

Journal of Economics and Behavioral Studies

Vol. 3, No. 3, pp. 157-162, Sep 2011 (ISSN: 2220-6140)

Review of Management Challenges for the 21st Century

Book Review

Bakhtiar Ali, *Jahanzeb Shah, Jamila Khatoon Warsi and Shoaib Bin Naeem
Shaheed Zulfiqar Ali Bhutto Institute of Science and Technology, Islamabad, Pakistan
*jahnzb@gmail.com

Introduction

The book under review has been written by Peter F. Drucker (1909–2005), one of the top most influential management gurus of the contemporary world. The management professionals are under pressure to meet the challenges of chaos and complexity of the current century, which they cannot solve with the 20th century tools and technique. Therefore, the Drucker has challenged and argued for rejection of the old assumptions hold by the professionals. Keeping in view the networked world, the core issue of this book is critical analysis of management discipline, based on the orientation of forward looking and thinking, both for the profit and non-for-profit organizations of developed and developing countries.

Why to read this book/ how this book is Valuable? The present and future academicians and managers need to critical analyze and re-visit their old assumptions, which cannot solve the present era problem. The book guides the reader to learn and develop the new tools and technique for the era of rapid globalization and knowledge based economies. Book also demonstrated practical approach and clarified some management's myth that were considered part and parcel of Management in past. He clearly explained that in future a manager who will become a knowledge-worker and organizations will face new challenges in the 21st century. This book does not cater the needs of any particular industry; this could be used as a reference book by academia, students and as practitioners. The writer himself guides the readers as to how this book should be read.

Who will benefit from the book review? This book is good for the policy makers, teachers and practitioners to be able to understand the need of the day. Now we understand that the world we are living in is in transition, therefore, the disciplines of organizational development and change management are topics of the day.

Though, it is highly recommended for new entrants in organizational settings, the experienced managers can also take advantages in order to make up for future management requirements/challenges. As in Management Challenges for the 21st Century, Drucker's has shown classical perspective of management and highlighted the misconceptions that naturally became mistakes and hampered organizational performance in the past century. He contended some new set of approaches which are more productive and effective to cater for future challenges of managerial issues in organizations. The Book further provides a thought provoking process that due to diversified workforce in various organizational settings, an individual member in organization should be taken care in a different way in diverse situations. In this regard, Drucker's thorough knowledge about managerial practices was focused on new management challenges beyond just managing a business concern, which will ultimately steer forward individuals, organizations and civil society as a whole. This book comprises of six chapters, where each chapter addresses a main topic and its related issues as sub-chapters.

Chapter 1: Management's New Paradigms: In social sciences the topics revolve round assumptions; however, these assumptions are not static therefore, they change with time. Earlier management and its practice were considered to be related to business/money making only. These assumptions have changed and now it is considered important to discuss good management for all sorts of organizations and institutions; this is why the business schools are being renamed as "Schools of Management".

The book describes that there is no good or bad way of running an organization. An organization can be organized in any appropriate way based on the culture and its needs as a national or international organization. However, it is important that the running of the organization is to be transparent. Drucker also suggests that fewer layers in the structure add to its efficiency.

Likewise, it is important to manage the people correctly. However, the book also mentions the theories of managing people given by various gurus and their confession that these theories were not correct. It is a fact that people work for organizations in different capacities for different reasons of their own. Like other assumptions, the old assumption about managing the people correctly has also changed. Nowadays, often the subordinates know their job while the managers are there to facilitate. Knowledge workers are more important in the organizations and for the knowledge workers challenges are more important than money.

Research and development departments were established in Germany first and are integral part of many organizations. The birth of new technologies has made a chain in which the research done in one industry is used by others; e.g. automobile, news, banking and many other industries depend on the developments in the electronics. Even the running of governments depends upon the advancement of several industries. Now the technologies go crisscross rather than going in parallel. Thus the assumption about the end-users of business has changed.

In theory and practice management was assumed to be a legal entity. Various countries/cultures defined this entity differently. Drucker took the example of "Keiretsu" – a term born in Japan where the suppliers to an enterprise are tied with the main customer. This is a term based on dependence of one on the others. In today's world the economic chains, the businesses are interdependent thus generating genuine partnerships. Therefore, the management encompasses the whole process where the scope of the management is to be redefined.

The national boundaries used to be assumed as the economic boundaries of the enterprise and thus had to be managed in that context only. Although the concept of international business was already there before the 1st world war but was there in a different composition. Nowadays international companies operate in different countries with a single research department is common to see. The political boundaries are not deemed important and the operational boundaries are considered with respect to management now.

The core of each organization is management that leads to its smooth running. However, knowledge has become important where the change and managing change is extremely important. Drucker mentioned two basic types of activities where some focus at the outside (entrepreneurial activities) and some focus at the inside (information technology).

Thus with the passage of time we have the following new assumptions:

- Managers are not confined to managing the business; however, the management of an organization distinguishes it from the others.
- An organization is called successful only if it is able to perform what it is supposed to.
- People are not managed by other people; tasks and goals lead them on their way.
- The foundation of the new management is based on customer value and their decisions on their disposable incomes.
- The scope of management is not legal; the entire process is to be embraced and the results and performance of the entire economic chain is to be considered.
- National boundaries are nowadays seen as restraints and the businesses are no more restricted by politics.
- Management is vital for the results of an institution and manages the whole of the organization starting from organizing resources to achieving the results.

Chapter 2: Strategy – The New Certainties: All the organizations operate to perform and achieve their desired results as per plan. There are, however, five important factors that appear as certainties and need to be remembered. The decline in birthrate in the developed and new emerging countries has opened many

issues for them. This disturbs the demography in a way that soon they will have fewer people in the productive age while more will be above the retirement age. This results in the introduction of possibilities where people at retirement age will be asked to work full/part-time to fulfill the needs and to encourage immigration from the countries from the south. (This has already happened some centuries back – 200/250AD). This will also need a change in the retirement benefits. Improved life expectancy, control of birthrate in the third world, emerging problems of water shortage and clean air are already challenging the economists and other policy makers/planners.

Another challenge for the developed countries due to decline in birth rate will be unstable political situation resulting in difficulties for the developed countries. However, organizations will need 20-30 years strategy as well as increased capacity of the knowledge workers. Drucker already in 1999 discussed the need of changes in the employment strategies of USA and Japan. According to the predictions in this book, there will be problems in the developed world due to having not enough people to be able to work, while if we see the present trend in Europe and USA, both have unemployment that they did not anticipate, thus the prediction of the writer seems to be overruled by a recession. However, if we see the same thing from another angle i.e. the skilled/educated knowledge workers, the situation would be different. The book also predicts that the unavailability of knowledge workers would be a threat to the organizations as the organizations will not be able to maintain their position in the market without the knowledge workers.

Another change in the society, as per the book would be that having fewer children would leave more money with the parents to spend. Not all the countries in the north spend enough on the elementary school teachers except Japan. With the new family pattern, parents will be more careful about the quality of life and upbringing of their children. In the end the writer also admitted that the implications of the collapse of birth rate will be much more than what is mentioned above and will be seen with time only.

We need clear strategies for the utilization of disposable money that the people have with fewer children and longer workable life. In the 20th century out of Government, Health care, Education and Leisure (4 sectors that prospered), Leisure was economically the most productive; now this is expected to decline. Financial services also were introduced in this century and are popular with the people getting to their retirement age. Governments have a prime responsibility to serve and redistribute 30-50% of national income, but usually they expand in a way that they consume more and more. A few more industries also flourished in the developed world recently, e.g. publishing of books, electronics, computers and software. The success of any industry depends upon its flexibility and ability to change with the market needs. Declining industries also need improvement in their spending.

In the second chapter, Drucker also explained performance based on work done by several different writers about rights and ownership. In early 20th century the assumption was that the purpose of the business was to balance the interests of all the concerned. Then it changed to run for the short term interests of shareholders only. With the upcoming changing demography, economic investments are being emphasized. This has reduced the importance of the manual workers with more emphasis on social harmony. Thus we need to improve “performance” and “knowledge” as well as appropriate tools to measure these. “Commitment” of the employees and the “value” of performance in nonfinancial terms need to be improved; all these terms are to be strategized and well thought about in order to be successful.

To be able to survive all intuitions have to be globally competitive and the low labor productivity can be a killer where their low costs, are not important anymore. Already in the 20th century, when the book was written, it was seen that it was not possible for any government to protect its industry and all other institutions through measures of keeping them away from the rest of the world. For the 21st century, whoever does not have a clear strategy needs one to be able to survive. Political and economic realities are important to consider while making a strategy. We need to accept three facts that

- There is a true global economy of money and information.
- The existence of the regional economies is a fact where the movement of goods is easier/more free.

- The political boundaries of the national and local markets are more political and economic realities at the same time.

Keeping in view these three realities, it is important to remember that the institutions make decisions, based on their strategies, as to what is good exclusively for a political unit and what stands true for the global economy. In this regard the institutions and political units both should refrain from *bribe* (giving and accepting). These bribes are offered to the institutions and businesses in the form of subsidies and promises of giving them monopolies. The businesses should not even go for expansion, merger and/or acquisitions (which are deemed better than establishing new business) if this does not fall within their strategic goals. Similarly, whatever is *economically not viable*, should not be done as it would result in loss to the organization. At the same time all the governments, institutions and businesses should learn to manage the money well. All political and economic realities are facing a threat of currency fluctuation, therefore, it is important for them to be strategically prepared for it; to have enough in their kitty to cope with the problems (if they arise) and to have enough foreign currency to be able to have a stronger cushion to protect itself from any untoward incidence.

Chapter 4: Information Challenges: The author has tried to develop and forward the challenges associated with information technologies (IT) faced by organizations. He emphasized that the business organizations have mission to create value and wealth by the virtue of IT. However, we do not see that much importance of IT in the business and its impact has been declining with time. The role of IT should be redefined with the change. In the past, different stakeholders keeping in mind the variety of concepts have proposed this re-definition. These concepts were based on two basic elements: (1) distinction between information and data; (2) the information was designed for the top management for their decisions in the business world. The author also defined that the information era are based on two important pillars.

- The cost of production
- The speed of production of information.

Over the last millennium these two basic elements have changed the face of information. The new print revolution has assisted the organizations to produce piles of information and helped them change in the last fifty years, thus giving new face to the organizations and a knowledge-base. However, it is controversial that the organizations, in spite of having new technology, continue to use conventional techniques in various disciplines from financial analysis, accounting and marketing etc.

The author also suggested methodologies for adopting the ways for meeting the challenges of IT. For an organization to be competitive in the increasingly competitive market has to know and manage the costs associated with the entire economic process. The new companies in no time, start giving tough competition to the old giants because they know and manage the whole economic system of the market rather than focusing on the cost of production only. A powerful force driving companies toward economic chain is a shift from cost led production to price led costing, which is becoming a rule of the game. Same idea applies to outsourcing, alliances and joint ventures, which are built on partnerships rather than control.

The enterprise is paid to create wealth not to control the costs. They have to be managed as going concern that is wealth creation. The oldest and most widely use of diagnostic is cash flows, liquidity projections and related ratios. However, the problems with these elements are that these indicators are cautionary and not predictors. These include total factor productivity, net profitability, bench marking and core competency. The author proposed that asking the right question would assist the organization in meeting future challenges of IT. These questions are:

- What information do the manager owe to the people,
- Whom to depend upon,
- What information does the organization need for itself?

As a second step, organizations have to prepare their information for the long-range strategy for their business appraisal. A key methodology for organizing information is the probability theory and focusing on

the information within the range of normal distribution. Threshold phenomenon is another one, where the information is processed when the information passed. Finally the way of organizing information is to process information about the unusual events by regularly and repeatedly conveying it.

Chapter 3: The Change Leader: *“One cannot manage change one can only be ahead of it”*

The idea written above was the most interesting topic for more than two decades, as mentioned in management research journals and books. However, in the time of change it becomes painful and risky. Therefore, the managers should know how to make change effective both outside and inside of organization(s). These should focus on the policies for the future, systematic methods for anticipating change, adopting the right way for change and policies for creating balance and continuity. The first policy should be to abandon yesterday, as a matter of policy, as to maintain yesterday is the scariest element for the organizations. The organizations should abandon every process, service, market, distribution channel and even customers/end user. The writer has mentioned various possible methods (that could be controversial) for abandonment:

- By meeting to discuss with staff and stakeholders to discuss ways and means to abandon.
- To apply “Kaizan”, as Japanese say, to have organized improvement.
- Last but not the least is to exploit success.

However, the problems cannot be ignored, but the change leader should starve the problems and feed opportunities. The last policy is to introduce the innovation policy to initiate change through systematic innovation, thus the change could be seen as an opportunity. The organizations need to look through the window of opportunity in terms of its own unexpected success and failure, incongruities in process, process needs, change in industry, change in demographics, change in meaning and perception and new knowledge. The organizations should also be careful and should not fall into the trap of changes like (1) which is not aligned to the organization strategy, (2) confusing innovation with novelty and (3) confusing motion with action. These three traps are attractive for change leader; therefore, the change leader should introduce change as pilot study.

The piloting of any or all kinds of changes should be based on market research. However, it is interesting to note the law of nature that every product would find its way in the market and with customer where an entrepreneur or innovator has not expected but where it is least expected. Therefore the innovation has to be tested based on reality. The successful change leader requires appropriate accounting and budgeting policies. The first budget includes operating budget, which can be operationalized as the expenditure to maintain present business. The second budget being future budget focus on the activity, which can produce optimal results for future change endeavors. The change process is considered successful or vice versa depending upon the utilization these budgets.

The change is a continuous process; therefore, the organization has to align its strategies with the stakeholders including suppliers and distributors. However, the organization has to have a personality, which differentiates it amongst competitors in the market. The partnership helps organization to change with changing circumstances. The effective way to develop partnership is to change the basis of continual relationship based on the long-term relations.

Chapter 5: Knowledge-Worker Productivity: Peter Drucker, in this chapter focused on the comparison of various pros and cons of manual and knowledge workers regarding their productivity. He described the history and contributions of manual workers’ productivity concepts that developed during 20th century and identified major problems with them in order to improve knowledge workers’ productivity that is the needed when the globalization in 21st century is spreading.

Drucker identified six major characteristics required for knowledge-worker productivity in the 21st century era of globalization.

- The knowledge-workers must focus on what the tasks and assignment are in front of them.
- Knowledge-workers must have organic control system to manage and will require freedom and autonomy to do.
- Innovation must be present at each tier of organization and in the performance of knowledge workers.
- Developing a learning culture by and among the knowledge worker.
- Effectiveness of the knowledge worker depends on equal focus given to quality, which is an important aspect of job, along with quantity.
- Knowledge workers are intangible assets of organization not a liability. Their potential must fully be exploited to gain competitive advantage.

Chapter 6: Managing Oneself: The book further advocated an important aspect of a knowledge-worker based on the mental model of an individual's thinking style and behavioral patterns to perform the job. The author argued about the five major requirements for an effective knowledge-worker. He must be fully abreast and aware about:

- Who he is? What are his strengths? In addition, how does he perform?
- From where does he belong?
- What is his major role and what can he deliver?
- Whether he takes proper responsibility or not?
- Whether he has a plan for his secondary stage of Life or not?

Drucker argued that one could easily find out his true strengths by creating an environment of proper feedback system. In addition, a proper system of feedback must be developed to acquire feedback so that to check the gap/s between results and expectations in order to compare both ends.

He recommended the following action to be taken which are:-

- Focus on your strengths and perform the task effectively to get desired results.
- One must make a rigorous effort to improve his strengths and counter his weaknesses. The proper feedback will highlight the weakness about skills and competencies required for effectiveness.
- Potential opportunities must be identified before they become threats.
- Bad routines must radically be changed for the enhanced performance.
- Pay attention to the failures caused by lack of common interpersonal skills.
- Always look for remarkable opportunities to fully exploit one's potential. Transforming a competent person in to a star performer must be the main goal of knowledge worker productivity.

Conclusion

Thus we can say that the Management deals with each and every aspect of an organization without it being tied to any particular industry/field. It is extremely important for an organization to have a clear strategy and all their operations and spending should positively follow the strategy, thus keeping some disposable money aside for the right time. For the changing environment, there has to be a balance between change and continuity in building compensation, recognition, and rewards. However, the change/innovation process should not focus on the management only; rather this phenomenon should be organization-wide. To try to make future is highly risky. It is less risky, however than try not to make it.

The concept of self-organized individual knowledge workers is also becoming more important as they will be responsible to meet the upcoming challenges. Therefore, it is required that new process models, related to contextual paradigm issues and cognitive modeling of human mind are designed. Certain dimensions of knowledge task modeling are also required for similar revolution as made by Taylor in 20th century. Succinctly, the secret to better performance on job or task depends upon how you learn and practice the best.