

# **Creating the Organization of the Future**

This page intentionally left blank

# **Creating the Organization of the Future: Building on Drucker and Confucius Foundations**

**BERNARD JAWORSKI**

*Claremont Graduate University, USA*

And

**VIRGINIA CHEUNG**

*Shenzhen University, China*



United Kingdom – North America – Japan – India – Malaysia – China

Emerald Publishing Limited  
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First published as 当德鲁克遇见孔夫子 (“*Setting the Direction for Your Firm*”) by Orient Publishing Center (“OPC”), with Bernard Jaworski and Virginia Cheung, China, 2021. English language translation copyright © 2023, Emerald Publishing Limited. This English language edition published under exclusive licence from OPC by Emerald Publishing Limited.

Translated by Bernard Jaworski and Virginia Cheung.  
The moral right of the copyright holder and translator has been asserted.

#### Reprints and permissions service

Contact: [permissions@emeraldinsight.com](mailto:permissions@emeraldinsight.com)

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. Any opinions expressed in the chapters are those of the authors. Whilst Emerald makes every effort to ensure the quality and accuracy of its content, Emerald makes no representation implied or otherwise, as to the chapters’ suitability and application and disclaims any warranties, express or implied, to their use.

#### British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-83753-217-9 (Print)

ISBN: 978-1-83753-216-2 (Online)

ISBN: 978-1-83753-218-6 (Epub)



**ISOQAR**  
REGISTERED

Certificate Number 1985  
ISO 14001

ISOQAR certified  
Management System,  
awarded to Emerald  
for adherence to  
Environmental  
standard  
ISO 14001:2004.



INVESTOR IN PEOPLE

# Table of Contents

List of Figures and Tables	<i>vii</i>
About the Authors	<i>ix</i>
Preface	<i>xi</i>
Acknowledgments	<i>xv</i>
<b>Chapter 1</b> Developing an Organization’s Mission	<i>1</i>
<b>Chapter 2</b> Developing an Organization’s Vision	<i>11</i>
<b>Chapter 3</b> Developing an Organization’s Purpose	<i>21</i>
<b>Chapter 4</b> Developing an Organization’s Values	<i>31</i>
<b>Chapter 5</b> Developing an Organization’s Culture	<i>43</i>
<b>Chapter 6</b> Getting Started on the Journey: Mission, Vision, and Purpose	<i>55</i>
<b>Chapter 7</b> Getting Started on the Journey: Culture and Values	<i>65</i>
<b>Chapter 8</b> Two Sources of Wisdom for Market Shapers, Peter Drucker and Confucianism	<i>75</i>
<b>Chapter 9</b> Drucker Management Philosophy and Ten Principles	<i>101</i>
<b>Chapter 10</b> Confucianism and Ten Principles	<i>123</i>
Index	<i>153</i>

This page intentionally left blank

# List of Figures and Tables

## Chapter 6

Figure 6.1.	General Assessment of Mission Statement.	59
Figure 6.2.	General Assessment of Vision Statement.	60
Figure 6.3.	General Assessment of Purpose Statement.	61

## Chapter 7

Figure 7.1.	Assessing Organizational Values.	69
Figure 7.2.	Assessing Organizational Culture.	70

## Chapter 8

## Chapter 9

Figure 9.1.	Clear Mission and Theory of the Business.	102
Figure 9.2.	Focus on Understanding Customer Needs.	104
Figure 9.3.	Responsibility and Accountability at All Levels.	106
Figure 9.4.	Employee Orientation.	108
Figure 9.5.	Everyone Innovates.	110
Figure 9.6.	Regular Abandonment Is Practiced.	111
Figure 9.7.	Results, Not Activities, Are Measured for All Stakeholders.	113
Figure 9.8.	Balances Short Term and Long-Term Results.	114
Figure 9.9.	Everyone Lives by the Values.	116
Figure 9.10.	Demonstrates Social Responsibility.	118

## Chapter 10

Figure 10.1.	Virtuous and Ethical Behavior Creates a Harmonious Society.	125
Figure 10.2.	Manage by Virtue Rather Than Punishment.	127

Figure 10.3.	Do What's Right Rather Than Simply Being Profit-Driven.	130
Figure 10.4.	A Journey of 1,000 Miles Begins With One Step.	132
Figure 10.5.	Everyone in the Organization Works Toward a Common Goal.	134
Figure 10.6.	Do to Others What You Want Done to Yourself.	136
Figure 10.7.	Embrace Constant Change.	139
Figure 10.8.	Everyone Leads Through Continuous Practice and Reflection.	142
Figure 10.9.	Everyone Follows One Set of Standards and Norms for Behavior.	144
Figure 10.10.	Never Promise What You Cannot Deliver.	146
<b>Chapter 1</b>		
Table 1.1.	Fourteen Amazon Principles.	6
<b>Chapter 5</b>		
Table 5.1.	Netflix Corporate Culture.	47



## About the Authors

**Bernard Jaworski** is the Drucker Chair in Management and the Liberal Arts, which is named in honor of Peter Drucker, the founder of modern management and the namesake of the Drucker School. Bernard is a ISBM and AMA Marketing Fellow. He is the recipient of the three major *Journal of Marketing* awards – the Alpha Kappa Psi award (received twice), the Maynard award, and the Sheth award. He also received the Converse award and Vijay Mahajan lifetime achievement award for contributions to marketing. His 2020 book on Organic Growth (with Bob Lurie) received the Leonard Berry AMA book of the year award. His work is highly cited (over 49,000 citations as of March 2022). He has been voted MBA teacher of the year (both at USC and Drucker).

Jaworski comes to the Drucker School from the Switzerland-based IMD, a highly regarded international business school. Prior to working at IMD, Jaworski spent a decade as a senior partner of the Monitor Group, a global management consulting firm. During his Monitor career, he cofounded and coled two of the global practice areas, the e-commerce practice and the executive education unit. Among other activities, he was a senior team member of a number of significant multiyear corporate transformations for multinational clients in a variety of sectors, notably pharmaceuticals, biotech, and medical devices.

From 1996 to 1999, Jaworski served as the Jeanne and David Tappan Marketing Fellow and a tenured full professor of Marketing at the University of Southern California. He has also served on the faculty at the University of Arizona and as a visiting professor at Harvard Business School as well as on the review boards of the *Journal of Marketing* and the *Journal of Marketing Research*. He is the coauthor four textbooks on e-commerce and has taught topics including leadership, corporate strategy, and service management.

**Virginia Cheung** is Associate Research Fellow at the School of Management, Shenzhen University. She holds a PhD in Management from the Peter F. Drucker and Masatoshi Ito Management School at Claremont Graduate University. Her research interests span the integration of both Western and Eastern thought leadership as it relates to leadership, management, and a functioning society. Virginia is interested in comparative research on alternative management philosophies and approaches, with a specific subinterest in how these philosophies are approached in different cultures. Her research focused on the relationship between Drucker philosophy and Confucianism.

Prior to her PhD, Virginia had extensive industry experience in the Greater China region and Germany. Virginia is former director of business development and deputy director of capital market of Phoenix Satellite Television, a leading Chinese omni-media group. She held positions of strategic planner and analyst in Siemens AG in Germany, one of the largest multinational conglomerate manufacturing companies in Europe. She serves and has served on the boards of two big data starts-ups in China and held an adjunct professor title in Beijing Jiaotong University, a prominent university in regard to transportation science and technology.

Virginia also holds an EMBA from the Drucker School, a Master in Law and Economics (LLM) from the University of Hamburg in Germany, and an undergraduate degree in Economics from the University of Bradford in the United Kingdom.

# Preface

Our experience is that most organizations start with a product or service idea. In the case of a product or software, the engineers go to work to craft a better solution than exists in the marketplace. The same is true of service businesses. The aim is to provide a product or service that is regarded by the market as much better than competing offers. If successful, the product or service gets adopted by lead users, and over time the organization gains customers, adds employees, and experiences revenue growth. If all goes well, it grows from a small start-up to a healthy mid-size or large firm.

At this stage, we observe that organizations take one of two paths. The first is positive. The firm continues to renew itself. It closely monitors marketplace developments and can meet current marketplace needs as well as transition to the future marketplace. Thus, it balances competing in two time periods, the current marketplace and the future marketplace. This is what Peter Drucker termed “managing continuity and change.” For a variety of reasons, this is very hard to do. But a select few firms can and do make this happen. The second pathway is quite the opposite. The firm “locks” in on a business model, optimizes the business model, and, as a result, is unable to reinvent itself to compete in the future. Kodak, Blackberry, and Nokia are all examples of firms that competed well in a particular historical period but were not able to pivot to a new business model. Unfortunately, many firms follow this second path.

There are many reasons why this pivot does not happen. One critical reason is that the senior leadership remains technology- or product-focused rather than asking the basic question of “what business are we in?” Kodak was not in the business of cameras and film: It was in the business of creating memories. The technology to make memories is constantly evolving, but recording these events will ensure that they are with us forever.

## Five Content Domains

If one is satisfied with just competing with a core product in one historical time period, then it may not be necessary to set the direction for the firm. However, if the organization aims to be around for a long period of time, it is essential to address all five domains covered in this book. Collectively, these answers provide both the collective goal for the firm that transcends a particular historical period as well as the values and culture to achieve the target. In the best of all worlds the

direction-setting activities place the firm on a course not just to respond to marketplace developments but also to shape the evolution of the market. As Drucker often reminded us, great executives do not simply adapt to changing market conditions; rather, they influence the economic conditions in which the firm competes. In particular, this involves five key areas:

- The mission enables the firm to go beyond the “offering” to focus on the core customer benefit. The core customer benefit in Kodak’s case – memories – lasts for decades if not centuries. It is not bound to one historical period.
- The vision articulates the fundamental target or goal for the enterprise. What does the world look like when you have accomplished your mission? Often this vision takes decades to achieve: It is ambitious, motivating, and energizes the workforce.
- The purpose of an organization answers a simple question, “why do we exist?” At the most fundamental level, how does your community or society benefit from the presence of your organization? Why do you make the world a better place? A strong purpose is rooted in ways that organizations help society function.
- The values of the organization provide the guardrails for ideal behavior in the firm. How are we going to go about achieving our mission and vision? What is the right set of beliefs and behaviors to guide all employees?
- And, finally, culture is how the work currently gets done inside the firm. What are the rituals, norms, and beliefs that shape how work gets done now? What type of culture does the firm want to put in place to compete now and in the future?

These five domains can be divided into two major parts: one that is externally focused on the marketplace (mission, vision, purpose) and one internally focused on how the work gets done inside the firm (values and culture). The mission and the vision are typically focused on your served market. The mission answers the question “what business are we in?” and the vision is focused on the achievement of that mission (i.e., what is the specific goal that we achieve if we accomplish our mission?). Finally, the purpose is rooted in the marketplace, but it goes beyond the customer. Instead, it is focused on the broader community or societal impact of your mission and vision. The key question, “why do we exist?” must be answered from a societal perspective.

In sharp contrast, the remaining two domains of direction setting – values and culture – focus on how the work gets done within the organization. What are the ways we want our organization to ideally operate (i.e., our values) and how can our culture support our vision? In general, the setting of values and culture should come after the establishing of a mission, vision, and purpose. The rationale is that different missions and visions require different cultures. A mission that is focused on “convenience and easy access” requires a very different culture than one focused on “the best cutting-edge technology.” The former may emphasize a customer-service-driven culture while a technology orientation may mean focusing on a culture of technology innovation.

Finally, the strategy of the firm – the specific, integrated set of choices related to “where to play” and “how do we win” in an industry – must follow from setting the direction. Strategy should be articulated in the context of a clear mission, vision, and purpose. Without a clear mission and vision, the senior leadership team has no context to make choices around markets to serve (or not serve) the specific positioning of the organization or the capabilities that need to be built to support their position.

## **Structure of This Book**

This book is organized into two broad sections. The first section focuses on how to build a compelling mission, vision, purpose, culture, and vision. Each of these chapters follows a similar structure by identifying the key criteria to judge the quality of the concept, providing a few examples of the concept and then providing some guidance on how to do it. The aim here is for readers to be able to create or critique their existing mission, vision, purpose, values, and culture (MVPVC). This first section concludes with two chapters (Chapters 6 and 7) that provide guidance on how to “get started” on the journey.

The second section of the book (i.e., Chapters 8–10) focuses on the ideas of Peter Drucker and Confucianism. Drucker had a view on mission, culture, and values, and these are captured in Chapter 8. At the same time, Confucianism is a human-centered philosophy that operates at the individual, relationship, family, and societal levels. For society to function well, individuals need to engage in acts that put society first and individual self-interests second. As such, our intent in Chapter 8 is to demonstrate the linkages between each author as they relate to mission, vision, purpose, values, and culture. We conclude the second section with an overview of the work of Drucker (Chapter 9) and the writings of Confucianism (Chapter 10). Their collective work is the foundation for Chapters 1 through 5.

## **Building on Their Work**

Importantly, we use the term “foundation” to mean that we are building on their work and moving it forward into the twenty-first century. In particular, we enhance and contemporize their work in five specific ways. First, business practices have advanced. For example, today’s business world is highly networked both in terms of “ecosystems” of players that compete against other ecosystems and in terms of the tidal wave of change brought about by digitization. Drucker could not have forecast the fundamental shift in both forms of networks. Furthermore, the emergence of purpose-led organizations and brands has only truly emerged since his death in 2005. Our key point is that the world of business has changed and that we need to update our thinking about this world to reflect this change.

Second, business theory has advanced. Much has been written in the past 20 years that has pushed our knowledge of management forward. For example, Drucker did not have a distinctive position on purpose. Rather, his writing on

mission included purpose. Given how much has changed regarding the role of purpose in organizations – we offer the examples of Microsoft, J&J, Unilever, and several others as case studies in Chapter 3 – we believe it is now exceptionally important to craft a stand-alone chapter on purpose. Purpose is distinct from mission, and this must be acknowledged. More generally, the advancement of business theory is reflected *throughout* this book.

Third, we have advanced our own thinking on the topic, and we want to share our perspective. For example, all of the chapters in the first section specify criteria to assess the quality of the concept (e.g., five specific criteria to evaluate a mission statement). This is our perspective, not that of Drucker or Confucianism. We have spent a good deal of time thinking about these issues, and we want to share our viewpoint.

Fourth, we shift from concepts to very practical guidance in Chapters 6 and 7. This is distinct from Drucker since he was focused more on the novel concept than the exact details of crafting the statements. This is not to say whether he would agree with us (or not), but “how do get started on the journey?” would not be part of a typical Drucker book or manuscript.

Fifth, we introduce new concepts and language to enhance the precision of work and reflect the changes that are unfolding in organizations. This is reflected throughout the entire book – in particular, the examples, criteria, and identification of the best-of-class illustrations in the first section. Each of these sections includes new thinking and language that moves practice forward. Our purpose is to use the wonderful thinking of Drucker and Confucius as a platform for building practical and straightforward advice on how to construct your mission, vision, purpose, culture, and values – and, ideally, shape the markets in which you compete. Collectively, these five choices set both the direction of the firm (e.g., purpose, vision, mission) and the ways the work gets done (e.g., culture and values). We hope you enjoy the book and apply the concepts to your firm.

Bernard Jaworski  
Claremont, California

Virginia Cheung  
Shenzhen, China

# Acknowledgments

We would like to thank the many helping hands and minds among our colleagues, clients, family, and friends. Even though there are too many to thank individually, we want to express our deep gratitude to them all here.

We would like to thank Nick Wallwork at Emerald. Nick agreed to our project, sold it inside of Emerald, and guided the book to fruition. We would also like to thank our Chinese editor, Yiting Shen, of Orient Publishing Center. Yiting was the catalyst for a similar set of ideas published for the Chinese market. She encouraged us to pursue an English-language book based on the thinking of Peter Drucker and Confucianism. Finally, Nick Owchar provided expert editorial assistance in reviewing and editing every word of this volume. Thank you, Nick.

We would also like to acknowledge the contributions of Drucker School faculty member Katarina Pick. We worked with Katarina on a “building the organization of the future” project with TCT, a midsize Chinese firm. Here we worked on all five domains that are covered in this volume, and Kat was instrumental in every phase – in particular on the cultural work with the firm. Thank you, Kat: We learned a great deal from you. And special thanks to David Sprott, the dean of the Drucker School, for giving us enormous support to contemporize Drucker’s work, helping us to promote the work, and giving us the chance to practice the findings with organizations across the globe.

We also want to mention the contribution of the organizations working with us. We learned a lot from their market sense and vision. Here we would like to single out Chunhai Gao in particular. Mr. Gao applied the principles of Chapters 1–5 within TCT, and their best practices informed our research and ensured the practical value of our research findings. It was a pleasure to work with the organization, and we benefited greatly from this experience.

In addition, we would like to thank the following individuals and colleagues who are a part of our personal networks.

## **Bernard**

I would like to thank my wonderful fiancée Maria. She not only encouraged this effort, she shared the first five chapters with her colleagues at her start-up venture, the Loop Village. The Loop executive team read the chapters and worked through their mission, vision, and values statements. More generally, she has been incredibly supportive of this effort, engaging in countless late-night discussions,

encouraging me to put the time aside to write, and showing genuine happiness when I let her know that I'd finished another chapter. Thank you, Maria!

My additional colleagues at the Drucker School also must be acknowledged. I am fortunate to work with an incredible set of supportive faculty colleagues.

I would also like to thank my good friends and colleagues at Capsys, Thrive, and SMA. Almost all are former Monitor colleagues with whom I've had the good fortune of working with over the years. They include David Sanchez, Igor Skender, Frank Blithe, Williams Stephens, Joao Lopes, Eliette Krakora, Ajay Patel, Jacque Keats, and many others.

## **Virginia**

First and foremost, I would like to express my deep and sincere gratitude to my mentor, supervisor, and coauthor Professor Bernard Jaworski. Having the chance to be advised by a top-ranked professor with a global reputation on the research of two major thinkers is a great honor and something I would never have imagined. Professor Jaworski is not only the most authoritative Drucker scholar, he is also a remarkable Drucker practitioner: a living, breathing exemplar of Drucker values and principles, and a true role model for me. The findings we present in this book are based on years of hard research conducted by Professor Jaworski and other brilliant professors of the Drucker School. Professor Jaworski generously shared his profound research findings with me and enlightened me about new research methods. This book would not have been possible without his guidance and vision.

I'm extremely grateful to the Drucker School and to each of the professors there. They are the creators of life-changing magic, and the time I spent at the Drucker School reshaped my mind. My special thanks to Professor Jay Prag, who allowed me to enroll in the PhD program. That was the start of a new chapter in my life. Thank you, Jay, I will remember this forever. Professor Katarina Pick not only taught me useful knowledge, her unique and charming teaching style and her inspiration as a female professor also made a difference in my personal career choice. I'm also grateful to former Drucker School dean Jenny Darroch, who gave me the chance to engage in many school activities. I learned how Drucker principles are practiced in real life through these activities and built a strong attachment to the Drucker School.

I would also like to extend my appreciation to Capsys with special thanks to David Sanchez. David provided invaluable suggestions about how organizations can leverage these findings in order to grow, and I learned a lot from him.

I am very thankful to Yanchun Pan, deputy dean of the School of Management, Shenzhen University, for providing generous support and encouraging me to focus on completing this research work.

Finally, I would like to acknowledge with gratitude the support and love of my family, friends, and partners in China. I can't thank them enough for generously sharing their insights, providing suggestions during the writing process, and promoting the practice of our findings in China. These include Ou Zhang, Zhong Liu, Siyuan Tao, Kim Zhu, Fang Luo, Charles Guo, and many others.

Thank you all for offering me your kind and continuous support.