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Drucker's life and times

Peter Ferdinand Drucker was born on 19 November 1909 in Vienna, Austria. Throughout the twentieth century he experienced the momentous changes associated with living in Europe, England and the United States. His parents, Adolf Bertram Drucker and Caroline Bon Drucker, were among the educated elite. His father studied economics and law whilst his mother studied medicine. His parents instilled in him his lifelong desire for learning and intellectual pursuits. His father, a leading Viennese lawyer and prominent Austrian liberal was co-founder of the Salzburg musical festival.

After he graduated from the gymnasium in 1927 Drucker left Vienna for Hamburg where he enrolled in Law. His law education continued at the University of Frankfurt where he obtained his LL.d. During the early 1930s Drucker produced a 32-page monograph on the nineteenth-century German philosopher Frederick Julius Stahl (Drucker 1933), a work which was subsequently banned by the Nazis. He worked briefly as a financial writer, then, in 1933, moved to London where he was employed as a security analyst for an insurance company and as an economist for a small international bank. During his time in London Drucker became extremely interested in the behaviour of people. While attending a seminar by the prominent economist John Maynard Keynes he 'suddenly realised that Keynes and all the brilliant economic students in the room were interested in the behaviour of commodities while I was interested in the behaviour of people' (Bookrags Biography on Peter Drucker undated).

In 1937 Drucker married Doris Schmitz and emigrated to the United States, followed by his parents in 1938 (they left Austria after the annexation by Nazi Germany). Drucker became a US citizen in 1943. In the US, Drucker worked as a correspondent for a range of British financial publications before taking up academic positions at Sarah Lawrence in Bronxville, New Jersey, then in 1942 at Bennington College in Vermont and at New York



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University, where he became professor of management. In the 1970s he moved to the west coast of the US where he has been Clarke Professor of Social Science at the Claremont Graduate School in Claremont, California since 1971 (Drucker 1979).

Now in his nineties, Drucker continues to teach, write and lecture.

Drucker's major works

To Drucker writing is the foundation of everything he does. In 1939, at the age of 27, he published his first book in English, *The End of Economic Man* (Drucker 1939), which focused on the economic origins of fascism. Then, before the United States entered the Second World War, he published *The Future of Industrial Man* (Drucker 1942) in which he envisaged a post-war world and presented his social vision.

Drucker's third book was the result of an approach in 1943 by General Motors to examine its management practices. Subsequently Drucker spent 18 months researching and writing the book and he interviewed executives, workers, visited plants and attended ordinary meetings. During this time, he became convinced that a large corporation had to be a 'representative social institution' of the post-war period and that corporations such as General Motors had to take a lead in creating a free industrial society. His seminal work, *The Concept of the Corporation* (1946) focused on the nature of politics and economics which he felt would dominate future society. This work clearly established him as a major writer on management issues.

The context of his thoughts during the post-war period can be seen by his disenchantment with the unbridled capitalism of the Great Depression, yet he considered socialism, fascism and communism worse alternatives (Drucker 1969a, 1971). Drucker formed the view that the critical role in a corporation was that of manager and he focused on the nature of managerial work.

Over the next two decades he produced five books which have had a major impact on management thinking, beginning with *The Practice of Management* (Drucker 1954) and ending with *Management: Tasks, Responsibilities, Practices* (Drucker 1973).

Drucker has been an extraordinarily prolific writer and his numerous books have been translated into over 30 languages. They generally break down into three broad areas: social and political studies such as *The Future of Industrial Man* (Drucker 1942) and *Age of Discontinuity: Guidelines to Our Changing Society* (Drucker 1969a); management books such as *The Practice of Management* (Drucker 1954) and *Management: Tasks, Responsibilities, Practices* (Drucker 1973); and management counselling/advice such as *Managing for Results: Economic Tasks and Risk-Taking Decisions* (Drucker 1964) and *The Effective Executive* (Drucker 1967).





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Drucker's main contributions

Leading up to the Second World War, American management thought and practice had come to be dominated by the principles established by Frederick W. Taylor (Wood and Wood 2002a) and Henry Ford (Wood and Wood 2002b), both of whom considered management as a science. Drucker, however, chose to view management as a philosophy. He was primarily interested in establishing the general principles of management that underpinned all managerial tasks and, in focusing on output, he created the concept of management by objectives (MBO). In other words, Drucker was of the view that one should not focus on managing processes but rather on the establishment of goals and then working towards those goals.

At the heart of Drucker's works was a view that a large corporation was more than an economic entity. 'Even more important than economics are the psychological, human and power relationships which are determined on the job rather than outside it. These are the relationships between work, workgroup, tasks, immediate boss and management' (Drucker, 1976: 134–5).

To Drucker, company leaders had a moral purpose and social responsibility that extended far beyond making short-term profits. To him, a large corporation such as General Motors was a social institution which should in addition to a basic salary provide retirement income, healthcare, education and childcare. Corporate welfarism had to replace government welfarism. Drucker saw the business world as 'the centre of the managerial universe and as the benchmark for evaluating the performance of all other organizations' (Gazell 2000a: 3).

Drucker was especially interested in the interrelationships between accountability, the 'soul' of the institution and responsibility. As Bowman and Wittmer noted:

The soul and heart of institutions, ethical accountability and quality responsibility, are then indeed part of his conceptualization of management. Both the significance of the individual and the requisite social fabric of the organization necessary for success receive attention in his work. But neither in philosophy nor process did Drucker explicitly include in his approach the management of ethics or quality improvement, arguably the most important developments in institutions in his 1974 landmark *Management*.
(2000: 25–6)

The central focus in business activity was the manager. In harnessing resources and subsequently creating products 'the manager is the dynamic, life giving element in every business. Without his leadership, "resources of production" remain resources and never become production' (Drucker 1954: 3).





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Indeed, it was his book *The Practice of Management* which introduced the concept of MBO, a concept he elaborated in subsequent works. In brief, MBO requires managers to establish goals for their subordinates, to devise the means for measuring the result, and then to leave the workers alone to perform and subsequently measure their own performance.

In Drucker's writings the role of the manager is not merely passive: 'economic forces set limits to what a manager can do. They create opportunities for management's actions. But they do not by themselves dictate what a business is or what it can do' (Drucker 1973: 88). Moreover, to Drucker, managers had a key role in creating markets:

Markets are not created by God, nature or economic forces, but by the people who manage a business. The want a business satisfies may have been felt by customers . . . but it remained a potential want until business people converted it into effective action. Only then are there customers and a market.

(1973: 89)

A vital aspect of all of Drucker's work is the need for managers and organisations to consider the social impact which they have on their environment. Managers have to be far more than efficient operators – they also have to be active in the social dimension of their work: 'the demand for social responsibility is common in large measure, the price of success' (Drucker 1973: 289).

The impact of Drucker's thinking on the whole business world is amazing. For example, the London *Financial Times* reported that, for 1969, the only business book that was read by more people than the latest one by Drucker was that on the conversion to the decimal system. *Age of Discontinuity* and his other books such as *Managing for Results* and *The Landmarks of Tomorrow* (Drucker 1959) are read and frequently quoted by the entrepreneurial elite (Gross 1970). As Tarrant comments

Drucker never loses sight of the public good that rests within the organization in general and the corporation in particular. Corporations must be managed, not only according to a set of pragmatic rules, but within a philosophical framework that conforms to the role of the organization in industrial society.

(1976: 84)

Drucker and public management

Drucker addressed the management of government and the non-profit sector in a wide range of articles and books (Drucker 1954, 1969b, 1973, 1980, 1989a, 1989b, 1990). Dahlin (2000), in a comprehensive review of





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Drucker's ideas over five decades, pointed to the major themes pursued by Drucker, namely the excessive size, power, poor performance and accountability of government.

Despite these assessments and the strong criticisms of the size and power of government, Dahlin states that 'Drucker continues to maintain that strong governments are needed' (Dahlin 2000: 84). He traces the evolution of Drucker's views and shows that Drucker's work in the 1950s emphasised the role of governments in determining the common good, but by the late 1980s he was calling for organisations to take responsibility for the common good (Dahlin 2000). He concludes that Drucker's approach to government and public management 'is more that of the political theorist than the management consultant' (Dahlin 2000: 92).

Gazell argues that management historians may have overlooked Drucker's 'appreciation of the inherent difficulties in managing public sector organizations effectively' (2000b: 50). He reviews Drucker's thoughts on the federal government of the United States and the work of non-profit organisations. The 'not-for-profits' in particular are seen by Drucker as lacking a bottom line as indicators of performance. They also over-reach their competence, equate success with the size of their budgets, serve a large number of constituents and, finally, have a tendency 'toward righteousness' (Gazell 2000b: 50). In recent times, Drucker has seen the 'not-for-profit' organisations as the way in which modern societies could deal with mismanagement by government departments. Gazell states that 'the difficulties inherent in managing nonprofits effectively may preclude a transfer of governmental functions on the magnitude that Drucker contemplates' (2000b: 53).

Garafalo also assessed Drucker's ideas on governmental responsibilities and management, noting:

One of the striking features of Drucker's writings on government is the absence of any documentation of his statements or conclusions. While he is neither a political nor an administrative theorist, his stature as a management authority apparently has provided him with enough credibility to make corroboration of his assertions about government superfluous. Moreover, to the extent that his reputation has attracted wide readership of his work, it also may have contributed to the very erosion of esteem for government, which he claims to lament.

(2000: 100)

Garafalo offers a sound critique of Drucker's arguments. Concerning privatisation, Garafalo claims that Drucker 'fails to address both its political and constitutional challenges and its managerial and technical complexities' (2000: 101). He states that Drucker does not take account of the views of other researchers and that he fails to consider if privatisation is 'tantamount





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to a circumvention of democratic principles such as accountability' (2000: 103). Drucker stands accused by Garafolo of 'inconsistencies or lapses of logic in his position' and 'drawing an idealized . . . simplistic picture of both business and government' (2000: 104). Garafolo concludes by asserting that Drucker has no strategy to improve government performance but that he does provide a 'stimulus for scholars and practitioners of public management to revisit their assumptions and aspirations' (2000: 109).

Drucker and other contributions

Drucker wrote on numerous topics other than management and is an insightful commentator on politics, economics and culture. However, as Mark Skousen ([undated]) notes, Drucker's work in these areas is less easy to categorise. During the 1930s Drucker became disenchanted with pure capitalism and today he supports the Hamilton approach to government which is small but powerful. He also supports a strong president and a strong central government that has a serious role in education, economic development and welfare. At the same time, however, he advocates many positions that free market economists would applaud 'indeed government is sick – and just at a time when we need a strong healthy and vigorous government' (Drucker 1969a: 212). Moreover, in *The New Realities* (1969), he argued that he invented the term re-privatisation which was the privatisation of government services. He contended that social security should be replaced by private pension plans, that the corporate income tax was 'the most asinine of taxes and should be abolished and replaced with a value added tax' (Drucker 1989a: 215).

Drucker, it would seem, is generally optimistic about the future and the collapse of communism: "“communism is evil” its driving forces are the deadly sins of envy and hatred. Its aim is the subjection of all goals and all values of power; its essence is bestiality; the denial that man is anything but animal; the denial of all ethics of human worth, of human responsibility' (Drucker 1959: 249).

Drucker is also critical of the economics profession and here one sees the influence of the Austrian Schumpeter (Wood 1991) throughout Drucker's thinking and writing. To Drucker, economists are too concerned with theory rather than with growth, innovation and productivity in a global dynamic economy. In his view, contemporary economics may be likened to medicine or astronomy in the seventeenth century: 'there are no slower learners than economists. There is no greater obstacle to learning than to be the president of the totally dogmatic theories' (Drucker 1986: 13).

To Drucker, the next phase of economics had to focus on microeconomics as he focused on supply and also emphasised productivity and capital formation. He was drawn to Schumpeter's work and its emphasis on dynamic disequilibrium and innovation by entrepreneurs who engaged in 'creative





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destruction'. Indeed in his book *Innovation and Entrepreneurship* (1985) Drucker stressed, much as Schumpeter had highlighted, the powerful influence of technological change, the role of innovation and the unexpected influence of new knowledge on global economies.

Drucker is certainly not without his critics and Tarrant (1976) notes his excessive emphasis on economic performance and in meeting the bottom line.

Against these objections, however, there remains the fact that Drucker had done more probably than any other individual to define the nature of management in the period after the Second World War. It was commonly said that before his time managers did not know they were managers: Drucker showed them that they were. His philosophy of management has prevailed in management thinking at all levels, from the highest reaches of business, academia to the lowest levels of even small countries. Management by objectives remains a commonly used concept even if it now sometimes goes by other names.

(Witzel 1998: 163–4)

Drucker still remains an extraordinary voice in management thinking and practice throughout the world. In March 1997 the cover of *Forbes* magazine featured Drucker's picture and the statement 'still the youngest mind' (Drucker was 88 at the time). In an interview in the issue he noted 'I demand in every organization in which I have anything to say that managers start with these questions: What contribution can this institution hold you accountable for? What results should you be responsible for? and then ask, What authority do you then need? This is the way to build a performing institution' (BookRags Biography on Peter Drucker undated).

The collection and critical assessments

This collection is arranged as follows:

- Drucker: the man and his philosophy
- Management
- Drucker and government
- Drucker and information
- Drucker and Germany

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