Managing in the Era of Complexity
- Peter Drucker’s Landmarks

Prof. Dr. Winfried Weber
Peter Drucker Society of Mannheim
Our question – Drucker in Practice
How do I work with Peter Drucker’s ideas?

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Complexity
Theory <> practice?

Peter Drucker Society of Mannheim, May 2009
Managing in the Era of Complexity
Introduction

Peter Drucker Society of Mannheim, May 2009

The starting point of most of our members: modern production systems
Managing in the Era of Complexity

Introduction

Peter Drucker Society of Mannheim, May 2009

Starting point:

How do management thinkers explain complex production systems?
Henry Ford, 1910

„My biggest problem was, that I had to hire whole people, when all I needed was two hands.“
Prof. Atsuo Ueda  
President Drucker Society of Japan DW

“Toyota operates exactly the way Drucker-san said a company ought to operate.”

Shoichiro Toyoda, Drucker Society of Japan DW

„The TPS is a management philosophy [...] [It ] has a lot in common with Professor Drucker’s teachings.”
Employees as ... talent! ... problem solvers!

„Workers have brains! Workers have ideas!“

Ron McPherson, 1980 to Tom Peters
CEO Dana, auto-parts manufacturer
Taylor’s production system

„To separate thinking from acting“

Taylor’s blind spots

„If you separate the working process, to separate workers as much as possible“
Overview

Introduction
1. What is complexity?
2. How do leadership-masters deal with complexity?
3. Why managers can’t simplify
What is complexity?
Managing in the Era of Complexity
What is complexity?

Science and Complexity
one of the most intriguing discoveries of scientific discourse

quantum physics 1920s
cybernetics 1940s
management 1940s

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What is complexity?

peephole

part-of-the-world-position

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What is complexity?

„complicated“?

you can keep track of it

logically connected

AIDS molecule
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What is complexity?

Complexity means

- An observer is overtaxed if having to understand a phenomenon

- Complex phenomena consisting of many (more than three or four) organized, heterogeneous elements defy both causality and statistics

Routledge Encyclopedia of Social Theory, 2006

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Managing in the Era of Complexity
What is complexity?

chess

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What is complexity?

chess

$10^{120}$ possible games
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What is complexity?

universe

$10^{80}$ atoms

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What is complexity?

chess grand master
strategic plan?
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What is complexity?

chess grand master

build up the game
Organizations are as complex as chess because they are social systems acting in an unexpected environment.

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Managing in the Era of Complexity
How do leadership-masters deal with complexity?

“Management becomes necessary when an organization reaches a certain size and complexity.”

Peter Drucker
Managing in the Era of Complexity
How do leadership-masters deal with complexity?

Herbert A. Simon

The Proverbs of Administration, 1946

„For almost every principle one can find an equally plausible and acceptable contradictory principle.“

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How do leadership-masters deal with complexity?

Herbert A. Simon
The Proverbs of Administration, 1946

To manage = to deal with contradictions
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How do leadership-masters deal with complexity?

Contradictory principles

Reduce complexity! <> Build up the game!

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How do leadership-masters deal with complexity?

The function of management

„to put knowledge to work“

Peter Drucker
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How do leadership-masters deal with complexity?

How „to put knowledge to work“?

Reduce complexity!

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“An organization is a tool. And as with any other tool, the more specialized it is, the greater its capacity to perform its given task.”
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How do leadership-masters deal with complexity?

“The organization must be single-minded, or its members become confused. Only a focused and common mission will hold the organization together and enable it to produce.”

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How do leadership-masters deal with complexity?

Focus on
simple and understandable
products or services
Managing in the Era of Complexity
How do leadership-masters deal with complexity?

Peter Drucker

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<td>Who is our customer?</td>
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Managing in the Era of Complexity
How do leadership-masters deal with complexity?

Contradictory principle

Build up the game!
Peter Drucker calls himself a „social ecologist“ he builds up the game by
- analyzing history
- communicating, networking and „buzzing around“
- observing („look out the window“)
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How do leadership-masters deal with complexity?

Understanding complexity?

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How do leadership-masters deal with complexity?

Managing in the past society

who works plans out and produces
Managing in the Era of Complexity
How do leadership-masters deal with complexity?

Managing in the next society
who works communicates

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How do leadership-masters deal with complexity?

Peter Drucker‘s landmarks

How to deal with complexity?

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How do leadership-masters deal with complexity?

Management by ... ?
One best way?
To-do-lists?
Either ... or?

observing and epigrams!

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How do leadership-masters deal with complexity?

How to deal with complexity?

Build up the game with epigrams

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How do leadership-masters deal with complexity?

epigram

Organizations: „To create a customer“
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How do leadership-masters deal with complexity?

epigram

Classical production systems:
„To separate thinking from acting“
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How do leadership-masters deal with complexity?

epigram

„You cannot manage other people unless you manage yourself first.“
Managing in the Era of Complexity
How do leadership-masters deal with complexity?

epigram

knowledge workers

„They may not have to be ‚managed‘, but they have to be made productive“

„They have to be treated as volunteers“
Managing in the Era of Complexity
How do leadership-masters deal with complexity?

epigram

change

„The most effective way to manage change successfully is to create it“
Why managers can’t simplify
Managing in the Era of Complexity
Why managers can’t simplify

Heinz von Foerster
„Act always as to increase the number of choices“
Managing in the Era of Complexity

The most influential management thinkers in German speaking countries

TOP 5  2005 – 2009

# 1  Peter Drucker
# 2  Hermann Simon
# 3  Fredmund Malik
# 4  Michael Porter
# 5  Philip Kotler

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Thank you for your attention

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# Managing in the Era of Complexity

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<th>Complex Management Perspective</th>
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<td>Inconclusive situation</td>
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<td>One best way to-do-lists</td>
<td>Unorthodoxy „complicate yourself!“</td>
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<td><strong>Change</strong></td>
<td>Linear either ... or</td>
<td>Circular as well as</td>
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<td><strong>Image of Crisis</strong></td>
<td>Crisis is explainable</td>
<td>Crisis means re-organizing</td>
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<td></td>
<td>Call a consultant</td>
<td>Self organizing system</td>
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