The Leader of the Future 2

Visions, Strategies, and Practices for the New Era

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The Leader of the Future, Frances Hesselbein, Marshall Goldsmith, Richard Beckhard, Editors
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Editors
Established in 1990 as the Peter F. Drucker Foundation for Nonprofit Management, the Leader to Leader Institute furthers its mission—to strengthen the leadership of the social sector—by providing social sector leaders with the wisdom, inspiration, and resources essential for leading for innovation and for building vibrant social sector organizations. It is the social sector, in collaboration with its partners in the private and public sectors, that is key in changing lives and building a society of healthy children, strong families, decent housing, good schools, and work that dignifies a diverse, inclusive, cohesive community that cares about all of its members.

The Leader to Leader Institute provides innovative and relevant training materials and resources that enable leaders of the future to address emerging opportunities and challenges. With the goal of leading social sector organizations toward excellence in performance, the Institute has brought together more than four hundred thought leaders to publish over twenty books available in twenty-eight languages and the award-winning quarterly journal, Leader to Leader.

The Leader to Leader Institute engages social sector leaders in partnerships across the sectors that provide new and significant opportunities for learning and growth. It coordinates unique, high-level summits for leaders from all three sectors and collaborates with local sponsors on workshops and conferences for social sector leaders on strategic planning, leadership, and cross-sector partnerships.

Building on a legacy of innovation, the Leader to Leader Institute explores new approaches to strengthen the leadership of the social sector. With sources of talent and inspiration that range from the local community development corporation to the U.S. Army to the corporate boardroom, the Institute helps social sector organizations identify new leaders and new ways of operating that embrace change and abandon the practices of yesterday that no longer achieve results today.
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Ten years ago we had a very simple yet powerful idea—call many of the greatest thinkers in the world, ask them each to write a chapter sharing their vision for the future of leadership, and put together an edited book titled \textit{The Leader of the Future}, with the proceeds supporting the Peter F. Drucker Foundation for Nonprofit Management, to help develop leadership in the social sector.

What happened next were three of the most pleasant surprises we have ever experienced!

To begin with, we were moved by the generosity of the thought leaders we asked to contribute. Even though the authors we contacted were very busy people, over 90 percent enthusiastically replied, “Sign me up!” Even the ones who were not able to make a contribution were incredibly encouraging. Because no one was paid for their efforts, our authors clearly were people who wanted to make a significant contribution to their field and to the social sector. With Peter Drucker leading this group of distinguished authors, every chapter was a generous gift to our small foundation—one that is small in staff and budget, but has enormous vision, a clear mission, and plenty of determination.

Second, we were amazed at the support we received from our publisher, Jossey-Bass. \textit{The Leader of the Future} was a labor of love for them as well as for us. Everyone at Jossey-Bass went above and beyond the call of duty to make our effort a success.
Third, we were—and still are—shocked at the positive reaction we received from our readers. Edited books normally don’t make the best-seller list. *The Leader of the Future* not only made the *Business Week* top fifteen best-seller list, it has become probably the greatest-selling edited book in the history of our field. Hundreds of thousands of copies of *The Leader of the Future* are moving around the world, in twenty-eight languages! The Drucker Foundation—now the Leader to Leader Institute—has since published twenty books. Although we are proud of all of our titles, *The Leader of the Future* is still our most successful in reaching our global colleagues for an adventure in learning.

Ten years later, post–September 11, we live in a different world with a new context. The leaders of the next decade face new and distinctive challenges. As Abraham Lincoln put it so eloquently in a different time of testing, “The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise to the occasion. As our case is new, so we must think and act anew.” Our times too call for new thought and action, yet the basic principles, basic values, and basic fundamentals of leadership have not changed. *Leadership is still a matter of how to be, not how to do.*

A lot has happened in the past ten years. Because the world has changed, we have decided that it was time for us to look back upon the past—with eyes to the future. Ten years later we are again moved by the generosity of the thought leaders we asked to make a contribution. The authors in *The Leader of the Future 2* are an amazing collection of thinkers who have extensive experience in all sectors—the private sector, the social sector, government, education, and the military. How do these great thought leaders and great writers, in the turbulence of a world at war, find the language, the message that can inspire, guide, and sustain leaders in an uncertain future? You will find out in the passages of this book! In its pages we hear Peter’s voice saying, “I never predict. I simply look out the window and see what is visible but not yet seen.”
The ideas that you will encounter in this book flow exactly from this kind of prescience, discernment, wisdom, and observation. Indeed, we could say that our authors are the thought leaders of the future. For they have not been content to plow the old furrows; instead they stake out new fields of opportunity, challenge, and transformation—new messages for a new day. This book delivers a “battle cry” that will mobilize the leaders of the future to build viable, relevant organizations that will sustain us in the times ahead.

Many of us can remember the days when organizations, with seeming certainty, developed highly structured ten- and twenty-year plans. Planning in the past was rigid, inflexible, and hierarchical, but planning for the future will require leaders to be fluid and flexible, and to move easily across their organizations. The Leader of the Future 2 is indeed part of a new blueprint for planning in a dynamic new world. We hope that it will be an indispensable partner in your leadership journey!

Although our Institute has experienced many moments of joy in the past ten years, we have also experienced moments of sorrow and grief. One of the three coeditors of our first book, Richard Beckhard, is no longer with us. Dick Beckhard was our friend and supporter, and a legend in the field of leadership and organizational development. He will be missed but not forgotten.

It is with the deepest gratitude that we dedicate this book to the inspiration of our Founding Honorary Chairman, Peter F. Drucker. Peter’s life continues to illuminate our lives and our times. This is the Institute’s twenty-first book, but our first since the loss of Peter Drucker. We hope that, in some small way, it builds upon his legacy. We believe that Peter’s writings—and his inspiration to those who are still writing—will continue to have a positive impact on the leaders of the future. We can do no less.

As a reader, you should feel free to follow your instincts on where to begin your journey through this work. You may wish to begin with a favorite author, or you may wish to start with an intriguing or provocative title. There is no need to follow our chapter sequence,
although we did attempt to organize them by the types of leadership issues they address. Begin with what is most important to you—and be open to learning from people that you may not have heard of or considered as teachers. For example, Peter Drucker noted on several occasions that leaders in the for-profit sector had a lot to learn from leaders in the social sector!

The Leader of the Future 2 is divided into five parts. In Part One, our book begins where it should, with Peter Drucker’s vision of leadership. We both had the opportunity to visit with Peter near the end of his life. We were amazed at the sparkle in his eyes, and the wisdom in his words, as he discussed his views for the world ahead. Even as Peter faced death, he maintained his love of learning, growing, and teaching. Joseph Maciariello, a professor in the Claremont Graduate University’s Drucker and Ito Graduate School of Management, has years of experience in collaborating with Peter. In “Peter Drucker on Executive Leadership and Effectiveness,” Joe has done a masterful job recording some of Peter’s final thoughts and his insights for the future. Peter’s thoughts on creating organizations that have a spirit of performance built upon the “theory of the business,” creating a positive social impact and demonstrating consistent effectiveness, challenge the reader to both embrace change and become a change leader.

Part Two, “Leading in a Diverse World,” begins with the recognized world authority on building a learning organization. “Systems Citizenship” presents MIT’s Peter Senge at his best, as he challenges us to understand systems, implement systems intelligence, and build partnerships that are a mandate for the new millennium. America’s acknowledged thought leader on diversity, Roosevelt Thomas, draws from his vast experience to give future leaders a way to move from “diversity as representation” to “diversity as complexity.” Jan Masaoka’s chapter is not based upon theory, but rather is derived from her real-life experience—lessons learned from working with executive directors who are women of color and who share their unique perspectives on leadership challenges and the role of race in leader-
ship. Harvard business professor Rosabeth Moss Kanter takes leaders from where they are today—wherever they are in the world—and describes how they can draw upon universal human values to convert global challenges into opportunities for positive change.

Part Three, “Leading in a Time of Crisis and Complexity,” begins with Ron Heifetz of Harvard’s Kennedy School. Ron describes new approaches to solving leadership dilemmas as he challenges leaders in “Anchoring Leadership in the Work of Adaptive Progress.” As president of the Center for Creative Leadership, John Alexander oversees the research and teaching of leadership development professionals around the world. He discusses the increasing complexity that will be faced by leaders in the future and how they can effectively grapple with new and complex challenges. Tom Tierney has moved from being the CEO of one of the world’s most successful consulting firms, Bain & Company, to a career that is dedicated to helping nonprofit organizations in the social sector at The Bridgespan Group. In “Understanding the Nonprofit Sector’s Leadership Deficit,” he describes the challenges that lie ahead for this sector and presents ideas to meet these challenges. John Mroz has had the opportunity to work with leaders around the world and to help these leaders build bridges that have turned potential adversaries into allies. In “Leadership Over Fear” he describes how fear is a part of the daily life of many leaders and shows how taking action, taking risks, and overcoming prejudice and isolation can help demonstrate the courage required to be a future leader. Ponchitta Pierce is a journalist, TV host, producer, writer, and community activist. Her views on the qualities of the leader of the future incorporate interesting, diverse, and varied perspectives in “Leading in a Constantly Changing World.” We have had the opportunity to meet many wonderful leaders in our journeys through life. A hero to both of us is General Eric Shinseki. Former chief of staff of the U.S. Army, General Shinseki is admired by leaders around the world. He provides a very different view of leadership development in “Leaders of the Future: Growing One-Eyed Kings.”
Part Four, “Leading Organizations of the Future,” shows how changing context has an impact on leadership needs, demanding changes in leadership styles. Charles Handy is one of the great social philosophers of our time. Who better than Charles to discuss “philosopher leaders?” These future leaders will address philosophical questions—questions concerning mission, the relationship of the individual to the organization, issues of justice and fairness—in their efforts to define the issues clearly and precisely. Michigan’s Dave Ulrich and his partner Norm Smallwood, authors of “Leadership as a Brand,” are two of the world’s leaders in discussions of that topic. Dave and Norm challenge leaders and organizations to consider leadership development as a part of their larger brand and identity. They show how to make investments that can turn leadership into a competitive advantage for the organization. Ken Blanchard is one of the world’s best-selling nonfiction authors and authorities on leadership development. He and Dennis Carey, a partner at Spencer Stuart, deliver a leadership imperative in “Regaining Public Trust: A Leadership Challenge.” Their vision of leaders focused on the customer—those who serve the customer as well as each member of the organization helping others succeed—is a model for ethical, principled leaders at every level. In “Leading New Age Professionals,” Marshall Goldsmith describes how many organizations of the future—organizations that rely on knowledge workers—are becoming like professional services firms. He shows how the types of leadership that produce effective results with professionals are going to become the norm in many organizations of the future. Srikumar Rao teaches one of the most popular, impactful, and insightful courses at Columbia Business School. In “Tomorrow’s Leaders,” Srikumar looks at fulfillment for leaders as going well beyond the standard “bottom line” toward becoming connected to a compelling mission and serving our larger society. Sally Helgesen is a world authority in the area of inclusion. Her chapter, “Challenges for Leaders in the Years Ahead,” addresses issues of fostering inclusion while achieving sustainability, redefining diversity, and focusing on values.
Michigan’s Noel Tichy and Chris DeRose, in “Leadership Judgment at the Front Line,” talk about how the new organizational environment will produce the need for skilled decision makers at all levels. Part Four concludes with Jim Kouzes and Barry Posner, best-selling authors, speakers on leadership, and developers of leadership profiles, whose work has had an impact on over a million leaders. Their chapter, “It’s Not Just the Leader’s Vision,” moves leaders toward a shared vision of a future that is owned by the members of an organization.

Part Five, “The Quality and Character of the Leader of the Future,” begins with one of the most influential thought leaders in history, Stephen Covey. In “Leading in the Knowledge Worker Age,” Stephen builds on one of Peter Drucker’s key concepts, showing that leadership is really an “enabling art.” He discusses the importance of leaders who “find their own voice” and lead in a way that both models and inspires authenticity. Stanford’s Jeff Pfeffer follows Stephen by asking, Are the best leaders like professors? He shows how the same skills possessed by great teachers—asking provocative questions, making evidence-based decisions, and helping others learn—are going to become key attributes of the leader of the future. Usman Ghani helps organizations from all sectors with integration and transformation. In “The Leader Integrator,” he challenges us to see integration in its many forms—integration of roles responding to changing circumstances; integration of people, processes, and problems—as a key competency for creating the organization of the future. MIT’s Edgar Schein is one of the thought leaders that other thought leaders most admire. In “Leadership Competencies: A Provocative New Look,” Ed defines new skills needed by the leader of the future. He challenges leaders to learn to “think like an anthropologist,” “have the skills of a family therapist,” and “cultivate and trust artistic inclinations.” Lynn Barendsen and Howard Gardner, of the GoodWork Project and Harvard Graduate School of Education, define in powerful terms the “three elements of good leadership”—technical excellence, ethical orientation, and
full engagement. With these key strengths, the leaders of the future can address the challenges caused by globalization, market pressures, and the scarcity of positive examples. In “Distinctive Characteristics of Leaders of Voluntary Organizations: Past, Present, and Future,” Brian O’Connell of Tufts University, cofounder of INDEPENDENT SECTOR with John Gardner, uses his lifetime of experience to make the connection between the characteristics of leadership that have always mattered—such as commitment to service, tolerance, maturity, and hard work—and the application of these characteristics by leaders of the future. Darlyne Bailey, former dean of Columbia Teachers College, finishes our book with a chapter titled “Leading from the Spirit.” She describes how managers can draw upon deeper beliefs such as authenticity, humility, compassion, faith, patience, and love in their desire to be great role models as servant leaders for the people whose lives they touch.

The Leader of the Future 2 has emerged from great inspiration—the wisdom of Peter Drucker and the ideas of wonderful teachers and leaders who have inspired us over the years. We hope to build upon this treasured legacy with this new collection of wisdom and insights. The best will develop inspired, principled leaders who will transform our organizations and create the future we all desire.

We at the Leader to Leader Institute, successor to the Peter F. Drucker Foundation, are deeply grateful to our authors, thought leaders who with incredible generosity share with us in this book their intellectual capital, philosophies, experience, and faith in a bright future for the leaders of tomorrow. Every chapter in The Leader of the Future 2: Visions, Strategies, and Practices for the New Era is a gift. And we are deeply grateful to you, our readers, fellow travelers on a journey to significance, service, and transformation.

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Part I

A Vision of Leadership
Peter Drucker's writings on management and executive leadership are extensive and varied. Yet through all of his work a definite vision of what executive leadership and management is and how leaders and managers should operate does emerge. These intertwined and overlapping subjects can be distinguished, at least in theory, by separating the principles of governance of organizations, which Drucker refers to as the practice of management, from the principles of the conduct of leaders in these organizations, which he refers to as the effective executive.¹
A simplified systems representation is presented in Figure 1.1. This figure integrates Drucker’s views on executive leadership and management into a framework that leaders can apply in their own organizations. The elements of the figure interweave leadership skills and management practices, both of which are required to attain performance.

This chapter describes these interrelated elements as a system. Please use Figure 1.1 as a reference point as each element is described in an iterative manner. Seek to understand the system of leadership

**Figure 1.1. Systems View: Executive Leadership and Effectiveness.**
and effectiveness as an organic whole and not merely as a set of isolated elements.

Because Drucker’s primary focus is on organizational performance and integrity of leadership, we start our discussion of the elements in Figure 1.1 with what he calls “the Spirit of Performance.” This element is located in the lower right-hand portion of the figure.

Executive Leadership and Effectiveness

Executive leadership is concerned with creating organizations that have a high spirit of performance. To attain such a spirit of performance, leaders must

- Exhibit high levels of integrity in their moral and ethical conduct
- Focus on results
- Build on strengths—one’s own and others’
- Lead beyond borders to meet at least minimum requirements of all stakeholders, including customers, shareholders, and the public, thereby serving the common good

An organization high in spirit of performance is one that is led by executives who are committed to doing the right thing and to getting the right things done. These executives possess integrity of character; have a vision for the purpose of their organization; focus on opportunities; are change leaders; and follow essential tasks, responsibilities, and practices of management.

Executive skills, practices of effective executives, and executive tasks are acquired through knowledge and experience. Although there may be “born leaders,” leadership principles and practices must be learned and can be learned. Executive leadership principles
are required, first, to formulate purpose (the “theory of the business”) and to pursue performance objectives (for organizational results). These principles focus organizational resources on innovation and entrepreneurship, which must be learned, exploited, and integrated into an organization’s activities. Innovation is necessary to remain ahead of those changes imposed on an organization by an ever-changing environment.

Innovation is focused primarily outwardly, on opportunities, on the customer, on technology, on competitors, and so on. Results, such as customer satisfaction, revenue, and profitability, are always on the outside.

The elements in Figure 1.1 are not independent of one another; they interact and exert their own gravitational pull. The primary focus of executive leadership is formulating and implementing an organization’s “theory of the business.” This requires that executives be competent in performing certain “practices of effective executives.” Effectiveness also requires that executives perform certain tasks—specifically, “executive tasks.” To perform these practices and tasks, executives must learn and use a set of “executive skills.”

Implementing an organization’s theory of the business inevitably leads to “social impacts,” foreseeable consequences such as employment and purchasing practices, and consumption of natural resources that have an impact on the environment and create demands for public services. An organization is responsible for making certain that these and other impacts are directed in support of the common good.

**The Spirit of Performance: True Test of an Organization**

As noted earlier, the true test of an organization is the presence of a spirit of performance. An organization that is high in spirit builds on and develops the strength of each person, and this results in common people doing extraordinary things. To guard against weak-
nesses created by an emphasis on strengths, a highly spirited organization will cover members’ weaknesses by overlapping the strengths of others upon these weaknesses like shingles on a roof.

A demand for performance characterizes a high-spirited organization. Executives here will focus members’ activities primarily on opportunities and results. Careful attention is placed on people decisions; these decisions signal to employees what is really valued and desired. People decisions—selection, rewards, and promotion—are the true control of an organization. People decisions direct behavior because they indicate the actual values in action of the organization. These decisions reveal what is truly rewarded and punished, and therefore they direct human behavior.

Executive integrity is crucial to creating an organization with a high spirit of performance because the character of an organization’s management serves as an example for subordinates. Actions of executives are highly visible. Consequently, the actions of executives must be based on strict principles of conduct regarding responsibility, performance standards, and respect for individuals. These principles serve as examples for the entire management group and organization. “For the spirit of an organization is created from the top. If an organization is great in spirit, it is because the spirit of its top people is great.”

An executive who establishes the spirit of performance in daily practice is a leader of his or her organization, for leadership involves the lifting of a person’s vision to higher sights, the raising of a person’s performance to a higher standard, and the building of a person’s personality beyond its normal limitations.

And there is no better way to create the conditions for the emergence of such leaders than to create an organization that is great in spirit.
The Theory of the Business

Drucker’s ideas about leading organizations all start with the organization’s “theory of the business.” A theory of the business is the way an organization intends to create value for its customers and is therefore applicable to all organizations, not just business organizations. It requires answers to the following questions:

- What is our mission?
- What are our core competencies?
- Who are our customers and noncustomers?
- What do we consider results for the enterprise?
- What should our theory be? (Which in turn focuses executives to look for opportunities for innovation.)

The theory of a business is often not obvious, nor can it be formulated without controversy. Formulating a theory of business requires executives first to look beyond the walls of the organization to the external environment. The environment is not limited to where the enterprise is currently operating, but also includes other “environments,” such as those where noncustomers are being served and where future customers are likely to be served. This means that formulating a theory of the business must be a forward-looking exercise—creating a mission that compels it to systematically evaluate emerging trends, future changes in its environments, and current or emerging social problems that may be turned into business opportunities.

In determining core competencies, an organization must ask, What are we really good at? and What should we be doing?

Assumptions about mission, core competencies, and customers not only must fit reality, but also must be consistent with each other. It is for this reason that a company’s theory must be constantly
checked and updated, since, for example, one doesn’t want to be selling only mainframe computers, as IBM once did, when one’s customers are shifting their preferences to personal computers.

If the theory of the business is different from an organization’s current business, then the concepts of abandonment and of innovation and change become obvious. Leaders must be able to recognize when to give up products, processes, and customers and reallocate resources toward more promising opportunities. In summary, the theory of the business sets direction; it should be used to communicate to the organization’s members where the business is going, provide the rationale for why it is going down a given path, and align the activities of its members.

The Environment and Social Impacts

The ethical rule that managers should live by when pursuing their organizations’ missions is primum non-nocere—“first do no harm.” Organizations are public institutions, and their actions have impacts on society. Their codes of professional ethics must be to not knowingly do harm. Legal and ethical violations should be met with stiff penalties for those who break the law and who otherwise knowingly do harm.

Drucker describes two different types of social impacts:

- Those negative ones that an organization creates
- Social ills that are turned into business opportunities

Both impacts are important and must be managed since the first deals with what an organization does to harm society, and the second with what an organization can do to help society.

An organization’s social impact is properly defined as activities, or results of activities, that are achieved in an organization’s pursuit of its purpose. Each institution must be dedicated to a purpose—for
example, a hospital should heal the sick; a business should satisfy economic wants; and a church, synagogue, or mosque should nourish people spiritually. Detrimental impacts to society created in this process must be minimized because they are harmful to the common good and are also outside the proper mission of any organization.

There is also a balance between cleaning up after one's negative impacts and, in doing so, incurring costs that create a competitive disadvantage for an organization within its industry. In the latter case, it is in the interest of executives in an industry (for example, the accounting profession) to agree upon appropriate regulation (that is, to avoid auditing scandals such as those involving Enron, WorldCom, and so on) that minimizes negative impacts and simultaneously eliminates undue disadvantages among competitors.

Organizations must focus on their missions, minimize negative social impacts, and take a proactive interest in the common good. Institutions are organs of society. As such they are significantly dependent upon the welfare of society for their own welfare. To this end, management must work to obtain appropriate regulations so as to level the competitive playing field within its industry when executive insiders know that substantial negative social impacts are present.

The difficulty and expense executives are now incurring complying with the requirements of the Sarbanes-Oxley Act of 2002, enacted as a result of the public outcry over numerous accounting scandals of the 1990s, were preventable. All that was needed was self-regulation by members of the accounting profession as represented by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board. Such self-regulation would have led to far more effective legislation for preventing accounting abuses, because it would have been developed by the professional groups best informed to propose the regulation to Congress and later to enforce the regulation on their members.