



PERSONNEL NOTEBOOK

For Your Most Important Resource — The Human Resource

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TIMELESS ADVICE FROM A MASTER ADVISOR

Part I

He has been called “The guru that all other gurus kowtow to” and “The father of management consulting”. Peter Drucker, who died in 2005 was known not for a single idea but for his entire body of work.

His work influenced world leaders including Winston Churchill, Bill Gates, Jack Welch and the Japanese business establishment. In Great Britain his early books were required reading for every new British officer. But when he wrote against Hitler’s philosophy of big government, his books were burned and banned. And when he criticized General Motors (GM) top-heavy, autocratic management style, it was reported that GM threatened to fire any manager found with a copy.

Drucker coined the terms “knowledge worker” and “management by objectives” and predicted the decentralization of businesses. In 1997 he stated that “In the next economic downturn, there will be an outbreak of

bitterness and contempt for the super-corporate chieftains who pay themselves millions.” He believed in the empowerment of workers and the futility of big government which he called “obese, muscle bound and senile”. In 1981 he said that the best run organization in the United States was the Girl Scouts of America.

In one of his most famous books “The Practice of Management” he argued that management was one of the major social innovations of the century and he posed these three questions that every business must ask:

1. What is our business?
2. Who is our customer?
3. What does our customer consider valuable?

His fundamental question that every manager must ask:

- “Not what can I achieve, but what can I contribute?”



Here is a selection of some of his Peter Drucker's most powerful ideas culled from a lifetime of his writings.

Integrity in Leadership

"The spirit of an organization is created from the top".

Symbolized by managements "people" decisions, the integrity of management's character is not something you can fool people about. The people you work with, especially subordinates, will know in a few weeks whether you have integrity or not. They may forgive you for a great deal; incompetence, ignorance, insecurity or even bad manners. But they will not forgive a lack of integrity.

If an organization is great in its spirit it's because the spirit of the people at the top is great. As the proverb has it, "Trees die from the top". No one should ever be appointed to a senior position unless top management is willing to have his/her character serve as the model for their subordinates.

Identifying the Future

"The important thing is to identify the future that has already happened".

Futurists measure their value by the number of things they predicted that have come true. But they never count how many important things came true that they did not predict. Even if everything the forecaster predicted came true if he did not see the thing most meaningful to your organization then there may be little value beyond bragging rights of is forecasts.

The most important work of an executive may be to identify the changes that are already happening or may have already happened that will affect your business,

your products or your method of doing business. The video tape rental stores that predicted which movies would be released in time for Christmas but didn't see DVDs coming around the corner got stuck with a lot of unusable tape and long leases on store fronts. What is going on in your business world that could affect your business's future? New technology? New laws? New products? New competitors? Changing tastes?

Management is Indispensable

"Whoever makes two blades of grass grow where only one grew before deserves better of mankind than any speculative philosopher or metaphysical system builder"

Management-which is the organ of society that is specifically charged with making resources productive, that is, that it is responsible for the organized economic advancement that produces society's needs and wants and actually represents the basic spirit of the modern age.

Management will remain a basic and dominant institution perhaps as long as Western civilization itself survives. Management is grounded in the modern industrial systems of the world. Randomness and disorganization may be easier but produces very little of value to society. It is the natural order of things that once conceived grew so fast and with so little opposition. Be proud of your ability to manage well. It's the source of our progress and constantly improving lives.

The Managerial Attitude

"The demands for a "managerial attitude" on the part of even the lowliest worker is an innovation."



The lowest level of efficiency in the entire productive resources of industry is the human resource. Machines and systems are created for efficiency and productivity. People are not. Those enterprises that have learned to improve the level of efficiency in people have achieved spectacular increases in productivity and output. It is in the better management of the human resource that organizations will find their path to improvement. It is not the management of things and techniques that offer the best opportunities for increased productivity, but in the management of people.

We also know what makes people most efficient. It is not primarily skill or pay; it is first and foremost an attitude. The one we call “managerial attitude”. By this we mean an attitude that makes the individual see his job, her work and his product the way a manager sees them. What actions can you take to instill a sense of managerial responsibility in your workforce?

The Function of Management is to Produce Results

“Identify the desired results and good management makes them a reality”.

Management must think through the organizations’ mission, set its objectives and organize the resources for the results it desires. Directing the vision and resources towards the greatest results is the responsibility of management.

Work is not organized for convenience, for avoiding difficulties or smoothness of operation. Those can be considered desirable by-products or even tools. But the purpose of management is primarily focused on producing the stated results. To take pride in an efficient, problem-free

work day which did not produce the expected results is to miss the point of the effort altogether.

The Purpose of Society

“Society is only meaningful if its purpose and ideals are in tune with the individual’s purpose and ideals”

The individual does not see himself as a part of society unless he has some social status and function within it. For the individual without function and status, society is irrational, incomprehensible and shapeless. Such an individual sees no society at all. As this “rootless” or even “outcast” person, he sees only demonic forces that make little sense and is cloaked in darkness and suspicion. He feels that the group is deciding things about his life without any participation by him. He is like a blindfolded man in a strange room playing a game for which he does not know the rules.

The Function of Profit

“Today’s profitable business will become tomorrow’s white elephant.”

Peter Drucker sees profit as the goal each of us seeks to fulfill our wishes and desires. While Karl Marx’s socialist theory defines profit as a “surplus value” stolen from the workers, Drucker, on the contrary, defines it as the only source of jobs for workers and of labor income.

Part of the purpose of an organizations’ profit is to maintain innovation, that constant need to find better ways to do things and to find better things to do. That innovation creates its own ‘creative destruction’. That is that as everything constantly keeps improving, that improvement, whether it comes from within your organization or it catches you



by surprise from your competitors, will eventually cause whatever your product is to be totally eliminated. Who ever thought that the home telephone could become a relic? Whoever thought the daily newspaper delivered to your home would become quaint?

Businesses Can Learn from Non-Profits

“ Limited resources make for highly focused actions.”

Non-profits as a norm have a clearly defined mission statement and have identified the requirements to make it a reality. They are focused on action. They have clearly defined goals and the strategies to make them happen. They are much more highly organized than most businesses. They are rarely afflicted with the most common degenerative disease found in most organizations “splintering”. That’s the habit of splintering their limited resources on things that appear ‘interesting” or look “profitable” rather than concentrating them on a very small number of productive, profitable efforts.

Non-profits not only devote a great deal of time and effort to identifying their mission, but they tend to avoid making sweeping statements full of good intentions and focus instead on core objectives for staff and volunteers both.

Many non-profits have what is still the exception in businesses, a functioning board. It’s amazing when you consider the immense value non-profit boards have proven to be and yet those boards are often made up business leaders who do not use such boards for their own businesses. But Non-profits have something even rarer, a CEO who is clearly accountable to the board and

whose performance is reviewed at least annually by the board. Non-profit boards are seldom rendered impotent as so many business boards often do. They almost never become a rubber stamp for the CEO. Because the Non-profit board is so committed and active, its relationship with the CEO is often contentious and full of potential friction. The CEOs complain of board “meddling” while boards complains that management “usurps” their authority. Most work because they understand that neither is “the boss”, they are colleagues working for the same goal but each with a different task.

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