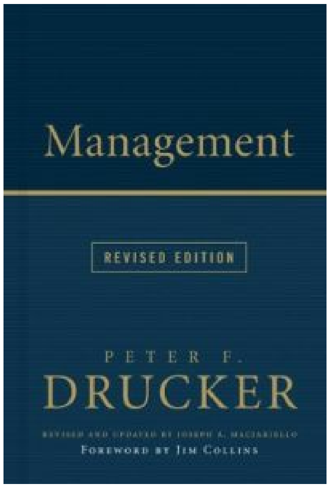

Book Management

Peter F. Drucker
HarperBusiness, 2008
First Edition:1973
Listen now

- play
- pause

00:00
00:00

Recommendation

To say that Peter F. Drucker wrote the book on management is absolutely accurate, but only if you make that plural. During his long lifetime, "the founding father of the study of management" published 34 major works, including 15 on the art and science of enterprise management. Drucker had a front-row seat for the managerial exploits of the 20th century's leading corporations, and this update to his 1973 classic *Management: Tasks, Responsibilities, Practices* includes his kaleidoscopic take on many of them. Revised by Joseph A. Maciariello to incorporate Drucker's later writings, this version lucidly covers every aspect of management, plus a remarkably diverse array of topics such as nonprofits, service organizations, corporate governance and "knowledge workers" (a term Drucker used to describe white-collar, skilled professionals in the labor force). *BooksInShort* confirms that if you want to learn about management, you cannot do better than read Drucker's acknowledged masterpiece. This is the bedrock business book.

Take-Aways

- The rise of management as an organizational discipline arguably is the most important business development of the 20th century.
- Large, complex organizations ultimately will fail without professional management.
- Management principles went into creating post-World War II's Marshall Plan.
- Professional managers aid in planning and developing their firms' basic missions.
- They set objectives for employees, organize processes, communicate important information, track performance and help workers develop.
- Effective managers relate to their superiors, subordinates and peers equally well.
- The ideal manager is a "working boss" rather than just a "coordinator" of others' work.
- "Knowledge workers" need managers to maximize their productivity.
- Decision making is a manager's stock-in-trade. Focus on their decisions' quality, not their quantity.
- "Managing the boss" is a critical component to every manager's success.

Summary

Modern Enterprises Need Managers

The rise of management as an organizational discipline arguably is the most important business development of the 20th century. Management practices came into demand when labor transitioned from manual work to "knowledge work." In the early 1900s, 90% of those employed anywhere in the world had blue-collar or domestic service jobs. As economies and businesses grew, the need for skilled professionals grew as well. "Knowledge workers" carry their skills with them; they "own their means of production." And as companies sought to compete on a basis other than cost, the quality and efficiency of their managers became the "competitive advantage" that could set one firm apart from the others.

> “In the 20th century, [modern] society became a society of organizations. Organizations depend on managers – are built by managers, directed and held together by managers and made to perform by managers.”

One telling case history illustrates the critical role that managers play in a big organization. Henry Ford started the Ford Motor Company in 1905. Fifteen years later, Ford was the pre-eminent US automobile manufacturer. Yet by 1927, it had fallen to a distant third in US car manufacturing, a position it clung to for the next two decades. Why did it plunge so far so fast? Henry Ford did not believe in management; his corporate concept posited an all-powerful “owner-entrepreneur” assisted by “helpers.” In fact, he immediately would sack any employee who acted like a manager or who made an independent decision. Henry issued orders and expected compliance. His traditional command-and-control approach turned his firm into a failing enterprise.

> “Managers are the basic resource of the organizational enterprise.”

While Henry Ford ruled the auto industry, General Motors – a loose conglomeration of small car companies – ran a weak second to his winning firm. GM had no dealer organization and no one outstanding automobile model. But Alfred P. Sloan Jr., its president, believed strongly in management. On taking command of GM at the start of the 1920s, Sloan quickly formed a team of empowered managers. Within five years, GM toppled Ford to become the leading US car maker. In 1946, Henry’s grandson, Henry Ford II – understanding the competitive advantages management practices conferred – revamped Ford and led it back to the top to compete with GM.

Management’s History

The discipline of management came into its own with the development of universal banks in Europe and the transcontinental railroad in North America during the late 1800s. These huge enterprises changed the business dynamic from that of a centrally located, single owner-entrepreneur to a multiple-shareholder, internationally dispersed organization. In the 1880s, industrial engineer Frederick Winslow Taylor became the first to measure American worker productivity. Around the same time, Frenchman Henri Fayol helped develop the concept of “organizational structure.” Before the outbreak of World War I, German writers theorized about large industrial organization’s impact on society; this new field of study, known as *Betriebswissenschaft* (“the science of enterprise”), spawned the classic management sciences – “managerial accounting, operations research [and] decision theory.” Contemporaneously, in the US, Hugo Muensterberg became the first to associate psychology and the behavioral sciences to the practice of management in large organizations.

> “When a variety of tasks all have to be performed in cooperation, synchronization and communication, an organization needs managers and management.”

At the end of World War I, Herbert Hoover, then just an American engineer, and Thomas G. Masaryk, a Czech historian, relied on management principles to arrange aid to war-ravaged Europe. These two statesmen, who were destined for public service later as, respectively, the president of the US and the first president of the Czech Republic, promoted management as an organizational tool for rebuilding Europe after the war. The post-World War II Marshall Plan bore the hallmarks of their ideas. The leaders of growing corporations like the DuPont Co., Unilever and Sears, Roebuck & Co. first applied management methods such as objective setting and strategy planning. “Big business” began defining the concept of decentralized management.

Management’s Primary Goal: Make People Productive

Management is essential in all complex organizations that rely on people to make indispensable contributions. Managers direct workers to ensure that all their actions directly support the organization’s purposes.

> “Without the institution, there would be no management, but without management, there would be only a mob rather than an institution.”

Generally, managers:

- Contribute to forming a mission statement for the organization and implement actions to achieve it.
- Guide employees to attain corporate objectives in a productive manner.
- Help the organization meet its “social responsibilities.” For businesses, this means responding to customer demands; for service organizations like hospitals and schools, it means delivering health care and education.

> “Scientific management...is the one American philosophy that has swept the world – more so even than the Constitution and the Federalist Papers.”

Five primary functions, which enable “the integration of resources into a viable, growing organism,” delineate the role of management.

A manager:

1. “Sets objectives” and establishes the goals that employees need to reach.
2. “Organizes” tasks and coordinates their allocation, ensuring the right roles go to the right people.
3. “Motivates and communicates” in order to mold staffers into cooperative teams and to convey information continually up, down and around the organization.
4. “Establishes targets and yardsticks” that measure results and clarify outcomes to ensure that the firm is moving in the right direction.
5. “Develops people” through finding, training and nurturing employees, a firm’s primary resource.

> “Good decision makers don’t make many decisions. They make decisions that make a difference.”

Managers make informed decisions that keep everyone moving smartly ahead in the right direction. They should be superb communicators who explain what needs to be done and why. They plan, organize and monitor budgets to ensure that their organization spends its resources wisely. They monitor and share internal information so that everyone in the firm operates with the most accurate data. They secure external data that the company needs to stay current.

Defining and Designing Managers

Enterprises need to develop savvy, expert managers. To define a manager's job, be sure the title denotes a specific function, such as market research manager. Design the role around the task, not the personality who will fill it. A job description should set out the exact contributions that the manager and his or her group are supposed to make to the organization.

> "As a rule, the manager should be both a manager and an individual career professional."

Don't base a manager's "span of control" on the number of individuals managed, but rather on the "span of managerial relationships." For example, relatively few executives may report directly to a CEO, but those executives work together to run the company, representing many relationships for which the CEO is responsible. Conversely, a Walmart regional supervisor normally oversees hundreds of store managers as direct reports; each of those individuals performs the same function but none of them interact with one another, allowing the regional manager to handle a greater number of subordinates.

> "The impact of the manager on modern society and its citizens is so great as to require of the manager the self-discipline and the high service standards of the true professional."

A management job exists in a network of relationships – that is, "upward, downward and sideways" – so, appoint managers who can relate to their superiors, subordinates and peers equally well. In addition, establish levels of authority according to the job's parameters; unless explicitly prohibited, managers should assume responsibility for decisions they make in executing the company's mission. Use regular performance appraisals to determine management capabilities. Make sure managers play a direct role in establishing their objectives and performance standards.

> "It is managers who make institutions perform."

The way top executives organize managerial roles helps determine how effective people will be in them.

If you are designing management jobs, avoid these common mistakes:

- **"The too-small job"** – Managers should grow in their roles, or their performance will suffer. Better to assign a job that is "too big" than one that is too small.
- **"The nonjob"** – Beware of "assistant to" roles. A job with no clear objectives, duties and accountability is corrosive both to the individual in it and to others in the company.
- **"Failing to balance managing and working"** – Managing is not a full-time effort, so managers should be proficient in their own careers. The ideal manager is a "working boss" rather than just a "coordinator" of others' work.
- **"Poor job design"** – Managers should be able to fulfill their functions without too many meetings, too much coordination or too much travel.
- **"Titles as rewards"** – Don't inflate job titles as compensation; unearned ranks are empty gestures that demean both the organization and its managers.
- **"The widow-maker job"** – Some jobs crush the best managers, usually because the roles are inherently flawed.

Decisions, Decisions

Decision making is a manager's stock-in-trade. To reach good judgments, always check the validity of the information you have.

> "Management is not just a matter of experience, hunch or native ability. Its elements and requirements can be analyzed, organized systematically and learned by anyone with normal intelligence."

Then follow seven rules:

1. Make sure it is imperative to make a decision. Issuing too many unnecessary pronouncements misuses resources and can undermine your credibility.
2. Understand what type of problem you face: Is it "generic" or "unique"? Can it be solved under usual operating norms, or will it require wholly new ways of thinking?
3. Delineate the issue by asking: "What is this all about?" "What is pertinent here?" "What is key to the situation?"
4. Compromise, if necessary, to get the "right" decision in place.
5. Secure "buy-in" from all the constituents who will have to implement your decision.
6. Ensure that actions follow decisions. Spell out what needs to be done, and assign responsibility accordingly.
7. Monitor, in person, the actual result of your decision. Get the necessary feedback to test the validity of your choice.

Manager: Manage Thyself

Today, knowledge workers dominate many spheres of business and work within every organization. These expert specialists are independent-minded individuals who generally are responsible for their own productivity. Those who manage knowledge workers are, in effect, knowledge workers themselves and thus are responsible for assessing their own capabilities – their strengths, their work style, their values and their contributions. Effective managers also know that "managing the boss" is a critical component of success.

> "Making people decisions is the ultimate means of organizational control."

To make the most of this simple but important opportunity and responsibility, take these seven steps:

1. Put together a "boss list" that records, by name or function, those to whom you report. It also should show those who have input into your work, who evaluate you or your team, and who you rely on to get your work done.
2. Ask each person on your boss list, annually, what you do that "helps and hampers" their work and request that they do the same for you. Reflect on their responses and respond promptly with ways to improve.
3. "Enable your bosses to perform" by understanding how they manage. For example, consider whether your manager prefers scheduled or ad hoc reports,

whether you should present them verbally or in writing, and what time of day works best.

4. "Play to the bosses' strengths" and downplay their weaknesses to establish trust.
5. Keep your manager apprised of what you and your team are doing, not just for approval but to build his or her confidence in you.
6. Make sure your boss isn't caught by surprise. Keep him or her informed.
7. "Never underrate a boss" – it may cost you your job.

About the Author

Peter F. Drucker (1909-2005) was an influential thinker and writer on management theory and practice. **Joseph A. Maciariello** was Drucker's collaborator for 26 years.