The Next Management: Renewing Companies, Institutions, and Society

Richard Straub on the vital importance of management

Everyone wants to make the world a better place – yet very few have any constructive idea of how to go about it. One of those who did was Peter Drucker, who understood from the start that management was much more than a business function – it was a vital role and capability for all our institutions, including the public sector, and organisations providing health, education, security and culture. They must all contribute to society by creating value in their field, whether economic, social or cultural. That Drucker was right, and the quality of management is a key factor in economic and social success, is not in doubt. The Industrial Revolution is as much a story of innovation, entrepreneurship and management as it is of physics and science. Nobel laureate economist Robert Solow found that improved management practices and products were the major source of US growth in the early 20th century. More recently, the work of John van Reenen and Nicholas Bloom has shown that better management practices are a performance differentiator not only between firms but also between countries and regions, accounting for a significant part of US firms' productivity advantage over that of Europe. Management matters – a lot.

If private sector, public sector and civil society management share the same imperative – to perform – Drucker was clear that economic value is the prerequisite for the social value created jointly by all the institutions of a complex modern society. Hence his dictum that "Management has become the specific organ of all contemporary institutions, and integrating organ of our society of organisations" is especially important in times like the present, when the faltering performance of our institutions is undermining their role as bastions against modern-day ideologies and their totalitarian tendencies.

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Management in society – today's sobering reality

Since World War II, the widespread professionalisation of management has made a significant contribution to the world's growing prosperity. The challenges organisations have faced in the shape of technological advances, globalisation and the recent waves of disruption and crisis have obliged them to develop hitherto unprecedented levels of resilience and agility. In the management of business, this comes with the territory: success or failure is determined by the markets in which firms compete, and there is no let-up in competition. Yet the recognition of management as a key lever for society as a whole has not made its way into other domains and institutions. It is mainly taught in 'business' schools, and more inclusive 'management' schools, with the scope to reach across societal institutions, are the exception.

In consequence, the idea that all institutions have an objective and an obligation to work together to enable ever greater value creation across society as a whole has been lost, with heavy-handed politics and the public sector claiming an ever bigger role in 'managing' all the overlapping crises, and advocacy NGOs assuming undue influence on questions that should be subject to the democratic process. The anti-GMO war by Greenpeace, with its successful campaign against Golden Rice, shows the negative effects of such unchecked power.

In our modern states, it seems that bureaucrats far removed from the realities of value creation and innovation are taking over – as with all-embracing regulatory instruments such as the European Green New Deal – aggravating the inherent tendency of big business companies to bureaucratise. Added to this, as Adrian Wooldridge noted in a column on Bloomberg, management itself, in the shape of over-academic business schools, follow-my-leader consultancies and complacent companies, has run out of big ideas, including – the biggest of all – that innovation in management itself is perhaps the most potent source of growth and competitive advantage.

All this leaves us with a situation where the 'concert of institutions' that should provide us seamlessly with goods and services, health care, education, security and cultural diversity in our daily lives, is playing out in cacophony, leading to a marked loss of institutional trust. In 2023 Edelman pointed to a significant weakening of social ties, with divisions opening up along class lines and a crisis of confidence in traditional leadership. Very notably, only business was viewed as both competent and ethical. Political leaders who function as conductors of the orchestra seem to have lost a sense of the need for value creation as a joint, inter-institutional enterprise. Europe was built on the ideas of its 'founding fathers' when they launched their project to bring peace and prosperity to a continent that had been plagued by fratricidal wars for centuries: ideas based around central coordination complemented by decentralisation, entrepreneurship and value creation, fair competition, the protection of the consumer and a commitment to the principle of subsidiarity. So it is shocking today to

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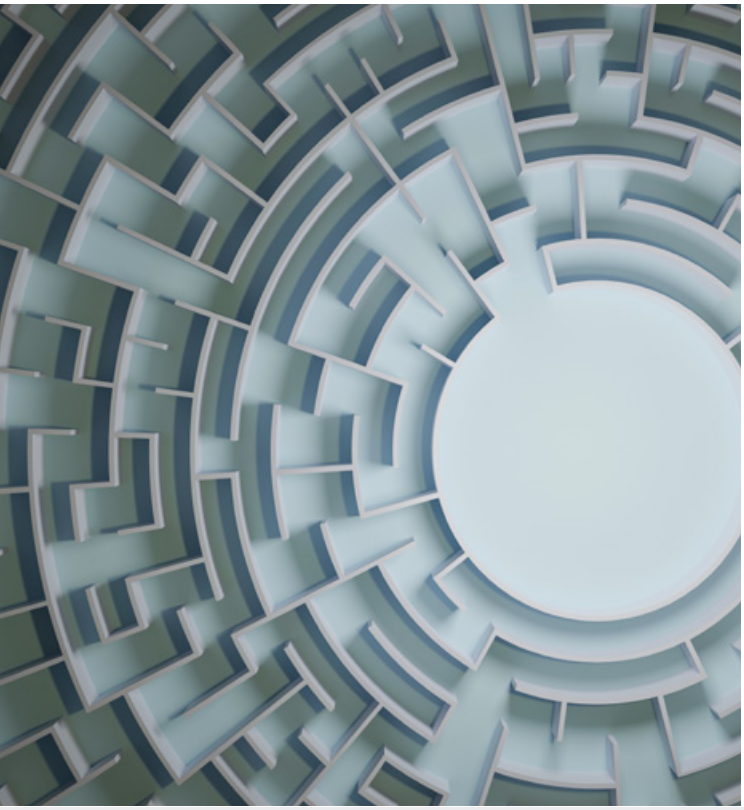

see political leadership seeking to organise and manage Europe with ideas that are deeply rooted in the industrial-age paradigm of micro-management and top-down command and control. As states expand their role in the economy and society overall, the lack of management experience and know-how is becoming a serious issue for the effective functioning of society.

Next Management: the enabler of social progress

It is a tragic irony that we have become a society where key actors have come to believe they can manage everything just at the moment when the technologies of control and surveillance, supercharged by AI, make that technically feasible, raising the nightmare prospect of a stifling nanny state at best, and at worst an AI-enhanced Taylorism on steroids pervading all our institutions. Measuring the productivity of remote workers by counting keyboard strokes is just one example at the relatively benign end of the spectrum. Hence, disrupting and dislodging the industrial-age paradigm that informs it has now become a critical project for society as a whole.

Businesses are aware of the need for change and have already taken important steps in that direction. But there is still much more to do. We at the Drucker Society call this initiative the Next Management – a call to arms for all institutions to recognise that top-down activism and symptom cures will not save society and civilisation, and that they will need to mobilise all their energy to find better solutions. We envisage it as a five-year initiative to be advanced through the topics of each of the coming Forums in Vienna. To do this, we must grasp the big

levers that afford strong leverage. We start from Drucker's insight that management (including its leadership and entrepreneurship dimensions) is foundational for modern societies. The notion of the Next Management will be brought to life at this year's Forum under the 2024 theme of "The Next Knowledge Work". As far back as the 1960s, Drucker perceived that the then-new phenomenon of knowledge work was incompatible with classical machine-type assumptions of how individuals and organisations should operate. He framed the idea of the knowledge worker who required autonomy to achieve their objective. The task of management was to enable rather than to 'manage' the knowledge worker in the traditional sense. Yet Drucker also knew that as the 20th century drew to a close, the transition from an industrial to a knowledge society remained incomplete – which was why, in his final magnum opus he declared that the biggest and most important concern was to make knowledge work productive. Isn't this the moment where new answers to this challenge are bursting to the surface, with AI as an unprecedented knowledge and learning tool for humanity and for business?

> *"The most important and indeed truly unique, contribution of management in the 20th century was the fifty-fold increase in the productivity of the **MANUAL WORKER** in manufacturing.*
>
> *"The most important contribution management needs to make in the 21st century is similarly to increase the productivity of **KNOWLEDGE WORK** and the **KNOWLEDGE WORKER**."*
>
> **PETER DRUCKER**
> Management Challenges for the 21st Century

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It is in this spirit that the Next Management initiative aims to set out an ambitious vision of management as a key lever for achieving social progress. We see it as a powerful tool for synchronising our ambitions as individuals and for society with the increasingly complex and unpredictable reality we live in. This is the crux of the matter. It requires a starting dose of humility – the realisation that it's no use looking to AI and digital technology to correct incorrigible human imperfectibility. Elon Musk and Sam Altman take note! There is no such thing and never will be, as the perfect human, any more than there is a perfect society or a perfect organisation. We have to accept that there are some things in nature that we cannot and never will be able to manage directly. What we can do is recognise and adapt to realities stronger than we are and bend all our creative ingenuity to find new ways to survive.

For us, this means addressing the emerging agenda with seven key ideas at the forefront, all of which involve a back-to-basics questioning of fundamental existing management assumptions and beliefs.

1. Innovation, more than efficiency
2. Ecosystems, more than single institutions
3. Long-term, more than short-term focus
4. Human augmentation, more than automation
5. Management as an art, more than a science
6. Reality grounded, more than ideology
7. Radical reform, more than revolution

SEVEN KEY IDEAS FOR THE NEXT FIVE YEARS

Reframing management for the 21st century is a daunting task. But the transition is already underway, with Next practices in business and Next programmes at innovative business schools exploring the road ahead. The Peter Drucker Society Europe wants to be a catalyst for this epochal movement, using its broad convening power and international reach to focus attention on the most promising ways forward. Drucker always insisted that to think of management as just about business was to trivialise its true scope and responsibility. The Next Management project gives us an unprecedented opportunity to remake it in the form its champions always hoped - in its ability to act as a force for good for individuals, organisations and society as a whole, it is 'the most noble of professions,' as the late Clayton Christensen most strikingly put it in his legacy HBR article, *'How Will You Measure Your Life*'.

About the Author

Richard Straub is Founder and President of the Peter Drucker Society Europe and of the Global Peter Drucker Forum.