the **shift in income distribution** that directs 90 percent or so of the GNP in non-Communist, developed countries into the wage fund.

207 (The figure varies from 85 percent in the United States to 95 percent or more in the Netherlands and Denmark.)

208 Indeed, **economically** the "rich" have become **irrelevant** in developed countries, however much they dominate the society pages and titillate TV viewers.

209 **Even the very rich** have actually become much poorer in this century if their incomes are adjusted for inflation and taxation.

210 To be in the same league as the “tycoon” of 1900, today’s
“super-rich” person would need a net worth of at least
\$50 billion—perhaps even \$100 billion and income to
match.

211 A few Arab sheiks may qualify, but surely no one in a
developed country. ...

212 At the same time, wage earners’ real incomes have risen
dramatically.

213 Few employees in turn-of-the century America could lay
aside anything beyond their mortgage payments or the
premiums on funeral insurance.

214 But since then, the American industrial worker’s real
income and purchasing power have grown more than 20
times larger, even though the number of hours worked
has dropped by 50 percent.

215 The same has occurred in all the other industrially
developed countries.

216 And it has happened fastest in Japan, where the real
income of industrial workers may now be as much as 30
times what it was 80 years ago. ...

217 Demand for this income is essentially
limitless because we are again in the midst of **an
intensively creative period.**

218 In the 60 years between 1856 and World War I, a
technical or social innovation that led almost immediately
to **a new industry appeared, on average,
once every 14 months.**

219 And this entrepreneurial explosion underlay the rise of
the tycoons.

220 We **needed** people like J.P. Morgan, John D.
Rockefeller, Sr., Andrew Carnegie, Friedrich Krupp, and
the Mitsui family who could finance whole industries out
of their private pockets.

221 **Technical and social innovations are coming**

just as fast today.

222 And the **effect of all this energy** is that companies and countries **require** enormous amounts of capital **just to keep up**, let alone move ahead **amounts that are several orders of magnitude larger** than those the tycoons had to supply 80 years ago. ...

223 Indeed, the total pretax incomes of America's 1,000 highest income earners would be barely adequate to cover **the capital needs** of the country's private industry for more than three or four days.

224 This holds true for all developed countries.

225 In Japan, for instance, the pretax incomes of the country's 2,000 highest income earners just about equals what the country's private industry invests every two or three days.
™

226 These economic developments would have forced us in any event to make workers into "capitalists" and **owners of productive resources**.

227 That pension funds became the vehicle—rather than mutual funds or direct individual investments in equity as everyone expected 30 years ago—is the result of the **demographic shift that has raised life expectancies** in developed countries from age 40 to the mid and late-70s.

228 The number of older people is much too large, and the years during which they need an income too many, for them to depend on support from their children.

229 They must rely on monies they themselves have put aside during their earning years—and these funds have to be invested for long stretches of time.

230

231 That modern society requires an **identity of interest**

between enterprise and employee was seen very early, not only by pre-Marxist socialists like Saint-Simon and Fourier in France and Robert Owen in Scotland but also by classical economists like Adam Smith and David Ricardo.

232 Attempts to satisfy this need through worker ownership of business thus go back more than 150 years.

233 Without exception, they have failed. ...

234 In the first place, worker ownership does not satisfy the workers' basic financial and economic needs.

235 It puts all the workers' financial resources into the business that employs them.

236 But the workers' needs are primarily long-term, particularly the need for retirement income many years hence.

237 So to be a sound investment for its worker-owners, a business has to prosper for a very long time—and only one business out of every 40 or 50 ever does.

238 Indeed, few even survive long enough.

239 But worker ownership also *destroys* companies in the end because it always leads to inadequate capital formation, inadequate investment in research and development, and stubborn resistance to abandonment of outmoded, unproductive, and obsolete products, processes, plants, jobs, and work rules. ...

240 Zeiss Optical Works, the oldest worker-owned business around, lost its leadership position in consumer optics to the Americans and the Japanese for just this reason.

241 Time and again, Zeiss's worker owners preferred immediate satisfaction—higher wages, bonuses, benefits—to investing in research, new products, and new markets.

242 Worker ownership underlies the near collapse of industry in contemporary Yugoslavia.

243 And its shortcomings are so greatly hampering industry in China that the country's leaders are trying to shift to

“contract management,” which will expand managerial autonomy and check the power of “work councils” and worker-owners. ...

244 And yet, worker ownership of the means of production is not only a sound concept, it is also inevitable.

245 **Power follows property**, says the old axiom.

246 Both James Madison, in the *Federalist Papers*, and Karl Marx took it from the seventeenth century English philosopher, James Harrington, who in turn took it from Aristotle.

247 It can be found in early Confucian writings as well.

248 And since property has shifted to the wage earners in all developed countries, power has to follow.

249 Yet unlike any other worker ownership of the means of production, pension fund socialism maintains the autonomy and accountability of enterprise and management, market freedom, competition, and the ability to change and to innovate. ...

250 But **pension fund socialism does not function fully as yet.**

251 We can solve the financial and economic problems it presents.

252 We know, for instance, that a pension fund must invest no more than a small fraction of its assets, 5 percent perhaps, in the shares of its own company or of any one company altogether.

253 We know quite a bit, though not nearly enough, about how to invest pension fund money.

254 But we still have to solve the **basic sociopolitical problem:**

255 **how to build the accomplished fact of employee ownership into the governance of both pension funds**

and businesses.

256

257 Pension funds are the legal owners of the companies in which they invest.

258 But they not only have no “ownership interest”; as trustees for the ultimate beneficiaries, the employees, they also are legally obligated to be nothing but “investors,” and short-term investors at that.

259 That is why it is worker ownership that has made the hostile takeover possible.

260 For as trustees, the pension funds must sell if someone bids more than the market price. ...

261 Whether hostile takeovers benefit shareholders is a hotly debated issue.

262 That they have serious economic side effects is beyond question.

263 The fear of a hostile takeover may not be the only reason American managements tend to **subordinate everything**—market standing, research, product development, service, quality, innovation—to the short term.

264 But it is surely a major reason.

265 Moreover, the hostile takeover is a frontal attack on management and managers.

266 Indeed, what makes the mere threat of a takeover so demoralizing to managers (especially the middle managers and professionals on whom a business depends for its performance) is the raiders’ barely concealed contempt, which management sees as contempt for wealth-producing work, and their work’s subordination to financial manipulation. ...

267 For their part, the raiders and their financial backers maintain that management is solely accountable to the shareholders whatever their wishes, even if those represent nothing more than short-term speculative gains

and asset stripping.

268 This is indeed what the law says.

269 But the law was written for early nineteenth century business conditions, well before large enterprise and management came into being.

270 And while every free-market country has similar laws, not all countries hold to them.

271 In Japan, for instance, custom dictates that larger companies exist mainly for the sake of their employees except in the event of bankruptcy; and Japanese economic performance and even Japanese shareholders have surely not suffered as a result.

272 In West Germany too, large enterprises are seen as "going concerns," whose preservation is in the national interest and comes before shareholders' gains. ...

273 Both Japan and Germany have organized an extra-legal but highly effective way to hold business managements accountable, however, in the form of the voting control exercised by the big commercial banks of both countries.

274 No such system exists in the United States (or the United Kingdom), nor could it possibly be constructed.

275 And even in Japan and Germany, the hold of the banks is weakening fast. ...

276 So we must think through **what management should be accountable for**; and

277 how and through whom its accountability can be discharged.

278 The stockholders' interest, both short and long-term, is one of the areas, to be sure.

279 But it is only one. ...

280 One thing is clear to anyone with the **slightest knowledge of political or economic history**:

the present day assertion of “absolute shareholder sovereignty” (of which the boom in takeovers is the most spectacular manifestation) is **the last hurrah of nineteenth century, basically preindustrial capitalism.**

281 It violates many people’s **sense of justice**—as the upsurge of “populism” and anti-Wall Street rhetoric in the 1988 presidential campaign attest. ...

282 But even more important, no economy can perform if it puts what Thorstein Veblen, some 70 years ago, called “the acquisitive instinct” ahead of the “instinct of workmanship.”

283 Modern enterprise, especially large enterprise, can do its economic job—including making profits for the shareholders—only if it is being **managed for the long run.**

284 **Investments, whether in people, in products, in plants, in processing, in technology, or in markets, require several years of gestation before there is even a “baby,” let alone full-grown results.**

285 **Altogether far too much in society—jobs, careers, communities depends on the economic fortunes of large enterprises to subordinate them completely to the interests of any one group, including shareholders.** ...

286 How to make the interests of shareholders—and this means pension funds—compatible with the **needs** of the economy and society is thus the big issue **pension fund socialism** has to resolve.

287 And it has to be done in a way that makes managements accountable, especially for **economic and financial**

performance, and yet allows them to manage for the long term.

288 How we answer this challenge will decide both the shape and place of management and the structure, if not the survival, of the free-market economy.

289 It will also determine America's [ability to compete in a world economy](#) in which competitive long-range strategies are more and more the norm.

290

291 Finally, what is management?

292 What does this ↓ mean for you? and what will you [calendarize](#)

293 Is it a bag of techniques and tricks?

294 A bundle of analytical tools like those taught in [business schools](#)?

295 These are important, to be sure, just as the thermometer and a knowledge of anatomy are important to the physician.

296 But what the evolution and history of [management](#)—its successes as well as its problems—teach is that management is, above all else, a very few, essential principles.

297 Management as a [liberal art](#), [Management, Revised Edition](#) and [Cases](#)

298 To be specific:

299 1. Management is about [human beings](#).

300 Its [task](#) is to make people [capable of joint performance](#), to make their [strengths effective](#) and their [weaknesses irrelevant](#).

301 This is [what organization is all about](#),

and it is the reason that management is the critical, **determining** factor.

302 These days, practically all of us are employed by managed institutions, large and small, business and nonbusiness—and that is especially true for educated people.

303 We depend on management for our **livelihoods** and our **ability to contribute and achieve**.

304 Indeed, our **ability to contribute to society at all** usually depends as much on the management of the enterprises in which we work as it does on our own skills, dedication, and effort.

305 2. Because management deals with the **integration of people** in a common venture, it is **deeply embedded in culture**.

306 **What managers do** in West Germany, in Britain, in the United States, in Japan, or in Brazil is exactly the same.

307 **How they do it** may be quite different.

308 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 **building blocks**.

309 The difference between Japan's economic success and India's relative backwardness, for instance, 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.

310 Whether China's leaders can do the same—or whether their great tradition will become an impediment to the country's development remains to be seen.

311 3. Every enterprise requires **simple, clear,**
and unifying objectives.

312 Its **mission** has to be clear enough and big
enough to provide a common vision.

313 The **goals** that embody it have to be clear,
public, and often reaffirmed.

314 We hear a great deal of talk these days about
the “culture” of an organization.

315 But what we really mean by this is the
commitment throughout an enterprise to
some **common** objectives and common
values.

316 Without such commitment there is no
enterprise—there is **only a mob.**

317 **Management’s job** is to **think**
through, set, and **exemplify** those
objectives, values, and **goals.**

318 [The manager and the moron](#)

319 4. It is also management’s job to **enable** the
enterprise and each of its members to **grow**
and **develop** as **needs** and
opportunities change.

320 This means that every enterprise is a
learning and teaching
institution.

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

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

323 For that reason, it must be built on
communication and on **individual
responsibility**.

- 324 • Each member has to **think
through** what he or she aims to
accomplish—and **make sure** that
associates **know and
understand** that aim.
- 325 • Each has to think through what he or
she **owes to others**—and make
sure that others **understand and
approve**.
- 326 • Each has to think through **what is
needed from others**—and make
sure that others know **what is
expected of them**.

327 6. Neither the **quantity of output** nor
the bottom line is by itself an adequate
**measure of the performance of
management and enterprise**.

328 Market standing, innovation,
productivity, development of people,
quality, financial results—all are
crucial to a company's performance
and indeed to its survival.

329 In this respect, an enterprise is **like a
human being**.

330 Just as we need a diversity of
measures to **assess the health
and performance** of a person, we
need a **diversity of measures** for
an enterprise.

331 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 **continuously improved**.

332 7. Finally, the **single most important thing** to remember about any enterprise is that **there are no results inside its walls**.

- 333 1. The result of a business is a satisfied customer.
- 334 2. The result of a hospital is a healed patient.
- 335 3. The result of a school is a student who has learned something and **puts it to work** ten years later.

336 Inside an enterprise, **there are only** cost centers.

337 **Results exist**
only on the
outside.

338 **Conditions for survival**

339 About management, as about any other area of human work, much more could be said.

- 340 • Tools must be acquired and used.
- 341 • Techniques and any number of processes and procedures must be learned.

342 But managers who **truly understand** the **principles** outlined above and **truly manage themselves in their light** will be **achieving, accomplished managers**—the kind of managers who **build** successful, productive, and

achieving **enterprises** all over the world and who **establish standards, set examples,** and **leave as a legacy** both **greater capacity to produce wealth** and **greater human vision.**

343

It is **impossible** to work on things that aren't on your mental radar ↓ **at the right and necessary points in time:**

345

[Intelligence and behavior](#) by Niccolò Machiavelli and Edward de Bono

346

[Calendarization](#) → What do these issues ↑ ↓, these [challenges](#) ↑ ↓ mean for me & ... – an [alternative](#)

347

What actions are suggested by the [concepts](#) and [information](#) in these thought-scapes ↑ ↓ ? [continue](#)

348

[Dense reading](#) accompanied by thinking broad and detailed is needed in creating an effective action approach

349

[The management revolution](#) – making knowledge productive

350

“That knowledge has become **THE** resource, rather than **a** resource, is what makes our society “[post-capitalist](#).”

351

This change means that we now **see** knowledge as **the essential resource.**

352 Land, labor, and capital are important
chiefly as restraints.

353 Without them, even knowledge cannot
produce; with out them, even
management cannot perform.

354 But where there is **effective**
management, that is, **application of**
knowledge to knowledge, we can
always obtain the other resources."

355 The application of knowledge
– a change in the human
condition

356 The social sector – Who takes
care of the social challenges
of the knowledge society?

357 Management Challenges for
the 21st Century

358 Managing in the Next Society

359 "To improve the **productivity of knowledge workers** will
in fact require drastic changes in the structure of the
organizations of post-capitalist society, and in the
structure of society itself"

360

361 rlaexp.com start → The memo **THEY** don't want
you to SEE because **they** want you beholden to them –
their prisoner of yesterday.

362 **THEY** ↑ are the organization and political power
structures trying to extrapolate yesterday – the antithesis
of the manager who **truly understand** (mentioned in
paragraph 339 above)

363 [Intelligence and behavior](#) by Niccolò Machiavelli and Edward de Bono

364 **Books by Peter**
Drucker