

America's new owners should hold corporate management accountable. But for what?

Reckoning with the Pension Fund Revolution

by Peter F. Drucker

Fifteen years after its "unseen revolution" of ownership, all the funds of state hold around the world's publicly traded companies. Control is being tried.

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Peter F. Drucker and Management, Claremont, California: How Pension Funds: The Rise of Institutional Investors and Corporate Governance and Drucker's twenty-eighth article.

Deutsche Bank founder Georg Siemens: "If one can't sell, one must care."

In this 1991 HBR article, Peter Drucker observed:

"Having better people is not the key; ordinary people will do"

"Making a board effective requires spelling out its work"

"A revitalised board of directors" will use "a formal business audit"

"It needs to be based on predetermined standards and go through a systematic evaluation of business performance"

"The elements for such a business audit are known and available. But they need to be pulled together into systematic procedures"

In ten years, pension funds may require companies to agree to "business audits" by outside experts.

I suspect that in the end we shall develop a formal business-audit practice, analogous perhaps to the financial-audit practice of independent professional

be enough in most cases - it needs to be based on predetermined standards and go through a systematic evaluation of business performance: starting with

relations, all the way to profitability: The elements for such a business audit are known and available. But they need to be pulled together into systematic procedures. And that is best done, in all likelihood,

Still, the question remains: Who is going to use this tool? In the American context, there is only one possible answer: a revitalized board of directors.

Having better people is not the key; ordinary people will do. Making a board effective requires spelling out its work, setting specific objectives for its performance and contribution, and regularly appraising the board's performance against these objectives.

This has been described (possibly by Drucker himself), as Drucker's most important, and least influential work.

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