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Preface

... every chapter ... tries to create understanding of what changes are ahead and what they mean for the economy, people, markets, management, the organization. Every one of the chapters tries to create the understanding the executive needs to manage for tomorrow rather for yesterday. (p. XIII)

... every chapter was also designed from the beginning to stimulate action – to identify new opportunities; to point out areas where changes ... might be needed; where and what to do and where and what to stop doing. (p. XIII)

This book ... focuses on executives ... . management's "show" is effective action for results. To help executives act and to produce results, to help them *perform* ... . (p. XIII)

Interview: Notes on the Post-Business Society

... we have entered *terra incognita*. (p. 1)

... the Enlightenment faith in progress through collective action - "salvation by society" (p. 1)

... the Vienna stock market crash ... in1873. (p. 2)

Within 10 years of the Vienna crash, German Chancellor Otto Von Bismark had invented national health insurance and compulsory old age insurance. (p. 2)

... government control of the economy and direction of society became widespread. (pp. 2-3)

The great political debate of the the last century was ... over unrestricted government power ... . (p. 3)

... the state absorbed social risk ... . (p. 3)

... government's role as insurer against social risk ... (p. 3)

... a culture of security ... (p. 3)

Ronald Reagan increased the size of the federal budget more than any predecessor. (p. 3)

The redefinition of the job as a property right ... . (p. 4)

The "knowledge society" is a society of large organizations – government and business – that necessarily operate on the flow of information. (p.5)

... the majority of the people ... work in an organization where they have to be effective. (p. 5)

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The center of gravity has shifted to the knowledge worker. (p. 5)

The "educated person" ought to be the new archetype of the post-business society. (p. 5)

... the raw material economy has become uncoupled from the industrial economy. (p. 5)

... manufactured products contain far less raw materials than they used to. ... the microchip, has a raw material and energy content of less than 2 percent. (p. 6)

Manufacturing is ... becoming uncoupled from labor. In 1988, the same volume of goods could be produced as in 1973 with only two-fifths the blue collar man hours. (p. 6)

... investors put production facilities anywhere in the global market instead of producing at home and exporting. They can now just as easily produce abroad and then import back home. They do research where there are researchers and design where there are designers. The Pontiac Le Mans ... designed in Germany ... built with Japanese parts in Korea. (p. 6)

The "real" economy of goods and services has been uncoupled from the money economy. (p. 6)

Ninety percent of the transnational economy's financial transactions serve no "economic function" in terms of production. (pp. 6-7)

... a substantial activity of every transnational firm must involve managing their inherently unstable foreign exchange exposure. (p. 7)

... answer to adversarial trade ... only reciprocity ... . (p. 7)

The transnational economy is shaped mainly by the dynamic of money flows rather than goods and services ... . (p. 8)

... management has become the decisive factor of production. (p. 8)

... the goal of management in a transnational enterprise ... is *maximization of market share* ... . (p. 8)

"market maximization" vs. "short-term profit maximization" (p. 8)

THE DOMINANT ECONOMIC FORCE is no longer the **macroeconomy** of nation-states (which John Maynard Keynes upheld), but the **microeconomy** where the multitude of individual have the sway (the controlling influence). (p. 10)

entrepreneurship, invention, and innovation can profoundly alter the economy in a very short time. (p. 10)

A NEW ECONOMIC THEORY is needed that integrates
1. the macroeconomy of money, credit and interest rates

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2. how firms and individuals spend money
3. the dynamic impact of entrepreneurship and innovation (p. 11)

PART I ECONOMICS

1. The Futures Already Around Us

The trend toward *reciprocity as a central principle of international integration* has by now become ... irreversible. (p. 15)

the multinational company ... was invented in the middle of the nineteenth century – in defiance of everything Adam Smith and David Ricardo had taught ... . (p. 16)

By 1913, multinationals has come to control as much of the world's industrial output ... as they do now. (p. 16)

... a West-dominated world economy. (p. 16)

The West will no longer tolerate Japan's adversarial trading methods of recent decades – a wall around the home market ... , plus a determined push beyond it for world dominance for selected Japanese industries. (p. 16)

To maintain leadership in one developed market, a company increasingly has to have a strong presence in all such markets worldwide. (p. 17)

undermanaged business (p. 17)

currency variations (p. 17)

Markets ... are rapidly changing, merging, criss-crossing, and overlapping each other. (p. 18)

... businesses will undergo more, and more radical, restructuring (p. 18)

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the information-based organization needs far fewer levels of management than the traditional command-and-control model. (p. 18)

The corporation ... will be unbundled. (p. 19) (the farming out of corporate "back office" overhead activities)

... the ability to move ideas and information fast and cheaply. (p. 19)
(TODAY, WE DO IT FASTER+CHEAPER reducing our cost of living.)

outlived its usefulness (p. 19)

... the next transition .. what will it be? (p. 19)

... the growing need for productivity in service work. (p. 20)

... corporate size will ... become a strategic decision. (p. 20)

Size follows function. (p. 20)

Management will increasingly have to decide on the right size for a business, the size that fits its technology, its strategy, and its markets. (p. 20)

... the need to think, if not to act globally. (p. 20)

The greatest mistake a trend-spotter can make ... is to be prematurely right. (p. 21)

... the shift of ownership in the large, publicly held corporation to ... pension funds and mutual trusts constitutes a fundamental change in the locus and character of ownership. (p. 21) (THE OWNERSHIP HAS SHIFTED TO THE INVESTOR **"OUTSIDE"** THE BUSINESS WHO DOES NOT ACT LIKE AN OWNER, BUT AN INVESTOR INTERESTED IN SHORT TERM GAIN.)

... challenge the doctrine ... of the self-perpetuating professional management ... . (p. 21)

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The Unseen Revolution may be the best book I ever wrote. (p. 21)

... pension funds are "investor" ... in their legal obligations, their interests, and their mentality. (p. 21)

... a company must be run for performance rather than for the benefit of its management. (p. 21)

... short-term gains for shareholders. This subordinates all ... to the immediate gratification of people whose only interest in the business is short-term payoffs.

... the large American pension funds ... are beginning to think through their obligation to a business as a going concern; that is, their obligation as owners. (p. 21)

... a business as a going concern ... . (p. 22)

... a balance between the short term and the long term ... is precisely what management is supposed to provide, and should get paid for. (p. 22)

... the needed balance between the short term and the long ... . (p. 22)

... large businesses, especially in the United States, are rapidly "going private". ... their holders' self-interest lies in building long-term value rather than in reaping immediate stock market gains. (p. 22)

Unbundling ... should go a long way toward building flexibility into a company's cost structure, and ... enable it to maintain both short-term earnings and investments in the future. (p. 22)

2. The Poverty of Economic Theory

... the question of the creation of wealth ... . (p. 25)

Economics was a discipline that governed the behavior of commodities. (p. 26)

... the right approach ... the right answer ... . (p. 26)

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We now know that the source of wealth is ... knowledge. If we apply knowledge to tasks we already know how to do, we call it "productivity". If we apply knowledge to tasks that are new and different, we call it "innovation". (p. 26)

Adam Smith wrote about "the tradition of labor". (p. 26)

New England became an industrial power around 1810. (p. 27)

... training (an American invention) telescoped 5 years into 6 months or even ninety days. We invented training during World War I ... . (p. 27)

Today, Korea can do almost anything any advanced industrial nation does, thanks to training. (p. 27)

... the realization that knowledge is the source of wealth has major implications for economics. (p. 27)

... WWI ... . Every country was bankrupt by December 1914. (p. 28)
========>(WAR IMPOVERISHES A COUNTRY. BEST EXAMPLE, THE USA.)

When 1929 came along, suddenly there was a curious belief that government should be able to do something about the economy. (p. 28) (THIS BELIEF STARTED WITH KAISER WILHELM OF GERMANY AND CONTINUED UNDER HITLER WHO GAVE THE GERMANS JOBS AND 3 WEEKS OF ANNUAL PAID HOLIDAYS.)

Keynes knew the answer: Whatever ails you, just create more purchasing power. (p. 28)

... the basic assumptions of modern economic theories ... assume that the sovereign state is alone in this world and can control its destiny. (p. 29)

... the velocity of turnover of money ... . (p. 29)

... macroeconomic theory is no longer a basis for economic policy because no one knows ***what*** is going to happen. (p. 29)

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Mr. Reagan came to power promising to cut the budget, but government expenses have never grown faster in the history of any country. (p. 29)

How do we relate the way we run a business to results? What ***are*** results? The traditional answer – the bottom line – is treacherous. Under a bottom-line philosophy, we cannot relate the short term to the long term, and yet, the balance between the two is a crucial test of management. (p. 30)

Two Guideposts (for creating wealth)
The beacons of productivity and innovations must be our guideposts. (p. 30)

1. improve productivity ====> in a measurable way
2. foster innovation

profits = f(productivity+innovation)

3. Transnational Economy

To maintain a leadership position ... a business ... has to be able to do research, to design, to develop, to engineer and to manufacture in any part of the developed world, and to export from any developed country to any other. It has to go transnational. (p. 31)

What a business needs
- capital
- marketing
- researcher
- technology
- management
- product development

Four small ... firms, an American, a Dutch, a German, and a Japanese ... by banding together do they have the $200 million in sales needed to support a decent research budget in a rapidly changing technology. (p. 32)

GM and Toyota are in ... a partnership. The big plant in Fremont, California, is a GM plant. But it is managed by Toyota. And it produces cars under both the Toyota and the GM marques. (p. 32)

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Going transnational ... is becoming imperative for any business that aims at a leadership position any place in the developed world. (p. 33)

... the developed world has become one in terms of technology. (p. 33)

In Japan a good many U.S. companies bought out their joint-venture partners. (p. 34)
(This can be attributed to U.S. IMPERIALISM.)

No company was hit harder in the early '80s by the tide of Japanese imports into the U.S. than Ford. What saved it was its leadership position in the European market. It gave Ford the profits and the cash flow that pulled it through the dismal years. (p. 35)

GM, though twice Ford's size, is essentially a one-country company – and is still floundering. (p. 36)

A transnational strategy is probably not compatible with diversification. ... it requires a concentration of efforts. (p. 36)

... going transnational may be the only rational strategy for any business aiming at a leadership position anywhere in the developed world ... . (p. 36)

- mass market
- niche market

4. From World Trade to World Investment

International trade has been steadily slowing down for ... the past decade. But international investment. is booming ... . It has ... become the dominant factor in the world economy. (p. 37)

... trade is increasingly becoming dependent on investment. (p. 37)

U.S. exports in the years of the overvalued dollar would have been even lower had the European subsidiaries of American companies and American joint ventures in Japan not continued to buy machinery, chemicals, and parts from the U.S. (p. 37)

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... the Japanese are investing heavily in manufacturing subsidiaries in the Americas and in Western Europe so as to defend their export business. (pp. 37 – 38)

... the South Koreans are investing heavily in manufacturing subsidiaries in North America ... to create dependable customers for their exports ... . (p. 38)

... about one-fifth of the total capital invested in U.S. manufacturing firms is in facilities outside the U.S. (p. 38)

... Japanese offshore output is likely to match America's one-fifth, with most of the growth concentrated in North America and in Spain ... . (p. 38)

At least one-third of the world trade in manufactured goods may now be intracompany trade ... . (p. 38)

The multinational expansion of the Americans into Europe began 30 or more years ago ... . (p. 38) (late 1950s and 1960s)

It is ... not possible to maintain substantial market standing in an important area unless one has a physical presence as a producer. Otherwise, one will soon lose the "feel" of the market. (p. 39)

Volkswagen ... lost its "feel" for the market (because the German unions were opposed to the building of a U.S. plant) – (their) 10 percent (share) of the market ... is now held by the Japanese. (p. 39)

Wage differentials ... are not a major cause of world investment. (p. 39)
====> (THE WAGE-COST ADVANTAGE NO LONGER EXISTS.)

... blue-collar labor rates are less and less important as factors in manufacturing production. There are few industries in which they account these days for more than 8 percent. ... labor costs as a factor in production are decreasing so fast ... . (p. 39)

The major force behind world investment is ... human resources. Exporting goods primarily creates employment for blue-collar workers. Investing abroad in a multinational affiliate primarily generates employment for educated people in the home country – for engineers and chemists, for accountants, managers, and quality-control staffs, and so on. (pp. 39 – 40)

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===> THIS PROVES BRAIN POWER IS THE MOST IMPORTANT RESOURCE OF A BUSINESS.

And as one developed country after another shifts its supply of new workers from semiskilled ... to people with long years of education, investment abroad is the way in which it can both optimize its human resources and create the jobs a developed country needs. (p. 40)
===> Drucker's THE MESSAGE: INVESTING ABROAD CREATES JOBS BACK HOME.

We can ... expect ... world investment will continue to grow ... faster than world trade. (p. 40)

We ... have no theory for an international economy that is fueled by world investment rather than by world trade. (p. 40)

... this new world economy (of transnationals) ... . (p. 40)

One of the great achievements ... was the codification of the rules for international trade in GATT, the General Agreement on Tariffs and Trade. ... it still serves as the norm. ... But no one ... is talking about an international agreement to set the norms for world investment. (p. 40)

... the protection of foreign investment in case of war is in the self-interest of every ... country. (p. 41)

... the bonds of economic interdependence ... . (p. 41)

... there are no legal rules at all for foreign investment in case of war. (p. 41)

... world investment rather than world trade will be driving the international economy. Exchange rates, taxes, and legal rules will become more important than wage rates and tariffs. (p. 41)
Drucker predicts THE MOST PROSPEROUS NATIONS will be the ones that
1. get THE MOST FOREIGN INVESTMENT
2. are MAJOR PLAYERS in THE INTERNATIONAL ECONOMY

5. The Lessons of the U.S. Export Boom

The most important event in the world economy during the 1980s was ... the boom in U.S. manufacturing exports. In just five years, from 1986 to 1991, these exports almost doubled ... . (p. 43)

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The U.S. export boom was ... unprecedented ... in economic history ... . (p. 43)

... Latin America – traditionally the best U.S. manufactured goods customer ... . (p. 44)

The export boom fueled the continuing U.S. economic expansion during the second Reagan term. (p. 44)

All the successful products have
1. clear product differentiation. They are distinct. (p. 44)
2. They are price competitively ... . (p. 45)
3. The successful export products are all high "value added" goods. ... what adds high value ... is knowledge, ... ingenuity. (p. 45)
4. Most of the export successes ... have clearly defined markets, ... clearly known customers. (p. 45)

East German teenagers ... have the same tastes, the same values, the same buying habits as ... American teenagers. (p. 45)

... knowledge intensive products ... increasingly dominate world trade in manufactured goods. (p. 45)

The "winners" in the U.S. export boom have been middle-sized companies with high expertise in a given field ... . (p. 45)

... all successful companies in the export boom have been highly concentrated. They are single-product or singly-technology businesses. (p. 45)

... businesses with different cyclical characteristics ... . (p. 46)

... there is one additional skill needed to be a successful exporter in today's world market – to manage foreign exchange exposure and thus avoid foreign-exchange losses. (p. 46)

... the last five years saw extreme currency fluctuations. (p. 46)

But even the small American exporter now knows how to minimize foreign-currency exposure. (p. 46)

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Exporting and manufacturing abroad, the U.S. export boom shows, complement each other. (p. 46)

Once an exporter of a knowledge-intensive product holds a substantial share of a foreign market, he has to produce there. (p. 46)

... the small exporter. When he had gained 35 percent of the market in Western Europe and Japan, the maker of hospital-pagers had to start operations there. (p. 46)

But far from "exporting American jobs", manufacturing overseas for overseas markets creates U.S. jobs. (p. 46)

... knowledge rather than national boundaries defines today's developed markets.
[Robert Reich's, (Harvard economist) book, *The Work of Nations*]

... the structure of the home market ... . (p. 47)

.. the export opportunities opened by the dollar-devaluation of 1985 ... . (p. 47)

... opportunity-driven and market-driven. (p. 47)

6. Low Wages: No Longer a Competitive Edge

Quality, design, service, innovation, marketing, all are becoming more important. But blue-collar wages as a direct cost are rapidly becoming a minor factor. The reason is, blue-collar labor no longer accounts for enough of total costs to give low wages much competitive advantage. (p. 49)

... the considerable cost of distance ... . (p. 49)

Blue-collar costs in U.S. manufacturing account for 18 percent of total costs. (p. 49)

An industry or company that today operates at a blue-collar cost of more than 15 percent is already way behind. (p. 50)

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(GM is hurt) by the restrictive work rules in its union contracts. (p. 50)

Integrated steel mills still have blue-collar costs of 25 percent. But the "minimills" operate at blue-collar costs of 10 percent or less ... . (p. 50)

The textile industry ... about half ... actually operates at costs fully competitive with the lowest-wage companies anywhere ... . These companies – mostly the large ones – have brought their labor costs down to 10 percent ... of the total ... . (p. 50)

The Japanese ... are largely unhampered by union restrictions. (p. 50)

American manufacturers are slowly beginning to bring back to the U.S. operations they had moved offshore ... . (pp. 50 – 51)

... manufacturing employment has not gone down in the U.S. ... . Because unit labor costs have been falling steadily, U.S. manufacturing has been able to expand total production fast enough to maintain blue-collar employment in absolute figures. (p. 51)

... Western Europe, blue-collar manufacturing employment is about 5 million lower than 10 years ago ... a little better than the Japanese record. (p. 51)

What has been happening is a shift from industries with yesterday's wage costs ... to those with tomorrow's labor costs ... . (p. 51)

The shrinking importance of blue-collar costs as a decisive competitive factor ... . (p. 51)

U.S. manufacturers, despite the dollar's greatly reduced purchasing power abroad, are now increasing their direct investments abroad – and ... at about the same rate at which foreigners are increasing their direct investment in the U.S. (p. 51)

Now it is Europe and Japan that are moving production offshore into developed countries where their markets are – the Europeans mainly into the U.S., the Japanese into the U.S. and Western Europe. (p. 51)

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The ... reason is blue-collar wages are becoming relatively insignificant as a competitive factor ... costs of the distance to the market are becoming more onerous. (p. 51)

It will not be competition based on wage differentials, but on managerial competence – productivity of knowledge work and of money, process, technology, management of foreign-exchange risks, quality, design, innovation, service, marketing. (pp. 51 – 52)

(According to Drucker, MANAGERIAL COMPETENCE is THE SINGLE MOST IMPORTANT DECIDING FACTOR in determining where transnationals move to - out weighing by far the importance of wage differentials.)

... concentration ... will be needed with growing emphasis on knowing one's technology, market, and customers. (p. 52)

... American businesses started "multinationalization" 30 years ago (1960s). (p. 51)

... for developing countries the trend threatens ... export-led development based on low-wage ... labor. (p. 51)

Brazil's ... export-led development based on selling foodstuffs and raw materials to the developed countries. (p. 51)

Japan, followed by the "four tigers" of Southeast Asia: South Korea, Taiwan, Hong Kong, and Singapore (about to be joined by a fifth, Thailand) (using training transformed) unskilled people into efficient, high-productivity workers ... . (p. 51)

Industrial production is rapidly becoming less raw-material intensive. (p. 51)

The typical product of the 1920s, the auto, has a raw-material content of almost 60 percent; the typical product of the 1980s, the semiconductor, has one of 1 percent. (pp. 51 - 52)

The raw-material and energy content of a glass-fiber cable is about 12 percent; the copper cable that it replaces has a raw-material and energy content of nearly 50 percent ... . (p. 52)

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... today's crisis of the Brazilian economy is largely the result of the collapse of world-market prices for raw materials and foods brought about by the shift from shortages to food surpluses and from raw-material-intensity in manufacturing to knowledge-intensity. (p. 52)

7. Europe in the 1990s: Strategies for Survival

London is Europe's leading exchange. (pp. 56 – 57)

... for the majority of European businesses, their own local exchange is the only one that matters ... . (p. 57)

... pension funds are ... becoming the dominant investors in Europe ... . (p. 57)

Perhaps the local exchanges will survive as the places where prices are officially registered with the actual trading done off-shore by transnational brokerage firms ... . (p. 57)

... radical assumption: the existing stock exchanges in Europe will ... be replaced ... by a trans-European over-the-counter discount market. (p. 57)

(For companies moving into Europe) ... for this to be the right course, a firm needs distinctive products or distinctive technology and considerable marketing experience. It also needs access to finance ... . Above all it needs managerial resources ... . (p. 58)

Another strategy is ... to create a European company by transnational merger or affiliation ... . (p. 58)

A large number of European privately held companies ... opt for merger or affiliation of their own non-European, national firm with other non-European, national firms in their own country ... creating national miniconglomerates. (p. 58)

The generation about to take over has ... grown up as "European". ... see European economic integration ... as an opportunity. (p. 59)

... General de Gaulle ... called a "Europe of Fatherlands" ... . (p. 59)

... a unified European economy transcending national boundaries ... . (p. 59)

... buy "European" ... . (p. 60)

8. U.S.-Japan Trade Needs a Reality Check

Japan is ... the largest foreign buyer of American-brand products. (p. 61)

American goods have a share of the Japanese market that is about twice as much per capita than goods made by Japanese companies have of the American market. (p. 61)

... most U.S.-brand goods sold in Japan are manufactured there rather than imported ... made by subsidiaries of U.S. companies ... that tend to buy their machinery and tools from the U.S., thus creating high-value exports and well-paying American jobs. (p. 62)

Japan is ... the largest buyer of U.S. farm products ... . Yet there is not one American-grown product that Japan could not get elsewhere at the same, or lower, price. ... it has been buying from the U.S. in order to protect its exports to America. (p. 62)

EC is desperate to find markets for its growing farm surpluses and more than willing to subsidize farm exports. (p. 62)

It makes sense for the U.S. to try to beat down Japanese barriers against American beef and feed – commodities in which the U.S. leads and for which there is substantial Japanese demand. (p. 62)

Wherever Americans have been permitted to operate in Japan, in foreign-exchange trading, fast food, bond underwriting, insurance, large-scale building-maintenance, or supplying temporary help – they have done well ... . (p. 63)

(Japanese) protected industries ... . They supply the money for the ... political parties ... . (p. 63)

We must prevent from becoming a "Fortress Europe". ... that is precisely what many politicians and businessmen have in mind. They see in European economic unification the road to General de Gaulle's ... objective of a Europe without the Americans. (p. 64)

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Under "reciprocity" ... the U.S. would be in a strong position ... . (p. 64)

9. Japan's Great Postwar Weapon

'What makes Japan succeed?" ... is Japan's cost of capital. (p. 65)

... the Japanese savings rate ... is ... the developed world's highest. (p. 65)

... before World War II Japan had one of the lowest savings rates among major countries. (p. 65)

... the Americans brought in a Detroit banker, Joseph Dodge, as the Occupation's economic adviser. He decided that only a radical shift to an investment-driven economy could stave off disaster. He proposed a very sharp increase in income-tax rates even on fairly low incomes; to this day tax rates, especially marginal rates on large incomes, are a good bit higher in Japan than in the US.

... tax exempt accounts ... . (p. 66)

... the highest concentration of tax-exempt accounts was among fairly low-income earners. (p. 67)

These savings financed the explosive growth of the Japanese economy and the export drive. They explain why ... a rapidly growing Japan has not had to borrow abroad. ... these tax-free savings explain Japan's low-cost capital and the tremendous competitive edge it provided. (p. 67)

... low interest rates and low cost of capital ... . (p. 68)

... the political mood ... . (p. 68)

Any country that has given a tax exemption or tax deferment to saving has had the same experience as Japan: middle- and low-income earners take the most advantage of these opportunities. (p. 68)

There is far more equality of income in investment-driven Japan than in consumption-driven American or Britain. (p. 68)

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... tax revenues are higher within a few years when saving is favored. (p. 68)

... tax-exempt accounts in Japan paid ... low interest – never more than 2 percent a year. Yet the Japanese could not get enough of them. (p. 68)

... Keynes was right when he said that high costs of capital destroy "confidence" and inhibit investment. (p. 69)

Few investments will earn enough to repay capital costs of 15 percent – but many can easily turn 5 percent, which is what the Japanese pay. (p. 69)

... our prohibitive cost of capital. ... is the result of an inadequate savings rate ... . (p. 69)

10. Misinterpreting Japan and the Japanese

Japan has not had an economic policy; it has had a *social* policy. (p. 71)

... I first started to work with the Japanese government and Japanese businesses in the early 1950s. (p. 71)

Half the people lived on the land, and there was an exceedingly high number of small shopkeepers and small factories with a few dozen employees and pre-World I machinery. (p. 71)

The policy Japan adopted at that time was to avoid taking any social risk – to protect domestic society, especially domestic employment, and ... to push a few ... groomed industries into export opportunities. (p. 71)

Japan today remains the world's largest importer of food and commodities. (p. 71)

Today, of the tens of thousands of small shops in Japan, many are franchises of large chains such as 7-Eleven and Kentucky Fried Chicken. (p. 72)
(THE RESULT OF U.S. FOREIGN POLICY EXTENDING U.S. IMPERIALISM WHEREVER IT CAN BY PROMOTING AMERICAN INTERESTS)

Only about 5 percent of the population now makes its living as farmers. (p. 72)

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The new largest single group ... is ... educated, middle-class, salaried employees. (p. 72)

For the next 10 to 20 years, the big political and economic challenge in Japan will to find the new consensus. (p. 72)

What is now needed is a truly *economic* policy. (p. 72)

... fundamental changes ... are reshaping Japan ... . (p. 72)

... a good many of our industries are lagging behind the Japanese. (p. 72)

The Japanese trade surplus is largely the result of low prices in the raw materials and food that Japan imports. (pp. 72 – 73)

The Japanese have also benefited because food and commodities ... are traded in dollars. And since 1985 the dollar has been devalued – at times by as much as half – against the yen. (p. 73)

... the Japanese ... see the need for a policy that is based on maintaining their present export surplus. (p. 73)

Anyone who thinks the Japanese do not buy foreign goods need only go into any Tokyo shop. You will see nothing but foreign brand names – they just happen to be made in Japan. (p. 73)

IBM Japan controls 40 percent of the Japanese market and is one of the most profitable parts of IBM. (p. 74)

... the point at which a nation's dependence on one market becomes economically and politically dangerous is somewhere around 25 percent. Japan has surpassed that point with the United States, which buys more than 40 percent of Japanese exports.
(THIS IS ALSO TRUE OF CANADA.)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

Since the Japanese know that there is tremendous political risk in buying American real assets ... United States Treasury bills are almost the only thing they can buy. (p. 74)

We (the USA) know how to make chips. It is a matter of price, not of technical capability. (p. 75)

The ... politician, Shintaro Ishihara, recognized the danger of single-market dependence ... . (p. 75)

... major corporations such as Sony or Toshiba or Toyota .. has proved its ability to compete in the world market ... . (p. 76)

... the Japanese ... policy ... "take it easy, one step at a time" ... . (p. 77)

Nobody in the world is as good at making decisions as the Japanese. (p. 77)

11. Help Latin America and Help Ourselves

Latin America, rather than Japan, holds the key to the U.S. trade deficit. (p. 79)

... industrial exporters – South Korea, Brazil, Taiwan, Singapore – became bigger players in world trade. (p. 79)

Manufactured-goods imports account for a smaller share of America's GNP – 9 percent – than they do in any other developed country except Japan. (p. 79)

... the Japanese are now "out-sourcing" at ... a furious rate ... . (pp. 79 – 80)

What ... explains the massive American trade deficit? ... the collapse of the world's food and raw-materials economy in the past decade. (p. 80)

The U.S. is the world's largest producer and exporter of agricultural and forest products ... . (p. 80)

... about one-third of the trade deficit is directly traceable to this collapse in prices and demand. (p. 80)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

(PRICES HAVE A DIRECT BEARING ON DEMAND. CLEARANCE PRICING HELPS TO STRENGTHEN THE DEMAND FOR A LIMITED TIME FOR THE REMAINING NUMBER OF PRODUCTS.)

Another third ... is owing to the impact of the raw-materials depression on ... U.S. manufacturers' best foreign customers – Latin America.

... in most Latin American countries U.S. imports traditionally accounted for half or more of all manufactured-goods imports. (p. 80)

... Japan's export surplus is ... a result ... of the raw-materials depression. (p. 80)

... U.S. ... deficit with Japan ... $50 billion. (p. 80)

... "buying America" ... will not be tolerated long ... . (p. 81)

... a very sharp recession cuts domestic consumption by 10 percent ... . (p. 81)

... to cut the deficit ... . a revival of Latin America as a customer for U.S. manufactured goods. (p. 81)

Latin America is home to 300 million people – almost as many as in the Soviet bloc. (p. 81)

Latin America ... has a substantial surplus of both food and industrial raw materials. ... there is an excellent supply of well-trained engineers, entrepreneurs, accountants, economists and lawyers. (p. 81)

Latin America ... . there is enormous pent-up demand for goods of all kinds. (p. 81)

Latin America probably has three times as much capital ... than it has foreign debt. ... the money ... is ... in Miami and New York and Zurich and Geneva. (p. 81)

Drucker points out some of the basic problems of the Latin American economy
1. Latin Americans invested their capital abroad because of
   (a) inflation
   (b) punitive taxation

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

2. "unproductive" gov't and military monopolies
   (Brazil, Argentina, and Mexico.)
3. excessive gov't spending
4. BLOATED GOV'T due to overstaffing+nepotism

On a positive note, Drucker mentions Chile and Bolivia as Latin American countries who have take effective corrective measures to improve their respective economies.

However, he doesn't mention the Latin American tradition of *militarismo* that keep Latin American countries poor. Their military spending given the size of their economies borders on the ridiculous especially as THERE IS NO ENEMY NOR TREAT OF WAR. It can be speculated that THE MAIN STIMULANT for this archaic branch of gov't is THE USA as they are "clients" of the U.S. Military Industrial Complex (like Israel and Saudi Arabia). Military spending constitutes an UNNECESSARY FIXED GOV'T COST that ***restricts*** economic growth in Latin America and is "**A TOTAL WASTE"** OF GOV'T RESOURCES. (Only Costa Rica has no military.)

Latin America's turnaround is ... a matter of ... political will. (p. 82)

... the U.S. ... has ... to stop the ... destructive policies it has pursued for almost 40 years. (p. 83)
THIS HAS HAD TO BE **INTENTIONAL** GIVEN THAT THE U.S. GOV'T ADMINISTRATION HAS ALWAYS BEEN RUN BY VIRULENTLY, ANTI-CATHOLIC KKK FREEMASONS: TRUMP APPEARS TO BE **THE HEAD OF *BOTH*** THE KKK AND THE FREEMASONS. IT'S ALSO SAFE TO SPECULATE EVERY "WHITE" GUY IN CONGRESS IS A KKK FREEMASON.

... the (U.S.) "aid" policies of the past four decades – government-to-government aid, military aid, world bank loans – must not be continued They are ... to blame for the current crisis of the continent. (p. 83)

What Latin America needs from the U.S. is trade ... . It needs political support for policies that reward enterprise ... , policies that stress savings ... and economic growth ... . these policies ... are needed ... because the U.S. needs Latin America. (p. 83)

(**THE IRONY** when the USA went out of its way to drive Spain out of the Americas and the Philippines **in1989,** these Catholic countries expected that the USA would participate in their economies for mutual benefit. It did NOT! Had the USA done so, the U.S. economy would robust. Trump would not have to impose tariffs as a way to increase Gov't revenue because it canNOT increase taxes. The U.S. Gov't is **bankrupt.** The severe economic contraction we are going through in the coming decades will **bankrupt** all but a U.S few banks, THE ONLY WAY OUT for the USA is to finally see Latin America as a "vital" economic ally.) (THE BEST BANK the U.S. has is **Toronto**

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

Dominion.) (**An optimistic scenario** is US **$20** for CAD **$1** with the US **$1** worth **5 cents** Canadian.)

12. Mexico's Ace in the Hole: The Maquiladora

Mexico ... last year (1989) ... ranked number three, behind Canada and Japan. (p. 85)

Every day the Mexican economy is becoming more closely integrated with that of the U.S. (p. 85)

[THIS IS NOT BY ACCIDENT, BUT "BY U.S. DESIGN" SO THE U.S. GOV'T, BY BECOMING THE BOSS OF MEXICO, CAN TREAT MEXICO AS ITS "LACKEY" WHO HAS TO PLEASE "LE PATRON" (THE BOSS) ... OR ELSE. :o)]

... the ***maquiladoras*** or industrial parks ... . (p. 86)

... foreigners can own 100 percent of a ***maquila*** – the plant in a maquiladora. (p. 86)

... parts and supplies for a maquila are waved through at the border and enter Mexico duty-free. (p. 86)

... the maquila's products when exported to the U.S. are subject to American duty only on the value added in Mexico. (p. 86)

Practically all new jobs in Mexico created in the past decade are in maquiladoras; they now employ 500,000. Maquiladoras account for four-fifths of the country's manufactured exports and for two-fifths of its total exports to its biggest customer, the U.S. (pp. 86 – 87)

... they increasingly turn out finished products. (p. 87)

The maquiladoras' workers are now the most highly skilled labor in Mexico. ... the maquiladoras have also trained large numbers of Mexican technicians, engineers, accountants and middle managers. (p. 87)

The maquiladoras are the main ... reason Mexico, alone among Latin American countries, has experienced massive recovery after the collapse of its currency, trade and economy nine years ago (1981). (p. 87)

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They have also greatly benefited the U.S. Without them many small and medium-sized U.S. firms would have been driven out of business by foreign low-wage competition. Having their unskilled jobs done just across the border enabled these companies to preserve in the U.S. the jobs of their skilled and knowledgeable workers. (p. 87)

... the maquiladora is a comanager too. It recruits, trains, and pays all the Mexicans in the work force – including supervisors, engineers, accountants, and, often, middle managers. It manages the maquila's relationships with the local community, with local governments, with the tax collector and so on. (p. 88)

In the maquiladora the management job is split in two. The foreigner runs the business part: design, process, technology, quality, pricing, and marketing. The maquiladora runs the social tasks. (p. 88)

The big multinational may not need the maquiladora, though some very large ones use it to supply the U.S. market – GE, Sony, Matsushita, amd Hitachi, for example. But for a small or medium-sized firm from abroad the maquiladora may be the only way in which it can do business in a different culture. (p. 88)

... the maquiladora promises to give Mexico the advantage of foreign investment, foreign technology, access to foreign markets, and competitive prices at home. (p. 88)

... under maquiladora rules ... . (p. 89)

... government-controlled companies ... . (p. 89)

... entrenched bureaucracy ... . (p. 89)

... the educated middle and professional classes ... . (p. 90)

... the management innovation of the maquiladora.

PART II PEOPLE

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

13. The New Productivity Challenge

The productivity of the newly dominant groups in the work force, knowledge workers and service workers, will be the biggest and toughest challenge facing managers in the developed countries for decades to come. (p. 93)

Productivity ... has increased ... for the last 125 years ... for a 45-fold expansion ... in developed countries. On this productivity explosion rests all the increases ... in both the standard of living and the quality of life. It provided the vast increase in disposable incomes and purchasing power. (p. 93)

Productivity has become the "wealth of the nations". (p. 94)

... the term (productivity). ... did not come into general use until World War II – and then at first only in the U.S. The 1950 edition of the most authoritative English dictionary, the *Concise Oxford*, did not yet list *productivity* ... . productivity is the true competitive advantage. (p. 94)

... the productivity revolution ... started in the U.S. around 1870 or 1880. (p. 94)

Productivity ... is going up ... as much in the U.S. as in Japan or West Germany. (p. 94)

... the U.S. productivity increase in manufacturing during the '80s – 3.9 percent a year – was in absolute terms actually larger than the corresponding annual increases in Japanese and German manufacturing. (p. 95)

... in the developed countries the productivity revolution is over. (p. 95)

... the productivity of the people who do make the difference – knowledge workers and service workers – is not going up. (p. 95)

The investment in data-processing equipment now rivals that in materials-processing technology ... . (p. 96)

... office and clerical forces have grown at a much faster rate since the introduction of information technology ... . (p. 96)

... massive increases in hospital productivity ... can only come from "Working Smarter". (p. 97)

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Working Smarter ... has been the main force behind the productivity explosion. (p. 97)

Working Smarter is but one key to increased productivity. In knowledge and service work it is *the* key. (p. 97)

When Frederic Taylor started ... Scientific Management by studying the shoveling of sand, it never occurred to him to ask: "*What* is the task? *Why* do it?" All he asked was "*How* is it done?" (p. 97)

... the first question in increasing productivity in knowledge and service work has to be: *What* is the task? *What* do we try to accomplish? *Why* do it at all? (p. 98)

The easiest ... increases in productivity ... come from redefining the task, and especially from eliminating what needs not to be done.

In knowledge work ... defining the task and getting rid of what needs not be done are even more necessary and produce even greater results. (p. 99)

"What is the task?" It is to give our businesses direction and goals and the strategy to attain these goals. (p. 100)

... only three questions for each of the company's businesses: What market standing does it need to maintain leadership? What innovative performance does it need to support the needed market standing? What rate of return is the minimum needed to earn the cost of capital? ... the "flight plans" that guide the company's businesses. (p. 100)

... job impoverishment. It destroys productivity. It saps motivation and morale. (pp. 100 – 101)

... this requires that we ask in respect to every knowledge and service job: "What do we pay for? "What value is this job supposed to add?" (p. 102)

... by applying Taylor's Scientific Management the U.S. trained in a few months semiskilled workers to turn out more highly advanced optics than the Germans with their craftsmen ever did, and on the assembly line ... . (p. 104)

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In making and moving things the focus in increasing productivity is on *work* (a purely physical process reduceds to a series of steps). In knowledge and service work it has to be on *performance*. (where judgement comes into play in a series of tasks that complete a job). (p. 104)

... for some jobs in knowledge and service work performance means quality. (p. 104)

... there is a wide range of knowledge and service jobs in which quality and quantity together constitute performance. (p. 104)

... knowledge and service jobs. Performance in them is always both, quantity and quality. To increase productivity in these jobs therefore always requires work on both. (p. 105)

... increasing productivity in knowledge and service work requires thinking through ... what needs to be analyzed, what needs to be improved, what needs to be changed. (p. 105)

... to analyze the process in jobs in which performance predominantly means quality. We need to ask ... , "What works?" For jobs in which performance means both quality and quantity, we need to do both: ask what works and analyze the process step by step and operation by operation. In production work we need to define the quality standards and build them into the process, ... the actual productivity improvement then comes ... through task analysis. (p. 106)

... the work has to be done in partnership with the people who hold the knowledge and service jobs, the people who are to become more productive. The goal has to be to build responsibility for productivity and performance ... . (p. 106)

Frederic Taylor has ... been criticized for never once asking the workers whose jobs he studied; he told them. (p. 106)

When World War II came ... we has to ask the workers. ... when we asked the workers, we found ... that the workers ... knew a great deal about the work they were doing, its logic and rhythm, the tools, the quality and so on. Asking them was the way to get started on productivity and quality. (p. 107)

Nowadays, ... it is ... generally accepted ... that the workers' knowledge of their jobs is the starting point for improving productivity, quality, and performance altogether. (p. 107)

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In knowledge and service work, partnership with the responsible worker is the *only* way ... . (p. 107)

... increased productivity needs continuous learning. It is not enough to redesign the job and then to train the worker in the new way of doing it ... . That's when learning begins ... . (pp. 107 – 108)

Zen learning – the greatest benefit of training is not in learning the new. It is to do better what we already do well. (p. 108)

... knowledge people and service people learn the most when they teach. (p. 108)

... in the information age every enterprise has become a learning institution. ... a teaching institution. (p. 108)

Developed economies face economic stagnation if they do not raise the productivity of knowledge and service work. (p. 108)

Raising the productivity of knowledge and service work must therefore be an *economic* priority for developed countries. (p. 108)

In the knowledge society access to opportunities for careers and advancement is becoming limited to people of advanced schooling, people qualified for knowledge work. (p. 109)

... the rising productivity ... . gave the proletarians the productivity that allowed their being paid a middle-class income and to achieve middle-class status despite lack of skill, wealth, and education. By the time of the Great Depression ... the proletarian had become a bourgeois. (pp. 109 – 110)

Unless the productivity of service work is rapidly improved, both the social and the economic position of that large class ... must steadily go down. Real incomes cannot for any length of time be higher than productivity.
(A **$20** an hour minimum wage, 7.5 hour work day, 4-day work week proposed by **theÉ(eh)PC** will go a long way to increasing productivity in Canada.)

... *productivity can be raised*. We also know *how to raise it*. (p. 110)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

Some multinational maintenance companies ... have defined the task; concentrated work on it; defined performance; made the employee a partner in productivity improvement and the first source of ideas for it; and built continuous learning and continuous teaching into the job of every employee and of every work team. They have substantially raised productivity ... . This ... has allowed them to raise wages. ... it has also raised self-respect and pride. (p. 111)

(Note: there is NO OBLIGATION on the part of the company to raise wages when productivity goes up. **A unionized work force** can ensure that the workers' wages go up when the increase in productivity and profitability justifies it.)

To obtain major productivity increases in production-type service work ... requires contracting out such work to a firm that has no other business, understands this work, respects it, and offers opportunities for advancement for low-skill service workers – e.g. to become its local or regional manager. (p. 111)

(Note: contracting out may be purely A COST-CUTTING MEASURE in which case the organization hired to do the out-sourced work could be A SLAVE LABOUR ORGANIZATION.)

To raise the productivity of service work ... . is ... the *first social responsibility* of management in the knowledge society. (p. 111)

14. The Mystique of the Business Leader

What explains the tremendous interest in business ethics ... ? ... the behavior of business and business people ... suddenly matters. (p. 113)

... the heads of large corporations ... have come to be seen as society's leaders. ... leaders are expected to set an example. (p. 113)

... we have come to expect virtue from business and business people. (p. 113)

... business and business people are perceived as the leadership group in today's developed countries. (p. 113)

Business leaders are inevitably leaders in their organizations ... . (p. 116)

What executives do, what they believe and value, what they reward and whom, are watched, seen, and minutely interpreted throughout the whole organization. (p. 116)

... congruence between deeds and words, between behavior and professed beliefs and values, that we call personal integrity. (p. 117)

15. Leadership: More Doing Than Dash

Leadership does matter ... . It has little to do with "leadership qualities" and even less to do with "charisma". ... Its essence is performance. (p. 119)

Leadership is a means. Leadership to what end is thus the crucial question. (p. 119)

Nor are there any such things as "leadership qualities" or a "leadership personality". (p. 120)

What ... is leadership ... ? ... it is work ... . (p. 120)

The foundation of effective leadership is thinking through the organization's mission, defining it and establishing it clearly and visibly. The leader sets the goals, set the priorities, and sets and maintains the standards. (p. 121)

... before accepting a compromise, the effective leader has thought through what is right and desirable. (p. 121)

The leader's first task is to be the trumpet that sounds a clear sound. (p. 121)

... the compromises he makes with the constraints of reality ... determines whether he is an effective leader. (p. 121)

The second requirement is that the leader see leadership as responsibility ... . (p. 121)

... when things go wrong ... they (leaders) do not blame others. (p. 121)

... because an effective leader knows that he ... is ultimately responsible, he is not afraid of strength in associates and subordinates. (p. 121)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

... he holds himself ... responsible for the mistakes of his associates and subordinates, he ... sees the triumphs of his associates and subordinates as his triumphs. (p. 122)

An effective leader knows that the ultimate task of leadership is to create human energies and human vision. (p. 122)

The final requirement of effective leadership is to earn trust. Otherwise there won't be any followers – and the only definition of a leader is someone who has followers. (p. 122)

Trust is the conviction that the leader means what he says. It is a belief in ... "integrity". A leader's actions and a leader's professed beliefs must be congruent ... . Effective leadership ... is based ... on being consistent. (p. 125)

16. People, Work, and the Future of the City

Office work rather than office workers, will do the travelling. Tomorrow's big city is no longer going to be the office center. (p. 125)

Insurance companies are rapidly shifting their labor-intensive work – claims handling, customer correspondence, record keeping – to the outskirts of metropolitan areas. (p. 122)

... office parks ... built for back-office operations are now springing up in the suburbs ... . (p. 125)

Everyone in Dickens's London walked to work except the owners, who lived over their shops. (p. 126)

... move information, and with it office work, to where the people are. (p. 127)

... the trend is not toward individuals working in their homes. People ... prefer to work where other people are. (p. 127)

... clerical work increasingly will become "uncoupled", the way much physical office work - cleaning, maintaining equipment, running the cafeteria – already has been. ... more and more clerical workers will be employed by specialized and independent contractors. (p. 127)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

A good many of the new type of office parks provide a trained clerical force and the supervision for it. ... that is where the demand is. (p. 127)

Office workers doing clerical and maintenance work are the largest single work group in the developed world's big cities – accounting for ... half the working population. (p. 127)

What ... will the city of tomorrow look like when it is no longer an "office city"? (p. 127)

... free office workers from the need to commute ... . (p. 128)

... office work done outside the city, (p. 128)

Napoleon III created the modern city's prototype in 1860 Paris ... . (p. 128)

... the shift from office city to headquarters city ... . (pp. 128 – 129)

... middle-class people with children have already moved out of the core cities. (p. 129)

... convert the university into a place from which learning flows to where the *students* are ... . (p. 129)

"Several times a year I lecture to 10,000 or more students, yet fewer than 100 are in the room with me. The rest see me via satellite in more than 100 "downlinks" and discuss their questions with me via telephone. (p. 129)

... the technological impacts of information. (p. 129)

17. The Fall of the Blue-Collar Worker

... from the end of World War II to the mid-1970s, high-paying jobs in all developed countries were concentrated in unskilled blue-collar work. Now a majority of the new high-paying jobs are in knowledge work. (p. 131)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

Eighty years ago American blue-collar workers, toiling 60 hours a week made $250 a year ... . (p. 131)

... they had no "fringes", no seniority, no unemployment insurance, no Social Security, no paid holidays, no overtiime, no pension – nothing but a cash wage of less than one dollar a day. (pp. 131 – 132)

... blue-collar workers in manufacturing have already decreased to less than a fifth of the American labor force from more than a third. (p. 132)

... automobile blue-collar employment is already down 40 percent from its peak, less than 10 years ago (in the 1980s). (p. 132)

This transformation was not caused by a decline in production. ... The decline of the blue-collar worker ... is structural and irreversible. (pp. 132 – 133)

... the steady shift from labor-intensive to knowledge-intensive industries ... . (p. 133)

All the growth in U.S. manufacturing output in the past two decades ... has been in knowledge-intensive industries. (p. 133)

... two American inventions ... "training" and "management" ... . (p. 133) (According to Drucker, these two things allowed an "underdeveloped" economy like South Korea's) to attain, within a very short period, the productivity of a fully "developed" one. (p. 133)

... manufacturing industry in developed countries can survive only if it shifts from being labor-intensive to being knowledge-intensive. (p. 133)

In every developed country more and more young ... males stay in school beyond the secondary level and are no longer available for blue-collar jobs ... . (p. 133)

"natural unemployment" (the rate needed for normal job changes) ... . (p. 134)

"Hidden unemployment" - ... people who have given up looking for a job ... . (p. 134)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

... blue-collar labor in manufacturing may ... have ... shrunk to a point where is only marginally affects total employment and unemployment rates, consumer spending, purchasing power, and the economy as a whole. (p. 134)

... manufacturing output ... , as long as its volume continues to rise, the industrial economy is healthy ... regardless of employment. (p. 134)

In the U.S. ... the principal cost-rigidity ... lies ... in the cost of government. (p. 135)

... the decline of the blue-collar worker ... the rise of the knowledge-worker ... . (p. 136)

18. End Work Rules and Job Descriptions

(In this chapter Drucker forcefully argues that union work rules and job restrictions along with too many job descriptions severely restrict productivity.)

... work rules and job restrictions ... . forbid a foreman to do any production work, whether taking the place of a worker who goes to the restroom, repairing a tool, or helping when the work falls behind. (p. 137)

They forbid worker's moving from one job to another ... . (p. 137)

... they narrowly restrict what a worker may be trained for. (p. 137)

... all available evidence indicates that work rules and restrictions are the main cause of the "productivity gap" of American (and European) manufacturing industry. (p. 137)

... working side by side – union shops with tight job restrictions and nonunion shops without them. ... it's called "double breasting" in the industry. (p. 138)

The time it takes to do an individual job, e.g., connecting a drainpipe, is exactly the same in both. Yet the crew working under both work rules and job restrictions needs two-thirds more people to do the same job in the same time. (p. 138)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

The nonunion crew worked an average of 50 minutes out of every hour. The union crew worked 35; the rest of the time it was forced to wait ... . (p. 138)

... the unionized crew required a crew of eight, the nonunion job was done by five workers ... . (p. 138)

(Ford in) Dagenham (outside London, England) has 125 job classifications each restricting the workers to one small task; Nissan (in the Midlands) has 5 classifications. (p. 139)

... the ... higher productivity of the Japanese-owned auto plants in the U.S. ... is ... perhaps entirely, the result of their having only three to five job classifications. GM, Ford, and Chrysler are each burdened with about 60. (p. 139)

... Japanese-owned plants turn out 30 to 50 percent more per worker per day. (p. 139)

... in the U.S. and in Europe the company's plants operate with more than 100 job classifications; the plants in East Asia – its own ... – have at most 7. (p. 140)

U.S. Steel has more than doubled productivity per worker in the past eight years, ... by cutting work rules and job classifications ... . (p. 141)

19. Making Managers of Communist Bureaucrats

(Drucker here is speaking from his perspective at the beginning of the 1990s.)

... in Central Europe ... . there is an extremely scarcity of managerial skills and experience. (p. 143)

Financial management ... is totally absent. ... so are pricing, market research, marketing, product innovation, product and customer service, quality control. (p. 144)

... skill can be taught and can be learned. (p. 144)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

The scarcity of people in Eastern Europe with the needed managerial and professional skills is a ... big problem. (p. 144)

... no one is in the habit of decision-making, trained in it, tested in it. (p. 145)

... it is the essence of a market economy ... that decisions are made close to market and customer. (p. 146)

20. China's Nightmare: No Jobs for the Millions

... China's agricultural output is now stagnating because there are too many people tilling the land. (p. 149)

Only very rapid economic growth and stellar economic performance can ultimately provide jobs. ... require giving priority to productivity and profit. (p. 150)

The emphasis in Beijing is of necessity on economic performance; all the talk is of the need for more profit, higher productivity, more plant discipline. For the central government, a vastly increased supply of consumer goods – and goods of vastly improved quality – must be the first priority. (p. 151)

... jobs are the first priority. (p. 151)

.. the choice between economic growth and inflation. (p. 151)

... out of touch with reality. (p. 152)

PART III MANAGEMENT

21. Tomorrow's Managers: The Major Trends

For 35 years, from the end of World War II until the early '80s, the trend ran toward more and more layers of management and more and more staff specialists. The trend now goes in the opposite direction. (p. 157)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

Restructuring the organization around information ... results in a drastic cut in the number of management levels ... . (p. 157)

... "restructuring" by the "raiders" has shown ... that ... a large company can get along without "service staffs" - that is people who analyze and advise rather than do. (p. 158)

... promotional ladder ... is ... getting shorter. (p. 158)

Business ... will have to change its personnel policies, its compensation policies, its promotional policies. (p. 158)

"lifetime employment" had ... been taken for granted. (p. 159)

... "restructuring" was done largely through financial manipulation: mergers, acquisitions and divestitures, leveraged buyouts, asset stripping, and hostile takeovers. (p. 159)

"golden parachutes" ... make top-management people rich in a hostile takeover or a leveraged buyout while their middle-management associates lose their jobs. (p. 159)

... the new masters of American business – the raiders, the junk-bond underwriters, the arbitrageurs and stock-exchange players – are so openly contemptuous of management people, of their focus on work ... , of their working for a salary ... , and especially of their belief in the company as something to be proud of, as something to "belong" to. (p. 160)

"Can we restore middle-management loyalty?" ... . "No" is the answer. Loyalty is a two-way street. (p. 160)

... what top managements call "disloyalty", middle-management people call "taking responsibility for one's family and career." (p. 160)

A business, a division, a market, a product line has to earn the cost of capital or it will eventually be shut down or abandoned. (p. 161)

... both employer and employee can expect more ... instability ... . (p. 161)

We need emphasis on assignments to task-force teams which will be the ... way ... in which professional specialists can acquire a "view of the whole" ... . (p. 161)

... we need policies that compensate people for performance ... to the point where ... we may routinely pay a top-flight professional more than the manager to whom he or she reports, just as we pay a football star more than we pay the coach. (p. 161)

... restructure the job as a "property right". ... something that can be taken away only by "due process". (p. 161)

A few more years and it will be accepted legal doctrine that an individual manager or professional cannot be dismissed unless there is
(a) proven malperformance ... against clear, preset performance standards;
(b) a clear removing procedure including, except in the grossest violations, a number of formal warnings;
(c) appeal of the decision to, and its review by, impartial authority; and
(d) proper compensation. (p. 162)

The sooner employers institute such "due process" themselves, ... , the sooner they will regain the trust and allegiance of their managerial and professional employees. (p. 162)

... at the same time we need to safeguard the company's ability to lay off managerial and professional people ... when it is ... economic conditions or business decisions (e.g. a merger or divestiture) that causes them to be redundant. This certainly means higher severance pay ... .(p. 162)

... some companies ... already ... provide for all managerial and professional employees "silver parachutes", ... extra compensation in the event of the firm's being sold, acquired, or merged. (p. 162)

More effective, probably, would be ... "outplacement" services for managerial and professional people who lose their jobs for any reason except gross malfeasance. (p. 162)

22. How to Manage the Boss

Few people are as important to the performance and success of a manager as the boss. (p. 165)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

Few managers seem to realize how important it is to manage the boss. (p. 165)

... managing the boss is fairly simple ... . (p. 165)

... it is both the subordinate's duty and in the subordinate's self-interest to make the boss as effective ... as possible. (p. 165)

The prescription for one's own success is ... to work for a boss who is going places. (p. 165)

... go to the boss ... and ask: "What do I do and what do my people do that helps *you* do your job? ... what do we do that hampers *you* ... ? (pp. 165 – 166)

... even effective executives tend to misdefine a "manager" as someone who is responsible for the work of subordinates ... and thus tend not to perceive that they have any responsibility for the boss's performance and effectiveness. But the correct definition of a manager ... is someone who is responsible for the performance of all the people on whom his own performance depends. (p. 166)

The first person on whom a manager's performance depends is the boss, ... the boss is ... the first person for whose performance a manager has to take responsibility. ... by asking, "what do I do to help you or to hamper you?" ... find out what the boss needs and what gets in the boss's way. (p. 166)

The subordinate's job ... is to enable a particular boss to perform as a unique individual. ... every boss has idiosyncrasies, has "good words" and "bad words", and .. needs his own security blanket. (p. 166)

Does ... my boss want me to come once every month ... and spend 30 minutes presenting the performance, the plans, and the problems of my department? Or does this individual want me to come in every time there is anything to report ... ? (p. 167)

Does this individual want me to send the stuff in as a written report ... ? Or does this individual want an oral presentation? Is this individual ... a reader or a listener? (p. 167)

... does this boss require 30 pages of figures ... and should it be tables or graphs? (p. 167)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

Does this individual need the information ... when he gets to the office in the morning, or ... at the end of the day ... ? (p. 167)

... if there is disagreement ... , how does this boss want to have it handled? To have us iron it out and report our consensus ... ? Or ... to report our disagreement in full detail and with complete documentation ... ? (p. 167)

... what are ... the areas in which the subordinate needs to support ... the boss? (p. 167)

A manager's task is to make the strengths of people effective ... and that applies ... as much to the manager's boss as it applies to the manager's subordinates. (p. 167)

Managing the boss means, above all, creating a relationship of trust. (p. 167)

Make sure the boss understands what can be expected of you, what the objectives and goals are ... , what your priorities are and, ... what they are not. ... . the boss must understand what you are up to, must know what to expect and what not to expect. Bosses, after all, are held responsible by their own bosses for the performance of their subordinates. (p. 168)

It is the job of the subordinate to protect the boss from surprises. (p. 168)

Never underrate the boss! ... . there is no risk ... in overrating a boss. (p. 168)

... the most important thing ... . is to accept that managing the boss is the responsibility of the subordinate manager and a key ... to his or her own effectiveness as an executive. (p. 169)

23. What Really Ails the U.S. Auto Industry

(According to Drucker the downfall of the American automobile market is that it's still) segregated by income into five "socioeconomic" groups. (p. 172)

... its socioeconomic segmentation were first discerned by Alfred P. Sloan after World War I. Sloan built GM on this insight ... . (p. 172)

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... both ... Chrysler during its rise in the '20s and '30s, Ford during its rebirth after World War II – built themselves in GM's image and on Sloan's socioeconomic market segmentation. (p. 172)

The determinant increasingly is "lifestyle"... . (p. 173)

... Sloan's theory of the market assumed one car per family. But the American family today owns two as a rule. There is nothing "typical" about the choice of the second car. (p. 173)

A lifestyle market is ... extremely volatile. (p. 173)

Japanese cars are ... designed from the beginning as lifestyle cars ... . (p. 173)

The Japanese ... design parts so that they can be combined in any number of ways ... . (p. 174)

Detroit remains in the grip of Sloan's socioeconomic market segmentation. (p. 174)

Everybody in Detroit management has grown up with socioeconomic market segmentation as an article of faith if not as a law of nature. (p. 174)

The socioeconomic bent of the American automobile industry ... explains ... its long lead time in developing new models and in reacting to market changes. (p. 175)

... until Detroit restructures itself to fit today's rather than yesterday's American automobile market ... no amount of improvement ... is likely to restore it to health ... . (p. 176)

24. The New Japanese Business Strategies

... the leading Japanese companies ... . are embracing a radically new ... theory: doing blue-collar manufacturing work in Japan is gross misallocation of resources and weakens both the company and the national economy. (p. 177)

... leadership throughout the developed world no longer rests on financial control or on traditional cost advantages. It rests on brainpower. (p. 177)

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... companies are ... quickly restructuring their organization on the assumption that the winner in a competitive world economy is going to be the firm that most efficiently shortens the product life of its own products – that is, the firm that best organizes the systematic abandonment of its own products. ... they are moving ... toward Zero-Defects Management ... . (p. 177)

The Japanese now hold about 30 percent of the American automobile market ... . (pp. 177 -178)

The standard explanation for moving manufacturing out of Japan are "foreign protectionism" and "Japan's growing labor shortage". (p. 178)

... every Japanese boy now finishes high school and goes to college or into a white-collar job. (p. 178)

The real reason is the growing conviction among Japan's business leaders (and ... influential bureaucrats) that manufacturing work does not belong in a developed country like Japan and is ... a misallocation of such a country's most expensive resource (in terms of social capital cost/investment). (p. 178)

" ... it's our social responsibility to Japan to make sure that as few as possible of our high-investment and high-cost young people are being misused for low-yield manufacturing work." (p. 179)

... the new Japanese strategies call for total control of what now matters: brainpower and knowledge. To be competitive the world over ... requires leadership in all important knowledge areas ... . (p. 179)

The Japanese are willing to pay very large sums of money to gain access to knowledge ... . (p. 179)

Every major Japanese industrial group now has its own research institute. ... 'think tanks' ... . (p. 180)

... systematically starting out with a deadline for *abandoning* today's new product set on the very first day on which this product is first sold. "The faster we can abandon today's new product, the stronger and more profitable we'll be" is the new motto. (p. 181)

Money spent on developing a product or process is not "investment" to them; it is "sunk cost" ... . (p. 181)

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... why the leading Japanese businesses are now shifting to organized abandonment as their strategy ... . is their ... conviction that the only alternative to themselves shortening the life cycle of the product is for a competitor to do so – and then the competitor will not only have the profits but the market as well. (p. 181)

By deciding in advanced that they will abandon a new product within a given period of time, the Japanese force themselves to go to work immediately on replacing it, and to do so on three parallel tracks. One track – the Japanese call it *kaizen* -is organized work on improvement with specific goals and deadlines – e.g. a 10 percent reduction in cost within 15 months and/or a 10 percent improvement in reliability within the same time, and/or a 15 percent increase in performance characteristics ... enough, ... that the improved product is substantially different ... . The second track is "leaping", ... developing a new and different product out of the old ... . finally there is genuine innovation. (pp. 181 – 182)

... the leading Japanese companies organize themselves so that all three tracks are pursued simultaneously and under the direction of the same cross-functional team. The results ... is to produce not one but *three* new and different products to replace each present product ... to gain with the same investment of time and money an improved product; a "leap"; and a genuine innovation, with one of the three then becoming the new market leader and producing the "innovator's profit". (p. 182)

... the leading Japanese companies are moving from Total Quality Management (TQM) to Zero Defects Management. (p. 182)

... reality: the emergence of the highly competitive and worldwide knowledge economy. (p. 183)

25. Manage by Walking Around – Outside!

... few people pay attention to changing distributive channels. Yet how goods and services get to customers and where customers buy are changing ... as fast as technology, markets, and demography. ... all over the world. (p. 185)

Today, the bulk of ... goods is sold by ... national chains. (p. 185)

... chains carry their own private brands and do their own advertising. (p. 185)

... one of the big mutual-fund groups (which six years ago sold exclusively through brokers) now sells 15 percent of its products through regional banks, 15 percent through insurance agencies and another 15 percent through professional and trade associations. (p. 186)

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... the hospital contracts maintenance, patient feeding, billing, physical therapy, the pharmacy, X-ray, the medical lab, and so on. (p. 186)

... computers. ... are bought ... by computer management firms that design, buy, install, and run their client's information systems. (p. 186)

Changes in distributive channels may not matter much ... . But they should be a major concern of every business and every industry. ... . They are what statisticians call "changes at the margin". (p. 187)

The one way to be abreast of them is to go out and look for these changes. (p. 187)

Alfred P. Sloan built General Motors into the world's premier manufacturing company, in the '20s and '30s, by actually working with customers. (pp. 187 – 188)

... changing customer behavior and changing customer preferences ... on market trends and style trends. (p. 188)

GM ... had the most up-to-date and comprehensive customer research in American industry. (p. 188)

... the company foresaw ... the "youth culture" and built or remodeled stores to attract teenagers. A few years later, when everyone talked of the "greening of America", the company ... changed merchandise and stores to attract the young adult. And another 10 years later ... the company saw and understood the emergence of the two-earner family. (p. 189)

... the executive's scarcest resource, his time. (p. 189)

... we know how to build upward information into the organization. (p. 189)

The right advice to executives now is to walk outside (the organization). (p. 189)

26. Corporate Culture: Use it, Don't Lose It

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Changing the corporate culture has become the latest management fad. (p. 191)

There is indeed the need to change deeply ingrained habits in a good many organizations. (p. 191)

... with product lives shrinking, there is an urgent need in most mechanical industries ... to change drastically the way new products and new models are conceived, designed, made and marketed, with the process eventually being telescoped into months from years. (p. 191)

Culture ... is singularly persistent. (p. 192)

... today's Japan and today's Germany are unmistakably Japanese and German in culture ... . (p. 192)

Japan ... . has become a modern society, because her reformers ... consciously based the new "Westernized" behavior on traditional Japanese values and on traditional Japanese culture. (p. 192)

If you have to change habits, don't change culture. Change habits. (p. 193)

The first thing is to define what results are needed. (p. 193)

Every customer inquiry, including every complaint, has to be settled by telephone within 24 hours ... . (p. 193)

The next – and most important – step is ... . to ask "Where within our own system do we *do* this already?" (pp. 193 – 194)

... a new CEO ... asked, "What do we have to produce by way of results?" Every one of his store managers knew the answer, "We have to increase the amount each shopper spends per visit." Then he asked, "Do any of our stores actually do this?" Three or four – out of 30 or so did it. "Will you ... tell us," the new manager asked, "what you people *do* that gives you the desired results?" (p. 194)

In every single case these results were achieved not by doing something different but by systematically doing something everyone had known all along should be done, had in the policy manuals, and had been preaching – but only the few exceptions had been practicing. (p. 194)

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The next step ... is for management to make sure that the effective behavior as it develops out of the organization's own culture is actually being practiced. This means ... that senior management systematically asks, again and again: What do we in senior management, and in this company as a whole, do that helps you to produce the results that all of us agreed are the necessary ones?" And: What do we do that hampers you concentrating on these necessary results?" (pp. 194 - 195)

... asks these questions at every ... meeting ... - and take immediate action on what they hear. (p. 195)

Finally, changing habits and behavior requires changing recognitions and rewards. People in organizations ... tend to act in response for being recognized and rewarded ... .(p. 195)

The moment they realize that the organization rewards for the right behavior they will accept it. (p. 195)

27. Permanent Cost Cutting: Permanent Policy

(In this chapter Drucker argues in favour of eliminating "unnecessary" work and "restructuring" the work that needs to be done so that it's done more productively as effective cost cutting measures. Recasting work allows for "innovation" which can lead to even greater cost-savings.)

Cutting staffs to cut costs is putting the cart before the horse. The only way to bring costs down is to restructure the work. This will ... result in reducing the number of people needed to do the job ... . a cost crunch should always be used as an opportunity to rethink and to redesign operations. (p. 197)

The question should be: "Would the roof cave in if we stopped doing this work altogether?" ... if the answer is "probably not", one eliminates the operation. (p. 198)

... eliminating an entire operation is by far the most effective way to cut costs and ... likely to produce ... permanent savings. (p. 198)

... up to one-third of all clerical and control operations are likely to be found unneeded, because they either never served a purpose or because they have outlived it. And nothing is less productive than to make more efficient what should not be done at all. (p. 198)

"What contribution to the business should each (operation) make? What purpose does it serve?" (p. 198)

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(For Drucker, this kind of evaluation has to be made in terms of a business objective and evaluating things in terms of "preset" standards.)

... a well-designed and cost-effective operation serves one purpose only. To combine two or more in one operation means inefficiencies and sky-high costs. (p. 199)

There is no central inventory ... and no inventory control. The stock level for every distributor is determined by systematic spot checks taken every other week, of the actual retail sale of a 3 percent sample of distributors – that is, 84 distributors throughout the country. (p. 199)

... 20 percent of "specialty" products – mostly big-ticket items ... . are stocked in one central warehouse located at the hub of an air freight company and shipped free of charge by overnight air delivery anyplace in the country within six hours if receipt of the order. (p. 200)

... the new systems give both better service and better inventory control. (p. 200)

The question of *how* to organize the restructured organization for maximum performance and minimum cost comes ... at the ... end. ... . the task is to define what information is needed ... . (p. 200)

It may mean – especially in operations aimed at controlling a process – shifting from counting to statistics and sampling. Not only is sampling much cheaper than counting, it is far more reliable. Statistical analysis alone can provide the crucial information on which effective control rests: the difference between fluctuations within the permissible range of normal, and the "exception", that is, the genuine malfunction, which calls for immediate remedy. (p. 200)

Cost cutting is only the beginning. ... putting in adequate cost prevention ... . (p. 200)

Cost prevention requires steady work on productivity improvement of ever operation, year in and year out – with a 3 percent annual improvement a minimum goal. It requires that every operation be put ... to the question: "Do we really need to do this or should it be abandoned?" It requires that new operations and activities ... be entered ... if an old operation is is abandoned or ... pruned back. (pp. 200 – 201)

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Each operation and activity should ... be questioned ... as to the purpose it serves and the contribution it makes to the business. And each finally should be subjected to the question: What is the simplest way to achieve this purpose? (p. 201)

Excess costs are excess fat. Cutting costs ... means ... laying off people. (p. 201)

... one reason why ... cost-cutting efforts ... failed ... is that they were imposed from above on a work-force that saw in them a threat to their own jobs and incomes. (p. 201)

Cost prevention, however, can count on the active, and ... enthusiastic work-force support. Employees know where the fat is. They also know that low, controlled costs mean better and more secure jobs. (p. 201)

... cost-cutting should always be used as the first step toward building permanent cost prevention into the organization. (p. 201)

28. What the Nonprofits Are Teaching Business

Few people are aware that the nonprofit sector is ... America's largest employer. ... a total of 80 million-plus people – works as a volunteer, giving on average nearly five hours each week ... . This is equal to 10 million full-t ime jobs. Were volunteers paid, their wages ... would amount to ... 5 percent of GNP. (p. 203)

... more and more volunteers are becoming "unpaid staff", taking over the professional and managerial tasks ... . (p. 204)

... most ... have learned that nonprofits need management even more than business does, precisely because they lack the discipline of the bottom line. (p. 204)

... they ... realize that good intentions are no substitute for organization and leadership, for accountability, performance, and results. Those require management and that, in turn, begins with the organization's mission. (p. 204)

... nonprofits are more money-conscious than business enterprises are. ... because they always have so much less of it than they need. ... nonprofits do not base their strategy on money ... as so many corporate executives do. (p. 205)

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Starting with the mission and its requirements my be the first lesson business can learn from successful nonprofits. It focuses the organization on action. (p. 205)

The best nonprofits devote a great deal of thought to defining their organization's mission. They ... focus ... on objectives that have clear-cut implications for the work their members must perform ... . (p. 205)

Nonprofits ... start with the environment, the community, the "customers" to be, they do not as American businesses tend to do, start ... with financial returns. (p. 205)

A well-defined mission serves as a constant reminder of the need to look outside the organization not only for "customers" but also for measures of success. (p. 206)

... the successful and performing nonprofits have learned to define clearly what changes *outside* the organization constitute "results" and to focus on them. (p. 206)

... successful Japanese companies. ... . start with the mission rather than with their own rewards, and with what they have to make happen outside themselves, in the marketplace to deserve a reward. (p. 207)

Many nonprofits ... have what is still the exception in business – a functioning board. (p. 207)

They also have something even rarer: a CEO who is clearly accountable to the board and whose performance is reviewed annually by a board committee. And they have what is rarer still: a board whose performance is reviewed annually against preset performance objectives. (pp. 207 – 208)

In U.S. law, the board of directors is still considered the "managing" organ of the corporation. (p. 208)

... the top management of our large companies have been whittling away at the director's role, power, and independence for more than half a century. (p. 208)

In every single business failure of a large company in the last few decades, the board was the last to realize that things were going wrong. (p. 208)

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Traditionally, the board has run the shop in nonprofit organizations ... . (p. 208)

Few directors in publicly held corporations are substantial shareholders, whereas directors on nonprofit boards very often contribute large sums themselves, and are expected to bring in donors as well. ... nonprofit directors tend to have a personal commitment to the organization's cause. (p. 209)

... nonprofit board members typically have served as volunteers themselves for a good many years and are deeply knowledgeable about the organization, unlike outside directors in a business. (p. 209)

... an increasing number of nonprofits ... realize that neither board nor CEO is "the boss". They are colleagues, working for the same goal but each having a different task. And ... that it is the CEO's responsibility to define tasks of ... the board's and his ... own. (p. 209)

The key to making a board effective ... is ... to organize its work. (p. 209)

... it is the rare big-company board that reviews the CEO's performance against preset business objectives. (p. 210)

... we have to make boards effective again – and that should be considered a responsibility of the CEO. (p. 210)

The (board's) audit committee ... has a real ... job responsibility. (p. 210)

... a .. board committee on succession and executive development ... regularly meets with senior executives to discuss their performance and their plans. (p. 210)

... few do what the larger nonprofits ... do routinely: put a new board member through systematic training. (p. 210)

Nonprofits ... are more likely to say, "Volunteers must get far greater satisfaction from their accomplishments and make a greater contribution precisely because they do not get a paycheck. (p. 211)

The steady transformation of the volunteer from well-meaning amateur to trained professional, unpaid staff member is the most significant development in the nonprofit sector ... . (p. 211)

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A midwestern Catholic diocese ... . is ... being served by some 2,000 part-time unpaid staff ... . (p. 211)

... the First Baptist Church in Richmond, Virginia, ... has ... nine paid full-time employees. But of the 4,000 communicants, 1,000 serve as unpaid staff. (p. 211)

The American Heart Association has chapters in every city ... throughout the country. ... its paid staff is limited to those at national headquarters with just a few traveling troubleshooters serving the field. (p. 211)

... with money always in short supply ... . If they want to add to their activities ... they have to make volunteers more productive, have to give them more work and more responsibility. (pp. 211 – 212)

More and more volunteers are educated people ... . The are knowledge workers ... . If nonprofit organizations want to attract and hold them, they have to put their competence and knowledge to work. (p. 212)

Volunteers may ... be assigned both a mentor and a supervisor with whom they work out their performance goals. (p. 212)

The Girl Scouts ... employs 730,000 volunteers and only 6,000 paid staff for 3 1/2 million girl members ... . A volunteer typically starts by driving youngsters once a week to a meeting. Then a more seasoned volunteer draws her into other work – accompanying Girl Scouts selling cookies door-to-door, assisting a Brownie leader on a camping trip. Out of this step-by-step process evolve the volunteer boards of the local councils and, eventually, Girl Scouts governing organ, the National Board. Each step ... has its own compulsory training program ... . Each has specific performance standards and performance goals. (pp. 212 - 213)

What do these unpaid staff people ... demand? ... . Their first ... demand is that the nonprofit have a clear mission, one that drives everything the organization does. (p. 213)

The second thing ... is training, training, and more training. (p. 213)

... the most successful way to motivate ... veterans is to recognize their expertise and use them to train newcomers. (p. 213)

... these knowledge workers demand responsibility ... for thinking through and setting their own performance goals. They expect to be consulted and to participate in making decisions that affect their work and the work of the organization ... . And they expect opportunities for ... . a good many nonprofits have developed career ladders for their volunteers. (p. 213)

... accountability. Many of today's knowledge worker volunteers insist on having their performance reviewed against preset objectives ... . they expect their organizations to remove nonperformers ... . (p. 213)

Managing the knowledge worker for productivity is the challenge ahead for ... management. ... . It requires a clear mission, careful placement and continuous learning and teaching, management by objectives and self-control, high demands but corresponding responsibility, and accountability for performance and results. (p. 213)

29. Nonprofit Governance: Lessons for Success

... the majority of American nonprofits have the same governance structure. They have an unpaid, outside, part-time board. And ... a paid full-time executive officer ... . this governance structure malfunctions as often as it functions. (p. 217)

... there is confusion across the nonprofit spectrum ... as too what governance the institution needs, what the task of each organ of governance should be, and how they should work together. (pp. 217 – 218)

The first lesson to be learned is that nonprofits need a clear and functioning governance structure. (p. 218)

They need effective leadership and management a good deal more than even businesses do ... . (p. 218)

First, they lack the bottom line ... . They must therefore have a clear mission that translates into operational goals and that provides guides for effective action. (p. 218)

A nonprofit institution will start to flounder almost immediately unless it clearly defines its mission and emphasizes that mission again and again. (p. 219)

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Second, the nonprofit needs a clear definition of the "results" that it seeks to obtain. (p. 219)

Last, ... the money of the nonprofit ... is given against promises. Nonprofits are ... trustees of the money they spend. (p. 219)

Nonprofits ... need ... strong organs of accountability – for mission, for results, for allocation of resources and their productivity – and a clear process for discharging these responsibilities. They need effective, strong, directed governance and a clear governance structure. (p. 219)

Nonprofits need both an effective board and an effective executive. (p. 219)

In a good many businesses, ... boards have become slumber parties. ... . In ... successful petroleum companies ... , boards have ... been a legal fiction. Some nonprofits ... have reduced their boards to a purely ceremonial role. (pp. 219 - 220)

... most nonprofits could not emasculate the board ... . One reason is that the board often ... leads in raising money. Another, ... board members are committed to the nonprofit's cause. (p. 220)

The nonprofit has no choice but to work on making its board an effective organ of governance. Only an effective board composed of independent but committed outside people can give the nonprofit the clear focus on mission, the definition of results, and the accountability for the money entrusted to it that it needs. (p. 220)

... every nonprofit ... must ... have an effective executive officer. (p. 220)

... the most noteworthy feature of the ... nonprofit institution is ... its ... . explosive growth ... . they demand professionalism of a high order. (p. 221)

... if performance standards are to have any results, they must be coupled with executive accountability. (p. 221)

... board ... executive officer. Each has a different part, but together they share the play. Their tasks are complementary. ... each has to ask, "What do I owe the other? ... ? The two have to work as one team of equals. (p. 221)

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The executive officers in nonprofit organizations are the stronger players. It is their job to adjust both what they do and how they do it to the personalities and strengths of their chairpersons. (p. 222)

Effective nonprofits do not talk much about policy. They talk about work. They define what work each organ is expected to perform and what results each organ is expected to achieve. (p. 223)

In the effective nonprofit institution, every board committee - ... every board member – accepts a work program with specific achievement goals. So ... does the executive officer. (p. 223)

... the performance of the entire board, each board committee, and each board member and the performance of the executive officer and all the key people on the staff is regularly appraised against preestablished performance goals. (p. 223)

... board members and executives whose performance consistently falls below goals and expectations will resign or at least not stand for reelection. (p. 223)

Boards should meddle. ... there is no way to stop them ... ! Board members of a nonprofit organization should be committed to the cause. ... . They work in committees, each with a specific mandate ... . This forces them to work directly – that is without going through the executive officer – with people working in the particular area of the committee's concern. It thus forces them to meddle. (p. 224)

Who should be responsible for ... the relationship between board and executive officer, and for the structure of governance in the nonprofit institution? ... . What works is to assign responsibility for the effective governance of the organization to the executive officer ... . (p. 225)

Making the organs of governance effective in the nonprofit institution and creating the proper relationship between them should therefore be considered a priority task of executive officers and it should receive serious consideration when executive officers are hired and appraised. (p. 225)

... nonprofits have to be governed by performance. (p. 226)

... nonprofits have to be committed to a cause, they have to have a mission, and they have to be imbued with passion. (p. 226)

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30. The Nonprofit's Outreach Revolution

A major American growth area over the past 10 to 20 years is ... the "Third Sector", comprising nonprofit, nongovernmental community services – both national and local, secular and religious. (p. 227)

About 2.5 million volunteers work for the American Heart Foundation – a 50 percent increase in three years. (p. 227)

The Girl Scouts enroll one in four American girls between the ages of six and nine. (p. 227)

Local "pastoral" churches ... are growing even faster than the large national nonprofit organizations. (pp. 227 – 228)

... many nonprofits have become vastly more productive during the last 10 years. This is because they have discovered management. (p. 228)

... in nonprofit institutions aspiring board members are now being asked: "For what contribution should we hold you accountable once you are on our board? What specific work will you take on?" (p. 228)

A dozen such organizations subject their boards to annual performance reviews against preset objectives ... . (pp. 228 – 229)

... nonprofit institutions ... increasingly put the entire staff, from the chief executive officer on down, into constant training, with each person serving as a trainer on one subject and as a learner on others. ... all staff members are expected to commit themselves to specific objectives against which their performance will be evaluated. ... nonperformers are no longer being tolerated ... . (p. 229)

... plenty of volunteers ... go door to door ... collecting money. ... those foot soldiers are increasingly carefully selected, trained, and supported with sophisticated solicitation material. They are increasingly being managed as unpaid staff ... . (p. 230)

... increasingly volunteers are taking over the professional and executive work in the nonprofit organizations. (p. 230)

A growing number of volunteers are professional men and women ... . (p. 230)

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For a senior business executive, board membership in a nonprofit organization has almost become a "must". (p. 230)

A lot of ... retired and semiretired have found volunteer work to be satisfying and a way to put a lifetime's experience to work. (p. 230)

Many ... Girl Scout volunteers are young professional women. (p. 231)

As a volunteer the individual can ... find ... effective citizenship, can ... make a difference. ... . (p. 231)

PART IV
THE ORGANIZATION

31. The Governance of Corporations

The 20 largest pension funds (13 of them funds of state, municipal, or nonprofit employees) hold around one-tenth of the equity capital of America's publicly owned companies. (p. 235)

The largest ... funds demand a voice in the companies in which they invest ... . (p. 235)

The rise of pension funds as dominant owners and lenders represents one of he most startling power sifts in economic history. (p. 236)

In Germany, the country's three major banks have long controlled around 60 percent of the share capital of the large companies. (p. 236)

In Japan, the majority of large companies are members of a small number (ten at most) of industrial groups, the ... *keiretsu*. ... all credit to the member companies is provided by the group's bank. (p. 236)

In Italy, half of the country's large businesses have been owned or controlled by the state since the 1930s. ... The rest of Italy's big businesses are under the control of five or six huge conglomerates such as the Fiat Group. (pp. 236 – 237)

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A German bank's income from the companies to which it is the *hausbank* comes through commercial relationships ... . Deutsche Bank ... gets many times as much in fees from client companies ... as it receives from them in dividends ... . (p. 237)

The keiretsu's first concern is power – power in the market, power over the suppliers and subcontractors, power and influence with ministries and civil servants. ... a keiretsu company profits far more from the business it gets from the other members than from their dividends. (p. 237)

The government holdings in Italy constitute the largest concentration of economic power in any market economy. They serve primarily political objectives. (p. 237)

Neither the German banks nor the Japanese keiretsu nor Italy's government nor its conglomerates has much interest in share prices or capital gains. They do not intend to sell. (p. 237)

The American pension fund ... has no commercial ties to the companies in which it invests or to which it lends. It is ... an "asset manager". (p. 237)

... the pension funds ... did not want to be "owners". They wanted to be passive "investors" and short-term investors ... . (p. 238)

The share holdings of even a midsize pension fund are already so large that they are not easily sold. ... . They ... are ... permanently part of the circular-trading among institutions. (p. 238)

... pension funds own 75 percent of the equity of the Chase Manhatten Bank. (p. 239)

... the 40 percent holder, ... the pension fund ... cannot sell at all. (p. 239)

Pension funds cannot be managers ... . (p. 239)

... pension funds, as America's new owners, will ... have to make sure that a company has the management it needs. (p. 239)

... management must be accountable for performance and results ... . (p. 239)

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... the rise of the hostile takeover in the late 1970s. (p. 240)

Takeovers and LBOs ... offered immediate capital gains. (p. 241)

... the minimum-acceptable result, a return on assets equal to its cost of capital. (p. 241)

For most people "maximizing shareholder value" means a higher share price within six months or a year ... . (p. 242)

... under a defined-benefit (pension) plan, the company would have to pay little or nothing. An ever-rising stock market ... would create the assets needed to pay future pensions. (p. 243)

... the "defined contribution" (pension) plan under which the employer contributes each year a defined percentage of the employee's annual salary ... . (p. 244)

Public-employee (pension) funds are defined -contribution plans and they constitute the majority of the biggest funds. (p. 244)

How ... do the institutional owners of German and Japanese industry define performance and results? ... . ,,, they *maximize the wealth-producing capacity of the enterprise*. It is this objective that integrates short-term and long-term results and that ties the operational dimensions of business performance - market standing, innovation, productivity, and people and their development – to financial needs and financial results. (p. 245)

... economic decisions that commit scarce resources to an uncertain future are always risky ... . (p. 245)

All the elements that go into the process can be quantified with considerable rigor ... . (p. 245)

... my 1954 book, *The Practice of Management*, ... outlined eight key objective areas for a business. (pp. 245 – 246)

... the strategy needed to convert objectives into performance. (p. 246)

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... financial accountability is the key to the performance of management and enterprise. (p. 246)

... institutional owners in both countries (Japan and Germany) support a management regardless of short-term results as long as the company performs according to a business plan that is designed to maximize the enterprise's wealth-producing capacity ... . (p. 246)

In both Germany and Japan, managements are supervised closely and judged carefully. (p. 247)

Law (in the USA) wisely limits a corporate pension fund to a maximum holding of 5 percent of any one company's stock ... . (p. 248)

The consulting divisions of some of the large accounting firms ... perform business analysis assignments. (p. 248)

... the business audit ... needs to be based on predetermined standards and go through a systematic evaluation of business performance: starting with mission and strategy, through marketing, innovation, productivity, people development, community relations, all the way to profitability. (p. 248)

... a major pension fund will not invest in a company's shares or fixed-income securities unless that company submits itself to a business audit by an outside professional firm. (p. 249)

Making a board effective requires spelling out its work, setting specific objectives for its performance and contribution, and regularly appraising the board's performance against these objectives. (p. 249)

Boards are effective if they represent strong owners, committed to the enterprise. (p. 249)

The pension funds ... are not owners because they want to be owners but because they have no choice. They cannot sell. ... . they are owners ... . They have the responsibility to ensure performance and results ... . (p. 250)

(**Note**: a small business owner BOTH "owns" and "manages" the business. Though ownership of a publicly traded corporation rests in the hands of the shareholders, it's the CEO and management who control it. The board of directors exist to ensure that management remains accountable.)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

32. Four Marketing Lessons for the Future

... buying customers doesn't work. Witness ... marketing failures of ... discounts and bonuses offered by the Big Three U.S. auto makers. (p. 251)

The (incentive-buying) offers attracted few, if any new buyers ... . Potential customers, however, were turned off. (p. 252)

... GM and Chrysler have lost substantial market standing to the Japanese ... . (p. 252)

The fax machine is American in invention, technology, design, and development. ... . Yet not one fax machine offered for sale in the U.S. today is American-made. (pp. 252 – 253)

The Americans did not put the fax machine on the market, because market research convinced them that there was no demand for such a gadget. (p. 253)

... the Japanese defined the market differently. ... ? ... they asked what is the market for what it does? (p. 253)

... the precipitate decline of the big-city American department stores. ... . What brought them low ... : ignoring the people who should be customers but aren't. (p. 253)

During the 80s ... . their share of new customers was shrinking steadily – especially their share of the most significant group, the educated and affluent two-earner families. They never learned that these people shop together, ... in the evenings, and are far more value-conscious ... . (p. 253 – 254)

Marketing starts with *all* customers in the market ... . Even a powerful business rarely has a market share much larger than 30 percent. This means that 70 percent of the customers buy from someone else. (p. 254)

The final lesson ... of ... success ... exploiting demographic changes as marketing opportunity. (p. 254)

... the customer ... defines the market; ... those who should be customers but aren't are a critical group ... ; that change has to be exploited as opportunity, and ... demographic change offers the greatest ... opportunity. (p. 255)

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33. Tomorrow's Company Dressed for Success

The ... growth ... the fastest ... was contributed by medium-sized firms ... . (p. 257)

Since the 1987 stock market crash ... . big business have been laying off white-collar people in large numbers. (p. 257)

... 75 percent of America's ... explosive employment growth since 1975 took place in midsize businesses. (p. 258)

... midsized business has become more competitive and big business less competitive. (p. 258)

... midsized companies are fast becoming the employers of choice ... . (p. 258)

... more important ... is the decline in the advantage of being big. (p. 258)

To each industry, the theory asserted, belongs one clearly delineated technology. (p. 258)

... there is, the theory asserted ... , very little if any overlap between different technologies ... . (p. 258)

... the large retailers ... . assumed homogeneous but totally distinct mass markets, ... with very little overlap between them. Everything bought ... within one of these markets would belong in the same value category, in terms of price or quality or lifestyle appeal. p. 259)

No new theories on which a big business can be built have emerged. (p. 259)

Technologies ... . overlap and crisscross each other. No industry or company can be fed out of one technological stream. (p. 259)

Conversely, one technology no longer feeds only one industry. (p. 259)

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Much of what the research labs of the big companies are now discovering finds its major application outside of the company and even outside of the industry ... . (p. 259)

Twenty-five years ago, computers and telephones were separate industries. ... . Twenty-five years ago, copiers, printing machinery, typewriters, and computers were separate industries, each with its own technology and its own markets (referring to the 1970s). (p. 260)

There is increasing segmentation in all markets, and increasing overlap and crisscrossing between them. (p. 260)

Information and money are becoming increasing global. (p. 260)

... many products and services ... can be supplied efficiently only by big organizations. (p. 260)

Global competition in high technology ... requires bigness. ... . multibillion-dollar giants. (p. 260)

The challenge ... is for the corporation to learn to be competitive despite being big. This means becoming market-driven. ... building into the company's system an organized abandonment of yesterday's products and technologies. ... organizing the whole business around innovation. (pp. 260 – 261)

Big business will have to become not only better but different. (p. 261)

The more clearly a business (especially a big one) is focused on one product range or on one market, the better it is likely to do. (p. 261)

Whatever diversification a big business needs ... is better achieved through strategic alliances, such as partnerships, joint ventures, and minority participations, than through acquisitions ... . (p. 261)

... decentralization is no longer enough for a multiproduct, multitechnology, multimarkets company; the various units have to be set up as truly separate businesses. (p. 261)

Siemens in Germany is organized as a "group" in which each business is a separate company with its own CEO and board. (p. 261)

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Big diversified companies of tomorrow ... . may emulate ... the American investor Warren Buffett and the Anglo-American Hanson PLC. Both operate as "investors" that "supervise". They make sure that their individual businesses have the right plan, the right strategy, and the management they need. But they do not "manage". (p. 261)

For 100 years superior performance went with being the biggest in a give industry. Form now on it will increasingly mean being the *right* size. And in most fields this will mean being midsized ... . (pp. 261 – 262)

The shift from the big to the midsized enterprise as the economy's center of gravity is a radical reversal of the trend that dominated ... for more than a century. (p. 262)

... to be competitive ... is fast becoming the new management challenge. (p. 262)

34. Company Performance: Five Telltale Tests

... most chief executive officers have learned by now that short-term earnings are quite unreliable, indeed often misleading as measurements of a company's actual performance. (p. 263)

Most experienced executives have ... learned that there is no magic formula for measuring business performance. (p. 263)

... five "guages" will tell how a business is doing and whether it is moving in the right direction. (p. 263)

The first true measurement of a company is its standing in its markets. Is market standing going up or going down? And is the improvements in the right markets? (p. 263)

... a company ... needs to know how its products or services are doing in respect to market share compared with alternatives of customer satisfaction. (p. 263)

... innovative performance. Is the company's achievement as a successful innovator in its markets equal to its market standing? Or does it lag behind it? (p. 264)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

There is altogether no more reliable early warning of a company's imminent decline than a sharp and persistent drop in its standing as a successful innovator. And equally dangerous is a deterioration in innovative lead time, that is, in the time between the inception of an innovation and its introduction as a successful product or service in the market. (p. 264)

... does the ratio of successful innovations to false starts improve or deteriorate? (p. 264)

... show innovative action by major segments, and especially in the segments where future growth is likely to occur. Digital Equipment Corp. has done so much better ... than most other computer companies (including IBM) ... because it concentrated its innovations on the growth markets in data processing. (p. 264)

The third set of measurements ... measures productivity. (p. 265)

It relates the input of all major factors of production – money, materials, people – to the "value added" they produce, ... the ... value of total output of goods and services minus whatever is spent buying supplies, parts, or services ... . (p. 265)

... the productivity of different segments within each factor needs to be measured, e.g. blue-collar labor, clerical labor, managers, and service staffs. (p. 265)

Ideally, the productivity of each factor should increase steadily. (p. 265)

Increased productivity in good times is then paid for by decreased productivity ... in ... depressed times. (p. 265)

Since 1973, the rate of productivity increase has been falling steadily ... . (p. 265)

The company that systematically concentrates on its productivity is almost bound to gain competitive advantage ... fast. (p. 265)

... liquidity and cash flow. ... . There are ... many businesses ... that have to abandon the most profitable developments because they run out of cash. (p. 265)

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... increased profits, e.g., through rapid expansion of sales volume, which weakens rather than strengthens liquidity and cash position, is always a danger signal. (pp. 265 – 266)

... a liquidity crunch is ...more damaging than a profit crunch. In a profit crunch a company ... sells off ... its least profitable ... businesses or products. In a liquidity crunch it ... sells it most profitable or most promising units, since these bring in the most cash soonest. (p. 266)

... a business's profitability. Profitability measures show the capacity of a company's resources to produce a profit. (p. 266)

The easiest way ... is ... to show operating profits on a 36 months' rolling basis ... . the profitability trend is then projected three ways to test its adequacy: (a) cost of capital; (b) new ventures, new products, and new services (is profitability going up at these margins, or is it declining?); and (c) the need for profitability to be tested in respect to its quality and composition. (p. 266)

... profitability can be raised ... more easily by increasing the turnover of capital – either by reducing the capital needed to produce, market and service a given unit of output or by making the same capital serve a broader volume of output or a wider range of markets – than by increasing profit margins. (p. 267)

What matters ... is ... the trend – what mathematicians call the "slope" of the curve – that the measurements ... give ... . (p. 267)

Without such information a business does not ... know how it performs and ... the need to take corrective action. (p. 267)

These measurements of performance give control. They should be on the desk of every CEO or on the walls of his chart room the second Monday of every third month. (p. 267)

35. R & D: The Best Is Business Driven

... R&D spending no longer correlates with business results. (p. 269)

The smallest of the ... electrical manufacturers, Sweden's ASEA, has so successfully innovated as to become a world leader in three highly competitive fields: electrical locomotives, direct-current transmission, and industrial robots. (p. 270)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

... the successful innovations ... are now being turned out by cross-functional teams with people from marketing, manufacturing and finance participating in research work from the very beginning. (p. 270)

Since the industrial research lab was created some 90 years ago ... successful R&D has been technology-driven. (p. 271)

... the technology-driven approach is becoming unproductive. We increasingly need a "business-driven" R&D strategy. (p. 271)

ASEA based its R&D on business strategy ... . (p. 271)

The best example of a business-driven R&D strategy is ... the way David Sarnoff, the builder ... of RCA, created color television. In the mid-'40s ... Mr. Sarnoff foresaw the color-TV-set market, thought through what the product would have to be to satisfy customers – in price, color fidelity, channel capacity, appearance and size – and then worked out the science and technology required to produce such a set. (pp. 271 – 272)

... Mr. Sarnoff ... put to work extremely small teams of highly competent people, and had color TV in 12 years. (p. 272)

The Japanese ... coping Mr. Sarnoff, ... used the same strategy to develop the videocassette recorder: they started out with a business goal and a business strategy and then put very small teams of highly competent people to work on the new science and technology needed. ... . The Japanese now own a multibillion-dollar VCR consumer business worldwide. (p. 272)

Forty years ago, manual typewriters were being replace by electric ones. But they were still typewriters, only with motors added, and produced by the traditional makers. Today word processors are taking over. The come out of computer technology and are being made by computer companies. (p. 272)

Today telephone, videotex ... , telex, facsimile, and electronic mail compete in offering electronic transmission. Each represents a different technology ... . (p. 273)

What increasingly is needed is awareness of, and concern with, science and technology outside of one's own lab, outside one's own field, outside of one's own industry. (p. 273)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

... the traditional lab ... . assumes that all the technology needed by the company can be produced by its own lab, and, conversely, that most everything its lab produces can be put to profitable use by the company. This is simply no longer true ... . (p. 273)

... since World War II, many of the technological breakthroughs to come out of Bell Labs – e.g. the transistor – have found their main applications outside of telephony. And more and more of the new telephone technology is coming from outside the telecommunications industry and its labs. (p. 273)

Siemens's one truly successful new product – the body scanner – was created not in its lab, but by a British producer, of phonograph records. (p. 273)

... the research lab may become a free-standing business, doing research work on contract for a multitude of industrial clients. Each client would then need a "technology manager" ... - someone who can develop business objectives based on the potential of technology and technology strategies based on business and market objectives, and who then defines and buys the technical work needed to produce business results. (p. 274)

... no one today ... knows how to teach technology management ... . (p. 274)

36. Sell the Mailroom: Unbundling in the '90s

More and more people working in and for organizations will actually be on the payroll of an independent outside contractor. ... all kinds of organizations, large and small are "unbundling" clerical, maintenance, and support. (p. 275)

"Temporary help" firms ... now provide computer programmers, accountants, engineers, nurses, and even plant managers. (p. 275)

Cities farm out "waste management" (once known as street cleaning and garbage disposal; even prisons are being run by private contractors. (p. 275)

The trend ... . may well be ... to farm out all activities that do not offer the people working in them opportunities for advancement into senior management. (p. 276)

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Support work is rapidly becoming capital-intensive. In manufacturing companies, the investment in information technology for each office employee now equals the investment in machinery for each production worker. (p. 276)

In-house service and support activities are de facto monopolies. The have little incentive to improve productivity. There is, after all, no competition. In fact, they have considerable disincentive to improve their productivity. In the typical organization, business or government, the ... prestige of an activity is judged by its size and budget ... .(p. 276)

An outside contractor knows that he will be ... replaced by a better-performing competitor unless he improves quality and cuts costs. (p. 276)

The people running in-house support services are also unlikely to do the hard, innovative, and often costly work that is required to make the service work productive. (p. 277)

Systematic innovation in service work is ... desperately needed ... . Each task, each job, has to be analyzed, and then reconfigured. Practically every tool has to be redesigned. (p. 277)

When Ray Kroc, the founder of McDonald's, set out to make hamburger shops more productive, he redesigned every single implement, including spoons, napkin holders, and skillets. (p. 277)

To improve productivity, hospital-maintenance companies have had to redesign brooms, dustpans, wastepaper baskets, and even sheets and blankets. (p. 277)

In building Federal Express, Fred Smith studied every single step in the collecting, transporting, and delivering of packages, and in billing for the work. And then people have to be trained and trained and trained. (p. 277)

... the productivity of support work is not likely to go up until it is possible to be promoted into senior management for doing a good job. And that will happen in support work only when such work is done by separate, free-standing enterprises. Until then, ambitious ... people will not go into support work ... . (p. 277)

(**Support work** is considered **a "back office" activity** as it does ***NOT*** contribute directly to the bottom line.)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

Forty years ago (referring to the 1950s) service and support costs accounted for no more than 10 to 15 percent of total costs. So long as they were so marginal, their low productivity did not matter. Now that they are more likely to take 40 cents out of every dollar they can no longer be brushed aside. (p. 278)

As employees of a college, managers of student dining will never be anything but subordinates. In an independent catering company they can rise to be vice president in charge of feeding the students in a dozen schools; they might even become CEOs of their firms. If they have a problem there is a knowledgeable person in their own firm to get help from. If they discover how to do the job better or how to improve the equipment they are welcomed and listened to. (p. 278)

In one large hospital-maintenance company, some of the women who started 12 or 15 years ago pushing vacuum cleaners are now division heads or vice presidents and own substantial blocks of company stock. (p. 279)

37. The 10 Rules of Effective Research

Some businesses ... get a fiftyfold, or even a hundredfold, return on the research dollar. ... . The key to success is ... . following the 10 Rules of Effective Research. (p. 281)

1. Every new product, processor, or service begins to become obsolete on the day it first breaks even. (p. 281)

2. ... being the one who makes your product, process, or service obsolete is the only way to prevent your competitor from doing so. (p. 281)

When nylon came out 50 years ago, Du Pont immediately put chemists to work to invent new synthetic fibers to compete with nylon. It also began to cut nylon's price – thus making it less attractive for would-be competitors to find a way around Du Pont's patents. This explains both why Du Pont is still the world's leading synthetic-fiber maker, and why Du Pont's nylon is still in the market ... .
(pp. 281 - 282)

3. If research is to have results, the ... distinction between "pure" and "applied" research better be forgotten. ... in industry it is meaningless ... . (p. 282)

4. In effective research, physics, chemistry, biology, mathematics, economics, and so on are not "disciplines". They are tools. (p. 282)

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... effective research demands that the project leader or research director know when and how to call on what specialist. (p. 282)

5. Research is not one effort – it is three: improvement, managed evolution, and innovation. (p. 282)

Improvement aims at making the already successful better still. ... . Improvement starts with feedback from the front line: people who actually make the product or deliver the service, sales people; and, vitally important, the users. (p. 282)

The best-known practitioners of continuing improvement today are the Japanese. (p. 283)

Managed evolution is the use of a new product, process, or service to spawn an even newer product, process or service. (p. 283)

The best-known practitioner is ... Sony, which ... evolved ... the Walkman ... out of the original tape recorder. (p. 283)

Innovation ... is the systematic use of opportunity of changes: in society and the economy, in demographics, and in technology. (p. 283)

The key to effective research is to pursue improvement, managed exploitation, and innovation simultaneously though separately. (p. 283)

The first five rules are about what to do. The last five lay down how to do it. (p. 284)

6. Aim high! ... . The Japanese control the market in videotape recorders and fax machines, both American inventions, because they set higher research goals than any American company thought attainable – in terms of product size, performance and price. (p. 284)

7. ... effective research requires both long-range and short-range results. The efforts needed are too great to be satisfied with the short-term alone. A short-term result must ... be a step in a continuing long-term process. (p. 284)

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In improvement, ... one looks for the long-term implications. One analyzes the work of the past two or three years with this question: Did successful improvements cluster around one particular application, one particular market, one design, one process, one product? This often indicates an opportunity for fundamental, long-term innovation or change. (p. 284)

8. Research ... is not a separate function. Development ... of ... products, processes, and services ... must go hand in hand with research. ... manufacturing, marketing, and service all affect research from the beginning ... . (p. 285)

In industry, in government, and in medicine, research is the search for new utility. (p. 285)

9. Effective research requires organized abandonment – not only of products, processes and services, but also of research projects. (p. 285)

... clues ... when to abandon: First, when there are no more significant improvements. Second, when new products, processes, markets or applications no longer come out of managed evolution. Third, when long years of research produce only "interesting" results. (p. 285)

10. Research has to be measured like everything else. (p. 285)

Every three years or so a company needs to review its innovative results. What did we innovate that made a difference in the wealth-producing capacity of this company? Were these innovations commensurate in numbers, quality, and impact with out market standing and our leadership position in our industry? What will our innovation results have to be in the next few years - ... in numbers, quality and impact – to give us the market standing and industry leadership we need? (pp. 285 - 286)

38. The Trend Toward Alliances for Progress

... business alliances ... . for small and medium-sized businesses they are ... becoming the way to go international, and for big businesses, they are the way to become multitechnological. (p. 287)

Alliances of all kinds are becoming increasingly common, especially in international business: joint-ventures; minority holdings ... ; research and marketing compacts; cross-licensing and exchange-of-knowledge agreements; syndicates and so on. (p. 287)

In Japan in the '60s and '70s a foreign business could gain access to the domestic market only with a joint venture. (p. 287)

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A few years ago (in the late '80s) AT&T entered an alliance with the Italian telephone monopoly to reach a European market dominated by government monopolies. (p. 288)

... alliances are ... the way to get access to people with the know-how. ... research pacts between ... universities and large ... businesses are good examples. (p. 288)

... there are the international alliances within industries. (p. 288)

All three big U.S. auto makers have substantial minority holdings in independent Japanese and Korean car makers and sell on the U.S. market, under their own name plates, cars made by these Asian "friends". (p. 288)

Before the alliance is completed, all parties must think through their objectives and the objectives of the "child". Do they want the joint enterprise eventually to grow into a separate, autonomous venture? Do they agree from the start that it will be allowed ... to compete with one or all parents? If so, in what products, services, markets? (p. 289)

(The objectives must be revised three to five years for each parent and for the joint enterprise, and more often if the joint enterprise does really well.) (p. 289)

Equally important is advance agreement on how the joint enterprise should be run. Should profits, for instance, be plowed back? Or should they be remitted to the parents as fast as possible? Should the joint enterprise develop its own research? Or should it contract for its research exclusively with one or both parents? In whose name will research results be patented – in that of the university that furnishes research scientists and lab, or that of the company that pays the bill? (pp. 289 - 290)

Next, there has to be careful thinking about who will manage the alliance. ... the joint enterprise has to be managed separately. ... the people in charge have to have incentives to make it successful. (p. 290)

The alliance ... has to be managed by *one* of the partners. (p. 290)

... it has to be clear from the beginning that the people who manage the joint enterprise are measured solely by its performance. Their individual responsibility has to be to the joint enterprise, not to one of the parents. (p. 290)

Each partner needs to make provisions in its own structure for the relationship to the joint enterprise and the other partners. ... the joint enterprise ... management people must have access to someone in the parent organization who can say "yes" or "no" without having to go through channels. (p. 291)

The best way, especially in a large organization, is to entrust all such "dangerous liaisons" to one senior executive. (p. 291)

Finally, there has to be prior agreement on how to solve disagreements. Orders from the top do not work in an alliance. The best way is to agree, in advance of any dispute, to an arbitrator whom all sides know and respect and whose verdict will be accepted as final by all of them. He should be empowered to go beyond the specific issue in dispute. He should be able to decide ... that each party is entitled to buy out the other according to a prearranged formula. ... to recommend that the joint enterprise be liquidated or that it become a separate business independent of its parents. (p. 291)

39. A Crisis of Capitalism: Who's in Charge?

"Corporate capitalism" was the buzzword of the 1960s. (p. 293)

What finished off corporate capitalism was the emergence of the "institutional investor"- primarily the pension fund as the controlling shareholder in the U.S. publicly owned corporations. ... pension funds ... own a third of the equity of all publicly traded companies in the U.S. and 50 percent or more of the equity of the big ones. (p. 294)

Stock ownership has ... become more concentrated than ... ever before ... . any business that needs money ... has to be managed to live up to the expectations of the pension-fund managers. (p. 294)

... a pension-fund manager has ... to focus on the very shortest term ... his performance ... judged quarter by quarter. This is because the earnings of the ... company whose pension fund is being managed, depend ... on the short-term performance of the pension fund. If it shows substantial short-term gains, the company's liability for its pension-fund contribution goes down that year and its ... profits go up. ... if the pension fund ... underperforms, the company's liability for pension-fund contribution goes up and its earnings go down. (pp. 294 – 295)

Company managements thus put relentless pressure on their pension-fund people to produce immediate gains; the pension-fund people, in turn, pressure the managements of the companies in which they invest to produce short-term gains. (p. 295)

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If a raider offers a little more for a stock than its current market price, fund managers are legally obligated to say "yes". (p. 295)

Corporate capitalism promised that large corporations would be run in the interests of a number of "stakeholders". Instead, corporate managements are being pushed into subordinating everything ... to immediate earnings ... . corporate capitalism has turned into "speculator's capitalism". (p. 295)

Management ... must ... be accountable. ... . top managements spurned the ... safeguard that ... provided ... accountability: a strong, independent board able ... to set performance standards and to remove any management not living up to them. (p. 295)

Speculator's capitalism is ... not ... very good for the shareholder. .... the pension funds. ... are forced to sell their holdings to the raider in the hostile takeover. ... they then refuse to stay interested in the company that has been taken over. ... . They know why; many ... businesses are doing less well a year ... later ... . (pp. 295 – 296)

... the evidence is ... that the short-term focus is bad ... for the pension funds. ... most pension funds have done ... poorly, and at best no better than the stock market. ... . their short-term focus forces pension funds to underperform ... . (p. 296)

... there is little doubt that the short-term focus that speculator's capitalism imposes on managements is deleterious to both ... business and the ... economy. ... . One example is video-cassette recorders, invented ad developed in America. No U.S. company now produces VCRs; they all abandoned the field to the Japanese. The only reason was that the recorders would not have yielded immediate gains but would have required a few years of investment. (p. 296)

The damage is greatest ... in the fast-growing, middle-sized high-tech ... firm that needs to put every available penny into tomorrow – research, product development, market development, people development, service ... . (p. 297)

... are the institutional investors really owners? They have no interest whatever in the business: all they care about is making a quick buck. (p. 297)

... the pension funds can decide freely only on buying. When it comes to selling, they cannot say "no"... . (p. 297)

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... as Senator Cohen notes, it would take ... one major scandal to ... forbid a company to treat gains in its pension plan as earnings ... . (p. 298)

Corporate capitalism failed ... because under it management was accountable to no one and for nothing. (p. 298)

... the first social responsibility for a business is to produce a profit adequate to cover costs of capital and with them the minimum costs of staying in business. Adequate profitability alone can provide for the risks, growth needs, and jobs of tomorrow. These needs are all, however, long-term rather than short-term. (pp. 298 - 299)

40. The Emerging Theory of Manufacturing

... we can specify the "post-modern" factory ... . Its essence will ... . be conceptual – the product of four principles and practices that together constitute a new approach to manufacturing. (p. 301)

Each concept has its own objectives and its own kinds of impact. (p. 301)

The new manufacturing accounting let us make production decisions as business decisions. (p. 301)

The ... module, organization of the manufacturing process promises to combine the advantages of standardization and flexibility. (p. 301)

... the systems approach embeds the physical process of making things ... in the economic process of business, ... the business of creating value. (p. 301)

The most widely publicized of these concepts, Statistical Quality Control (SQC) ... . rests on statistical theory ... . designed ... for the zero-defects mass production of complex telephone exchanges and telephone sets. (p. 302)

... SQC is a rigorous, scientific method of identifying the quality and productivity that can be expected from a given production process ... so that control of both attributes can be built into the process ... . In addition, SQC can instantly spot malfunctions and show where they occur – a worn tool, a dirty spray gun, an overheating furnace. ... it can do this with a small sample, malfunctions are reported immediately, allowing machine operators to correct problems in real time. Further SQC quickly identifies the impact of any change on the performance of the entire process. Finally, SQC identifies

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where and often how, the quality and productivity of the entire process can be continuously improved. ... it is *kaizen*, the Japanese term for continuous improvement. (pp. 302 – 303)

Japan's major productivity gains are the result of social changes brought about by SQC. (p. 303)

... the introduction of SQC ... always increases the number of machine operators. ... this increase is offset many times over by the sharp drop in the number of ... inspectors ... but also ... repair crews ... . (p. 303)

... first-line supervisors ... are gradually eliminated, with only a handful of trainers taking their place. ... SQC make it possible for machine operators ... to act effectively on the information that SQC constantly feeds back. (p. 303)

... SQC rigorous methodology ... deliver built-in process control ... . (p. 304)

Quality circles, ... invented and widely used in U.S. industry during World War II, have been successful in Japan because they came in after SQC had been established. ... . In contrast, ... U.S. quality circles ... have failed ... . The reason? They were established without SQC , ... , without rigorous and reliable feedback. (pp. 304 – 305)

... the United States has lacked the methodology to build quality and productivity into the manufacturing process. (p. 305)

... manufacturing accounting will ... . integrate manufacturing with business strategy. (p. 305)

Manufacturing cost accounting ... is the third leg of the stool – the other legs being scientifi management and the assembly line – on which modern manufacturing industry rests. (pp. 305 – 306)

... cost accounting ... . is American in origin. ... cost accounting ... gave GM and GE the competitive edge ... . Following World War II, cost accounting became a major U.S. export. (p. 306)

... cost accounting is based on the realities of the 1920s, when ... blue-collar labor accounted for 80 percent of manufacturing costs ... . cost accounting equates "cost" with direct labor cost. Everything else is ... overhead. (p. 306)

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... direct labor cost in up-to-date plants ... is down to 18 percent. And 8 to 12 percent is fast becoming the industrial norm. (p. 306)

... cost accounting systems are still based on direct labor costs ... . The remaining costs - ... 80 to 90 percent – are allocated by ratios that ... are ... arbitrary and ... misleading: in direct proportion to a product's labor cost ... or to its dollar volume. (p. 306)

Second (limitation), the benefits of a change in process or in method are ... defined in terms of labor cost savings. (p. 306)

Even more serious is the third limitation ... . traditional cost accounting measures only the costs of producing. It ignores the costs of nonproducing ... . (p. 307)

Standard cost accounting assumes manufacturing process turns out goods 80 percent of the time. But ... with ... SQA, nonproducing time consumes far more than 20 percent of total production time. In some plants, it accounts for 50 percent. (p. 307)

... nonproducing time costs as much as producing time does – in wages, heat, lighting, interest, salaries even raw materials. (p. 307)

Finally, manufacturing cost accounting assumes ... . Cost savings in the factory are "real". The rest is "speculation" ... . In effect, traditional cost accounting can hardly justify a product *improvement*, let alone a product or process *innovation*. (p. 307)

What triggered the change to the new manufacturing accounting was the frustration of factory-automation equipment makers. ... numerically controlled machine tools ... could rapidly change tools, fixtures, and molds. The benefits of automated equipment ... lie ... in the reduction of nonproducing time by improving quality (... getting right the first time) and by sharply curtailing machine downtime in changing over from one model or product to another. But these gains cost accounting does not document. (p. 308)

Out of this frustration came Computer-Aided Manufacturing – International, or CAM-I ... a new cost accounting system. (p. 308)

... it became apparent ... . Labor costs are ... the wrong unit of measurement in manufacturing. But ... so are all the other elements of production. The new measurement unit has to be time. (p. 308)

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The costs for a given period of time must be assumed to be fixed: there are no "variable" costs. Even material costs are more fixed than variable, since a defective output uses as much material a good output does. The only thing that is ... variable ... is how much time a given process takes. And "benefit" is whatever reduces that time. (pp. 308 – 309)

... in the traditional cost accounting system, finished-goods inventory costs nothing because it does not absorb any direct labor. It is treated as an "asset". In the new manufacturing accounting, however, inventory of finished goods is a "sunk cost" ... . Stuff that sits in inventory does not earn anything. In fact, it ties down expensive money and absorbs time. As a result, its time costs are high. The new accounting measures these time costs against the benefits of finished-goods inventory ... . (p. 309)

... manufacturing accounting ... faces the ... fourth limitation ... : its inability to bring into the measurement of factory performance the impact of manufacturing changes on the total business – the return in the marketplace of an investment in automation, ... , or the risk in not making an investment that would speed up production changeovers. (p. 309)

... these business impacts have to be integrated ... into manufacturing accounting. ... the new accounting will force managers, both inside and outside the plant, to make manufacturing decisions as business decisions. (pp. 309 – 310)

The plant of 1999 (of the future) will be a "flotilla" consisting of modules ... . each module will have its own command and control. And each ... will be maneuverable both in terms of its position in the entire process and its relationship to other modules. (p. 310)

This organization will give each module the benefits of standardization and ... the whole process greater flexibility. Thus it will allow rapid changes in design and product, rapid response to market demands, and low-cost production of "options" ... in fairly small batches. (p. 310)

In these (Japanese and Ford) plants, the (assembly) line still exists, but it is discontinuous ... . The new equipment is ... used to speed changes, ... automating changeovers of jigs, tools, and fixtures. So the line has acquired a good bit of flexibility of batch production without losing its standardization, Standardization and flexibility are ... no longer an either-or proposition. They are ... melded together. (p. 311)

This means a different balance between standardization and flexibility ... for different parts of the manufacturing process. ... . What is required is a reorganization of the process into modules, each with its own optimal balance. (p. 311)

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With ... product life cycles shortening ... , changes ... have to be done fast. Hence, the ... modular organization. (p. 312)

... this (new) organization ... . requires ... different communication and information. In the traditional plant, each sector and department ... . reports what upstairs has asked for. In the factory of 1999 (of the future), sectors and departments will have to think through what information they owe to whom and what information they need from whom. A good deal of this information will flow sideways and across department lines, not upstairs. The factory of 1999 (of the future) will be an information network. (p. 312)

... all the managers in a plant will have to know and understand the entire process ... . In the factory of 1999 (of the future), managers will have to think and act as team members, mindful of the performance of the whole. ... they will have to ask: What do the people running the other modules need to know about the characteristics, the capacity, the plans, and the performance of *my* unit? And what ... do we ... need to know about theirs? (p. 312)

The last of the new concepts transforming manufacturing is system design in which the whole of manufacturing is seen as an integrated process that converts materials into goods ... . (p. 312)

In ... the new manufacturing system ... . its parts are independent – independent suppliers at one end, customers at the other. Nor is it plant centered ... . The new system sees the plant as little more than a wide place in the manufacturing stream. Planning and scheduling start with shipment to the final customer ... . Delays, halts, and redundancies have to be designed into the system – a warehouse here, an extra supply of parts and tools there, a stock of old products that are no longer being made but are still occasionally demanded by the market. These are necessary imperfections in a continuous flow that is governed and directed by information. (p. 313)

... the plant must be redesigned from the end backwards and managed as an integrated flow. (p. 314)

Just-in-time delivery, ... forces mangers to ask system questions: Where in the plant do we need redundancy? Where should we place the burden of adjustments? What costs should we incur in one place to minimize delay, risk, and vulnerability in another? (p. 314)

As soon as we define manufacturing as the process that converts things into economic satisfactions, it becomes clear that producing does not stop when the product leaves the factory. Physical distribution and product service are ... part of the production process and should be integrated with it, coordinated with it, managed together with it. It is ... recognized that servicing the product must be a major consideration during its design and production. (pp. 314 – 315)

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Every manager in tomorrow's manufacturing business will have to know and understand the manufacturing system. (p. 315)

In the new manufacturing business, manufacturing is the integrator that ties everything together. It creates the economic value that pays for everything and everybody. (p. 316)

... the greatest impact of the manufacturing systems concept will ... be ... on the transformation of *functional* managers into *business* manager, ... all members of the same production ... cast. (p. 316)

In the systems concept, the factory ... is a stage in a process that adds economic value to materials. (p. 316)

... the factory cannot ... be ... designed ... until the entire process of "making" - all the way to the final customer – is understood. (p. 316)

... the flotilla (modular) concept focuses on organization design and work flow. (pp. 316 – 317)

... the manufacturing process is a configuration, a whole that is greater than its sum of the parts. (p. 317)

... even managers with no business responsibility ... will have to manage with an awareness of business considerations well beyond the plant. And every manufacturing manager will be responsible for integrating people, materials, machines, and time. (p. 317)

... every one of these concepts **defines performance as productivity** and conceives of manufacturing a the physical process that **that adds economic value** to materials. (p. 318)

Afterword: The 1990s and Beyond

The Changing World Economy

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Governments are ... no longer performance centers. (p. 319)

A company must make up its own mind by examining its own business, its own market, its own competition and deciding where the new competition may arise ... . it must rethink strategy in contemplation of a fundamental change: location of markets, the need for expansion, alignment, and structure. (p. 320)

But New International Dynamics Do Matter

... the world is very rapidly changing its form of economic integration. (p. 320)

International trade has evolved from a complementary exchange of goods and services to an adversarial exchange. (pp. 320 – 321)

A New International Economic Order Is Emerging

... the service economy is going transnational much faster than manufacturing. (p. 323)

... in the new world economy investment is growing much faster than trade. (p. 323)

... in an investment-led world economy, a strategy based on exports is out of date. (p. 323)

... proximity to and feel for the markets have become decisive, and these require market presence and market standing. ... economic history ... teaches ... a company cannot hold a leadership position in a key market unless it manufactures there. (pp. 323 – 324)

... investment is the economic driver. (p. 324)

We still hold the nineteenth-century assumption that there is a shortage of liquid funds. The reality today is that there is a surplus. One reason is that the economics of the developed world are becoming steadily more knowledge intensive and less capital and labor intensive. Another is the enormous amount of money accumulated in small savings accounts and large pension funds. (p. 324)

... large investors are looking for places to put their money. (p. 324)

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Finance, a Model for the Future: Adapt or Die

Money, like information, knows no fatherland. (p. 325)

... the financial revolution began around 1960 ... . (p. 325)

... most people only spend less than they make once they are past the age of 50. ... income patterns are skewed so that the rewards really begin to climb when the children are grown up and the spending needs begin to go down. (p. 325)

... the right age, 50+, ... where the money is. (p. 325)

Institutional Finance Must Change Too

On the other side of the financial markets are the enormous institutions of capital, the pension funds ... . (p. 327)

... the short-term financial view (of the pension funds) is not enough to build a business. (p. 327)

The final critical question about the financial system is whether the commercial banks can survive when they can no longer make a living out of interest differentials. ... borrowers have so many different ways of raising money that the traditional commercial loan is the least attractive alternative. ... Citicorp already makes 60 percent of its money from fees, compared with 20 percent at the most for the majority. (p. 327)

The bank of the future will have no assets. It will be a market arbitrageur rather than an interest arbitrageur. (p. 328)

... the changing world economy. (p. 328)

The Knowledge Society

Information Matters

... information now penetrates everywhere. (p. 328)

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On my last ... trip to China ... . near the Mongolian border ... . At one site we held a meeting, ... at 6 o'clock ... the 22 plantation managers ... disappeared. After half an hour they came back ... . Why the interruption, I inquired, ... ? ... . "It was *Dallas* on television." (p. 328)

Information Means a New Type of Management

... information moves everywhere. ... its effects are everywhere ... . (p. 329)

... any business that has tried to organize itself around information has rapidly reduced its number of management levels by at least half ... . (p. 329)

There are good reasons why large organizations will have to become information-based. ... . The knowledge workers who increasingly make up the work force are not amenable to the command-and-control methods of the past. Another reason is the need to systematize innovation and entrepreneurship, quintessentially knowledge work. And a third is the requirement to come to terms with information technology. (p. 329)

Computers turn out data - vast amounts of it. But data is not information. (p. 329)

Information is data endowed with relevance and purpose. A company must decide what information it needs to operate its affairs, otherwise it will drown in data. (p. 329)

To organize in this way requires ... . an ... information-based organization ... . (pp. 329 - 330)

One hundred and twenty-five years ago, when large enterprises ... came into being, the only organizational structure they had to model themselves was the army: hierarchical, command-and-control, line and staff. (p. 330)

Tomorrow's model is the symphony orchestra ... . one conductor to whom every specialist instrumentalist plays directly, because everyone has the same score. ... there are no intermediaries ... and they are organized as a gigantic task force. The organization is flat (a matrix organization). (p. 330)

... one of the lessons of organizing around information is the importance of concentration to prevent people from becoming fatally confused (p. 330)

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An information-based organization must ... structure itself around goals that clearly state expectations and objectives both for the enterprise and the specialist. There must be strongly organized feedback so that every member can exercise self-control by comparing expectations with the actual outcome. (pp. 330 - 331)

... we are moving toward more concentrated organizations and units of organizations, based on much clearer business and individual goals, on self-discipline, and on systematic feedback. ... businesses will have to learn that they must build their information and communication systems up rather than down. Information becomes communication only if the recipient understands and accepts it. If information only moves down, that cannot happen. The structure must be based on the upward communication of information that enables those at the top to know what goes on at the bottom ... . (p. 331)

Changing Society: The Decline of the Servant ...

The first ... British census of 1916 ... defined lower middle class as the family that could not afford more than three servants. ... ? Servants ... in 1913 ... were the largest single employee group in any developed country. Thirty percent of all wage earners were domestic servants. (p. 331)

There is now no developed country in the world in which farmers form more than 8 percent of the population. ... 3 percent of the U.S. population ... are .. farmers ... . (p. 332)

... and the workers

... the blue-collar workers ... . Their numbers have declined by a full third in the past 20 years. (p. 332)

There are ... few manufacturing companies where blue-collar labor costs rise above 15 percent. (p. 332)

Information is not the same as automation, or ... information technology ... . the first step is rationalize the process in order to identify which machines are necessary. (p. 333)

... the blue-collar industrial worker. In 1850 he was ... a laborer hired by the hour, paid a few pennies, without social standing or political power. ... neglected and despised. By 1950 he belonged to the dominant class. He enjoyed health insurance, pensions, job security and political power ... . the brief moment of dominance is suddenly over. (p. 333)

The Learning Society Is Taking Over

... access to good jobs no longer depends on the union card, but on the school certificate. (p. 333)

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... the key is knowledge. The world is becoming ... knowledge intensive. (p. 334)

The representative product of the 1920s, the automobile, at the time had a raw material and energy content of 60 percent. The representative product of the 1980s is the semiconductor chip, which has a raw material and energy content of less than 2 percent. (p. 334)

The world is fast becoming knowledge intensive not just in the labor force, but in process. (p. 334)

... knowledge carries with it powerful responsibility ... . (p. 334)

Most Education Does Not Deliver Knowledge ...

The ... knowledge society has far-ranging implications for education. Schools will change more ... . than they have since the invention of the printed book(p. 335)

... the new learning tools are child-friendly ... . (p. 335)

By the age of eleven most children ... begin to be bored with the computer; for them it is just a tool. (p. 335)

... such powerful tools ... will force the schools to change. (p. 335)

... So Organizations Must Do It Themselves

... learning matters. The knowledge society requires that all its members be literate, not just in reading, writing, and arithmetic, but also in ... basic computer skills and political, social, and historical systems. (p. 335)

... because of the vastly expanding corpus of knowledge, it also requires that its member learn how to learn. (p. 336)

... the focus of learning will shift from schools to employers. Every employing institution will have to become a teacher. (p. 336)

In the orchestra the score tells the employees what to do, all orchestra playing is team playing. (p. 336)

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One way of educating people to a view of the whole ... is through work in cross-functional task forces. (p. 336)

... who will the managers, particularly top managers, of the information-based organizations be? (p. 336)

... how do we make this ... expensive knowledge, this new capital, productive? (p. 336)

The world's largest bank ... has invested $1.5 billion in information and communications systems. Banks are now more capital intensive than the biggest manufacturing company. (p. 336)

We are beginning to ask about productivity, output, and performance in relation to knowledge. We cannot measure it. (p. 337)

How ... do famous conductors build a first-rate orchestra? ... . The players must be craftsmen first. The second task is to create in the individuals a pride in their common enterprise, the orchestra ... . Third ... is to get the orchestra to hear ... that Hadyn symphony in exactly the same way the conductor hears it. ... there must be a clear vision at the top. This orchestra focus is the model for the leader of any knowledge-based organization. (p. 337)

Innovation and Entrepreneurship

... critical issues for managers in the knowledge society: innovation and entrepreneurship. (p. 337)

... these necessary concepts are back in fashion. ... . these two practice – for that is what they are, neither science nor art ... . (p. 337)

... the practice of entrepreneurship, like the practice of management, has its rules ad knowledge base. (p. 338)

Lessons from the Nineteenth Century's Innovative Climate

... we have to learn to make existing institutions capable of innovation. ... . if existing institutions cannot learn to innovate, the social consequences will be ... unbearably severe. (p. 338)

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Innovation Matters Because Ours Is a Knowledge-Based Society

Knowledge changes extremely fast. ... . What is new is that knowledge matters. (p. 339)

In a crafts society, ... until late in the nineteenth century, major changes occurred perhaps every 80 years. In military technology, ... a significant innovation took place every 60 years. Today, ... it is probably every 60 days. (p. 339)

We have learned to innovate because we cannot expect that the accumulated competence, skill, knowledge, product, services, and structure of the present will be adequate for very long. The change is not so much ... the pace ... . It is rather that the center of gravity of knowledge is constantly on the move. (p. 339)

... innovation ... . is equally important in every ... field of endeavour. (p. 339)

... the ... universities. To survive and be useful, they must learn how to innovate. (p. 339)

Innovation Means Abandoning the Old

What do we know about innovation? ... . It is hard systematic work. (p. 339)

Innovation depends ... on ... "organized abandonment". (p. 340)

To get at the new and better, you have to throw out the old, outworn, obsolete, no longer productive, as well as the mistakes, failure, and misdirections of effort of the past. ... . If organizations cannot get rid of their waste products, they poison themselves. They must organize abandonment, a most difficult thing to do, because most organizations develop a strong emotional attachment to the products they make. (p. 340)

There was not much technology involved in moving a lorry body off its wheels and putting it on a ship. But containerization roughly quadrupled the productivity of the oceangoing freighter and made possible the colossal expansion of world trade over the last 40 years. (pp. 340 – 341)

Installment buying, invented by a U.S. maker of farm implements to enable poorly off farmers to buy his equipment, literally transforms economies. (p. 341)

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The Zero-Based Audit

The key to innovation is to sit down every three years and systematically put every aspect of the company on trial for its life: every product, service, technology, market, and distribution channel. (p. 341)

... the service economy ... does not ... grow at the expense of the goods economy. And the fastest-growing segment of the channel is leisure. There is no developed country in which people now work more than half the hours they worked in 1910. ... leisure ... is responsible for a huge amount of goods distribution. (p. 341)

... the service economy is a distribution channel for goods, economically speaking, and distribution channels change faster than goods or services themselves. (p. 341)

The zero budgeting exercise ... demands that managers look at every process and procedure, ... every staff activity. (p. 342)

Sometimes the right thing to do is to make minor changes, sometimes to reposition the company ... . Sometimes the answer is to simplify. Where there are six product lines, perhaps they should be cut to one or two. Sometimes they should be abandoned altogether. But the important thing is to do something. At that point the organization is open to innovation. (p. 342)

Innovation Means Looking on Change As an Opportunity

Systematic innovation requires a willingness to look on change as an opportunity. Innovations do not create change. ... . Innovations that succeed do so by exploiting change, not attempting to force it. (p. 342)

In *Innovation and Entrepreneurship* (1985) I wrote that "systematic innovation ... consist in the ... organized search for changes, and in the systematic analysis of the opportunities such changes might offer for economic or social innovation." (p. 342)

I went on to identify seven sources to look out for as signs ... to innovate. Four ... are within the enterprise ... in which they operate. ... basically symptoms of change.

1. the unexpected success or failure
2. the incongruity (the discrepancy between reality as it is and reality as it is assumed to be)
3. innovation based on process need
4. changes in industry or market structure that take the people unawares

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The other three sources involve changes outside the industry or enterprise
1. demographics
2. changing tastes, perceptions, and meanings
3. new knowledge, both scientific and nonscientific. (pp. 342 - 343)

... the monthly or weekly report. ... . Most people see the first page that shows them they are over budget, but how many receive the other "first" page that shows where they are ahead of budget? They should order their accountants to produce it immediately. Without this information an organization becomes fixated on its problems. ... the first indication of an opportunity is where a company is faring better than expected. (p. 343)

Most figures and variations turn out to be not significant ... . But one out of every 20 might mean something. It might be pointing to something we did not know. (p. 343)

The most useful ... is always the unexpected, especially the unexpected success. (p. 343)

... as with other change opportunities, the important part is ... to .. ask, is this an opportunity for the company? And if so, what kind of opportunity?

Innovation Is Work Above All

Drucker's first law is that everything degenerates into work, and if it does not degenerate into work nothing gets done. ... , but first it has to be work. (p. 344)

How we organize for work on innovation ... . is a matter of systematic organization, clear strategy, and (again) hard work. (p. 344)

3M ... is a very large company which has institutionalized innovation to the extent of incorporating it into the company's goals: at any period, no less than 25 percent of its turnover must come from products invented in the last five years. It always meets this target. ... the goals are internalized. At 3M nobody gets into upper middle management who has not innovated ... . (pp. 344 - 345)

Any enterprise, no matter what its function, can today organize itself to undertake systematic entrepreneurship and purposeful innovation. (p. 345)

Personal Effectiveness

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In the light of the changing world economy, the advent of the information-based organization and the need to systematize innovation and entrepreneurship, what skills ... will an executive need to be effective ... ? (p. 345)

Skill 1: Management By Going Outside

The important thing ... is to be enough on the outside of the company to be able to stand back and draw the right conclusions. (p. 345)

When everything around the company – markets, technologies, distributive channels, and values – is in ferment of change, to wait in the office until reports arrive on an executive's desk may be too long. (p. 345)

... the next time a salesman goes on vacation, go out and take his or her place. ... . The point of the exercise is that it forces you outside, into the marketplace, where the results are. Remember there are no results inside the firm. Up to the point where the customer reorders, there are only cost. (pp. 345 -346)

The external perspective might ... prod companies to look at those who are not their customers but ought to be. (p. 346)

A firm with a 22 percent market share is the market leader in most industries. Yet the more significant figure is that 78 percent of potential customers buy elsewhere. Why? That is usually the first indication of opportunities. (p. 346)

... it is the customer who defines quality, not the manufacturer. (p. 346)

Toyota ... rewards service, so the dealer has the part in inventory and can replace it at once. (p. 346)

So the first imperative is to learn to be outside, where the results of the business take place. And the only way to be on the outside is to work, not to visit. (p. 346)

Skill 2: Find out the Information You Need to Do Your Job

... everyone in the information-based organization needs constantly to be thinking through what information he or she needs to make a valuable contribution in his or her own job. (p. 347)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

Even in the most highly computerized companies ... very few people have information. What they have is data, in such quantities that it causes information overload or blackout. (p. 347)

It is the manager's job to figure out what information he needs to identify:
1. what he is doing now;
2. what he should be doing; and
3. how he can get from (1) to (2). (p. 347)

To convert those data into information means asking what you need, from whom, when, and in what form, and making sure that those who can provide the information also know and understand their responsibilities. A manager must ask, too, what information others require from him or her. (pp. 347 - 348)

Above a very small size, every company needs the skeleton of a formal command structure. ... . information systems enable a person to organize and integrate his or her own work. They are also what someone takes control of and responsibility for. ... . The cross-functional team is the key. (p. 348)

Focus for Effectiveness

... managers should spend a little time thinking through what their company should hold them accountable for by way of contribution and results over the next 18 months. "What is the one thing that I, and only I, can do that if done well will make a difference?" (p. 348)

A clear priority is essential. Do not diversify, do not splinter, do not try to do too many things at once. (p. 348)

... the real delegation is always up. In the end, the problem comes to rest on the boss's desk. The buck stops there. (pp. 348 - 349)

The people on whom you depend must understand what it is you are trying to accomplish, and you must communicate your priorities to them. (p. 349)

Skill 3: Build Learning into the System

The third element of effectiveness is building learning into the system. (p. 349)

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In any key activity area, the first step is to set down what you expect will happen. Nine months later, the actual results are examined and compared with original expectations. (p. 349)

... feedback is the primary key to learning. ... feedback identifies strengths. (p. 349) (Feedback allows for REMEDIAL ACTION.)

When it is so organized, learning is astonishingly rapid, for the simple reason that it has focus. (p. 350)

Learning ... must be continuous. (p. 350)

It should ... be part of every manager's practice to go back to school every so often for a week at a time. (p. 350) (IT'S SO IMPORTANT TO STAY UP-TO-DATE.)

... for purposes of broadening the horizon, questioning established beliefs, and for organized abandonment, it is better to be confronted with diversity and challenge. For these, managers should be exposed to people who work for different companies and do things in different ways. (p. 350)

There are enormous opportunities, because change is opportunity. (p. 350)

We live in a very turbulent time, not because there is so much change, but because it moves in so many different directions. (p. 351)

In this situation, the effective manager has to be able to recognize and run with opportunity, to learn, and constantly refresh the knowledge base. (p. 351)

Business is about ...

Peter Drucker is renown for stating that business is about one thing: making good decisions.

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

... I design my essays and articles ... to focus on what the executive has to understand to make the right decisions ... . (p. 354) (Acknowledgements)

My Thoughts

[Kenneth Selin (say'leen)]

DISINTERMEDIATION

getting rid of the middle for quicker, more direct access leads to a matrix (flat) highly responsive structure (It's a structural purge to allows for the addition+subtraction of modular structure on an "as needed" basis allowing an organization to expand+contract in accordance to economic opportunities and conditions. (A more appropriate term might be **structural rationalization**.)

Competition

In A FREE (competitive) MARKET ECONOMY, **competition is the job growth engine** of the market place and the built-in restraint imposed on prices keeping fair and affordable. This is commonly referred to as "the discipline exercised by the market economy".

Ability to compete

The business has to develop a strong ability to compete in the market place by offering innovative products sold at a competitive price that customers

want and whose customer service and satisfaction create customer brand loyalty resulting in "repeat" business.

A business's **ability to compete** will determine its success in the market place.

To be competitive, its products and services must be **attractive enough pricewise** to build consumer confidence and provide the customer with a good experience so his/her satisfaction leads to **repeat business**.

THE COMPETITIVE ADVANTAGE goes to the companies offering **THE BEST WAGES, THE BEST BENEFITS, THE BEST VALUE** to their clients buying their products and services AT A COMPETITIVE PRICE.

Focus

The purpose of a mission statement translated into operationally measurable objectives that produce profitable results is to focus the efforts of the enterprise in a concentrated fashion so that they are as productive (effective and efficient) as possible.

Work Flow

It's all about the flow.

This is true about "good writing", but also of any process which a business represents whose output is NOT a book, but products and services that have economic value for the prospective customer designed in such a fashion that they are in demand.

The best example of this was the success of the dot-coms because the companies has great synergy that created great work flow. Work was fun and refreshing as everything went so well in terms of expectations and results.

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Good work flow is only possible when the employees are very well paid and highly trusted in a very flexible work environment that reinforces the well-being of the employees and responds to their needs speedily.

Management's *Ultimate* Goal

According to Peter Drucker, management's ultimate goal is to ***maximize the wealth-producing capacity of the enterprise.*** (p. 245)

Productivity Gains

Drucker believes **the *continued* success** of an enterprise is dependent on its **ongoing search for productivity gains.**

Work

For Drucker, everything has to be translated into "productive" work that leads to the fulfillment of a predetermined objective spelled out in the mission statement of the organization.

Trust

An organization must trust in the competence and integrity of its members and its members must trust that the organization is run competently and that they're going to be fairly compensated for their work.

Community

It is important that the work environment fosters a sense of community that validates the people working there so that everyone feels they belong and are valued.

Teams

The work force at a place of work should be divided into teams as two or more heads are better than one. The responsibility for the work is spread among members of the team. This makes work less stressful and adds to the person's sense of job security. The Swedes embrace this in the 1970s in the auto sector using cross-functional team members which meant that a member of a team was trained to replace any team member making his/her work more stimulating.

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Control

Thanks to technology a business can easily "measure" on a day-to-day basis how effective and efficient it is working and take corrective action when needed while providing it **the needed control** to allow it to plan its next steps so that it continues to be a "going concern".

"SMART" ORGANIZATIONS are those whose

INFORMATION TECHNOLOGY maximizes the work done while minimizing the time it takes.

"Risk aversion" promotes stagnation and inertia which in the 21st century will cause an organization to wither and is counterproductive when the world is fast becoming a "bicycle" economy where things are expected to happen quickly.

CHANGE provides an opportunity for innovation and simplification.

THE TREND is towards providing people with GREATER INDEPENDENCE (GREATER DEGREES OF FREEDOM).

BRAIN CAPITAL

Today's solid business relies on the **brain capital** of its knowledge workers to create knowledge-intensive products that are in high-demand.

The Progression of Business

From a **labour-intensive** business
to a **capital-intensive** business
to a **knowledge-intensive** business (the newest level).

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Market research gives you a feel for the market

====>1. find an *untapped* demand

====>2. supply the demand

An attractive offer?

Is this product or service capable of satisfying a potential customer?

Or is it a wonderful product that nobody wants to buy?

A business sells "value"(price, quality, lifestyle appeal).

VALUE CONSCIOUS

We are entering THE AGE OF SMART (investment) BUYING: the consumer wants "value" for his money and that has a lot to do with THE FUTURE WORTH of the product.
- Will it be resalable?
- Will it make him/her be more employable?

RESALABLE? Or rent it?

"The book value" of a product is the purchase price. The market value is the resalable price.

If the resalable price is zero or a lot less then the book value, it is a lot better to rent.

This means a bright future for the rental business as renting allows the customer to better preserve his/her net worth, net worth being the difference between assets (the things that are "resalable") and liabilities (the things you owe).

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CUSTOMER SATISFACTION

Customer satisfaction is **EVERYTHING!**

A business exists BECAUSE it can satisfy a customer's need "well".

It means offering a product or service satisfies the customer's need at a price that is perceived to be A BARGAIN delivered in a friendly way that facilitates **REPEAT BUSINESS** that comes from the customer believing s/he has A REWARDING RELATIONSHIP with the business.

The customer's need for the product or service is imbued in the economic value that product or service represents to the customer.

SPEED

Thanks to technology we are doing so much more, so much faster, and easier!

THE STEADY FLOW OF TECHNOLOGICAL ADVANCES (the i-phone, the i-pad, CLOUD COMPUTING ...), has QUICKEN THE RATE OF CHANGE and compressed time: in our digital, fast-paced world AN INTERNET YEAR is 3 MONTHS!

This provides businesses (that are nimble and quick) with opportunities to offer potential customers affordable, innovative products and services that will improve their wellbeing and overall quality of life.

GAIN?

What does the customer "gain" with this product or service? Is the price acceptable? Does it result in a saving?

TIME

Does the product or service offer the customer "a time benefit"? Will give him/her MORE FREE TIME?

THE ADVANTAGE?

What is THE ADVANTAGE of - GETTING THIS?
- DOING THIS?

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MOBILITY

A fundamental change in global society is the ease of mobility that allows people to readily go to where the jobs are. Back in 2000 Elections Canada reported that 1/4 of the population moves every year. To be mobile, people rent and buy what they need and not more so that they have greater facility to move around.

CONNECTIVITY

People want to know what is going on and how that affects their security and wellbeing now and in the future. So they talk to one and another more than every before because they can thanks to today's technology like the smart phone, the first being Apple's i-phone in 2007. Amazingly, 1/3 of Internet activity is talk.

THE POWERHOUSE OF CHANGE is today's

educated middle and professional classes because they're so well-informed and inherently, see change as an opportunity for something better - for an improved quality of life.

THE KEY QUESTION in analyzing an organization:

what percentage of the total "operational costs" are the wages?

KNOWLEDGE = f[INFORMATION = f(DATA)] within a framework

Information is meaningful, useful data that helps in decision making or in understanding things.
In this context, data is a unit of information.

Knowledge is the presentation of information within a framework whose context provides insight and understanding.

Data: at a particular mall
1. exactly 1 in 3 people
2. shop exactly 1.5 hours
3. spend exactly $150.

That's 3 pieces of "factual" data.

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

Information: given the daily pedestrian traffic number, the total income generated can be compared with the daily operational cost to determine its profitability on a daily basis and determine if the mall is attracting more or less people over time. The data makes this informational analysis possible.

Knowledge: these "aggregates of information" of other malls of the same size can provide city planners with "insight" on whether to approve the future construction of malls or not.

INTEGRATION

The world economy is becoming more and more about **the integration** of complementary products and services that satisfy the competing demands of the global market place.

INFORMATION TECHNOLOGY

It allows us to DO MORE, FASTER by WORKING SMARTER.

PRODUCTIVITY

It has to be "operationally measurable" in order to be able to properly evaluate performance.

NEXT MOVE?

HP bought out Compaq because it had NO IDEA as to ITS NEXT MOVE.

Apple good rid of STEVE JOBS and required a $100 million from Microsoft to stay afloat in 1999.

Apple brought JOBS back whose company was called "NEXT".

STEVE JOBS went on to TRANSFORM APPLE by making dramatic changes that lead to massive innovation that crystallized into the i-phone in 2007 and later, the i-pad: A HIGH-TECH COMMUNICATION REVOLUTION.

Thanks to STEVE JOBS, Apple in NOT ONLY back in business, it's market value hit the trillion dollar mark before very recently before dropping down to $700 billion.

THE NUMBER ONE PROBLEM facing business has always been to discern its **NEXT MOVE.**

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For Microsoft, its **NEXT MOVE** was to develop its own line of laptops. However, it has NOT integrated its Nokia phone with its laptops which is NOT even sold in its computer stores.

6-hour (or less) Work Day

The U.S. Silicon Valley was notorious for having its salaried employees working 80 hour weeks: A U.S. SLAVE LABOUR PRACTICE that burn employees out and create much resentment not to mention low morale and high job turn over. Such a dreadful practice is totally unproductive.

Toronto is North America's second most important high-tech centre after the U.S. Silicon Valley because of the rich talent that high-tech companies can get "on the cheap": my political party, the É(eh)PC, will make the "starting" minimum hourly wage $25.

The É(eh)PC will pass the **6-hour Work Day Law for salaried workers** once it's auspicious to do so.

A person doing knowledge-intensive work should not work more than 4 hours and have 2 hours to prepare for the next 4 hours of work the following work.

To deal with office automation like laptops/computers plugged into a network requires a very high degree of alertness and the multitasking that is part of the job today is very demanding, errors are to be avoided as they are so costly: their negative impact on the work flow can be a major irritant.

Today's knowledge worker has to be 100% reliable: that's the bottom.

The most important capital of a high-performing enterprise is **THE BRAIN CAPITAL** of its knowledge employees who have to be in "top shape" when at work to get the job done as quickly, efficiently, and effectively as possible and that requires a 6-hour (or less) work day.

Recreational Drugs: A NO-NO

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Knowledge-intensive enterprises ***cannot*** afford to hire employee who take recreational drugs because such a person is a liability from the get-go as s/he ***cannot*** be considered a 100% reliable employee.

40-YEAR ECONOMIC CONTRACTION

A *structural*, long-term (You're looking at possibly 40 years.) economic contraction means reduced outputs that will encourage co-ownership and co-operative living driving that will transform the global village into a tightly knitted, highly collaborative global community seeking the greatest economic good: those will the largest families and the most friends will LIVE THE BEST!

The road to wealth and fortune will be THE SMALL BUSINESS.

A strong microeconomy of small businesses will ensure economic prosperity. For that reason, ***the* priority of the É(eh)PC Gov't** will be to encourage the creation of small business (They created 80% of the jobs in Canada.) and the promotion of their "tax-free" products and services.

INVESTOR CONFIDENCE

INTERNATIONAL INVESTMENT

... investment is the economic driver. (p. 324)

International trade had been steadily slowing down ... . But international investment is booming ... . It has now become the dominant factor in the world economy. (p. 37)

... trade is increasingly becoming dependent on investment. (p. 37)

... large investors are looking for places to put their money. (p. 324)

The major force behind world investment is ... human resources. (p. 39)

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

... world investment will ... grow ... faster than world trade. (p. 40)

We ... have ... an international economy ... fueled by world investment rather than by world trade. (p. 40)

... new world economy. (p. 40)

Foreign investors will find Canada a "safe" place to invest when the 100% financially transparent, democratic É(eh)PC Gov't is in power because there will be "ZERO" POLITICAL RISK.

INVESTOR CONFIDENCE drives investment.

Foreign investors (like Google and Amazon) are finding Canada a "good" place to invest because of "the high quality" of the people they can hire.

Peter F. Drucker's Diction

legitimacy	***restructure***	**expectations**	reciprocity	operational impact
economic conditions	the way the markets works	investment-led growth	knowledge-intensive products	socially responsible
reshaping	**stagnation**	resource allocation	export volume	receptivity
reinvent	information flow	needs analysis	export-led growth	**wage costs**
future growth	need focus	market size/share	investment flow	**fast-moving**
1973 oil	product's appeal	service standards	capacity	impact?

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care	demand	rhetoric	opportunity	**refocus**
saleable	effective	strategic decisions	requirements	think
the promise	**competitive**	profitability trend	dominate	**usable**?
the cause	social impact	business trend	marketing strategy	transition
the trend	growth markets	product range	pattern	**prospecting**
the micro-economy	market driven	ethical	**create value**	mystique
the turnover of $$$	**speed**	the China card	performance	money-conscious
market demands	**a captive market**	**natural markets**	bargaining power	shock wave
flexibility	distinctive	strong position	**fast-growing**	**job satisfaction**
spending power	**anachronistic**	**antiquated**	**return on sales**	**market testing**
the ***new*** reality	**excellence**	exercise control	obsolete	Social Security
economic satisfaction	industrial production	transnational economy	in a ferment of change	organizational chart
unprecedented	plummeted	hoarded	**data overdrive**	frustrate
corporate capitalism	short-term fluctuations	cultural imperialism	**cash-rich company**	the developed world
dynamics	major driving force	self-contained	**a shock wave**	in all likelihood
long-term value	cost structure	rapid changes	world dominance	Confound
world affairs	precedent	spawned	upstage	Aberration
foundation	downgrade	market penetration	vigorous	the front-runner
labor-intensive	***price advantage***	triggered	life-threatening	masks
substantial	slump	knocked-out	world-market share	***capacity***
noncompetitive	sapped	depriving	defenceless	a serious contender
competitive strength	the dominant factor	***raw-material content***	***marketing pressures***	product development
barring	fuelled by	frowned on	feeble attempt	adequate attention
international law	truism	fashionable	cash cow	contention
cash demands	high-value goods	star performer	explosive growth	impressive
peaked	unheard of	***INCENTIVE***	flounder	foreign branches
glaring	a world leader	**decisive**	underlies	spectacular
exemplified	intensify	intensive	heightened demand	merge
positioning	prefigured	opt for	least likely	ally
loom	risky	critical	unchanged	doubly difficult
entangled	equally clear	supercompanies	***rationale***	tremendous

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

competing	asinine	unpopular	**induce**	counterproductive
glimpse	clout	pervasive fear	**evolve**	exorbitant
keep out	whip up	the central problem	muscle out	unbeatable
horrendous	howled	flaws	eminent	dominant theory
prohibitive	dubious	highly popular	attest	biting contempt
superb irony	bestowed	much lamented	prowess	glut
skyrocket	viable option	drastic	count on	obstacles
mythical	**overcapacity**	political risk	expose	impose
stellar performance	danger	massive	enticed	food relief
pent-up demand	**unproductive**	overstaffed	loss-making	crucial
backbone	cushion	startling	countervailing	outgrowing
misgovernment	strenuous	restrictive controls	growing resistance	political upheaval
cleavage	in transition	unnoticed	startling success	standard of living
quality of life	disposable income	purchasing power	argue	expansion
the average income	no matter	a telling example	star billing	meteoric rise
time-consuming	winnow out	strategic planning	job enrichment	paperwork
unforgivable	power base	understandably	grandiose	secondary
production jobs	a good many	bemoan	reversal	damaging
short-lived	signals	time-server	compatible	skyline
2-way video	commercial center	permissive	self-assured	inner-city jungle
social standing	bellwether	conceded	overwhelming	counterpoint
transform	transcending	sunk cost	defect	cost advantage
smoke screen	growing conviction	staggering	a liability	a drag
absurd	social capital	emulate	indirectly	exploit
lackluster	market trends	style trends	variant	right advice
hedged in by	newcomers	redundant worker	more costly	so far
conventional	conceal	until recently	intangible	job growth
forced by	tunnel vision	job security	cost analysis	cost accounting
high standards	surmountable	infinitely	seasoned	sizable
hard-liners	glowing	sabotage	unrelated	inconceivable

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

the clear realization	taking responsibility	lifetime employment	a competitive market	the natural driving force
unreceptive	chock-full	political control	tactics	discussion
urged	true cost	malfunction	inefficient	bloated
concessions	fictitious	persistent	distorted	paralyzes
policymaker	vast	popular support	emerge	at the behest
totally unprepared	the sharp turn	eliminated	career ladder	Proportionately
a near vacuum	alienated	propelled	a drastic change	service staff
traumatic	afloat	the new masters	routinely	manageable
salvaged	perpetuate	misuse	take for granted	safeguard
assuaged	a marketing sensation	lead time	impute	deficient
in depth	security blanket	bellyache	rank-and-file workers	promotion track
corporate culture	deeply ingrained	discredited	unmistakably	well-meaning
hand over fist	amazing	turnaround	policy manuals	scores
rethink	swindle	spot checks	obvious	excess
prune	big-ticket item	a material factor	sales volume	limitless
spectrum	well managed	first-rate	generic	diffuse
muddle through	emasculate	complex	publicity-shy	guerrilla warfare
in-depth	implications	anathema	preestablished	hygiene
clash	widespread	chasm	fairly simple	indispensable
successor	unpalatable	contradict	dedicated	affluent
foot soldier	reliable	time tested	prerequisite	prominent
stakeholder	inflict	remains suspect	sounds realistic	life span
staying power	allure	wishful thinking	brink of insolvency	crisp
commonly believed	profit conscious	superior to	proven practice	outlined
modeled on	handles	ignore	vague	fuzzy
exceedingly	starting point	A BIG DEAL	misleading	unreliable

Quotes from Peter F. Drucker's ***Managing for the Future: The 1990s and Beyond*** © 1992

abate	fast becoming	**market-driven**	enabled	dependable
market-driver	**fundamental change**	magic formula	**social repercussions**	commercial success
shield	spillover	second-rate	questionable	resounding flop
salable	**niche markets**	a danger signal	think through	gauge
cower under	miss the mark	**prospects**	**free enterprise?**	predicted
proponent	side effect	repudiate	inadequate	prevailed
economic conditions	**economic value**	formidable reservoir of money	guiding principle	up in the air
circumstances	adversarial	It flies in the face	advanced	misread
extensive	unclear	strange beast	mild bout	flourish
curtail	bestride	never mind	gigantic	then-new
decline	neglect	unthinkable	despise	continuum
pygmies	symptomatic	reactionary		