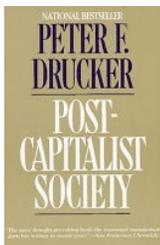


1 The Responsibility-Based Organization

2 From [Post-Capitalist Society](#) by [Peter Drucker](#)



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11 POLITICAL AND SOCIAL THEORY, since Plato and Aristotle, has focused on power.

12 But responsibility must be the principle which informs and organizes the post-capitalist society.

13 The society of organizations, the knowledge society, demands *a responsibility-based organization*. ...

14 Organizations must take responsibility for the limit of their power, that is, for the point at which exercising their function ceases to be legitimate. ...

15 Organizations have to take “social responsibility.”

16 There is no one else around in the society of organizations to take care of society itself.

17 Yet they must do so responsibly, within the limits of their competence, and without endangering their performance capacity. ...

18 Organizations, in order to function, have to have considerable power.

19 What is legitimate power?

20 What are its limits?

21 What should they be? ...

22 Finally, organizations themselves must be built on *responsibility from within*, rather than on power or on command and control.

23 ***Where Right Becomes Wrong***

24 In the 1930s, John L. Lewis (1880-1969) was considered the second most powerful man in America after President Franklin D. Roosevelt.

25 In fact, Roosevelt owed his election in large part to Lewis, who, until then a lifelong Republican, led his coal miners' union, the United Mine Workers of America (UMW), and with it the entire American labor movement, into the Democratic camp at the 1932 convention.

26 He then led the unionization drive of the New Deal years and became the head of a new and powerful labor organization, the Congress of Industrial Organizations. ...

27 But in 1943 Lewis rebelled against the wage freeze imposed during World War II and pulled his coal miners out on strike.

28 President Roosevelt appealed to him to heed the national interest and call off the strike.

29 But Lewis refused.

- 30 "The President of the United States," he said, "is paid to look after the national interest.
- 31 I am paid to look after the interests of the miners." ...
- 32 War production was just starting up.
- 33 American soldiers were already in combat, both in Europe and in the Pacific, but they still woefully lacked equipment and ammunition, and were suffering heavy casualties because of these shortages.
- 34 The entire war effort was fueled by coal, and the country could not afford to lose even one day's coal production.
- 35 Furthermore, the miners were the highest paid workers in America; compared to the pay of the men in uniform, they were plutocrats. ...
- 36 But Lewis won the strike. ...
- 37 He immediately lost, however, all power, all influence, all respect—even within the labor movement, and indeed even within his own union.
- 38 The UMW itself immediately began to decline in power, influence, and membership.
- 39 Ten years later, coal strikes had become non-events.
- 40 In fact, Lewis's Pyrrhic victory in 1943 marked the beginning of the decline of unionism in the United States.
™
- 41 Lewis lived long enough to see the consequences of his "victory."
- 42 But he maintained to his dying day that he was right in calling the strike, that it was his duty to do so.

- 43 "What is good for labor," he repeatedly said, "is ultimately good for the country.
- 44 And a war is the only time when labor is needed, the only time when it has any real power, the only time when its legitimate claims for decent pay can be successfully pressed."
- 45 He could never, it is reported, understand why the American public did not agree. «§§§»
- 46 This is, of course, an extreme case.
- 47 But it is also a revealing one.
- 48 Lewis *knew* that he was in the right.
- 49 But at what point does the right of an organization turn into social wrong; at what point is its function no longer legitimate? ...
- 50 These days there is a great deal of concern in the United States about "business ethics."
- 51 But most of the discussion—and the courses under this title taught in business schools—deals with wrongdoing, for example, giving bribes or covering up for defective or harmful products.
- 52 That wrongdoers in high places always plead their allegiance to a "higher good" is nothing new.
- 53 All that needs to be said on the subject was said some three centuries ago by the great seventeenth-century French mathematician-philosopher Blaise Pascal in his *Letters to a Provincial* (1656-57), which demolished once and for all the Jesuit ethics of casuistry, the plea for a special ethics of power. ...
- 54 But the Lewis story does not deal with "wrong against wrong."
- 55 It deals with "right against right."

- 56 While not totally unprecedented, this is a new problem.
- 57 It may be considered the central problem of responsibility within the society of organizations.
- 58 «§§§»
- 59 To be able to perform, an organization and its people must believe—as John L. Lewis did—that its own specialized task is the most important task in society.
- 60 As we saw earlier, hospitals must believe that nothing matters as much as curing the sick.
- 61 Businesses must believe that nothing matters as much as satisfying the material wants and needs of the community; and, in particular, that no product or service is nearly as vital to economy and community as the product or service “our business” produces and delivers.
- 62 Labor unions must believe that nothing matters except the rights of the laboring man.
- 63 Churches must believe that nothing matters except faith.
- 64 Schools must believe that education is the one absolute good.
- 65 And, so on. ...
- 66 These organizations must be self-centered.
- 67 Collectively, they discharge the tasks of society.
- 68 But each discharges only one task, sees only one task. ...
- 69 In fact, we expect the leaders of these organizations to believe, as Lewis did, that their organization is the organization, that it is society. ...

a prominent personality on the American scene, first as president and CEO of General Motors, the world's largest and most successful manufacturer at that time, and then, from 1953 to 1957, as Secretary of Defense in the Eisenhower administration.

71 If he is remembered at all today, however, it is for something he did not say: "What is good for General Motors is good for the United States."

72 What Wilson did say in his 1953 confirmation hearings for the Defense Department job was: "What is good for the United States is good for GM."

73 Wilson tried all the remaining years of his life to correct the misquote, but no one listened to him.

74 Everyone argued: "If he didn't say it, he surely believes it"—in fact, he should believe it." ...

75 Where, then, are the limits?

76 In an emergency such as a war or a great natural catastrophe, the answer is fairly simple: The survival of society comes before the survival of any one of its organs.

77 But outside of such crises, there are no hard and fast answers.

78 The only way to approach the problem is as the joint responsibility of the leaders of our organizations. ...

79 The closest approach so far is probably that of Japanese big business in the post-World War II period.

80 In their planning during those years, business leaders started out with the question: "What is best for Japan, its society, its economy?"

81 They then asked: "How can we turn this into an opportunity for business in general, and for our business in particular?"

82 They were not "altruistic" or "selfless"; on the contrary,

they were extremely profit-conscious.

83 They did not “take leadership”; they accepted responsibility.

84 But even in Japan, business and its leaders became self-centered again once their country fully emerged from postwar reconstruction and into economic world leadership.

85 ***What Is Social Responsibility?***

86 The organizations of the society of organizations are special-purpose organs.

87 Each is good at only one task; and this specialization alone gives them their capacity to perform. ...

88 Organizations can only do damage to themselves and to society if they tackle tasks that are beyond their specialized competence, their specialized values, their specialized functions.

89 The American hospital did a good deal of harm to itself and little good to the community when it attempted to take on the inner city’s social ills by founding “inner-city clinics.”

90 The American school has failed miserably to produce racial integration.

91 In both cases, the causes are undoubtedly good; they cry out for action.

92 But the action needed—or at least the action chosen by these various organizations—was beyond such organizations’ focus and function, and totally beyond their competence. ...

93 And yet who else is there to take care of society, its problems and its ills?

94 These organizations collectively are society.

- 95 It is futile to argue, as does the American economist and Nobel laureate Milton Friedman (b. 1912), that a business has only one responsibility: economic performance.
- 96 Economic performance is the first responsibility of a business.
- 97 A business that does not show a profit at least equal to its cost of capital is socially irresponsible.
- 98 It wastes society's resources.
- 99 Economic performance is the basis; without it, a business cannot discharge any other responsibilities, cannot be a good employer, a good citizen, a good neighbor. ...
- 100 But economic performance is not the sole responsibility of a business.
- 101 Nor is educational performance the sole responsibility of a school or health-care performance the sole responsibility of a hospital.
- 102 Power must always be balanced by responsibility; otherwise it becomes tyranny.
- 103 Without responsibility, power also always degenerates into non-performance.
- 104 And organizations do have power, albeit only social power. ...
- 105 The demand for the social responsibility of organizations will not go away.
- 106 Hitherto we have talked mainly of the social responsibility of business, for a simple reason: business was the first of the new organizations to emerge.
- 107 Increasingly, we will concern ourselves with the social responsibilities of other organizations, above all, with that of the university, which has a social monopoly—a power no other institution ever held before. ...

- 108 We do know, if only in rough outline, what the answer to the social responsibility problem has to be.
- 109 An organization has full responsibility for its impact on community and society, for the effluents it discharges into a local river, for example, or the traffic jam its work schedules create on the city streets.
- 110 It is, however, irresponsible for an organization to accept, let alone to pursue, responsibilities that would seriously impede its capacity to perform its main task and mission.
- 111 And where it has no competence, it has no responsibility. ...
- 112 But—and it is a big “but”—organizations do have a responsibility to find an approach to basic social problems that can match their competence and can, in fact, render social problems an opportunity for the organization.

113 ***Power and Organizations***

- 114 There is a further limit to the social action of organizations within the society of organizations: They are social institutions.
- 115 They have neither legitimacy nor competence in politics. ...
- 116 The organizations of post-capitalist society all want things from the political power, the government.
- 117 But they want things that are of benefit to them, that will enable them (at least in their opinion) better to do their own job, fit into their value system, or line their pockets.
- 118 They are not and should not be concerned with political power for themselves.
- 119 They are concerned with *function*. ...
- 120 This is in striking contrast to all earlier pluralist societies.

- 121 They all were pluralisms of competing power centers.
- 122 The pluralism of the society of organizations is one of discrete organizations, operating in tandem rather than in competition.
- 123 The business enterprise does not compete with the hospital for patients or for the patronage of physicians; and the hospital in turn does not try to sell computers in competition with IBM.
- 124 Each is the other's supplier and customer.
- 125 The barons, counts, dukes, and bishops of medieval Europe and the *daimyos* of medieval Japan constantly waged war on each other.
- 126 Modern organizations *lobby*. ...
- 127 In fact, nothing is as damaging to an organization as an attempt at political power.
- 128 It always ends in disaster.
- 129 In Argentina, Brazil, and Peru, the army was the most highly respected institution in each country until it seized power during the 1960s and 1970s.
- 130 In each case, the military took action only because the country was on the point of total collapse.
- 131 In each case, it came into power with substantial, perhaps even overwhelming, popular support.
- 132 But in each case, when it relinquished power, it had become corrupted, discredited, demoralized, and almost destroyed. ...
- 133 In twentieth-century demonology, a popular figure has been the sinister business executive plotting for political power.

- 134 But no successful business executive was ever greatly interested in power; they were interested in products, markets, revenues. ...
- 135 Businessmen who try to enter politics after a successful business career are not uncommon—though rarely successful.
- 136 But I know of only two businessmen, both German—Hugo Stinnes (1870-1924) and Alfred Hugenberg (1865-1951)—who tried to use their business positions to dominate government and politics, Stinnes in the early 1920s, Hugenberg a few years later.
- 137 Both did immeasurable damage to the Weimar Republic, and were largely responsible for Hitler's eventual triumph.
- 138 But both failed politically; and the attempt at political power in the end destroyed their businesses and the men themselves. ...
- 139 Even labor leaders destroy themselves and their unions when they reach for political powers.
- 140 «§§§»
- 141 In the early 1970s, the British Coal Miners Union leader Arthur Scargill seemed England's most powerful man.
- 142 Then, in 1974, he called a strike to break the Tory government and establish himself as the country's most powerful politician.
- 143 Just as John L. Lewis had done thirty years earlier in the United States, he won the strike; the government actually fell.
- 144 But Scargill was finished, and so was his union.
- 145 Ten years later, he again called a strike to reestablish his power and defeat another Conservative prime minister.

- 146 Margaret Thatcher broke the strike with overwhelming public support, which even included a good many of Scargill's own miners.
- 147 All Scargill accomplished was to enable Mrs. Thatcher to enact legislation sharply curtailing the power of unions and union leaders. ...
- 148 Yet the labor union remains the most nearly political of all the major organizations of the society of organizations.
- 149 It has to be.
- 150 It cannot exist, let alone prosper, unless government supports it.
- 151 Very few, if any, union gains in developed countries have been attained by union action alone; most have been attained through legislation.
- 152 But even unions succeed only if they use their strength to further the "cause of the laboring man," that is, to carry out their *proper function*. ...
- 153 Still, the organization has social power, and a good deal of it.
- 154 It needs power to make decisions about people—whom to hire, whom to fire, whom to promote.
- 155 It needs power to establish the rules and the discipline needed to produce results—for example, assignment of jobs and tasks to individuals, and establishment of working hours.
- 156 It needs power to decide which factories to build and where, and which factories to close.
- 157 It needs power to set prices. ...
- 158 Non-business organizations actually wield the greatest

social power.

- 159 Few organizations in history have been granted the amount of power that today's university has.
- 160 Refusal to admit or to grant the diploma is tantamount to debarring a person from access to a career.
- 161 Similarly, the power of the American hospital to deny a physician hospital privileges virtually excludes that physician from practicing medicine.
- 162 A labor union's power to deny admission to apprenticeship, or its control of access to employment in a closed shop where only union members can be hired, equally gives the union tremendous social power. ...
- 163 This power can be regulated, limited, and restrained by the political power.
- 164 It can be made subject to due process and to review by the law courts.
- 165 But the social power of organizations cannot be exercised by the political authorities.
- 166 It must be exercised by the individual organization. ...
- 167 The **first answer** to this problem is that no organization must be allowed power unless it is absolutely necessary to the discharge of its function.
- 168 Anything beyond this must be viewed as usurpation. ...
- 169 A **second answer** is that the exercise of the organization's legitimate power must be safeguarded against the abuse of power.
- 170 There must be clear and public rules for its exercise, and there must be review and appeal to some person or some tribunal that is impartial and not part of the problem.

- 171 There must be what lawyers call "due process." ...
- 172 The bishop has far more power over the priests of his Catholic Diocese than most chief executive officers of other organizations.
- 173 But he cannot remove a priest from his parish or fire him.
- 174 This can be done only by the Diocesan Court, and only "for cause."
- 175 And while the bishop appoints the members of the court, he cannot remove them during their fixed term of office. ...
- 176 But the **most important answer** to the problem of the power of the organization is conversion from a power-based to a responsibility-based organization.
- 177 It is the only answer, moreover, that fits the knowledge organization. «§§§»
- 178 When modern organizations first arose one hundred and thirty years ago, they were modeled after the first, and at that time the most successful, of the new organizations: the army as it had been restructured in Prussia between 1855 and 1865.
- 179 That army was, of necessity, based on command and control.
- 180 A very small number of highly trained people at the top commanded a very large number of unskilled people drilled in a few repetitive motions.
- 181 The Prussian Army which won such easy victories over Austria and France—both nations fielding larger forces and the second one also better armed—was, in effect, an "assembly line," and a highly efficient one.
- 182 Such knowledge as it needed was provided by special "staffs" (i. e., the renowned Prussian General Staff), which were separate from the "line," that is, from doing.

- 183 This organization structure reached its peak in the late 1920s.
- 184 Those years saw both its extension into all kinds of nonmilitary work, and the development of more and more specialized staffs. ...
- 185 World War II was won by the United States in large part because the United States had been most successful in projecting a command and control organization into the economic sphere, industrial production and logistics.
- 186 But by World War II it had also become clear that the command and control organization was rapidly growing outdated and was no longer adequate to the needs of the future.
- 187 It was also becoming clear that the much-publicized attempt of those years to modify the command and control model by giving the worker a "feeling" of responsibility the essence of the Harvard-based "Human Relations" School was not going to succeed.
- 188 Far more was needed than mere psychological manipulation. ...

189 In those years, I first began to talk of the "responsible worker" who would have a "managerial attitude" and take "managerial responsibility."

190 But only in Japan did industry pay heed, and even there only to a limited extent.

191 It was actually in the military that the transformation of organization first began.

192 To this day, the military, especially in the United States, has gone furthest in changing the structure of its organization from one based on command and control to one based on responsibility.

193 ***From Command to Information***

194 By 1970, information had begun to transform

organizations.

195 We soon learned that the introduction into organization of information as a structural and organic element means the elimination of many, if not most, layers of management.

196 In the traditional organization, most of the people called "managers" do not actually manage; they relay orders downward and information upward.

197 When information becomes available, they become redundant. ...

198 But today we have to go beyond the information-based organization to the responsibility-based organization.

199 And in knowledge work, as we have seen, the organization is increasingly composed of specialists, each of whom knows more about his or her own specialty than anybody else in the organization.

200 The old-type organization assumed that the superior knew what the subordinate was doing for the superior, only a few years earlier, had occupied the subordinate's position.

201 The knowledge-based organization, by contrast, has to assume that superiors do not know the job of their subordinates.

202 They have never held it. ...

203 Conductors do not know how the oboe does its work, but they know what the oboe should contribute.

204 The surgeon similarly knows what the anesthesiologist should contribute, even though he or she cannot tell the anesthesiologist how to do the job.

205 Both conductor and surgeon can still appraise the performance of their teammates.

206 But in knowledge-based organizations, there is frequently no one who knows enough about the work of the

specialist to appraise what that specialist actually contributes.

207 Marketing people are not knowledgeable enough to appraise the performance of market researchers; they do not even understand the researchers' language or their statistical techniques. ...

208 Sales managers are also unlikely ever to have done any sales forecasting or any pricing; they do not know enough to tell forecasters and pricers what to do.

209 Similarly, hospital administrators have never done clinical testing and cannot tell the pathologist in the medical lab what good testing is or how it should be done.

210 In today's military, the commanding officer of an air squadron cannot tell his crew chief what good maintenance means, let alone how to do it.

211 Even on the factory floor (especially in highly automated production), workers increasingly have more knowledge of their jobs than their supervisor.

212 ***From Information to Responsibility***

213 The knowledge-based organization therefore requires that everyone take responsibility for that organization's objectives, contribution, and, indeed, for its behavior as well. ...

214 This implies that all members of the organization must think through their objectives and their contributions, and then take responsibility for both.

215 It implies that there are no "subordinates"; there are only "associates."

216 Furthermore, in the knowledge-based organization all members have to be able to control their own work by feedback from their results to their objectives.*¹

217 All members must ask themselves: "What is the one major

contribution to this organization and its mission which I can make at this particular time?"

- 218 It requires, in other words, that all members act as responsible decision makers.
- 219 All members have to see themselves as "executives." ...
- 220 Next it is the responsibility of all members to communicate their objectives, their priorities, and their intended contributions to their fellow workers—up, down, and sideways.
- 221 And it is the responsibility of all members to make sure that their own objectives fit in with the objectives of the entire group. ...
- 222 This responsibility for thinking through what one's contribution should be and one's own responsibility as a knowledge worker, rests on each individual.
- 223 In the knowledge organization it becomes everybody's responsibility, regardless of his or her particular job. ...
- 224 The ninety-seven technicians in a steelmaking minimill are legally "workers."
- 225 But they control the machines which turn out as much steel as a conventional integrated steel mill does with a thousand people.
- 226 Every one of these technicians constantly makes critical decisions at his or her computerized work station.
- 227 They can be trained—they need to be trained.
- 228 But they cannot be commanded.
- 229 Each makes decisions all the time that have a greater impact on the results of the minimill than even middle managers ever had in the conventional steel mill.

230 Each of them has to be asked, "What should we hold you accountable for?"

231 "What information do you need"? and, in turn, "What information do you owe the rest of us?"

232 This means that each worker has to be a participant in decisions as to what equipment is needed; how the work should be scheduled; indeed, what the basic business policy of the entire mill should be.

233 In the minimill, the entire group is a team in which each member has responsibility for the performance of the organization. ...

234 Even organizations which at first glance do only low-skilled or unskilled work need to be restructured as responsibility-based organizations.

235 A small number of companies—one in Denmark, one in the United States, one in Japan—have been successful in greatly increasing the productivity of people who do unskilled, indeed menial, work, such as maintenance workers in hospitals, factories, or office buildings.

236 They have achieved these increases by demanding responsibility from the very lowliest of their employees, those who start with a pail and a broom to clean floors, or those who clean offices after hours—for objectives, for contribution, for the performance of the entire team.

237 These people know more about their jobs than anybody else.

238 And when they are held responsible, they act responsibly.

239 _____

240 ¹{ What forty years ago, in [The Practice of Management](#) (1954), I called "Management by Objectives and Self-Control."}

241 ***To Make Everybody a Contributor***

242 There is a great deal of talk today about "entitlement" and "empowerment."

- 243 These terms express the demise of the command and control-based organization.
- 244 But they are just as much terms of power and rank as the old terms were.
- 245 We should instead be talking about responsibility and contribution.
- 246 For power without responsibility is not power at all; it is irresponsibility. ...
- 247 Our aim should be to make people be more responsible.
- 248 What we ought to be asking is not, "What should you be entitled to?" but, "What should you be responsible for?"
- 249 The task of management in the knowledge-based organization is not to make everybody a boss.
- 250 It is to make everybody a contributor.