



# The Control Problem

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## ***Peter Drucker's Confirmation***

The purpose of this brief paper is to articulate and define a problem I have labeled “the control problem.” Peter Drucker concurs in this labeling of the problem, and his response to me when I shared with him its initial framing more than a decade ago was to say, “I think you are absolutely on the right track.”<sup>1</sup>

It is not my aim here to set forth a solution to the control problem. The control problem is not a problem that I, or anyone else, will solve alone. For now, my aim is simply to draw attention to it.

“The control problem” refers to a sudden and sharp loss of control where control once existed. In slightly more technical terms, there has been a shift in the locus of control. More specifically, since the end of World War II, there have been three groundswell shifts in the locus of control.

## ***Shifts in the Locus of Control***

The first shift is in *the locus of control over work* – from management to the worker. This shift is in turn the result of a shift from manual to knowledge work or, more precisely, a shift from materials to information and knowledge as the “stuff” on which people work. The shift to knowledge work has been steadfastly chronicled by Peter Drucker. Appendix A contains a sampling of his more noteworthy observations regarding this shift.

The second shift is in *the locus of control over political power* – from individuals and the state to organizations. This shift has been

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<sup>1</sup> Private correspondence with the author.

taking place for a long time. Its observers, chroniclers, and critics include the likes of Thorstein Veblen<sup>2</sup>, Adolph Berle and Gardner Means<sup>3</sup>, John Kenneth Galbraith<sup>4</sup>, and Peter Drucker.<sup>5</sup> Drucker neatly summed it up in the title of a 1992 article: “The New Society of Organizations.”<sup>6</sup> One of the more recent entries in this genre is David Korten’s book, *When Corporations Rule the World*.<sup>7</sup>

The third shift is in *the locus of control over the production and distribution of wealth* – from many open-system *national* economies to a single closed-system *global* economy. In the long run, this shift may well turn out to be the most significant of the three. For years now, two of the chief paradigms of business, industry, and society have been that of (1) the *open* system and (2) the national economy (populated, of course, by companies tied to the nation in question. Our natural world might indeed be an open system but our new global economy is clearly a *closed* system and will remain so until interplanetary commerce becomes a reality. For an interesting discussion of the significance and implications of a global network of corporations with slender ties to any particular nation, see Robert Reich’s book, *The Work of Nations*.<sup>8</sup>

These three shifts represent an evolutionary transition from *repetitive* to *innovative* systems, from systems intended and designed to produce high volumes of standardized products for mass markets to systems that must continuously innovate so as to provide specialized products and services to niche markets. The passage from one to the other occurs by way of *adaptive* systems. This transition from repetitive to innovative systems is rife with implications for all those with an interest in what Peter Drucker termed “the practice of management.” These implications are captured in summary form in Table 1 on the next page.

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<sup>2</sup> Thorstein Veblen (1904). *The Theory of Business Enterprise*. New York, NY: Charles Scribner’s Sons.

<sup>3</sup> Adolph Berle and Gardner Means (1933). *The Modern Corporation and Private Property*. New York, NY: MacMillan..

<sup>4</sup> John Kenneth Galbraith (1977). *The Age of Uncertainty*. Boston, MA: Houghton-Mifflin.

<sup>5</sup> Peter F. Drucker (1969). *The Age of Discontinuity* (1969). New York, NY: Harper & Row.

<sup>6</sup> Peter F. Drucker (1992). “The New Society of Organizations,” *Harvard Business Review*. Cambridge, MA: Harvard Business School.

<sup>7</sup> David Korten (1995), *When Corporations Rule the World* . San Francisco, CA: Berrett-Koehler Publishers.

<sup>8</sup> Robert B. Reich (1991). *The Work of Nations*. New York, NY: Alfred A. Knopf.

Table 1: The Shift from Repetitive to Innovative Work Systems

	<b>Repetitive Systems</b>	<b>Adaptive Systems</b>	<b>Innovative Systems</b>
<i>Input Variability</i>	Low	Moderate	High
<i>Process Structure</i>	Prefigured	Adjustable	Configured
<i>Output Variability</i>	Fixed	Varied	Custom
<i>Control Principle</i>	Compliance	Coordination	Commitment
<i>Focus of Controls</i>	Activities	Products	Results
<i>Locus of Control</i>	The Supervisor	The System	The Worker
<i>Basis of Authority</i>	Position	Reciprocity	Performance
<i>Management Style</i>	Directive	Participative	Collaborative
<i>Worker's Role</i>	Pawn	Player	Partner
<i>Markets Served</i>	Mass	Segments	Niches
<i>Economic Leverage</i>	Deploying Capital	Applying Technology	Creating Knowledge
<i>Competitive Edge</i>	Cost	Cost & Quality	Cost, Quality, Speed
<i>Rate of Change</i>	Low	Moderate	High
<i>Degree of Regulation</i>	High	Moderate	Low
<i>Nature of Demand</i>	Concentrated	Clustered	Dispersed
<i>Skill Level</i>	Low	Moderate	High
<i>Judgment Required</i>	Low	Moderate	High
<i>Risk Tolerance</i>	Low	Moderate	High

All three kinds of work systems exist in most organizations and are likely to do so for the foreseeable future. Each, however, poses its own challenges to the practice of management and to its practitioners. One size does not fit all. We have learned a great deal about the first kind; we are learning about the second and we know very little about the third.

## **Appendix A**

### **Peter Drucker's Chronicle of the Shift to Knowledge Work**

“In the United States . . . the class of employees that has been growing most rapidly in numbers and proportion is that of skilled and trained people.”

*The Practice of Management: 1954*

“Productive work in today’s society and economy is work that applies vision, knowledge and concepts—work that is based on the mind rather than the hand.”

*Landmarks of Tomorrow: 1959*

“Even the small business today consists increasingly of people who apply knowledge rather than manual skill and muscle to work.”

*Managing for Results: 1964*

“Finally, these new industries differ from the traditional ‘modern’ industry in that they will employ predominantly knowledge workers rather than manual workers.”

*The Age of Discontinuity: 1969*

“. . . the center of gravity of the work force is shifting from the manual worker to the knowledge worker.”

*Management: 1973*

“. . . the center of gravity among ‘employees’ has sharply shifted to the educated, employed, middle class, that is, to people who see themselves as ‘technical’ and increasingly as ‘professional’.”

*Managing in Turbulent Times: 1980*

“The more knowledge-based an institution becomes, the more it depends on the willingness of individuals to take responsibility for contribution to the whole, for understanding the objectives, the values, the performance of the whole, and for making themselves understood by the other professionals, the other knowledge people in the organization.”

*The New Realities: 1989*

“The productivity of the newly dominant groups in the work force, knowledge workers and service workers, will be the biggest and toughest challenge facing managers in the developed countries for decades to come. And serious work on this daunting task has only begun.”

*Managing for the Future: 1992*

“Instead of capitalists and proletarians, the classes of the post-capitalist society are knowledge workers and service workers.”

*Post-Capitalist Society: 1993*

“This society in which knowledge workers dominate is in danger of a new ‘class conflict’; the conflict between the large minority of knowledge workers and the majority of people who will make their living through traditional ways, either by manual work, whether skilled or unskilled, or by services work, whether skilled or unskilled.”

*Managing in A Time of Great Change - 1995*

“The most valuable assets of a 20th-century company were its *production equipment*. The most valuable asset of a 21st-century institution, whether business or nonbusiness, will be its *knowledge workers* and their *productivity*.”

*Management Challenges for the 21st Century - 1999*

**Contact the Author**

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