

As growth returns after a long financial winter, economic hope as well as spring is in the air. But, says **Simon Caulkin**, it is impossible not to notice the contrast between the warming of the economic climate and the clouds lowering on the social and emotional front

Those green shoots may not really be spring





In country after country, society seems fractured. There is deepening distrust of politics and business, sometimes even of justice. Fear and anger drive out civilised dialogue.

Part of this collective anger is technologically fuelled. Let's be clear: the internet is a huge boon to humankind. Who would want to be without the opportunity for direct, unmediated individual broadcasting, instant access to much of the world's information, vastly enriched choice and limitless possibilities for connection?

But there is another side, too.

All those interactions provide data. And the temptation to use it to exploit the darker side of human nature, whether for profit or other kinds of advantage, is strong. The early pioneers saw the internet as a free and open commons. But now mighty commercial interests are firmly in control – and their algorithms tell them that fake news, extremism and rage are “stickier” and propagate faster, and are therefore more valuable, than real news and more sober views.

This internet isn't making us happier and more fulfilled, rather the reverse. As Silicon Valley insider Vivek Wadhwa wrote in a recent blog: “The unhappy reality is that the options available are rapidly decreasing in utility and reward and increasingly herding us into habits of mindless consumption”.

This is a new social ecology that we are struggling to understand and control. Together with other world events, it raises some fundamental questions. Never mind the “end of history”; under present technology-amplified social pressures, can we still take the future of liberal democracy for granted? Even more urgently, what can we do to address these problems and their consequences and who should do it?

These questions bear particularly heavily on managers and the very nature of management. After all, in the directest sense, managers are in the eye of the storm. They run the enterprises that created and now dominate the internet ecology whose ramifications we are currently wrestling with.

Some of them are fabulously profitable but even that – previously a source of hero worship – has come under scrutiny as the public questions the implications of self-reinforcing network effects and winner-takes-all dynamics for the wider economy and the unintended consequences of the bargain that has brought them troves of personal data in return for “free” search and social media.

“What managers are doing ... is of public concern,” Peter Drucker said, speaking of their role as both stewards of society’s resources and a leadership group in their own right – and never has this been more plain.

Aristotle defined three dimensions of human intelligence: *episteme* (intellect), *techne* (craft) and *phronesis* (practical wisdom and ethical values). In management they roughly correspond to what we would call the “what”, the “how” and the “why”.

To generalise, since the 1950s the management taught in most business schools, propagated by consultancies and used by companies, at least in the “anglo-sphere”, has consisted of a set of skills and techniques based on mastering quantitative methodologies – that is, on the “what” and “how”.

The goal, taking a leaf from physics and economics, was to make management more scientific and predictable. A commendable aim in itself, perhaps, but the consequence was to turn the company into a bureaucratic machine, run by fiat for purely financial ends to which humans were expendable means.

Efficiency (still the only task, as academic Gary Hamel has noted, that management is fully equipped to address) has been pursued at the expense of effectiveness; technology has been used to speed up and automate business-as-usual rather than replace it with positive new models; and metrics-obsessed performance management, as another academic, Jeff Pfeffer, forcefully states in his most recent book, has put humanity firmly in the back seat. At the extreme, management has been shorn of its moral content altogether.

It has been a long time coming, but the “why” of management – purpose, practical wisdom and ethical values – is now right back at the top of the management agenda. The change has been in the air for some time.

“”

Efficiency has been pursued at the expense of effectiveness; technology has been used to speed up and automate business-as-usual rather than replace it with positive new models; and metrics-obsessed performance management has put humanity firmly in the back seat



It is a central thread running through the Global Peter Drucker Forum, which celebrates its 10th anniversary this year. Few present will forget Charles Handy’s call at last year’s event for a return to management’s human values. The growth of groups like the Coalition for Inclusive Capitalism and the Conscious Capitalism Movement and steadily increasing numbers of B-corps all testify to swelling business awareness that realising the promise of the digital revolution depends on a broad-based institutional realignment that dials up the technology’s capacity for economic and social good at the same time as it dials down its ability to do harm.

There are plenty of initiatives to build on.

More dynamic, fertile, human-centred approaches to management are emerging that better respond to the needs of a complex, fast-changing world where biology seems a better guide to action than the machine. Examples

10th

The Global Peter Drucker Forum celebrates its 10th anniversary this year



include agile and scrum, design thinking and lean start-up, all of which aim to leverage individual contribution to the organisation.

Beyond budgeting aims to break out of command-and-control management that locks management into hidebound routines. Companies too are doing their own thing: Haier's bold move under Zhang Ruimin to recreate itself as a platform organisation; tyre-maker Michelin's radical changes to production to engage workers; and on a different front Unilever's refusal to abandon its long-term growth and sustainability strategy in the face of a takeover attempt come to mind.

A rediscovered focus on the customer, ironically spurred on by the example of the Big Tech companies, has likewise played a positive part.

One of the most striking signifiers of change, though, is the increasingly vocal interventions of investors. Insurance companies are calling for action on climate change, for example. Even

more direct is the wake-up call delivered by Larry Fink, chairman and CEO of BlackRock, the world's largest asset manager, to leaders of the companies it invests in:

"The public expectations of your company have never been greater," Fink told them in a letter earlier this year. "Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate".

Coming from where it does, this is a game changer. The management pendulum had already begun slowly to swing back from the financialised, technocratic extremes of the last decades; Fink's letter comes as a determined and explicit push in the same direction.



“”

The new activist CEOs often talk of a “true north” or a moral compass that keeps them on course in today’s highly politicised, technologically charged environment. True north today points to the human, which means leveraging technology in the service of organisations based on community and collaboration not as an end in itself



And we know where the challenge starts.

As we have seen, the company is the intersection point where many of today’s social tensions meet. Think of it as society’s field lab for registering and charting these currents and managers as researchers experimenting with ways of reconciling them.

The new activist CEOs often talk of a “true north” or a moral compass that keeps them on course in today’s highly politicised, technologically charged environment. True north today points to the human, which means leveraging technology in the service of organisations based on community and collaboration not as an end in itself.

The best companies know that technology is the last step in innovation not the first. “Humans should produce goods manually and make the process as simple as possible. Then when the process is thoroughly simplified, machines can take over. But rather than gigantic multi-function robots, we should use equipment that is adept at single simple purposes”, Toyota’s manufacturing director told *Fast Company* recently. Automation springs out of human innovation not the other way round.

Perhaps paradoxically, the qualities management will need in the age of technology are less about technological expertise than about the wisdom to use it wisely. Its “positive contribution to society” is first of all to unify our organisations around authentic purpose that enlists all employees in the common endeavour.

For that they need to be as adept at reading the human condition as at reading spreadsheets or technical specifications. They need to be able to ride the waves of technology, using their sense of true north to steer in the right direction.

This is the defining test of management as a “liberal art”, as Peter Drucker famously defined it. If we can do it in the living lab of the company we can surely also do it in society as a whole.

gf

About the Author

Simon Caulkin is Senior Editor for the Global Peter Drucker Forum. For many years he contributed a column on management to The Observer newspaper and is a past editor of Management Today