

1 The Society of Organizations

2 [The Function Of Organizations](#)

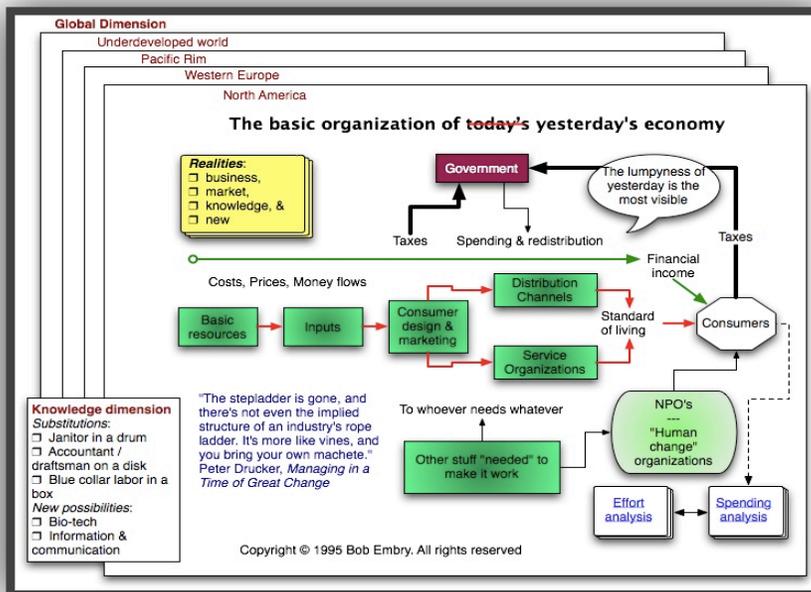
3 [Organization As a Distinct Species](#)

4 [The Characteristics of Organizations](#)

5 [Organization As a Destabilizer](#)

6 [The Employee Society.](#)

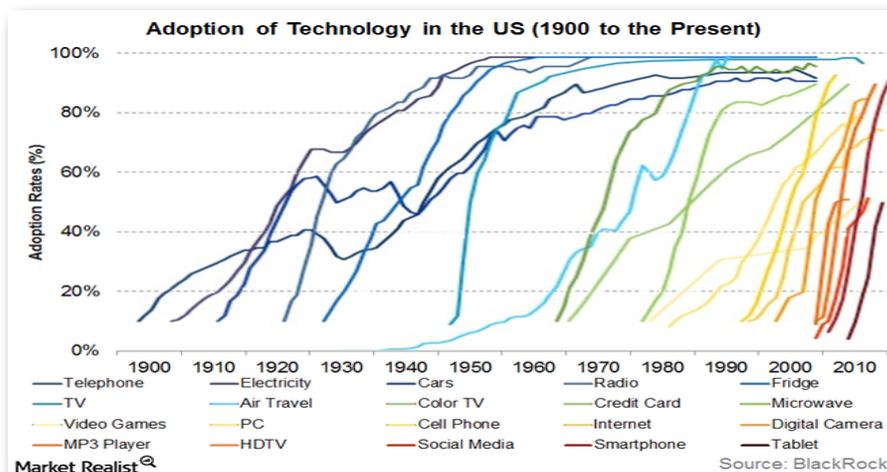
7 An organization is a human group, composed of **specialists working together** on a **common task**.



8

9 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.

10 Yet, while a human creation, it is **meant to endure**—not perhaps forever, but for a considerable period of time. ११११



12 An organization is **always specialized**.

13 It is **defined by its task**.

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

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

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

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

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

22 The school concentrates on teaching and learning,

23 the business on producing and selling goods and services,

24 the church on converting sinners and saving souls,

25 the courts on settling conflicts,

26 the military on fighting wars,

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

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

30 "Organization" has become an everyday term.

31 Heads nod when somebody says: "In our organization, everything should revolve
32 around the customer";

33 or, "All that counts in our organization is meeting the budget";

34 or, "In this organization, they never forget a mistake you made."

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

38 the business enterprise and the labor union;

39 the armed services and the hospital;

40 schools and universities;

41 a host of community services some of them government agencies, many more
42 (especially in the U.S.) non-profit institutions of the "social sector" (see Chapter 9

[below](#)).

35 But there are also symphony orchestras—hundreds of them in the United States—
museums and foundations, trade associations and consumer advocates, and so on. ¶¶¶

36 Yet, no one in the United States—or anyplace else—talked of “organizations” until after
World War II.

37 Once again the Concise Oxford, England’s authoritative dictionary, did not list the
term in its current meaning in its 1950 edition.

38 Political and social scientists talk of “government” and “business,” of “society,” “tribe,”
“community,” and “family.”

39 But “organization” still has to enter the political, economic, and sociological
vocabulary. ¶¶¶

40 This raises three related questions:

41 • What [function](#) do organizations perform?

42 [Why](#) are they needed?

43 • What explains their still being [ignored](#), by and large, in social and political science
and in economics?

44 • Finally, [what](#), precisely, is an organization?

45 [How](#) does it work?

46 continues on the next page – return to [top](#)

47

48 The Function Of Organizations

49 The **function of organizations** is to **make knowledges productive**.

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

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

52 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.

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

54 Yet neither radiologists nor market researchers **achieve results by themselves; their work is "input" only**.

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

56 Knowledges by themselves are **sterile**.

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

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

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

60 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).

61 This **does not work**, we have now learned.

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

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

64 Neurosurgeons get better and better the more they practice their skill; French horn

players do not take up the violin, nor should they.

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

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

67 And for this to produce results, **an organization is needed**.

68 continues on the next page – return to [top](#)

69

70 Organization As a Distinct Species

71 Why has it taken so long for the scholars to [recognize](#) organization, even though it became **a predominant social reality** decades ago?

72 The answer tells us a good deal about organization. ¶¶¶

73 It is not surprising that lawyers have not concerned themselves with this new phenomenon.

74 "Organization" is not a legal term any more than are "community" or "society."

75 Nor is "organization" an economic term.

76 Some organizations pursue economic objectives, influence the economy, and are in turn influenced by it, for example, businesses and labor unions.

77 Many others—the churches or the Boy Scouts—are not within the economist's purview.

78 But why have political scientists and sociologists largely ignored a phenomenon that so profoundly affects polity and society? ¶¶¶

79 There is no mention of organizations in the works of the founder of sociology, the Frenchman Auguste Comte (1798-1857).

80 But then there were none in his time.

81 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).

82 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.

83 And it is still ignored in more recent social science books. ¶¶¶

84 The explanation is that organization is **ignored precisely** because **it profoundly affects both polity and society**.

85 Organization is incompatible with what both political and social scientists still assume to be the norm.

86 They still assume that a "normal" society is **unitary** rather than **pluralistic**.

87 But the society of organizations is **profoundly pluralistic**.

88 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.

89 A good example is *The Legal Foundations of Capitalism* (1924) by the distinguished American labor economist John R. Commons (1862-1945). ¶¶¶

90 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.

91 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).

92 Yet Commons made sense to the reader of 1924.

93 Organization was such an aberration that it could only be explained by some sinister conspiracy.

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

95 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).

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

97 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. ¶¶¶

98 There is still another reason why so little attention has so far been paid to organizations.

99 Armies, churches, universities, hospitals, businesses, labor unions have all been seen, studied, analyzed for a long time and in great detail.

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

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

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

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

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

105 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**. *1

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

107 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.

108 Organization is something **new** and **distinct**.

109 But what is it?

110

111 ¹ * 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.

112 continues on the next page – return to [top](#)

113

114 The Characteristics Of Organizations

115 Organizations are **special-purpose institutions**.

116 They are effective because they concentrate on one task. ¶¶¶

117 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." ¶¶¶

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

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

120 To do so in an organization is "**diversification**."

121 And in an organization, diversification means **splintering**.

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

123 Organization is a **tool**.

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

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

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

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

128 **They will each define "results" in terms of that specialty, imposing their own values on the organization**.

129 Only a **clear, focused, and common mission** can **hold the organization together**

and **enable it to produce results**. (about [missions](#).)

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

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

132 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.

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

134 Yet social action is not the mission of a Christian Church.

135 That is to save souls.
136 Because Social Christianity was so successful, the churches, especially since World War II, have dedicated themselves more and more wholeheartedly to social causes.
137 Ultimately, liberal Protestantism used the trappings of Christianity to further social reform and to promote actual social legislation.
138 Churches became social agencies.
139 They became politicized—and as a result they rapidly lost cohesion, appeal, and members. ¶¶¶

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

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

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

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

144 They all **subordinate their specialty** to a **common task**.

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

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

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

148 But all organizations **exist to produce results On the outside**. ¶¶¶

149 Inside a business, there are only costs.

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

151 Inside a business, there are only cost centers.

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

153 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).

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

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

156 The results of the Church are not even on this earth. ¶¶¶

157 This means that **results in an organization** are always pretty far away from what
each member **contributes**.

158 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**.

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

160 What share in the recovery or rehabilitation of a patient does the X-ray technician
have?

161 Or the clinical laboratory technician?

162 Or the dietitian? ¶¶¶

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

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

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

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

167 But none by himself or herself produces these results. ¶¶¶

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

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

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

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

172 Survival rather than performance is their test. ¶¶¶

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

174 *De facto* there may be little choice.

175 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.

176 The godfather at the infant's baptism pledges the child's voluntary acceptance of membership in the Church. ¶¶¶

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

178 But it is always possible.

179 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). ¶¶¶

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

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

182 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. ¶¶¶

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

184 No one knowledge "ranks" higher than another.

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

186 "Philosophy is the queen of the sciences," says an old tag.

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

188 The modern organization cannot be an organization of "boss" and "subordinate"; it must be organized as a team of "associates." ¶¶¶

189 An organization is always managed.

190 Society, community, family may have "leaders"—and so do organizations.

191 But organizations, and organizations alone, are managed.

192 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.

193 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.

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

195 There have to be people who are accountable for the organization's mission, its spirit, its performance, its results.

196 There must be a “conductor” who **controls the “score.”**
197 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.**
198 This management has to have **considerable authority.**
199 Yet its job in the **knowledge organization** is not to command; it is **to direct.** ¶¶¶

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

201 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.

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

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

204 All this, it will be said, is obvious.

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

206 continues on the next page – return to [top](#)

207

208 Organization As a Destabilizer

209 Society, community, family are all conserving institutions.

210 They try to maintain stability and to prevent, or at least to slow down, change.

211 But the organization of the post-capitalist society of organizations is a *destabilizer*.

212 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**.

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

214 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.

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

216 **Skills**, in contrast to knowledge, change **slowly** and **infrequently**.

217 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.

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

219 (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.

220 No craftsman today would have the slightest difficulty figuring out how to use them.

221 He would hardly notice that the tools are two thousand years old.)

222 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.

223 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.

224 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. ¶¶¶

225 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.

226 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.

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

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

229 Indeed, social innovation is often more important.

230 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.

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

232 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.

233 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.

234 (On this, see my [Innovation and Entrepreneurship](#).) ¶¶¶

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

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

237 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.

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

239 Military doctrines and concepts have changed even more drastically.

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

241 One implication: every organization of today has to build into its very structure the
management of change. ¶¶¶

242 It has to **build in organized abandonment** of **everything**
it does.

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

244 "If we did not **do** this already, would we go into it now, knowing what we now
know?"

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

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

247 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**.

248 (On this, see Chapter 24, "The New Japanese Business Strategies," in
Managing for the Future (1992). ¶¶¶)

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

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

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

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

253 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.

254 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. ¶¶¶

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

256 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.

257 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. ¶¶¶

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

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

260 Unless these **tasks** are **systematically carried out**, the *knowledge-*
based post-capitalist organization will **very soon find itself** **obsolescent**.

261 It soon will lose **performance capacity**, and **with it the ability** to attract and
to hold *the knowledge specialists* **on whom it depends.** ¶¶¶

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

263 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. ¶¶¶

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

265 They must **change the demand for** *skills* and *knowledges*.

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

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

268 **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.

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

270 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.

271 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.** ¶¶¶

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

273 Every one is perceived as “unfair.”

274 Every one **destabilizes**. ¶¶¶

275 Modern organization creates yet another **tension for the community**.

276 It has to operate in a community.

277 Its members live in that community, speak its language, send their children to its schools, vote in it, pay taxes to it.

278 They have to feel at home in it—their results are in the community.

279 Yet the organization cannot submerge itself in the community or subordinate itself to that community.

280 Its “culture” has to **transcend** community. ¶¶¶

281 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.

282 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.

283 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.

284 But they easily understand what a Chinese colleague tells them about bureaucratic intrigues in Beijing.

285 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. ¶¶¶

286 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.

287 Each organization’s value system is determined by its task.

288 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.

289 To perform its task successfully, it has to be organized and managed the same way.

290 In its culture, the organization thus always transcends the community.

291 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. ¶¶¶

292 “Knowledge **knows no boundaries**,” says an old proverb.

293 There are as yet very few “transnational” organizations and not even a great many
“multinationals.”

294 But [every knowledge organization](#) is of necessity [non-national, non-community](#).

295 Even if totally embedded in the local community, it is a “[rootless cosmopolitan](#),” to
use one of Hitler’s and Stalin’s favorite epithets.

296 continues on the next page – return to [top](#)

297

298 The Employee Society

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

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

301 The German equivalent, *Mitarbeiter*, was equally uncommon.

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

303 “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.

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

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

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

307 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.

308 (On this, see Chapter 9.)

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

310 Yet they are volunteers who receive no pay. ¶¶¶

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

312 They are “self-employed.”

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

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

315 There were shop assistants, salespeople, and so on.

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

317 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. ¶¶¶

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

319 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.” ¶¶¶

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

321 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.

322 Whether they are paid is secondary.

323 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.

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

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

326 **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.**

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

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

329 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.

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

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

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

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

334 In that respect, they are dependent.

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

336 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). ¶¶¶

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

338 The worker no longer owned, the tools of production.

339 He could produce only if somebody else, a “capitalist,” furnished the tools, especially the steadily more expensive machinery. ¶¶¶

340 The knowledge employee still needs the tools.

341 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).

342 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**. ¶¶¶

343 Machine operators in the factory did as they were told.

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

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

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

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

348 The worker under capitalism was totally dependent on the machine.

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

350 One cannot function without the other.

351 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.

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

353 Workers throughout history could be "supervised."

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

355 Knowledge employees **cannot, in effect, be supervised**.

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

357 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.

358 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.

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

360 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.

361 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. ¶¶¶

362 Employees in the employee society need access to an organization.

363 Without it, they cannot produce or perform.

364 And yet they hold **a crucial card** in **their mobility**.

365 They carry the **means of production**—their knowledge—with them. ¶¶¶

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

367 Their company was acquired, merged, spun off, liquidated, and so on.

368 Yet within a very few months, the great majority found new jobs in which to put their knowledge to work.

369 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.

370 But laid-off technicians, professionals, and managers found that they had the “capital”—their knowledge; they owned the **means of production**.

371 Somebody else, the organization, had the **tools of production**.

372 The two **needed** each other.

373 By itself, neither was capable of producing.

374 Neither, in other words, is “dependent” or “independent.”

375 They are **interdependent**.

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

377 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.

378 What made these Recruit shares so attractive?

379 What made Recruit so extraordinarily profitable?

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

381 These magazines contain nothing but job offers for such people.

382 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.

383 Even in Japan, the knowledge employee is **rapidly gaining mobility**, despite all the emphasis on “loyalty” and “lifetime commitment.”

384 "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.

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

386 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. ¶¶¶

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

388 Collectively, the employees own the means of production.

389 Individually, few of them are wealthy.

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

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

392 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.

393 These pension fund managers are the only true "capitalists" in the United States.

394 The "capitalists" have thus themselves become employees in the post-capitalist knowledge society.

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

396 But they act as capitalists. ¶¶¶

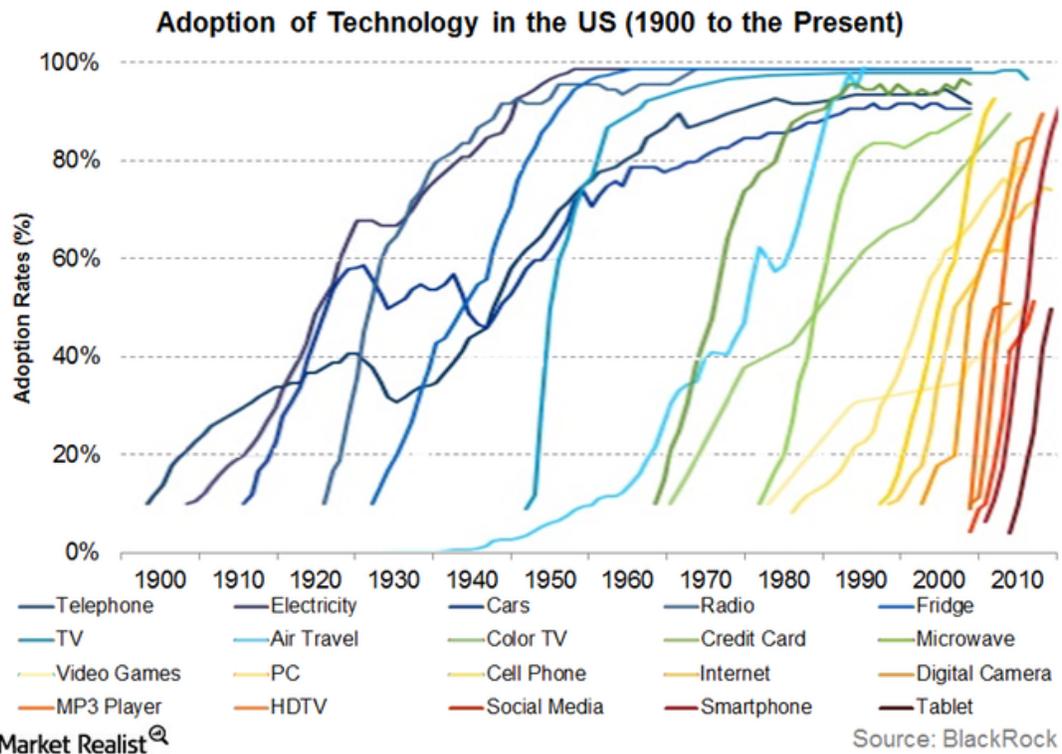
397 One implication is that capital now serves the employee, where under Capitalism the employee served capital.

398 But a second implication is that we now have to redefine the role, power, and function of
both capital and ownership.

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

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

401 The memo they don't want you to see



402

403

return to [top](#)