

Managing People & Organisations: Peter Drucker's Legacy

Peter Drucker is most commonly thought of as a management theoretician and undoubtedly this is the most well known dimension of his work. However, Drucker's aim was also to write about man in his social context. In his book *Managing People and Organisations: Peter Drucker's Legacy*, an extract from which follows, **Guido Stein** elucidates Drucker's thinking in a way that emphasises its relevance for today and tomorrow

Management of Knowledge in the New Economy

The new management paradigms

We live in the Internet age, the fruit born of the confluence of new information technologies and telecommunications. The Internet is now fashionable, even ubiquitous in some parts of the world, and has triggered an intense speculative fever. But the Internet is more than just a fad. As happened with radio or television, the Internet is here to stay. Its impact on the economy and society is of such magnitude that we now speak and write of a new economy. Today we can learn from successes in this new field and, above all, the failures¹.





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In every organisation — business or non-business alike — only the last 10% of management has to be fitted to the organisation's specific mission, its specific culture, its specific history and its specific vocabulary

Is there a new economy or is it the traditional economy transformed by new telecommunications technologies and IT? For Peter Drucker, and for entrepreneurs and executives, the answer has no bearing on what really matters: leading in the Internet age is a work of synthesis and character, intelligence and will. The development of the knowledge society is characterised by its swiftness. Knowing how to orient oneself with speed and flexibility is as difficult as it is indispensable. Not surprisingly, life is lived forward but understood backward. History gives us wise examples:

"As the century closed, the world becomes smaller. The public rapidly gained access to new and dramatically faster communications technologies. Entrepreneurs, able to draw on unprecedented scale economies, built vast empires. Great fortunes were made. The government demanded that these powerful new monopolists be held accountable under antitrust law. Every day brought forth new technological advances to which the old business models seemed no longer to apply. Yet, somehow, the basic laws of economics asserted themselves. Those who mastered these laws survived in the new environment. Those who did not, failed"².



Although it might only be a rough description of what is happening now in the economic world, these lines are intended to outline the situation of a century ago when technological innovations in rail or communications caused upheaval in business and social attitudes.

It is obvious that information and knowledge have always been factors which influenced the economic future of humanity; however, it is this increased presence of technology that has played an almost exclusive role in wealth creation. If we add to this the ability to digitise information and thus enable instantaneous and nearly free transmission, we find ourselves facing the core of the economic, and perhaps also social, paradigm shift.

Technology changes, but the laws of the economy remain. The information economy is characterised by several well-defined features: information is expensive to produce but cheap to reproduce; that is, it has high fixed costs and low marginal costs; also, information is a good, an asset, of experience – it has to be tested once to be evaluated; nevertheless, information as such is an asset of experience every time it is consumed. Before buying shoes, the client tests them; but what would happen if you read a newspaper, book or market

research to test them? And finally, the wealth of information leads to a corresponding poverty of attention.

In any case, what has really changed from what was going on until the early nineties is the technological infrastructure: today information is more accessible and therefore more valuable; nevertheless it does not change the total amount of information available. What is truly new is the ability of modern companies to make new orders based on the exchange of electronic data, which allow the analysis of orders in all branches under different pricing and promotion policies, and the speed with which they introduce discounts on products that are not selling well. And all of this with minimal human intervention.

How does Peter Drucker see these sweeping changes? What is their effect on the management of companies and individuals? For our author, the psychological effect of the information revolution, as with the Industrial Revolution, has been enormous: Electronic commerce is to the information revolution what the railroad was to the Industrial Revolution: a completely new event unprecedented and completely unexpected. As with the railroad 170 years ago, electronic commerce is creating a radically different economic boom that

is rapidly changing the economy, society and politics³. The railroad changed people's "mental geography" and physical horizon; electronic commerce not only overcomes distance – in the case of purely informational products, it removes it.

As our author likes to point out, the largest e-commerce growth is occurring in a sector which until now had no trade: the labour exchanges. The Internet has become a macro-labour exchange with millions of digitised résumés flowing through it. The result is a renewed labour market.

Time is relentless and more so when it comes to practical action; what was true yesterday may be wrong tomorrow; therefore, to speak of absolute and immutable truths in management requires prudence to stay within limits which make a useful tool ineffective or useless, precisely because any institution – whether a commercial enterprise, a public service, a university, a church or a large military organisation – is evaluated by its capability of producing results outside of itself.

In this sense it is a theoretical and practical mistake to argue that there is an organisation *par excellence* or one right way to manage people. But not everything is subject to a blind, random relativism: in the art of management can be found

some extremely useful general features, especially in this accelerated era of the Internet:

"There are, of course, differences in management between different organisations – Mission defines Strategy, after all, and Strategy defines Structure. There surely are differences between managing a chain of retail stores and managing a Catholic diocese (though amazingly fewer than either chain stores or bishops believe); between managing an airbase, a hospital and a software company. But the greatest differences are in the terms individual organisations use. Otherwise the differences are mainly in application rather than in principles. There are not even tremendous differences in tasks and challenges. The executives of all these organisations spend, for instance, about the same amount of their time on people problems- and the people problems are almost always the same. Ninety per cent or so of what each of these organisations is concerned with is generic. And the differences in respect to the last 10% are not greater between businesses and non-businesses than they are between businesses in different industries, for example, between a multinational bank and a toy factory. In every organisation – business or non-business alike – only the last 10% of management has

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to be fitted to the organisation's specific mission, its specific culture, its specific history and its specific vocabulary"⁴.

The renewal of the practice of management also necessarily brings the emergence of knowledge workers and managers – Drucker also referred to them as technologists – because they are the people who apply the knowledge at the highest level⁵. Unlike manual workers, who were seen as a cost to the company, the new players are an asset. In reality they are not subordinates but co-workers and they quickly come to know their work better than their bosses. As in an orchestra, an organisation of knowledge can easily undermine the more-capable superior, let alone the more autocratic.

What motivates a knowledge worker, in addition to the clinical factor of money, is, after all, just what motivates a volunteer: his work⁶. They need a challenge; they need to know the mission of the organisation and believe in it, they need ongoing training and to see results. Managing is built on the strengths and knowledge of each person. This requires that management become entrepreneurs: management and entrepreneurship are two sides of the same coin: "as a rule it is necessary to design the company for change, and to creating change rather than reacting to it." **gf**

FOOTNOTES

- 1 See Guido Stein, *Success and Failure in the new Economy. Rules for conduct in the Internet age*, Gestión 2000, Barcelona 2001.
- 2 Carl Shapiro and Hal R. Varian, *Information Rules. A strategic guide to the networked economy*, Harvard Business School press, United States, 1999, p.1. Drucker fully concurs in this analysis: 'Beyond the information revolution' *The Atlantic Monthly*, October 1999.
- 3 See Beyond the information revolution.
- 4 P. Drucker, *Management Challenges for the 21st Century*, Butterworth Heinemann, Oxford, 1999, p.8
- 5 P. Drucker: 'Only through the education of technologists can developed countries continue to have a considerable and lasting competitive advantage.' In 'Knowledge-worker productivity: The Biggest Challenge, *California Management Review*, vol. 41, pp. 79-95, Winter 1999.
- 6 P. Drucker, 'Meaningful work' *Executive Excellence*, vol 16, November 1999.

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