An organization is a human group, composed of specialists working together on a common task. Unlike society, community, or family—the traditional social aggregates—organization is purposefully designed and grounded neither in the psychological nature of human beings nor in biological necessity. Yet, while a human creation, it is meant to endure—not perhaps forever, but for a considerable period of time.
An organization is always specialized.

It is **defined by its task**.

Community and society, by contrast, are defined by a **bond that holds** together human beings, whether language, culture, history or locality.

An organization is **effective only if it concentrates on one task**.

The symphony orchestra does not attempt to cure the sick; it plays music.

The hospital takes care of the sick but does not attempt to play Beethoven.

A mountaineering club set up to climb Himalayan peaks does not look after the homeless in Nepal no matter how great their plight.

The school concentrates on teaching and learning,

the business on producing and selling goods and services,

the church on converting sinners and saving souls,

the courts on settling conflicts,

the military on fighting wars,

the American Heart Association on research into, and prevention of, cardiac degeneration and circulatory disease.

Society, community, family **are**; organizations **do**.

“Organization” has become an everyday term.

Heads nod when somebody says: “In our organization, everything should revolve around the customer”;

or, “All that counts in our organization is meeting the budget”;

or, “In this organization, they never forget a mistake you made.”

Society in **all developed countries** has become a **society of organizations** in which most, if not all, **social tasks** are being done **in and by an organization**:

the business enterprise and the labor union;

the armed services and the hospital;

schools and universities;

a host of community services some of them government agencies, many more (especially in the U.S.) non-profit institutions of the “social sector” (see Chapter 9
But there are also symphony orchestras—hundreds of them in the United States—museums and foundations, trade associations and consumer advocates, and so on. Yet, no one in the United States—or anyplace else—talked of “organizations” until after World War II. Once again the Concise Oxford, England’s authoritative dictionary, did not list the term in its current meaning in its 1950 edition. Political and social scientists talk of “government” and “business,” of “society,” “tribe,” “community,” and “family.” But “organization” still has to enter the political, economic, and sociological vocabulary. This raises three related questions:

• What function do organizations perform?

  Why are they needed?

• What explains their still being ignored, by and large, in social and political science and in economics?

• Finally, what, precisely, is an organization?

  How does it work?

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The Function Of Organizations

The function of organizations is to make knowledges productive.

Organizations have become central to society in all developed countries because of the shift from knowledge to knowledges.

The more specialized knowledges are, the more effective they will be.

The best radiologists are not the ones who know the most about medicine; they are the specialists who know how to obtain images of the body’s inside through X-ray, ultrasound, body scanner, magnetic resonance.

The best market researchers are not those who know the most about business, but the ones who know the most about market research.

Yet neither radiologists nor market researchers achieve results by themselves; their work is “input” only.

It does not become results unless put together with the work of other specialists.

Knowledges by themselves are sterile.

They become productive only if welded together into a single, unified knowledge.

To make this possible is the task of organization, the reason for its existence, its function.

We surely overdo specialization these days, worst of all in Academia.

But the cure is not to try to give specialists a “liberal education” so as to make “generalists” out of them (as I used to advocate myself for many years).

This does not work, we have now learned.

Specialists are effective only as specialists—and knowledge workers have to be effective.

The most highly effective knowledge workers do not want to be anything but narrow specialists.

Neurosurgeons get better and better the more they practice their skill; French horn
players do not take up the violin, nor should they.

Specialists need **exposure to the universe of knowledge** (as will be argued in Chapter 12 below).

But they need to **work as specialists**, and to **concentrate on being specialists**.

And for this to produce results, **an organization is needed**.
Organization As a Distinct Species

Why has it taken so long for the scholars to recognize organization, even though it became a predominant social reality decades ago?

The answer tells us a good deal about organization. It is not surprising that lawyers have not concerned themselves with this new phenomenon. "Organization" is not a legal term any more than are "community" or "society." Nor is "organization" an economic term. Some organizations pursue economic objectives, influence the economy, and are in turn influenced by it, for example, businesses and labor unions. Many others—the churches or the Boy Scouts—are not within the economist's purview. But why have political scientists and sociologists largely ignored a phenomenon that so profoundly affects polity and society?

There is no mention of organizations in the works of the founder of sociology, the Frenchman Auguste Comte (1798-1857). But then there were none in his time. Organization, however, also went unmentioned in the most influential non-Marxist critique of modern society, the 1888 Gemeinschaft und Gesellschaft (Community and Society), by the German Ferdinand Tönnies (1855-1936), and in the works of the patron saints of modern sociology, the German Max Weber (1864-1920) and the Swiss-Italian Vilfredo Pareto (1848-1923). All three were highly conscious of—and highly critical of—the rise of big business and big unions, but quite oblivious to organization as a new phenomenon.

The explanation is that organization is ignored precisely because it profoundly affects both polity and society. Organization is incompatible with what both political and social scientists still assume to be the norm. They still assume that a "normal" society is unitary rather than pluralistic. But the society of organizations is profoundly pluralistic.

For organization to be noticed at all by a political scientist or a sociologist, it has to be treated as an abnormality, indeed, a dangerous disease. A good example is The Legal Foundations of Capitalism (1924) by the distinguished American labor economist John R. Commons (1862-1945). Commons argued that the emergence of organization in the form of the business corporation was a poison injected into the American body politic by a "conspiracy" on the part of the late-nineteenth-century Supreme Court, which willfully misinterpreted the Fourteenth Amendment to the Constitution. That this was silly should have been obvious to any reader; every other developed country had accepted corporations without benefit of a Supreme Court or Fourteenth
Amendment—indeed, the United States was the last of all developed countries to do so (later even than Japan).

Yet Commons made sense to the reader of 1924. Organization was such an aberration that it could only be explained by some sinister conspiracy.

The book became a bestseller and one of the bibles of the New Deal “business-bashers” a few years later. ¶¶

The emergence of organization has been a “paradigm shift,” to use a term coined by the American philosopher Thomas Kuhn in his The Structure of Scientific Revolutions (1962).

It contradicted what political and social scientists knew to be the reality.

And then, as Kuhn pointed out, it takes between thirty and fifty years—that is, until a new generation has grown up and taken over—before the new reality is perceived, let alone accepted by the scholarly community. ¶¶

There is still another reason why so little attention has so far been paid to organizations. Armies, churches, universities, hospitals, businesses, labor unions have all been seen, studied, analyzed for a long time and in great detail.

But each of them has been treated as unique and sui generis.

Even now, interviewers are surprised when I tell them that my consulting practice has included all these institutions for more than forty years.

Only very recently has it been realized that they all belong to the same species; they are all “organizations.”

They are the man-made environment, the “social ecology” of post-capitalist society.

They have far more in common with one another than they have differences.

As I said earlier, most people—and practically everybody outside the United States—still think of “business management” when they hear “management,” and do not yet realize that management is a generic function pertaining to all organizations alike.*

Only the emergence of management since World War II has made us perceive that organization is something distinct and discrete.

It is neither “community” nor “society” nor “class” nor “family,” the modern integrators which social scientists understand; But it is also not “clan” or “tribe” or “kinship group,” nor any of the other integrators of traditional society known and studied by anthropologists, ethnographers, and sociologists.

Organization is something new and distinct.

But what is it?
As pointed out in my *Managing the Non-Profit Organization* (1990), a good many people in the nonprofit sector still see churches as churches, hospitals as hospitals, community services as community services, rather than realizing that they all belong to the same family, the non-profits, and the same species, the organization.
Organizations are special-purpose institutions.

They are effective because they concentrate on one task.

If you were to go to the American Lung Association and say: “Ninety percent of all adult Americans [it’s always 90 percent, by the way] suffer from ingrown toenails; we need your expertise in research, health education, and prevention to stamp out this dreadful scourge,” you’d get the answer: “We are interested only in what lies between the hips and the shoulders.”

That explains why the American Lung Association or the American Heart Association or any of the other organizations in the health field get results.

Society, community, family have to deal with whatever problem arises.

To do so in an organization is “diversification.”

And in an organization, diversification means splintering.

It destroys the performance capacity of any organization—whether business, labor union, school; hospital, community service, or church.

Organization is a tool.

As with any tool, the more specialized its given task, the greater its performance capacity.

Because the organization is composed of specialists, each with his or her own narrow knowledge area, its mission must be crystal clear.

The organization must be single-minded, otherwise its members become confused.

They will follow their specialty rather than applying it to the common task.

They will each define “results” in terms of that specialty, imposing their own values on the organization.

Only a clear, focused, and common mission can hold the organization together and enable it to produce results. (about missions.)

Without such a focused mission, the organization soon loses credibility.

A good example is what happened to American Protestantism in the post-World War II period.

Very few strategies have ever been as successful as that, of the American Protestant churches when around 1900 they focused their tremendous resources on the social needs of a rapidly industrializing urban society.

The doctrine of “Social Christianity” was a major reason why the churches in America did not become marginal, as the churches in Europe did.

Yet social action is not the mission of a Christian Church.
That is to save souls.

Because Social Christianity was so successful, the churches, especially since World War II, have dedicated themselves more and more wholeheartedly to social causes.

Ultimately, liberal Protestantism used the trappings of Christianity to further social reform and to promote actual social legislation.

Churches became social agencies.

They became politicized—and as a result they rapidly lost cohesion, appeal, and members.

The prototype of the modern organization is the **symphony orchestra**.

Each of the two hundred fifty musicians in the orchestra is a specialist, and a high-grade one.

Yet by itself the tuba doesn’t make music; only the orchestra can do that.

The orchestra performs only because all two hundred fifty musicians have the same score.

They all subordinate their specialty to a common task.

And they all play only one piece of music at any given time.

**Results** in an organization exist only on the outside.

Society, community, family are self-contained and self-sufficient; they exist for their own sake.

But all organizations exist to produce results on the outside.

Inside a business, there are only costs.

The term “profit center” (which, alas, I myself coined many years ago) is a misnomer.

Inside a business, there are only cost centers.

There are profits only when a customer has bought the product or the service and, has paid for it.

The result of the hospital is a cured patient, who can go back home (and who fervently hopes never to have to return to the hospital).

The results of the school or the university are graduates who put to work what they have learned in their own lives and work.

The results of an army are not maneuvers and promotions for generals; they are deterring a war or winning it.

The results of the Church are not even on this earth.
This means that **results in an organization** are always pretty far away from what each member **contributes**.

This is true even in the hospital, where individual contributions—those of the nurse or the physical therapist—are closely related to the **result**: a cured patient.

But many specialists even in the hospital cannot identify their contribution to any particular result.

  What share in the recovery or rehabilitation of a patient does the X-ray technician have?
  
  Or the clinical laboratory technician?
  
  Or the dietitian?

In most institutions, the **individual’s contribution** is totally swallowed up by the task and disappears in it.

What use is the best engineering department if the company goes bankrupt?

And yet, unless the engineering department is first-class, dedicated, and hardworking, the company is likely to go bankrupt.

Each member in an organization, in other words, makes a vital contribution (at least in theory) without which there can be no results.

But none by himself or herself produces these results.

This then **requires**, as an **absolute prerequisite of an organization’s performance**, that its **task** and **mission** be **crystal clear**.

**Results** need to be **defined clearly and unambiguously**—and, if at all possible, **measurably**.

This also requires that an organization **appraise and judge itself** and its performance **against** clear, known, impersonal objectives and goals.

Neither society nor community nor family need to set such goals, nor could they.

Survival rather than performance is their test.

**Joining an organization is always a decision.**

**De facto** there may be little choice.

But even where membership is all but compulsory—as membership in the Christian Church was in Europe for many centuries for all but a handful of Jews and Gypsies—the fiction of a decision to join is carefully maintained.
The godfather at the infant’s baptism pledges the child’s voluntary acceptance of membership in the Church.

It may be difficult to leave an organization—the Mafia, for instance, or a Japanese big company, or the Jesuit Order.

But it is always possible.

And the more an organization becomes an organization of knowledge workers, the easier it is to leave it and move elsewhere (see “The Employee Society” later in this chapter).

Unlike society, community, and family, an organization is therefore always in competition for its most essential resource: qualified, knowledgeable, dedicated people.

This means that organizations have to market membership, fully as much as they market their products and services—and perhaps more.

They have to attract people, have to hold people, have to recognize and reward people, have to motivate people, have to serve and satisfy people.

Because modern organization is an organization of knowledge specialists, it has to be an organization of equals, of “colleagues,” of “associates.”

No one knowledge “ranks” higher than another.

The position of each is determined by its contribution to the common task rather than by any inherent superiority or inferiority.

“Philosophy is the queen of the sciences,” says an old tag.

But to remove a kidney stone, you want a urologist rather than a logician.

The modern organization cannot be an organization of “boss” and “subordinate”; it must be organized as a team of “associates.”

An organization is always managed.

Society, community, family may have “leaders”—and so do organizations.

But organizations, and organizations alone, are managed.

The managing may be perfunctory and intermittent—as it is, for instance, in the Parent-Teachers Association at a suburban school in the United States, where the elected officers spend only a few hours each year on the organization’s affairs.

Or management may be a full-time and demanding job for a fairly large group of people, as in the military, the business enterprise, the labor union, the university, and so on.

But there have to be people who make decisions, or nothing will ever get done.

There have to be people who are accountable for the organization’s mission, its spirit, its performance, its results.
There must be a “conductor” who controls the “score.”

There have to be people who focus the organization on its mission, set the strategy to carry it out, and define what the results are.

This management has to have considerable authority.

Yet its job in the knowledge organization is not to command; it is to direct.

Finally, to be able to perform, an organization must be autonomous.

Legally, it may be a government agency, as are Europe’s railways, America’s state universities, or Japan’s leading radio and television network, NHK.

Yet in actual operation these organizations must be able to “do their own thing.”

If they are used to carry out “government policy,” they immediately stop performing.

All this, it will be said, is obvious.

Yet every one of these characteristics is new, and indeed unique to that new social phenomenon, the organization.

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Organization As a Destabilizer

Society, community, family are all conserving institutions. They try to maintain stability and to prevent, or at least to slow down, change.

But the organization of the post-capitalist society of organizations is a destabilizer. Because its function is to put knowledge to work--on tools, processes, and products; on work; on knowledge itself--it must be organized for constant change.

It must be organized for innovation; and innovation, as the Austro-American economist Joseph Schumpeter (1883-1950) said, is "creative destruction."

It must be organized for systematic abandonment of the established, the customary, the familiar, the comfortable--whether products, services, and processes, human and social relationships, skills, or organizations themselves.

It is the very nature of knowledge that it changes fast and that today's certainties will be tomorrow's absurdities.

Skills, in contrast to knowledge, change slowly and infrequently. If Socrates, the stonemason, came back to life today and went to work in a stonemason's yard, the only change of significance would be that he would have to turn out tombstones with a cross on them instead of steles with the symbol of Hermes.

The tools are the same even if they now have electric batteries in the handles.

(A small museum on the Spanish Costa Brava near the ancient city of Emporia exhibits the tools the craftsman of the second and third centuries A.D. used. No craftsman today would have the slightest difficulty figuring out how to use them. He would hardly notice that the tools are two thousand years old.)

For four hundred years after Gutenberg first used movable type, there was practically no change in the craft of printing--until the steam engine came in, and the discipline of engineering was applied to a technē.

Throughout history, crafts people who had learned a trade had acquired everything they would ever need to know during their lifetime after five or six years of apprenticeship, at age seventeen or eighteen.

In the post-capitalist society, it is safe to assume that anyone with any knowledge will have to acquire new knowledge every four or five years, or else become obsolete.
The changes that most profoundly affect a knowledge do not, as a rule, come out of its own area, as the example of printing shows.

The pharmaceutical industry is being profoundly changed today by knowledge that comes out of genetics and biology, disciplines of which few people in a pharmaceutical lab had even heard forty years ago.

The greatest challenge to the railroad came not from changes in railroading, but from the automobile, the truck, and the airplane.

Social innovation is as important as new science or new technology in creating new knowledges and in making old ones obsolete.

Indeed, social innovation is often more important.

What triggered the present worldwide crisis of that proudest of nineteenth-century institutions, the commercial bank, was not the computer or any other technological change.

It was the realization that an old but hitherto rather obscure financial instrument, commercial paper, could be used by non-banks to finance companies.

This speedily deprived the banks of the business on which they had a monopoly for two hundred years and which gave them most of their income: the commercial loan.

The greatest change most probably is that in the last forty years purposeful innovation—both technical and social—has itself become an organized discipline, which is both teachable and learnable.

(On this, see my Innovation and Entrepreneurship.)

Nor is rapid, knowledge-based change confined to business, as is still widely believed.

It clearly is needed if the labor union (another of the “success stories” of capitalist society) is to survive.

No organization in the fifty years since World War II has changed more than the military, even though uniforms and titles of rank have remained the same.

Weapons have changed completely, as the Gulf war of 1991 dramatically demonstrated.

Military doctrines and concepts have changed even more drastically.

And so have organization structures, command structures, relationships, and responsibilities.

One implication: every organization of today has to build into its very structure the management of change.
It has to build in organized abandonment of everything it does.

It has to learn to ask every few years of every process, every product, every procedure, every policy:

“If we did not do this already, would we go into it now, knowing what we now know?”

And if the answer is no, the organization has to ask: “And what do we do now?”

It has to do something, not just make another study.

Increasingly, organizations will have to plan abandonment rather than try to prolong the life of a successful policy: practice, or product—something which so far only a few large Japanese companies have faced up to.


But the ability to create the new also has to be built into the organization.

Specifically, each organization has to build into its very fabric three systematic practices.

First, each organization requires continuing improvement of everything it does—the process the Japanese call Kaizen.

Every artist throughout history has practiced Kaizen, that is, organized, continuous self-improvement.

But only the Japanese so far (perhaps because of their Zen tradition) have embodied it in the daily life and work of their business organizations—although not yet into their singularly change-resistant universities.

The aim of Kaizen is to improve each product or service so that it becomes a truly different product or service in two or three years’ time.

Every organization will secondly have to learn to exploit, that is, to develop new applications from its own successes.

Again, Japanese businesses have done the best job in this so far, as witness the way in which the Japanese consumer electronics manufacturer has developed one new product after the other out of the same American invention, the tape recorder.

But building on their successes is also one of the strengths of the American “pastoral” churches, whose fast growth is beginning to offset the steady decline of both the traditional “Social Christianity” and the traditional fundamentalist churches.

Every organization, third, will have to learn how to innovate and to learn that innovation can and should be organized as a systematic process.

Then of course one comes back to abandonment and the whole process starts all over again.

Unless these tasks are systematically carried out, the knowledge-based post-capitalist organization will very soon find itself obsolescent.
It soon will lose performance capacity, and with it the ability to attract and to hold the knowledge specialists on whom it depends.

There is a further implication: post-capitalist society has to be decentralized.

Its organizations must be able to make fast decisions, based on closeness to performance, closeness to the market, closeness to technology, closeness to the changes in society, environment, and demographics, all of which must be seen and utilized as opportunities for innovation.

Organizations in the post-capitalist society thus constantly upset, disorganize, and destabilize the community.

They must change the demand for skills and knowledges.

Just when every technical university is geared up to teach physics, geneticists are what we need.

Just when the banks have organized credit analysis, they need investment people.

Companies on which local communities depend for employment close their factories, or replace grizzled model makers who have spent years learning their craft with twenty-five-year-old “whiz kids” who know computer simulation.

Hospitals move the delivery of babies into a freestanding “birthing center” when the knowledge base and technology of obstetrics change.

We must be ready to close down a hospital completely when changes in medical practice and technology make a center with fewer than two hundred beds uneconomical and incapable of giving first-rate care.

Similarly, for the school or the college to discharge its social function, we must be able to close down a school or a college—no matter how deeply rooted in the local community and how much loved by it— if changes in demographics, technology, or knowledge make a different size or a different philosophy a prerequisite of good performance.

But every one of such changes upsets the community, disrupts it, deprives it of continuity.

Every one is perceived as “unfair.”
Modern organization creates yet another tension for the community. It has to operate in a community. Its members live in that community, speak its language, send their children to its schools, vote in it, pay taxes to it. They have to feel at home in it—their results are in the community. Yet the organization cannot submerge itself in the community or subordinate itself to that community. Its “culture” has to transcend community.

As the American anthropologist Edward T. Hall pointed out in The Silent Language (1959), the most important communications in every society are not verbal but cultural, perceived through the way people stand, the way they move, the way they act.

Hall showed that a German physician uses quite different signals to get a message across to a German patient from the signals the English, American, or Japanese physician uses. American civil servants would be completely baffled in their own Washington if they were to sit in on the meeting of a local grocery chain discussing next week’s advertising promotion. But they easily understand what a Chinese colleague tells them about bureaucratic intrigues in Beijing. And, despite all we hear about differences in “management style,” a large Japanese company functions very much like a large American, German, or British company.

It is the nature of the task that determines the culture of an organization, rather than the community in which that task is being performed. Each organization’s value system is determined by its task. Every hospital in the world, every school in the world, every business in the world has to believe that what it is doing is an essential contribution to its community and society—the contribution on which all the others in the community depend in the last analysis.

To perform its task successfully, it has to be organized and managed the same way. In its culture, the organization thus always transcends the community. If an organization’s culture clashes with the values of its community, the organization’s culture will prevail—or else the organization will not make its social contribution.

“Knowledge knows no boundaries,” says an old proverb.
There are as yet very few “transnational” organizations and not even a great many “multinationals.”

But every knowledge organization is of necessity non-national, non-community.

Even if totally embedded in the local community, it is a “rootless cosmopolitan,” to use one of Hitler’s and Stalin’s favorite epithets.
The Employee Society

Only fifty years ago, the word “employee” was rarely used in English or American, except as a legal term.

People then spoke of “capital and labor,” or of “management and the worker.”

The German equivalent, Mitarbeiter, was equally uncommon.

And when the term was used, it meant low-level clerical people much like the Spanish employado or another German term, Angestellter.

“Employee” is also an awkward word; it has no clear meaning, and all the equivalents in other languages are equally recent in common usage and equally awkward.

The phenomenon itself is so new, we have no proper word for it as yet.

An “employee” is, by definition, somebody who gets paid for working.

Yet in the United States, the largest single group of “employees” are people who work without pay.

Every second adult American—90 million people all told—works as an unpaid employee for a non-profit organization, most of them giving at least three hours a week of unpaid work.

(On this, see Chapter 9.)

They are clearly “staff,” and consider themselves as such.

Yet they are volunteers who receive no pay.

Many people who in effect work as “employees” are not employed in any legal sense.

They are “self-employed.”

A century ago, people who were employed working for somebody else worked for a “master” rather than for an organization or a “boss.”

There were the factory workers; there were the domestic servants—until World War I vastly outnumbering factory workers in every developed country.

There were shop assistants, salespeople, and so on.

People with education worked as “independents,” by and large.

And the largest single group in the 1913 work force in any country (except Great Britain and Belgium) were farmers working for themselves on land they either owned or rented.

Today, farmers are a tiny minority in every developed country; domestic servants have all but disappeared.

But the people who sixty or seventy years ago were “independent,” that is, the people of education and knowledge, are now employees or “self-employed.”

We need a word to describe these people, and we do not have one.

In the meantime we may have to do with defining “employees,” in the post-capitalist society, as people whose ability to make a contribution
depends on their having access to an organization.

Whether they are paid is secondary.

If these people are “self-employed,” they function because they render services to or through organizations: the physician under the British National Health Service; his or her American counterpart working for an “Independent Providers” group; accountants and auditors.

These people may not receive a “wage”; they receive a “fee.”

But their ability to function depends fully as much on their access to an organization as if they were on the payroll.

The higher up we go in terms of income, education, or social status, the more ability to perform and function depends on access to the organization.

Just as post-capitalist society has become a society of organizations, it has also become a society of employees.

These are only two different ways to describe the same phenomenon.

As far as the employees who work in subordinate and menial, service occupations are concerned—the checkout clerk in the supermarket; the cleaning woman in the hospital; the driver of the delivery truck their position may not be too different from that of the wage earner, the “worker” of yesterday, whose direct descendants they are.

They account for one quarter of the work force, and already outnumber industrial workers.

Their position, their productivity, their dignity are central social problems of the post-capitalist society (as will be discussed in Chapter 4).

But the position of the next group, the knowledge workers, is radically different.

Knowledge workers can work only because there is an organization for them to work in.

In that respect, they are dependent.

But at the same time, they own the “means of production,” that is, their knowledge.

And knowledge workers account for almost one third of the total work force of a developed country (with skilled service workers accounting for another third or so).

Marx believed that the greatest change in society resulting from the introduction of capitalism was the “alienation” of the worker.

The worker no longer owned, the tools of production.

He could produce only if somebody else, a “capitalist,” furnished the tools, especially the steadily more expensive machinery.
The knowledge employee still needs the tools.

The capital investment in his or her tools may already be higher than the capital investment in the tools of the manufacturing worker ever was (and the social investment, e.g., in the knowledge worker’s education, is of course many times the investment in a manual worker’s education).

But this capital investment is unproductive unless the knowledge employee brings to bear on it the knowledge which he or she owns and which cannot be taken away.

Machine operators in the factory did as they were told.

The machine decided not only what to do but how to do it.

The knowledge employee may need a machine, whether it be a computer, an ultrasound analyzer, or a radio telescope.

But neither the computer nor the ultrasound analyzer nor the telescope tells the knowledge employee what to do, let alone how to do it.

Without this knowledge which is the property of the employee, the machine is unproductive.

The worker under capitalism was totally dependent on the machine.

In the employee society, the employee and the tools of production are interdependent.

One cannot function without the other.

And while the tools of production, such as the ultrasound analyzer, are fixed in place, the technician who knows how to run them and how to interpret their readings has mobility.

The machine is dependent on the employee, not the other way around.

Workers throughout history could be “supervised.”

They could be told what to do, how to do it, how fast to do it, and so on.

Knowledge employees cannot, in effect, be supervised.

Unless they know more than anybody else in the organization, they are to all intents and purposes useless.

The marketing manager may tell the market researcher what the company needs to know about the design of a new product and the market segment in which it should be positioned.

But it is the market researcher’s job to tell the president of the company what market research is needed, how to set it up, and what the results mean.

The commanding general of an air base decides how many planes and of what kind are needed for a certain mission.

But it is the crew chief, though vastly inferior in rank (and usually not even a commissioned officer), who tells the general how many planes are airworthy and what repairs they need before they can be sent off on their mission.

Only a very foolish commanding general overrules his crew chief, despite the difference in rank—and such a commanding general, by the way, will not last very long.
Employees in the employee society need access to an organization. Without it, they cannot produce or perform.

And yet they hold a crucial card in their mobility. They carry the means of production—their knowledge—with them.

In the 1980s and 1990s, during the traumatic restructuring of American business, many thousands of knowledge employees lost their jobs.

Their company was acquired, merged, spun off, liquidated, and so on. Yet within a very few months, the great majority found new jobs in which to put their knowledge to work.

The transition period was painful, and in about half the cases the new job did not pay quite as much as the old one and may not have been as enjoyable. But laid-off technicians, professionals, and managers found that they had the “capital”—their knowledge; they owned the means of production.

Somebody else, the organization, had the tools of production. The two needed each other.

By itself, neither was capable of producing.

Neither, in other words, is “dependent” or “independent.” They are interdependent.

Japan officially still believes in lifetime commitment, especially for knowledge employees, professionals, managers, and technicians.

But the great scandal of Japan in 1989 was the “Recruit Affair,” in which a rapidly growing publisher, Recruit, bribed politicians by giving them free shares.

What made these Recruit shares so attractive? What made Recruit so extraordinarily profitable?

The company publishes magazines for technicians, professionals, and middle managers who look for better jobs than they presently have.

These magazines contain nothing but job offers for such people.

When riding on the Tokyo subway, the foreigner is told, older people read adult comics; but younger people read the magazines which offer positions for knowledge employees already employed by other companies.

Even in Japan, the knowledge employee is rapidly gaining mobility, despite all the emphasis on “loyalty” and “lifetime commitment.”
“Loyalty” from now on cannot be obtained by the paycheck; it will have to be earned by proving to knowledge employees that the organization which presently employs them can offer them exceptional opportunities to be effective.

Not so long ago, we talked about “labor”; increasingly, now, we are talking of “human resources.”

This implies that it is the individual knowledge employee who decides in large measure what he or she will contribute, and how great the yield from his or her knowledge can or should be.

But in the knowledge society, even low-skilled service workers are not “proletarians.”

Collectively, the employees own the means of production.

Individually, few of them are wealthy.

Even fewer of them are rich (though a good many are financially independent—what we now call “affluent”).

Collectively, however, whether through their pension funds, through mutual funds, through their retirement accounts, and so on, they own the means of production.

The people who exercise the voting power for the employees are themselves employees; take, for example, the civil servants who manage the pension funds of state and local governments in the United States.

These pension fund managers are the only true “capitalists” in the United States.

The “capitalists” have thus themselves become employees in the post-capitalist knowledge society.

They are paid as employees; they think as employees; they see themselves as employees.

But they act as capitalists.

One implication is that capital now serves the employee, where under Capitalism the employee served capital.
But a second implication is that we now have to redefine the role, power, and function of both capital and ownership.

As we shall see in the next chapter, we have to rethink the governance of corporations.

**From command and control to information-based to responsibility-based organizations**

The [memo](#) they don’t want you to see