

are "adversaries" or "mutually exclusive." Both are always needed and at the same time. And both have to be coordinated and work together. Any *existing* organization, whether a business, a church, a labor union, or a hospital, goes down fast if it does not innovate. Conversely, any *new* organization, whether a business, a church, a labor union, or a hospital, collapses if it does not manage. *Not to innovate* is the single largest reason for the *decline of existing organizations*. *Not to know how to manage* is the single largest reason for the failure of *new ventures*.

Yet few management books paid attention to entrepreneurship and innovation. One reason was that during the period after World War II when most of these books were written, managing the existing, rather than innovating the new and different, was the dominant task. During this period most institutions developed along lines laid down clearly thirty or fifty years earlier. This has now changed dramatically. We have again entered an era of innovation, and it is by no means confined to "high tech" or even to technology generally. In fact, social innovation—as this book tries to make clear—may be of greater importance and may have a much greater impact than any scientific or technical invention. Furthermore we now have a "discipline" of entrepreneurship and innovation (on this see my book *Innovation and Entrepreneurship* [1985]). This discipline is clearly a part of management and indeed rests on well-known and tested management principles. It applies to both existing organizations and new ventures, and to both business and non-business institutions, including government.

THE ACCOUNTABILITY OF MANAGEMENT

Management books tend to focus on the function of management inside its organizations. Few yet accept its social function. But it is precisely because management has become so pervasive as a social function that it faces its most serious challenge. To whom is management accountable? And for what? On what does management base its power? What gives it legitimacy? These are not business questions or economic questions. They are *political* questions. Yet they underlie *the* most serious assault on management in its history, a far more serious assault than any mounted by Marxists or labor unions: *the takeover*. An American phenomenon at first, it has spread throughout the noncommunist developed world. What made it possible was the emergence of employee pension funds as controlling shareholders of publicly owned companies. The pension funds, while legally "owners," are economically "investors"—and, indeed, often "speculators." They have no interest in the enterprise or its welfare. In fact, in the United States, at least, they are "trustees" and are not supposed to consider anything but immediate pecuniary gain. What underlies the takeover bid is the postulate that the enterprise's sole function is to provide the largest possible *immediate* gain to the shareholder. In the absence of any other justification for management and enterprise, the takeover firms with their attractive bids

prevail—and only too often dismantle or loot the going concern, sacrificing long-range, wealth-producing capacity to short-term gains.

Management—and not only in the business enterprise—has to be accountable for performance. But how is performance to be defined? How is it to be measured? How is it to be enforced? And to *whom* should management be accountable? That these questions can be asked is itself a measure of the success and importance of management. That they need to be asked is, however, also an indictment of managers. They have not yet faced up to the fact that they represent power—and power has to be accountable, has to be legitimate. They have not yet faced up to the fact that they matter.

WHAT IS MANAGEMENT?

But what is management? Is it a bag of techniques and tricks? A bundle of analytical tools like those taught in business schools? These are important, to be sure, just as a thermometer and anatomy are important to the physician. But the evolution and history of management—its successes as well as its problems—teach that management is, above all else, a very few, essential principles. To be specific:

1. Management is about *human beings*. Its task is to make people capable of joint performance, to make their strengths effective and their weaknesses irrelevant. This is what organization is all about, and it is the reason that management is the critical, determining factor. These days practically all of us, especially educated people, are employed by managed institutions, large and small, business and non-business. We depend on management for our livelihoods. And our ability to contribute to society also depends as much on the management of the organization in which we work as it does on our own skills, dedication, and effort.

2. Because management deals with the integration of people in a common venture, it is deeply embedded in *culture*. What managers do in West Germany, in Britain, in the United States, in Japan, or in Brazil is exactly the same. How they do it may be quite different. Thus one of the basic challenges managers in a developing country face is to find and identify those parts of their own tradition, history, and culture that can be used as management building blocks. The difference between Japan's economic success and India's relative backwardness is largely explained by the fact that Japanese managers were able to plant imported management concepts in their own cultural soil and make them grow.

3. Every enterprise requires commitment to common *goals and shared values*. Without such commitment, there is no enterprise. There is only a mob. The enterprise must have simple, clear, and unifying objectives. The mission of the organization has to be clear enough and big enough to provide common vision. The goals that embody it have to be clear, public, and constantly reaffirmed.

Management's first job is to *think through, set, and exemplify* those objectives, values, and goals.

4. Management must also enable the enterprise and each of its members to grow and develop as needs and opportunities change. Every enterprise is a *learning and teaching institution*. Training and development must be built into it on all levels—training and development that never stop.

5. Every enterprise is composed of people with different skills and knowledge doing many different kinds of work. It must be built on *communication* and on *individual responsibility*. All members need to think through what they aim to accomplish—and make sure that their associates know and understand that aim. All have to think through what they owe to others—and make sure that others understand. All have to think through what they, in turn, need from others—and make sure that others know what is expected of them.

6. Neither the quantity of output nor the “bottom line” is by itself an adequate measure of the *performance* of management and enterprise. Market standing, innovation, productivity, development of people, quality, financial results—all are crucial to an organization's performance and to its survival. Nonprofit institutions, too, need measurements in a number of areas specific to their mission. Just as a human being needs a diversity of measures to assess its health and performance, an organization needs a diversity of measures to assess its health and performance. Performance has to be built into the enterprise and its management; it has to be measured—or at least judged—and it has to be continuously improved.

7. Finally, the single most important thing to remember about any enterprise is that *results exist only on the outside*. The result of a business is a satisfied customer. The result of a hospital is a healed patient. The result of a school is a student who has learned something and puts it to work ten years later. Inside an enterprise, there are only costs.

Managers who understand these principles and manage themselves in their light will be achieving, accomplished managers.

MANAGEMENT AS A LIBERAL ART

Thirty years ago, the English scientist and novelist C. P. Snow talked of the “two cultures” of contemporary society. Management, however, fits neither Snow's “humanist” nor his “scientist.” It deals with action and application; and its test is its results. This makes it a technology. But management also deals with people, their values, their growth and development—and this makes it a humanity. So does its concern with and impact on social structure and the community. Indeed, as has been learned by everyone who, like this author, has been working with managers of all kinds of institutions for long years, management is deeply involved in spiritual concerns—the nature of man, good and evil.

Management is thus what tradition used to call a liberal art: “liberal” because it deals with the fundamentals of knowledge, self-knowledge, wisdom, and leadership; “art” because it is practice and application. Managers draw on all the knowledge and insights of the humanities and the social sciences—on psychology and philosophy, on economics and history, on ethics as well as on the physical sciences. But they have to focus this knowledge on effectiveness and results—on healing a sick patient, teaching a student, building a bridge, designing and selling a “user-friendly” software program.

For these reasons, management will increasingly be the discipline and the practice through and in which the “humanities” will again acquire recognition, impact, and relevance.

SUMMARY

Managers have been agents of transformation, converting the workforce in developed countries from one of manual workers to one of highly educated knowledge workers. This has been accomplished by applying knowledge to work. Management brings human effort from all disciplines together in a single organization and therefore has become a new social function. As such the discipline and practice of management is important to the effectiveness of all of society's institutions. In carrying out its function, management relies on knowledge from the humanities, social sciences, and technology. As such, management is a liberal art in the truest sense and a discipline wherein the liberal arts find relevance and usefulness.