

Peter Drucker 1

Managing Effectively



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Several decades of practical observation led Drucker to conclude that there are five essential functions that combine to form the basis of every manager's job. Aim to improve your skills in each of these five areas, and assess your progress throughout the learning process.

THE FIVE FUNCTIONS OF A MANAGER

- 1 Setting objectives
- 2 Organizing the group
- 3 Motivating and communicating
- 4 Measuring performance
- 5 Developing people

EFFECTIVENESS VERSUS EFFICIENCY

Drucker stresses the vital distinction between effectiveness (doing the right thing) and efficiency (doing things right). For each of the five functions of a manager, ask yourself these two key questions:

- Am I truly effective?
- Or am I merely efficient?

To quantify the results, do a simple exercise. Set out two columns headed "Effective" and "Efficient" on a piece of paper, and write the five functions down the side. Against each function list the activities involved. For each function mark yourself out of 10 for effectiveness (doing the right thing) and for efficiency (doing things right).

ASSESSING YOUR PERFORMANCE

Add up your score and compare it with the analysis below. A perfect total of 100 is unlikely. There is always a gap between actual performance and perfection — your score will show how far you have to go. Next, look at the balance between the effectiveness and efficiency scores. This is as important as your total; doing the right things badly and the wrong things well are both ineffective. Now concentrate on developing all five skills in the sections that follow.

ANALYSIS

- 35 or below: your performance is inadequate. Act fast to improve your efficiency and effectiveness.
- 35-70: your performance is average to good, but requires improvement.
- 75 or above: you are efficient and effective, but cannot afford to

1. Setting Objectives

Setting objectives involves a continuous process of research and decision-making. Ensure that your personal objectives and those of your job (at the unit and organizational levels) are the same.

SELF-KNOWLEDGE

Knowledge of yourself and your unit is a vital starting point in setting objectives. To discover how your strengths contribute to the organization's objectives, Drucker advocates asking five questions. Ask them, not only about yourself, but about your unit. The answers will identify what changes must be made in order to get the results you expect. The next step is to undertake a feedback analysis to compare actual results with expectations.

ASSESS YOURSELF

Who am I? What are my strengths? How do I work? Where do I belong? What is my contribution?

ASSESS YOUR UNIT

What is your unit's role? What are its resources? How does it function? What is my function within it? What are the functions of others?

DO THE FEEDBACK ANALYSIS

Whenever you take a key decision or action, write down what you expect to happen.

Review results at regular intervals, and compare them with expectations.

Use this feedback as a guide and goad to reinforce strengths and eliminate weaknesses.

APPLYING THE FEEDBACK ANALYSIS

Carry out the Feedback Analysis as often as you feel necessary, and ask the people who work for you to do likewise. The results of each analysis will provide a strong foundation for the next round of setting objectives, both for you and your unit.

2. Organising the Group

Unless the way in which your unit, or group, is organized, is suitable for its purposes and the people in it, failure will result. Once you have set the objectives, provide the human resources needed to meet them and ensure they are effectively deployed.

DEFINING WORK

In the well-organized group, nobody does anything superfluous, and the leader only does the tasks that nobody else can do. To help you define and allot tasks, including your own, ask yourself three of Drucker's most penetrating questions:

- What am I doing that does not need to be done at all?
- What am I doing that can be done by somebody else?
- What am I doing that only I can do?

DELEGATING TASKS

Always drop unnecessary work altogether. Necessary tasks that you do not need to do should be delegated. Delegation itself - finding the right person and giving them the right work - is one task that you cannot delegate. Resist the temptation to keep tasks to yourself as a means of control or, worse, a demonstration of power. You should be interested in authority, but only in the authority of expertise - that is, your delegates (and your peers) follow your lead because you are good at your job. Resist, too, delegating in a haphazard fashion. Always ensure that your choice of delegate is based on a fair and objective assessment of his or her skills and abilities in relation to the requirements of the task.

SAVING TIME

Alfred P. Sloan, the GM executive who gave Drucker masterclasses in management, said of selection: "If we didn't spend four hours on placing a man and placing him right, we'd spend 400 hours cleaning up after our mistakes."

3. Motivating and Communicating

The good motivator motivates people to motivate themselves. Rather than relying on your powers (exhortation, reward, or punishment, for example) to provide a spur, use the powers within people.

SHARING MOTIVATION

Ideally, those who work for you share your motivation. To find out if they do, both as individuals and as a group, ask yourself:

- Do they identify themselves with the organization and their own group?
- Do they identify themselves with its products and/or services?
- Do they accept individual and group responsibility for the quality and performance of their work?

The more positive the answers, the stronger the foundations for teamwork and for leadership, which is about your personal example, how you conduct your relationships with your people, and the decisions you make on the all-important Three Ps.

THE THREE PS

- 1 Pay
- 2 Placement
- 3 Promotion

A TWO-WAY RELATIONSHIP

Have clear reasons for your decisions on the Three Ps, and always communicate these reasons to everybody concerned. Ask yourself:

- What information do I owe to the people with whom I work and on whom I depend?
- In what form?
- And in what time frame?

Make sure that you use the answers to these questions as the basis for your communications. Do not think of communication as a separate and periodic task. Use every means available to let everyone working with you know your plans and your reasons. Remember that communication is two-way, so ensure that the channels are fully open to others so that they can give you the information you need. That includes, as a vital matter, feedback to make certain that communication has become understanding and consensus.

4. Measuring Performance

In most companies, the measuring of performance is dominated by financial numbers - sales figures, cash flow, and profit - giving a limited, one-dimensional picture of progress. To obtain a clear and wide-ranging view of performance levels, always use the greatest variety of indicators possible.

THE WHOLE PICTURE

Write down a list of the things you need to know and the issues you need to manage in order to perform your job effectively. Then write beside them the indicators that will measure that effectiveness. The following are likely to appear as entries on your list:

- Market share
- Quality
- Innovation
- Competitiveness
- Customer satisfaction
- Employee morale
- Cost of waste
- Use of capital
- Productivity

Although all of these contribute to the outcome in cashflow and profits, none can be measured by either figure. Think very carefully about, each indicator you choose. Take market, share: the crude division of total cash sales will be misleading, for example, if your unit sales are disproportionately low (you may be over-pricing) or high (you may be buying market share). You need to look at both unit sales and cash share to get a comprehensive and accurate picture of your overall performance. Ensure that all members of a team are involved in measuring performance to keep everyone focused on raising standards across the board.

MEASURING IN THE ROUND

The use of capital is a classic Drucker example of measuring performance in the round. Do not take the usual one-dimensional view of profits as a percentage of capital employed. To measure a potential investment, answer six questions. Once the investment has been made, ask how the outcome compared with expectations.

- How long will it take for profits to pay back the investment?
- What is the return on investment?
- Is that return comfortably above the true cost of the capital invested?
- When will the cash stop flowing and start returning?
- Looking ahead, and allowing for interest rates, what is the future pay-off worth in today's values?
- Do we really have to make this investment?

5. Developing yourself and others

You have a responsibility, what Drucker calls a “relationship responsibility”, for those with whom you work. Trust and know your colleagues. This is a moral responsibility that you owe to everybody, for you depend on their work as they depend on yours.

TEST YOUR KNOWLEDGE

Carrying out this responsibility develops the abilities of manager and managed alike. Consider these questions:

- Do I know what everybody else does?
- Do I know how they perform?
- Do I know what they contribute and what results are expected?
- Do I trust the people I work with?
- Do I treat each of them as individuals?
- Do I know their strengths?

Work towards a positive answer to each of them.

FOCUS ON STRENGTHS

Developing people starts with the self. Do the Feedback Analysis to show you where your strengths and weaknesses lie. Based on this information, form a six-step action plan:

SIX-STEP ACTION PLAN

- 1 Identify your strengths
- 2 Improve your strengths
- 3 Increase your knowledge
- 4 Eliminate bad habits
- 5 Practice good manners
- 6 Avoid weak areas

Drucker advises that you should concentrate on your strengths and waste as little effort as possible on improving areas of low importance. Ask everyone who works for you to adopt an action plan. With your help, it will take them forward — and you with them.