

The Essential Drucker - Chapter 8 and 9

Manfred Bortenschlager
manfred.bortenschlager@salzburgresearch.at
0320588

Clemens Draschl
c.draschl@conova.com
0221738

Thomas Kurz
thomas.kurz@fh-sbg.ac.at
0321572

Abstract

This paper represents the summary of two chapters of Peter F. Drucker's book "The Essential Drucker" [Dru01] published in 2001, namely:

- *Chapter 8: Management by Objectives and self-control*
- *Chapter 9: Picking People - The Basic Rules*

This work was done by Bortenschlager Manfred, Draschl Clemens and Kurz Thomas within the scope of the course VP: Projektmanagement by Prof. Wolfgang Pree.

Contents

1 Chapter 8: Management by Objectives and self-control	1
1.1 What Should The Objectives Be	1
1.2 How Should Objectives Be Set and by Whom?	2
1.3 Self-control through Measurements .	2
1.4 The Proper Use of Reports and Procedures	2
1.5 A Philosophy of Management	3
2 Chapter 9: Picking People	3
2.1 The Basic Rules	3
2.2 The Basic Principles	3
2.3 The Decision Steps	3
2.4 High risk decisions	4

3 Conclusion	5
---------------------	----------

Bibliography	5
---------------------	----------

1 Chapter 8: Management by Objectives and self-control

The chapter starts with the story of three stonecutters who were asked what they were doing. The first answered: I am making a living. The second kept on working and said: I am doing the best job of stonecutting in the entire county. The third, however, looked up visionarily and replied: I am building a cathedral. So, who of these is the true manager? According to Peter Drucker, the third one, because he has a broader scope looking at the overall goal. The first man knows what he wants to get out of the work and manages to do so. The second man however represents a problem. Workmanship is obviously essential, but there is a danger in separately considering ones job or task and not having the big picture in mind. The effect might be lack of motivation (c.f. assembly line-like work) or a misdirection of workmanship. Thus, according to Peter Drucker, it is essential too, to provide people with information, to give them the overall company goals. So that they get an impression what they are working on.

1.1 What Should The Objectives Be

There is of course no global answer to this question. Each case, each company has to define its objectives separately. However, the important thing is to have

ones at all and to clearly spell them out. People should be aware of them and understand them. Thus, each employee should identify with the company, its goals and the strategies to reach these goals. Furthermore each company should introduce short-term as well as long-term objectives and should not only speak about them, but really incorporate them into the daily lives and routines within the company. Right from the start, an emphasis should be on teamwork and team results.

1.2 How Should Objectives Be Set and by Whom?

First of all, a pre-condition for management by objectives is the right structure and appropriate interfaces between the units and groups within a company. A tight coupling of the different levels up the hierarchy is essential. Basically, communication bottom-up has to be preferred against top-down. Some kind of measurement is inevitable here to have a possibility for control and feedback. Communication and feedback has to be provided into both directions here.

One mean to realise that and to reach a tight coupling is the so-called managers letter. About twice a year every manager writes a letter to his superior, which contains his and his superiors objectives as he sees them, a list of performance standards, strategies he derives from the goal for himself and the major obstacles he and his group has to overcome to be successful. Both the manager and his superior have to agree on that letter and then it represents some kind of contract to both. This procedure can be deployed on every level of management from top-management down to the foremen. Mutual understanding and agreement, however, is essential for this method to succeed and to be efficient. This method does not prevent from problems, but it brings them out in the open and shows inconsistencies and provides a starting point for further talks, for initiating a rethinking or shows where behavior has to be changed.

1.3 Self-control through Measurements

One of the most important advantages of management by objectives is that managers can control their own performance. It gives managers the opportunity

to do both, climbing to higher performance goals and having the broader vision of the companies objectives. That are the basics for making management by self-control possible. But what does that mean?

Management by self-control is not only pushing decisions down to the lowest possible level or paying people for results. Enabled by a change of traditional thinking and practices, self-control reaches a much higher efficiency of each manager and enables them to get the feedback he needs for improving himself. Goals have to be defined to measure performance and results even they dont have to be rigidly quantitative or exact. But they have to be clear, simple, and rational.

The term management by self-control implies the self controlling part of this concept. Furthermore, the feedback which a manager can get through monitoring his goals and results contains data which has to be controlled only by the manager himself. It must not be used to put pressure on the manager but should be used to improve the efficiency and performance of management.

1.4 The Proper Use of Reports and Procedures

The history of reporting as a part of project management reflects a lot of misuse of that field. Nevertheless, that enables a good basis for learning how we could avoid problems of the use of reports and procedures. There are three common misuses of reports and procedures:

First, people often think that procedures are instruments of morality. Procedures do not include WHAT should be done, but HOW something maybe most efficiently could be done. It is not possible to proceduralise conduct.

Second, people consider procedures as a substitute for judgement. As they have a procedure for something they want to push every process within this procedure, but trying to proceduralise non-routine situations fail.

The third and most common misuse is the usage of reports and procedures as a instrument of control from above. If reporting is used to control the work of people and this work is measured only on the quality of reports, managers optimise along this criteria because they are measured by that. The result is, that managers improve the writing of reports instead of focussing on

the improvement of managing projects.

Reporting is a part of project management which should only be used by the managers which are working with these procedures. Therefore, every five years every form should be put on trial of its life. Managers only need forms which would be requested by them, when they were removed.

1.5 A Philosophy of Management

There are four reasons why Peter F. Drucker calls management by objectives and self-control a philosophy of management.

1. It rests on the concept of the job of management.
2. It rests on analysis of specific needs of the management group and the obstacles it faces.
3. It rests on the concept of human action, human behavior, and human motivation.
4. It applies to every manager and every business whether large or small.

2 Chapter 9: Picking People

Employees form the capacity of an organisation. They are the ones who build the sellable products. They form the main part of the crew. there is hardly any manager who configures a webserver or types thousands of lines of code himself. Therefore one of the responsibilities of every manager is to recruit high level professionals for creating top-quality products

2.1 The Basic Rules

It is not enough to lead people. It is the heart that people respond to. They dont follow their manager because he or she is clever or he or she is always right. They follow them because they love them or at least parts of them.

Soul builds a team and gives the opportunity to do work in a convenient environment. The manager has to take care about his team members and should provide them a space where everyone can contribute his or her talents in the most efficient way.

Nevertheless, there is an even more abstract and almost not measurable criterion which is needed to be a

manager: gut. It is difficult to explain what gut is all about, but therefore DeMarco[DeM97] gives the following example: You consider someone for a key position and he or she looks fine on paper, but something tells you to keep on looking. That something is your gut.

The fourth criteria is quite easy to explain: Managers must have a nose for new and interesting products.

For picking people the most important thing is gut. Probably that is the reason why it is on one side so important to do the right decision which people you pick for which job and on the other hand why it is so difficult to find managers who make the right decisions.

2.2 The Basic Principles

Beside the quite abstract principles which are essential for management and the fact that a lot of gut is needed to do the right decision on people there are some basic rules in this field:

If a person does not perform in his job it is the fault of the manager. Picking people and putting on the right work is one of the tasks of a manager. Furthermore, it is the duty of the manager to make sure that people perform. No decision in project management is as important as recruiting people. The central issue of management are people, but moreover, there is no decision that is longer lasting, more difficult to unmake and influences the performance and capacity more than picking people so make decisions well!

The last principle is: Dont give new people major assignments. If a newcomer is involved in a project put him into an established position where the expectations are known and help is available. That enables the recruited person to have a good start into the ongoing project work and minimises the risk of failures.

2.3 The Decision Steps

Although the basic principles were given before, it's more important to follow these five steps:

Think through the assignment. Every job has its own description, mostly written by a manager. This document may consist only of two or three letters but also of 30 or more, dependent on the

covered job. Job descriptions may change during the rise or continuation of a company, so it is important to think about how to fill the position. Over the years it is quite possible that exactly this job is useless and that two employments can be merged.

Look at a number of potentially qualified people.

It is always a good thing if you are in the position to choose between five or more candidates for a job. Depending on the kind of job the quote of job applicants and available jobs is unequally high. A good example is the position of a teacher in secondary school just four years ago where about 4 applicants tried to gather one job. The more job-seekers are the bigger is the choice for the manager and the higher is the probability to get the right man for work. It seems to be a magic number, that at least five candidates should be interviewed.

Think hard about how to look at the candidates.

It is overall important that the strengths of a candidate perfectly fit the given requirements. If somebody is a perfect software developer who knows four languages as if he had invented them he is not the perfect applicant for a team leader whose task it is to build and lead a team to success. But one of the biggest mistakes is to focus on weaknesses. Performance only can be built on strengths not on lacks. Take a look at the key requirement and then look at the candidates. Which one is the best one in especially this requisition? The candidate which fits best is most often also the perfect one for the job.

Discuss each of the candidates with several people.

Try to reach a comrade or a former teamleader of the candidate and talk to him about the nature of business he had done before. In practice, this kind of meeting is not always possible. In that case discuss the notes and relevant information with members of your staff. By doing so it is possible to eliminate prejudice likes or dislikes. Also it is a fact that four eyes see more than two, and six even more than four. A discussion also increases the objectivity which should be enshrined throughout the whole process of

recruiting.

Awareness of the job. After successfully carrying out the previous steps someone should ask if the candidate knows his position. Is he or she really aware of his job, does he or she know what he is working on? It must be possible for the recruit to refocus after a certain period of time. Technology and companies change as the needs and must-haves on the market do. If this situation arises the employee must be able to refocus his primary knowledge to the market. This criterion is one of the most important when choosing people for jobs. Also future promotions only can be reached by doing new things, not already done ones. Everything which already has been done is old and not worth a promotion.

2.4 High risk decisions

The process of recruiting a manager is the one containing the highest risk of all. First of all the new leader must be accepted by the rest of the team. High level professionals tend to accept only people which credentials they respect. Therefore promotions should always be based on the quality of the work a promotion candidate has done. Politics are inadequate for promotions because the team members which are not promoted easily fall back into resignation. Why should I tax my brain when it's senseless because my father is not the personal manager? is an often heard sentence in appraisal interviews. That's right and fully understandable. Promotions are a probate instrument for increasing and holding motivation at a high level. Practice has shown that the quality and commitment of highly motivated employees is unequal higher than the work of unmotivated ones. A second but not less important fact is the people's temperament. An employee may be quietly doing his work without any comments and reactions but on the other hand he may be honest and telling facts straight into the face. This might be a pro or a con, depending on the kind of job. But nevertheless it cannot be underestimated and must be taken care of. Another point are misfits. There hasn't been any company without any misfits. One cannot prevent them, they suddenly arise. The only possible prevention is to correct them. On the one hand employees see that they are important to the company and

that the manager takes care of them, on the other hand employees get into interaction with the management staff when they get asked about their working environment. They feel somehow protected by the management which increases confidence and trust. One of the most underestimated facts are the so called widow-makers. This term was created by New England ship captains 150 years ago. If a ship no matter how well designed and constructed it was had a strange series of accidents nobody could explain it was not redesigned or rebuilt, it was broken up as soon as possible. In the late sixties the position of the International vice president of the US Banks was such a widow-maker. Over five or six years this job defeated four very good managers. After that this job was called a widow-maker. After a job is called a widow-maker it should be abolished because the probability that it will defeat another four men is extremely high. Also a high fluctuation on a certain job makes rumor and it will be more and more difficult to assign. A manager has to look after a somehow universal genius and that kind of person will never exist.

3 Conclusion

The core sentence of these two chapters is:

"Right people decision is the ultimate meaning of controlling an organisation well"

This sentence can be fully agreed with. Without employees an organisation is simply dead. Nothing is produced an nothing can be sold. But on the other hand a company is imperformant if the right people are on the wrong positions. So with people decisions an organisation may rise and grow, or fall and become bankrupt.

References

- [DeM97] Tom DeMarco. The Deadline, 1997. Dorset House Publishing, New York, USA.
- [Dru01] Peter Drucker. The Essential Drucker, 2001. HarperCollins Publishers Inc., New York.