

Peter Drucker,
Transaction institutions
and managing the future

Jeffrey P. Wallman, PhD
The University of Oklahoma

*1st Peter F. Drucker Global Conference
Vienna 2009*

Drucker: The father of institutional management

- Definition: Institutional management
 - Management of the organization
 - Management of institutional processes used by the organization (Drucker 1954)

*Drucker is heavily influenced
by Weber's historical institutionalism*

Management task: Create economic surplus

- Drucker's assumption: Future economic surplus will result from
 - Innovation
 - Entrepreneurship (Drucker 1964)

*Drucker is also heavily influenced
by the Austrian School of economics
and Joseph Schumpeter*

The primary managerial tool: The transaction institution

- Definition: Transaction institution
 - The rules of the transaction
 - Specifically: “In transaction situation X, perform action Y”

Situation: A sample transaction institution (clock marketing ca 1800)

Product or Service	Actor A	Aa value offered	Actor B	Ab value offered
Clock	Potential buyer	A sales agreement	Artisan clockmaker	The utility of a clock works

Objective: Use value leadership to create strategic transactions

Situation: An example of transaction innovation (Clock marketing ca 1805)

Product or Service	Actor A	Aa value offered	Actor B	Ab value offered
Clock	Potential buyer	Acceptance of the free trial offer	Eli Terry	The utility of - time - productivity - profit - quality of life

Analytical objective: Use an historical example to demonstrate how value leadership led to a strategic transaction

- 1: Identify the key actors in the transaction
- 2: Identify innovation which provides value leadership in transacting
- 3: Evaluate the strategic impact of the transaction innovation

Historical example: External strategic transaction

Situation 1: Transaction innovation (Clock marketing ca. 1805)

Product or Service	Actor A	Aa value offered	Actor B	Ab value offered
Clock	Potential buyer	Acceptance of the free trial offer	Eli Terry	The utility of <ul style="list-style-type: none"> - time - productivity - profit - quality of life

Situation 2: Competing transaction

Product or Service	Actor A	Aa value offered	Actor B	Ab value offered
Clock	Potential buyer	A sales agreement	Artisan Clockmaker	The utility of a clock works

Historical example: Internal strategic transaction

Situation 1: Transaction innovation (Clock making ca.1805)

Product or Service	Actor A	Aa value offered	Actor B	Ab value offered
Clock making	Potential employee	Agrees to operate a machine	Eli Terry	The utility of <ul style="list-style-type: none"> - money - learning how to build a clock making factory

Situation 2: Competing transaction

Product or Service	Actor A	Aa value offered	Actor B	Ab value offered
Clock making	Potential apprentice	An apprenticeship agreement	Artisan Clockmaker	The utility of <ul style="list-style-type: none"> - money - learning a craft

History provides examples of “ideal” strategic transactions

- Drucker also utilizes this type of analysis
 - Because “ideal types” illustrate the many possible ways of transacting.
- But, how do managers use this knowledge
 - In order to manage the future?
- Actually, the same framework can be used to identify potential strategic transactions
 - By evaluating possible transaction innovations.

For future transacting: Compare possible innovations

Situation 1: Proposed transaction innovation (cell marketing ca 2009)

Product or Service	Actor A	Aa value offered	Actor B	Ab value offered
Cell telephone	Potential buyer	Cash Loyalty	Cell telephone provider 1	The utility of - use - productivity - better value to customers

Situation 2: Competing transaction

Product or Service	Actor A	Aa value offered	Actor B	Ab value offered
Health care	Potential buyer	Cash Loyalty	Cell telephone provider 2	The utility of - use

Jeffrey P. Wallman

Drucker's guides for managing in the future

- Survival depends upon innovation
 - Policies of innovation
 - Systematic innovation in the way we transact
 - Inside and outside the organization
 - Innovation in rules for risk taking and risk sharing
- Remember ... to create the future
 - Change and continuity need to be balanced in order to be successful