

Drucker's impact: an interview with Fredmund Malik

Interview by Alistair Craven



Fredmund Malik is one of the most renowned general management experts in the German speaking countries and beyond. He has been a professor of general corporate management for more than 30 years at the University of St. Gallen Graduate School of Business, Economics, Law and Social Sciences in Switzerland.

Professor Malik is the awarded author of more than 10 books on holistic general management and leadership and of hundreds of articles. Most of his books are bestsellers in the field of management in business, non-business, non-profit and non-governmental areas. His books are translated into over ten languages.

He is also a successful entrepreneur, having built the world's largest extra-university research, consulting and implementation organization on holistic general management. His Malik Holistic Management Systems® are the most developed cybernetic tools worldwide for self-regulation and self-organization of complex organizations. He employs 300 people, with offices in St. Gallen, Zürich, Vienna, Berlin, Shanghai, London, and Toronto.

AC: Can you start by giving us your opinions on the contributions of Peter Drucker to the discipline of business management?

Fredmund Malik:

Peter Drucker discovered management as one of the most important societal functions, that is as the distinctive and generic moving force in all kinds of organizations for achieving purposes and objectives. Its task is to draft maps and plans, make the necessary decisions, organize the resources needed, educate and train people for the work to be done, control and adjust the ongoing implementation processes and finally take responsibility for the results. Peter Drucker used the word "management" in the broadest possible sense including its application to people and organizations alike, and also encompassing leadership and governance.

This all-important function – although being in effect all the time wherever things worked – stayed largely unrecognized through the ages. Even though the people practicing the function of management have always been visible, the managerial function itself is basically invisible and therefore as such has remained undiscovered. Drucker, therefore, did not invent management, as many commentators say, but he discovered it and was the first to formulate management so as to make it learnable and partly also teachable. His understanding of management was not just as a business function, but as a general societal function for every kind of organization – be it for business or non-business purposes – and he put it into the context of a "functioning society".

He did so in a clear and beautiful language, free of jargon and easy to read, especially where the subject becomes complex.

AC: Peter Drucker himself described you as a "commanding figure – in theory as well as in the practice of management." This is high praise indeed. What direct

involvement did you have with Drucker, and what do you remember of those encounters?

Fredmund Malik:

I had read Drucker's first book, his *Practice of Management*, when I was 22. From then on I studied everything he had ever published and then also some unpublished manuscripts he asked me to comment on.

Our personal relationship started in the late 1980s when the management consulting and education organization I had founded in 1984 had the assignment to turn around the then bankrupt Nationalized Industries of Austria, a huge centralized conglomerate of steel, aluminium, chemistry, oil and machinery, employing almost 300,000 people. I had already succeeded in making many of the managers of this corporation quite familiar with Drucker's works, so I invited him to address the top 300 executives on how to meet the challenges in his native city of Vienna. As expected on the basis of their preparation he made a tremendous impact on the group.

From our several encounters afterwards, one moment stands out – in April 1990 – but let me put it into context: Peter Drucker, albeit not a futurologist, was very much a man of the future, and so his vision reached far into the new millennium, as each one of his books proves. So, he was well aware that management in the 21st century would have to meet new challenges and in particular the challenge of the complexity of dynamic interconnected systems, be they biological or electronic, consisting of networks of men, organizations or all together in the creation of systems of systems. This is implicit in many of his books, although he explicitly writes about this subject only in one place. That was in 1957 in the first part of his *Landmarks of Tomorrow*. Much later, in 1993, he published a compilation of his systemic views in his book *The Ecological Vision* where he coined the concept "social ecologist" for what he was actually doing because he did not fit into any of the academic disciplines.

However, complex dynamic systems was my field of expertise since I had been studying them from the beginning of my university years. They are the subjects of my PhD thesis and my Habilitationsschrift; the academic prerequisite for professorial tenure in the German speaking world. Therefore my understanding of management was managing people and organizations as complex interacting whole systems.

From this background, that one moment stands out. It was the day when Peter Drucker, quite intentionally being the great teacher he was, made me conscious of my mission when he first saw my Holistic General Management Model for Mastering Complexity which I had been developing since the early 1970s. With his experience, he immediately recognized the synergies of embedding contents, which was his expertise, into a logical dynamic and systemic framework, which was mine, thereby creating a symbiotic metasystem or an ecology of systems.

This was in April 1990 in one of our several meetings at his house in Claremont, for which I had sent him some of my publications and working papers a couple of weeks before, which he had studied thoroughly. After two days of intensive discussion, part of which I had taperecorded, he summarized – in a mixed state of excitement and thoughtfulness – that this was the most highly developed management approach he had ever seen, and that it reaches beyond the society of organizations to the next evolutionary stage, which I had named the society of complexity and systems. Nothing in my professional life has ever meant more to me than what Peter Drucker said to me then.

In our last meeting in January 2005 where my son was also present, I intuitively knew it would be our last, he repeated the mission he first made me aware of in the early 1990s: "Go on", he said, "go beyond."

"Drucker's understanding of management was not just as a business function, but as a general societal function for every kind of organization."

The society of systems is already there, but few are able to see it. What I have done for the management of the 20th century you are doing for the management of the 21st. “

AC: Drucker’s first book was published in 1939, and he continued to be relevant and fresh right up until his death in 2005. Can you help put into context this achievement, and how Drucker was able to be so influential for so long?

Fredmund Malik:

Perhaps the most important reason is that Drucker’s ideas can immediately be put to work thereby making people effective, sometimes instantly so, enabling them to contribute and to achieve. The true “Druckerian” (he would not have liked this word, but he liked this type of person) is someone who says: “What this man writes makes sense to me. I will do it, right now!”

Another reason, closely connected, is that Peter Drucker, for almost every major issue, had a perspective substantially different from the mainstream opinions of his time, in many instances radically so. Therefore, the reader could always expect to learn something new and valuable from Peter Drucker, whereas in the bulk of books there was just more of the same.

A third reason is Drucker’s concept of a functioning society that he already published in his first book which built the context of most of his later works. Actually, I do not know of anybody else, before and after him, who made that so clear.



And a fourth reason is Drucker’s clear, understandable and beautiful language. Where so many management books are just a nuisance, Drucker’s texts are a delight to read.

AC: Do you think Drucker had any limitations or even weaknesses in the scope of his work?

Fredmund Malik:

Limitations and weaknesses? I am afraid not to be objective enough to answer that, but I can report on some issues which he himself considered as gaps in his work and had always wished to go deeper into but had to set different priorities. These, if one likes, might be seen as limitations in his work.

It adds to what I said above. There are the subjects of information and communication which he mentioned quite often but dealt with in detail in just one article – but an important one – “Information, Communications, and Understanding” back in 1969. Of course he wrote extensively on knowledge. However, he was well aware that one has to distinguish between knowledge and information. Closely related are the fields of systems thinking, cybernetics and complexity, the world of configuration, pattern and process, the universe not of cause but of purpose. It is the organismic and evolutionary perspective for society, organizations and mankind, the importance of which he was well aware of but dealt with only once in his book *Landmarks of Tomorrow* in 1956. These were the main reasons why he was so interested in my Holistic General Management Model which embodies exactly these dimensions based on bionics, evolution, brain and mind as opposed to matter, energy and money only.

As to weaknesses, some may complain about the complete absence of drawings in his books as one finds plenty of them in other management books. But then one has to realize that Drucker was an excellent master of language and therefore did not need any other means to convey his messages.

He perhaps could have fought stronger against the shareholder value approach and the kind of corporate governance based on it which in fact he rejected decidedly as a guideline for top management. His authority would have had a strong impact.

AC: In 1998 you noted that management had suffered “one unspeakable management fad” after another. This seems to be a subject you have strong opinions on. Can you tell us more?

Fredmund Malik:

Among the fads and fashions are, for instance, the social competency and emotional intelligence movements which so many followed as if people had suddenly become socially autistic. For many years, billions have been wasted on such bombastic corporate-wide programmes for what basically boils down to the request for good manners. Good manners, however, were uncompromisingly a must for Peter Drucker. Yet the way to achieve manners is much less costly and manyfolds more effective than trying to achieve metaphysical competencies.

Or take the exaggerated request for team competency, overlooking that in most cases where it seems to be absent the problem lies rather in overcomplicated organizational structures which demand superhuman capacities from ordinary people.

The issue is not just the “faddyness” of such movements and the money they cost. Much more important is the risk for management to lose its credibility and to make management education and human resources development ineffective. People just duck away and wait for the next “big HR movement”.

Another fad – a very dangerous one – is the shareholder value approach and the one-dimensional financial measures to judge the state and course of a business. In combination with the executive compensation systems of the last two decades with their obscene excesses, as Drucker called it, this is a systematic programme for misleading the whole economy and misallocating its most precious resources.

The shareholder value approach is at the core of the present crisis which is an economic crisis only at the surface. The root of it is systematic corporate mismanagement; a fact which so far has remained largely unrecognized even in the financial institutions. The shareholder value approach is systematically impeding real investment and real innovation. To come out of the mess government measures may help, but the effective cure must go deeper and start with a fundamental rethinking of the purpose of a business.

To this there is a clear answer from Peter Drucker. Way back in 1954 in his *Practice of Management* book he said: “The purpose of a business is a satisfied customer.” Today this answer is as valid as it was then. So, customer value is the right and only polar star for the executive and not the stock price and shareholder value. First the customer, and then the customer and again the customer, and later as a consequence – not as its cause – the shareholder will actually receive much more wealth than on the basis of the shareholder value approach.

AC: In the great old debate of nature vs. nurture, both Drucker and yourself hold the view that good management is a skill that can be learned, just like a language. Can you elaborate on this?

Fredmund Malik:

There may well be aspects of management that cannot be learned. However, instead of worrying about that, the more relevant and fertile question is: What can be learned?

And what can be learned is much more than many – in particular academics – can imagine because many of them are just too far away from practice. An example: virtues are important in many respects.

“Among the fads and fashions are, for instance, the social competency and emotional intelligence movements which so many followed as if people had suddenly become socially autistic.”

But Drucker told me that he never found a way to teach virtues. However, he went on, he did find ways to teach practices which, if followed, produce more or less the same results as virtues would do. Many skills can be learned by this method to transform the preaching of great metaphysical concepts and the request for superhuman personality properties into daily practices and into results. So, for instance, there are practices for effective motivation and leadership which work quite independently from personality traits which may be given to a person but cannot be learned.

This approach leads to management as a profession, like the craft of an aircraft pilot or surgeon or lawyer. Management then becomes the profession of effectiveness and of achieving results. This can be learned up to a degree, but it also has to be learned and trained. So, talent for example is all nice but no substitute for management, quite to the contrary – the professional craftsmanship dimension of management is a necessary prerequisite of transforming talent into results and achievement.

By following this insight I arrived not only at good management but at “Right and Good management” which is incorporated in my General Management Model. Right – as opposed to wrong and good – as opposed to bad. If one wants to be an effective executive there are right things to do and these have to be done well if one wants to be efficient.

The consequence of this is the end of arbitrariness which is so typical for the field of management, whereas its absence is a sure sign of a developed practice, not to speak of a theory.

AC: As somebody with a strong belief and foundation in a scientifically sound theory of management, what are your observations on the proliferation of management “gurus” in business today?

Fredmund Malik:

Most of it is probably an unavoidable but hopefully temporary consequence of the large and growing need for management in all countries and all kinds of organizations, and actually for everybody who wants to be employable in the 21st century.

Partly, the proliferation of “gurus” unveils an underdeveloped understanding of the true nature and importance of management, in particular of the dimension of management’s social responsibility. Partly, it is a communication and marketing gimmick of speakers’ agencies and media and PR agencies which thereby hope to impress certain kinds of audiences. In any case, management “gurus” are neither necessary for the cause and quality of management, nor do they do any good for it. Needed are not “gurus” but teachers with a fair amount of personal experience with the realities of organizations and of the practice of management, together with a sound understanding of the relevant sciences in order to put the function of management on a solid basis and not to fall into the traps of fads.

AC: You recently presented at the Drucker centenary celebrations in Vienna. Can you tell us about the scope of your talk and your general impressions of the event?

Fredmund Malik:

It was a well organized and highly successful event to which some of the best lecturers on management made important contributions. My talk was on Peter Drucker as a systems thinker and social ecologist, two dimensions of Drucker which are often overlooked by those who are interested mainly in business management. My intention was to make the audience aware of Drucker’s other far reaching early contributions I already mentioned above: the emerging new way of holistic and systemic thinking and the new kind of management that is needed for the complexity challenges of the 21st century and its new world realities.

There could not have been a better point in time for Peter Drucker's 100th birthday. Due to the shocks of the crisis, people were seriously listening – many for the first time – to what Peter Drucker said about functioning organizations, right management and responsible leadership in all segments of society from business to health care and from the educational system to politics.

One of my main points was that today's crisis could not have happened if one had followed Drucker's teachings, and further that crises of this kind are not a law of nature but a man-made consequence of human folly, greed, complacency and misleadership. As said above, if one had taken the customer instead of the shareholder as the polar star of managerial navigation and therefore had followed quite the opposite kind of corporate governance, the mess we are in would not have been possible. We now learn it the hard way once more, whereas we could have listened early enough to men like Peter Drucker in order to prevent the disaster. It will need the best leadership to cope with what mankind will be facing in the next couple of years.

AC: If you were asked to choose, in your opinion what would you say was Drucker's single most important contribution to the study of management?

Fredmund Malik:

Peter F. Drucker discovered for mankind the practical road to individual and organizational achievement, to prosperity, humanity and a meaningful life in a functioning society. With all my admiration for the great philosophers, wisdom and great ideas need practical management to come true, the bridge between them being responsibility.



AC: Do you think Drucker's ideas and theories will remain relevant in the years to come?

Fredmund Malik:

I do hope so and I think so, and I am prepared to contribute my own part to that purpose following the mission Peter Drucker made me aware of. One

prerequisite to make this hope come true is to adjust his teachings to the realities of the 21st century as I already mentioned. He would have done so himself, had the time been given to him.

The great challenge of our time is mastering complexity, dynamics, unpredictability and incomprehensibility of the large interconnected systems which are our reality, whether we like it or not. Business administration and economics, as important as they are, will no longer suffice. Meeting the challenges will only be possible by using the power of natural laws of functioning which are implicit in the works of Peter Drucker. The laws of functioning are the laws of the sciences of cybernetics and bionics, as nature itself shows by the functioning of organisms and living systems and of their evolution towards ever more intelligent masters of complexity.

AC: Finally, are there any closing comments you wish to make?

Fredmund Malik:

Peter F. Drucker belongs in that class of great minds who will never get a Nobel Prize and would even reject it because they transcend the boundaries of academic disciplines by perceiving, thinking and acting holistically, thereby creating new awareness and new consciousness and even new worlds. He strongly encouraged others not to remain in admiration and reverence, but instead to climb on his shoulders in order to continue where he had to stop. Go beyond, invent the future – that is his legacy. □

February 2010.