

“The Essential Drucker”
The Best of Sixty Years of Peter Drucker's Essential Writings on Management
Book Note~ Dave Kraft

Not to innovate is the single largest reason for the decline of existing organizations.

Not to know how to manage is the single largest reason for the failure of new ventures.

Every enterprise requires commitment to common goals and shared values. Without such commitment there is no enterprise; there is only a mob.

The enterprise must have simple, clear, and unifying objectives. The goals that embody it have to be clear, public, and constantly reaffirmed. Management’s first job is to think through, set, and exemplify those objectives, values, and goals.

The second task of management is to make work productive and the worker effective.

To make the worker productive is, therefore, more and more important and is a measure of the performance of an institution. It is increasingly a task of management.

There is only one valid definition of business purpose: to create a customer. In every case, it is business action that creates the customer. Because its purpose is to create a customer, the business enterprise has two—and only these two basic functions: marketing and innovation. It does not ask, What do we want to sell? It asks, What does the customer want to buy? It says, These are the satisfactions the customer looks for, values, and needs. To satisfy the customer is the mission and purpose of every business.

It is not necessary for a business to grow bigger; but it is necessary that it constantly grow better.

Common vision, common understanding, and unity of direction and effort of the entire organization require definition of “what our business is and what it should be.”

The answer to the question, What is our business? is the first responsibility of top management.

any serious attempt to state “what our business is” must start with the customer’s realities, his situation, his behavior, his expectations, and his values.

The basic definitions of the business, and of its purpose and mission, have to be translated into objectives. Otherwise, they remain insights, good intentions, and brilliant epigrams that never become achievement.

Objectives, in other words, represent the fundamental strategy of a business.

Objectives must be operational. They must be capable of being converted into specific targets and specific assignments. The area without specific objectives will be neglected.

If objectives are only good intentions, they are worthless. They must be transformed into work. And work is always specific, always has—or should have—clear, unambiguous, measurable results, a deadline and a specific assignment of accountability.

It focuses the organization on action. It defines the specific strategies needed to attain the crucial goals. The best nonprofits devote a great deal of thought to defining their organization's mission and focus on objectives

“There is no laity in this church; there are only pastors, a few paid, most unpaid.”

Mission defines strategy, after all, and strategy defines structure.

“Hierarchy,” and the unquestioning acceptance of it by everyone in the organization, is the only hope in a crisis.

They need, above all, challenge. They need to know the organization's mission and to believe in it. They need continual training. They need to see results.

One does not “manage” people. The task is to lead people. And the goal is to make productive the specific strengths and knowledge of each individual.

The starting point has to be the assumption—an assumption amply proven by all our experience—that the customer never buys what the supplier sells. What is value to the customer is always something quite different from what is value or quality to the supplier.

The foundations have to be customer values and customer decisions on the distribution of their disposable income. It is with those that management policy and management strategy increasingly will have to start.

An entrepreneur who does not learn how to manage will not last long. A management that does not learn to innovate will not last long.

Any organization, however, that actually believes that management and entrepreneurship are different, let alone incompatible, will soon find itself out of business.

The scarcest resources in any organization are performing people.

The data have to be integrated with strategy, they have to test a company's assumptions, and they must challenge a company's current outlook.

Each member of the enterprise contributes something different, but they must all contribute toward a common goal.

Functional men and women even at the lowest management level see the business as a whole and understand what it requires of them. The new technology will need both the drive for excellence in workmanship and the consistent direction of managers at all levels toward the common goal. The emphasis should be on teamwork and team results.

For it is the definition of a manager that in what he does he takes responsibility for the whole—all objectives should always contain both the tangible business objectives and the intangible objectives for manager organization and development, worker performance and attitude, and public responsibility.

one of the major contributions of management by objectives is that it enables us to substitute management by self-control for management by domination. Every manager should be held strictly accountable for the results of his performance. But what he does to reach those results he—and only he—should control. It should be clearly understood what behavior and methods

The company bars what is unethical, unprofessional, or unsound, but within these limits, every manager must be free to decide what he has to do.

The most common misuse of reports and procedures is as an instrument of control from above. Reports and procedures should be kept to a minimum, and used only when they save time and labor. They should be as simple as possible. Every business should regularly find out whether it needs all the reports and procedures it uses.

The only principle that can do this is management by objectives and self-control.

It is the duty of managers to make sure that the responsible people in their organizations perform.

Of all the decisions an executive makes, none is as important as the decisions about people. Discuss each of the candidates with several people who have worked with them. One executive's judgment alone is worthless. The largest single source of failed promotions—and I know of no greater waste in U.S. management—is the failure to think through, and help others think through, what a new job requires. To keep misfits in a job they cannot do is not being kind; it is being cruel. Executives who do not make the effort to get their people decisions right do more than risk poor performance. They risk their organization's respect.

It is not size that is an impediment to entrepreneurship and innovation; it is the existing operation itself, and especially the existing successful operation.

Existing businesses quench the entrepreneurial spirit. For the existing business to be capable of innovation, it has to create a structure that allows people to be entrepreneurial. Somebody in top management must have the specific assignment to work on tomorrow as an entrepreneur and innovator. The best, and perhaps the only, way to avoid killing off the new by sheer neglect is to set up the innovative project from the start as a separate business.

The innovative effort and the unit that carries it require different policies, rules, and measurements in many areas. Do not ever put the entrepreneurial into the existing managerial component. A business that wants to be able to innovate, wants to have a chance to succeed and prosper in a time of rapid change, has to build entrepreneurial management into its own system.

Having a viable, operating, organized “present” in which people know where they are going, what they are supposed to do, and what the results are or should be.

But Edison remained an entrepreneur; or rather, he thought that “managing” meant being the boss. He refused to build a management team. And so every one of his four or five companies collapsed; ignominiously once it got to middle size, and was saved only by booting Edison himself out and replacing him with professional management.

A “product” or a “service” is defined by the customer, not by the producer.

Disarray normally does not appear if there is adequate attention to the key areas.

Teams are based on mutual trust and mutual understanding, and this takes years to build up, and it requires the will on the part of the founders to build a team rather than to keep on running everything themselves.

Next, one asks: “Which of the key activities should each of us, therefore, take on as his or her first and major responsibility because. They fit the individual’s strengths? Which individual fits which key activity?” All key activities need to be covered by someone who has proven ability in performance. What can this enterprise expect of you? What should we hold you accountable for? What are you trying to accomplish and by what time? But this is elementary management, of course.

The founder has to learn to become the leader of a team rather than a “star” with “helpers.

The right question to start with is, “What will the venture need objectively by way of management from here on out?”

The next questions the founder must ask are: What am I good at? Only after having thought through those questions should a founder then ask: “What do I really want to do, and believe in doing?”

Every economics book points out that customers do not buy a “product,” but what the product does for them.

Intelligence, imagination, and knowledge are essential resources, but only effectiveness converts them into results.

Working on the right things is what makes knowledge work effective.

The greatest wisdom not applied to action and behavior is meaningless data.

1. The executive’s time tends to belong to everybody else.
2. Executives are forced to keep on “operating”

What the executive needs are criteria that enable him to work on the truly important,

3. The third reality pushing the executive toward ineffectiveness is that he is within an organization.

4. Finally, the executive is within an organization.

The effective person focuses on contribution. The great majority of people tend to focus downward. They are occupied with efforts rather than with results.

“And what do you do that justifies your being on the payroll?” There needs to be a focus on contribution and who takes responsibility for results,

For every organization needs performance in three major areas: direct results, building of values and their reaffirmation, and building and developing people for tomorrow.

An organization that is not capable of perpetuating itself has failed. An organization therefore has to provide today the men and women who can run it tomorrow. It has to renew its human capital.

People adjust to the level of the demands made on them. Commitment to contribution is commitment to responsible effectiveness.

The most common cause of failure is inability or unwillingness to change with the demands of a new position.

The four basic requirements of effective human relations:

1. Communications

2. Teamwork

3. Self-development

4. Development of others

1. Communications

2. The focus on contribution leads to communications sideways and thereby makes teamwork possible.

3. Individual self-development in large measure depends on the focus on contributions.

4. The executive who focuses on contribution also stimulates others to develop themselves.

The first, and most important, conclusion: Concentrate on your strengths.

Second: Work on improving your strengths.

The third conclusion: Identify where intellectual arrogance causes disabling ignorance.

Waste as little effort as possible on improving areas of low competence.

Yet very few people even know that there are readers and there are listeners,

The second thing to know about how one performs is to know how one learns.

How do I perform? and How do I learn? are the most important first questions to ask.

Another crucial question: Do I produce results as a decision-maker or as an adviser?

To be able to manage oneself, one finally has to know, What are my values?

To be effective in an organization, one's own values must be compatible with the organization's values. Values, in other words, are and should be the ultimate test.

The answers to the three questions,

1. What are my strengths?
2. How do I perform?
3. What are my values?

should enable the individual, and especially the individual knowledge worker, to decide where he or she belongs.

“Yes, I'll do that. But this is the way I should be doing it. This is the way it should be structured. This is the way my relationships should be. These are the kinds of results you should expect from me, and in this time frame, because this is who I am.”

Good managers attempt to manage their time and to cut back unproductive demands on their time.

Recording time Managing time Consolidating time is the foundation of executive effectiveness.

Nothing else, perhaps, distinguishes effective executives as much as their tender loving care of time. The effective person therefore knows that to manage his time, he first has to know where it actually goes. In every job, a large part of the time must therefore be wasted on things that, though they apparently have to be done, contribute nothing or little. It is amazing how many things busy people are doing that never will be missed. I have yet to see a knowledge worker, regardless of rank or station, who could not consign something like a quarter of the demands on his time to the wastepaper basket without anybody's noticing their disappearance.

“What do I do that wastes your time without contributing to your effectiveness?”

1. The first organizational time-wasters result from lack of system or foresight.
2. Time-waste often results from overstaffing.
3. Another common time-waster is mal-organization. Its symptom is an excess of meetings.

An organization in which everybody meets all the time is an organization in which no one gets anything done.

4. The last major time-waster is malfunction in information.

Time is the scarcest resource, and unless it is managed, nothing else can be managed. But everyone can follow the injunction “Know thy time” if he or she wants to, and be well on the road toward contribution and effectiveness.

Effective people do not make a great many decisions. The most time-consuming step in the process is not making the decision but putting it into effect.

Unless a decision has “degenerated into work,” it is not a decision;

1. The first questions the effective decision-maker asks are: Is this a generic situation or an exception?

2. The second major element in the decision process is clear specifications as to what the decision has to accomplish.

3. One has to start out with what is right rather than what is acceptable

4. Converting the decision into action is the fourth major element in the decision process.

No decision has been made unless carrying it out in specific

Steps has to become someone’s work assignment and responsibility. Until then, there are only good intentions.

5. Finally, a feedback has to be built into the decision to provide a continual testing, against actual events, of the expectations that underlie the decision.

Reality never stands still very long.

Unless one has considered alternatives, one has a closed mind.

Effective decision-makers deliberately disregard the second major command of the textbooks on decision-making and create dissension and disagreement, rather than consensus.

The first rule in decision-making is that one does not make a decision unless there is disagreement. Disagreement, especially if forced to be reasoned, thought through, documented, is the most effective stimulus we know. It becomes clear that a decision requires courage as much as it requires judgment. Just because something is difficult, disagreeable, or frightening is no reason for not doing it if it is right.

Charisma becomes the undoing of leaders. It makes them inflexible, convinced of their own infallibility, unable to change.

The leader's first task is to be the trumpet that sounds a clear sound.

The second requirement is that the leader see leadership as responsibility rather than as rank and privilege.

An effective leader knows that the ultimate task of leadership is to create human energies and human vision.

Effective leadership—and again this is very old wisdom—is not based on being clever; it is based primarily on being consistent.

Anything too clever, whether in design or execution, is almost bound to fail.

But unless there is an immediate application in the present, an innovation is like the drawings in Leonardo da Vinci's notebook—a “brilliant idea.”

I have never come across an ‘entrepreneurial personality.’

Successful innovators are conservative. They have to be. They are not “risk-focused”; they are “opportunity-focused.”

The essence of management is to make knowledge productive.