

## The Theory of the Business

Today, all over the world, previously successful organizations are facing a “*what to do*” dilemma. They find themselves “stagnating and frustrated, in trouble and, often, in a seemingly unmanageable crisis.” And it happens just as often in public sector organizations as businesses.

“The root cause of nearly every one of these crises is not that things are being done poorly. It is not even that the wrong things are being done. Indeed, in most cases, the *right* things are being done -- but fruitlessly.

What accounts for this apparent paradox? The assumptions on which the organization has been built and is being run no longer fit reality. These are the assumptions that shape any organization’s behavior, dictate its decisions about what to do and what not to do, and define what the organization considers meaningful results. ...They are what I call a company’s *theory of the business*.”

...”what underlies the current malaise of so many large and successful organizations worldwide is that their theory of the business no longer works. ...Whenever a big organization gets into trouble--and especially if it has been successful for many years--people blame sluggishness, complacency, arrogance, mammoth bureaucracies. A plausible explanation? Yes. But rarely the relevant or correct one.”

Peter F. Drucker,  
“The Theory of the Business”  
Harvard Business Review,  
September-October 1994