

PERSONNEL NOTEBOOK

For Your Most Important Resource — The Human Resource

Prepared By:

Human Resource Associates

HR Consultants to Management

TIMELESS ADVICE FROM DRUCKER

Part II

Peter Drucker is the original big thinker on management, but not just about management. His ideas about innovation, leadership, effectiveness, and adapting to change still stand as elegant classics of business wisdom.

He was born in Vienna, Austria, in 1909, and his accomplishments included a doctorate in public and international law, being an economist for an industrial bank in London, a teacher of politics and philosophy at the Business School of New York University, Clark Professor of Social Sciences at Claremont School in California, editorial columnist for the *Wall Street Journal*, and the author of 35 books.

Quoting from Rosabeth Moss Kanter, author and professor at Harvard Business School, “Peter Drucker’s pen is like a laser beam, focusing powerful illumination on every subject touched”

In this, part two of our three-part series on Peter Drucker, we will look into a few more of his views.

Performance Is the Only Test of Management

“Achievement rather than knowledge remains both the proof and the aim of management.”

The ultimate test of management is performance. Management is neither a science nor a profession; it is a practice. If we were to limit management only to those with academic degrees, the damage to our economy would be obvious. On the contrary, the test of management is whether it enables the successful performer to do his or her work. Managers deal with all the inconsistencies and unpredictability of business life. That calls for the ability to acquire results not academic degrees.

Feedback Is the Key to Continuous Learning

“To know ones strengths, to know how to improve them, and to know what one cannot do are the keys to continuous learning.”

Can you imagine how your life could improve if only there was someone around who would tell you how well you were doing, what you were good at, and what you weren’t? Someone who would help you refocus on your goals and help you measure

how close you are getting to them might be nice. Kind of like a guide or mentor who had your best interest at heart, what some people might call a guardian angel. For 50 years Drucker practiced that kind of feedback on two fronts. He provided it to others as well as to himself. He would write out what his long-range intentions or goals were, and at least ever nine months, he would sit down and provide feedback to himself to see how far he had come and why or why not. That's how he assured his continuous and successful learning advancement. Give this advantage to your people as well.

The Shrinking of the Younger Population

"A new society is being formed now."

In the richest, most advanced and educated countries, the birthrate has been *dropping* for so long that none of those countries today is replacing its own death rate. In the poorer, lesser advanced and lesser educated countries, the birthrate has been *climbing* for so long that their economies can no longer support them. Nothing like this has happened on such a large scale since the fall of the Roman Empire.

Every advanced country that is growing its economy is doing so with the help of immigrants. The influx of foreign workers into every growing society will cause political and social adjustments in those societies that not all societies will survive successfully. Those countries and societies that can manage that transition will be the leaders for the next 50 years.

Human Factors in Management

"Management is about human beings."

The task of management is to make people capable of joint performance, to make their strengths effective and their weaknesses irrelevant. That's what organization is all about and it's the reason management is the critical, determining factor in performance and results.

Management must be built on communications and individual responsibility. All members need to *think through* what they aim to accomplish and to make sure their associates also understand that aim. Each person has to think through what he owes to the others and what they, in turn, need from him. Further they must make sure that each knows what is expected of them.

Good Managers Are Good Communicators

"To improve communications, work not on the utterer but the recipient."

According to Drucker, the listener is more important than the talker in any communication. It is the listener on whom we are focused, wish to influence and for whom we prepare. In order to communicate effectively, what we say must use terms in which the listener has experience and must connect to something they already know to take them on to something they don't. It's not what you have to say, but what you want them to hear.

Communication always makes demands; "understand me," "believe me," "do as I ask." It appeals to motivation. If it goes against the listener's values, aspirations or motivations, it is not likely to be received at all.

The more you learn about the listener the more you will open the line of communication.

Compensation Is About More Than Pay

“Compensation must always try to balance recognition of the individual with (the) stability and maintenance of the group.”

People have to be paid, and every compensation system has the potential to create problems. Compensation expresses status both within the company and to the outside world. It can indicate a person’s worth as much as his performance. It’s emotionally connected to our ideas of fairness, justice, equity, and personal confidence. Above all these very personal considerations are the value of the job to the company and the level of performance the individual provides. No system can balance all these weights successfully for everyone all the time.

The best possible compensation plan for the individual, the group, and the company is one that focuses on the value of the job and the performance, but allows consideration of all the other elements. Compensation plans must be simple, easy to understand with very clear messages and little complexity. The plan should not be designed, like most union contracts, to fit all jobs into one rigid formula, but must allow for judgment that enables the pay to be fitted to the job, the performance, and the individual.

The best one can do is to analyze pay changes and their impact on the whole system and to assure that the system does not reward the wrong behavior, emphasize the wrong results, and direct people away from the performance you want. Whatever you reward, you will get more of.

Family-Run Businesses and the Rules

“Most businesses are family-managed businesses and the controlling word is not family; it has to be business.”

The overwhelming majority of businesses everywhere, including in the United States, are family controlled and family managed. And this is by no means confined to small or medium-sized firms. Families run some of the world’s largest companies. DuPont and Rothschild have been world-sized, family-run businesses for about 200 years.

Yet management books and courses deal almost exclusively with the publicly owned and professionally managed company. The family-run business is rarely mentioned.

Of course there is no difference whatever between how a professionally run business and a family-run business are operated in respect to all functional work, research, marketing, or accounting. But with respect to management, the family business requires its own, very different, set of rules. These rules have to be stringently observed or the family-managed business will not survive, let alone prosper.

Recognize that less than 30 percent of family-owned companies survive into the second generation, while only 10 percent make it to the third and just 4 percent into the fourth generation. Understanding and adhering to the rules of survival can make the difference.

Rule No. 1 —Family members must do the job and work as hard as any nonfamily employee.

Rule No. 2 —No matter how many family members are in the company’s management, or how effective they may be, one top job

should always be filled by an outsider who is not a family member. Typically this is either the financial executive or the head of research, the two positions for which technical expertise is most needed.

Rule No. 3 — The knowledge and expertise needed in finance, research, and human resource management has become far too great to go to any *but the most qualified family member*, or they too should be filled from the outside.

Even if these three rules are followed, the issue of *management succession* often causes breakups. That's when the business needs and the family wants tend to collide. There is then only one solution: entrust the succession decision to an outsider who is neither part of the family nor of the business.

The Limits of Social Responsibility

"It is not enough for business to do well, it must also do good. But in order to do good, it must first do well."

Whenever a business disregards its economic responsibility in order to assume social responsibility, it will soon lose the ability to do either.

Union Carbide felt it was being socially responsible when it located its plant in West Virginia in order to alleviate unemployment there. It was in fact being irresponsible. This was the wrong place and the wrong product at the wrong time. The plant was always marginal, unproductive, and unprofitable, and then it could not meet the new costly environmental regulations. The company permanently lost so much market share to competitors on those products that it caused them to close down this and other plants making those same products.

To do something out of social responsibility that is economically irrational and untenable is therefore irresponsible. It is sentimental, and it will lead to greater damage. Not only you and your company, but also your employees will pay the price for that. In order to do good, you must first do well, or you may soon lose the ability to do either.

We will pay one more visit to the thoughts of Peter Drucker in the next issue of Personnel Notebook.

Bill Cook
Human Resource Associates
E-mail: hrahtl@consulthra.com