



No. 11/09, Volume 17 / November 2009

Prof. Dr. Fredmund Malik

100 Years of Peter F. Drucker, the Father of Management

- Pioneering management thinker
- The crisis would not have happened
- Management as a profession and its societal function
- Forging the future today

Keyword: Management

Subscriber platform: m.o.m.iliasnet.net
Subscriber services: info@mom.ch

Malik Management
st. gallen . zürich . wien . london . shanghai . toronto
Website: www.malik-mzsg.ch Contact: info@mzsg.ch
Malik Management Zentrum St. Gallen AG
Geltenwilenstrasse 18, 9001 St. Gallen, Switzerland
Tel.: +41 (0) 71 274 34 00, Fax: +41 (0) 71 274 34 99

Content

Foreword	163
100 Years of Peter F. Drucker, the Father of Management	165
A European American	166
Management – as old as the Pyramids	168
Misguided management as a cause of the crisis.....	168
Management as a profession	169
Management as the key societal function.....	172
Little room for originality	173
Perceiving the unseen	173
The most important books by Peter F. Drucker	175
Index	176
Reader services	178

Editorial information

ISSN 1662-2200 (Internet), Volume 17, appears monthly.

Published by: M.o.M. Malik on Management AG, Geltenwilenstrasse 18, CH-9001 St. Gallen, Switzerland.

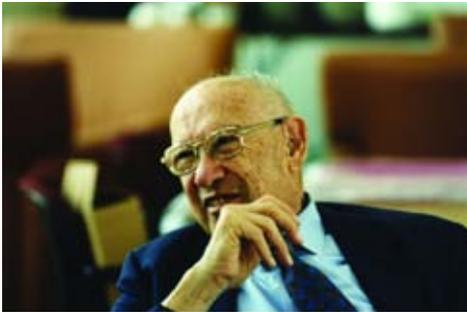
Author: Prof. Dr. Fredmund Malik, Malik Management

How to order: Information and subscriptions from the publisher's address

(Annual subscription CHF 430 including 7.6% sales tax [Switzerland]).

© All rights reserved. The m.o.m.®-Letter is copyrighted. It can be reproduced in full or in part or used in other ways only with the explicit consent of the publisher. Quotations can be made with full acknowledgement of the source. Disclaimer of liability: The m.o.m.®-Letter represents the personal opinion of the author. Data and facts have been carefully researched or obtained from sources which are generally held to be reliable. No guarantee can be assumed. The publisher and the author disclaim all liability.

Foreword



In November 2009 we remembered **Peter F. Drucker's** 100th birthday – in the midst of a time characterized largely by **confusion and reorientation**. Drucker's work is of greater relevance for regaining orientation right now than that of scarcely

any other thinker. This issue of m.o.m.® is devoted to bringing Drucker's ideas and work closer to our readers.

I myself was very close to Drucker. We met regularly to discuss **management-related developments** and his book ideas. In hearing about his consulting work with high-level business and political leaders I learned a lot of things from him not recorded in his memoirs or discussed with the media. He gave me his manuscripts to read before allowing them to go to print. He was always open for editorial suggestions.

He was most interested in the **wholistic management system** I was developing. While his own thought and writing were at all times integrative and multi-dimensional, he was not one for **visuals**. His books contain not a single diagram, and though he recognized the potential of the internet early on, he never utilized the new web technology to communicate or implement complex management concepts.

He was fully aware however that this would be necessary, in order to come up with a **management model** sophisticated enough for the challenges of the 21st century. He had been developing his own management models for the 20th century since the 1940s. Back in 1988 when we met for the first time for a hands-on collaboration involving Austria's nationalized industrial sector he charged me with this mandate: *«You will have to reinvent this model for the 21st century, because society will be different»*. He thus remained highly interested in my ideas, and the last time I visited him in January 2005, ten months before he died, he wanted to know everything about the status of the six-volume work I was writing outlining my management concepts.

By reading Drucker you begin to understand things others do not even perceive. Following Drucker's thought will steer you clear of **false doctrines and intellectual fads**. It provides an overview of and insights into society, organization and management unlike those found anywhere else. This is not something that can be said of many writers.

His work provides a **roadmap for the field of management**, which as an academic discipline still has no quality standards, though these could have been adopted long ago. Drucker was the one who started building an observation platform upon which to evaluate the far-reaching changes seen today. Managing change was never enough for Drucker however. «*Be ahead of change if you want to be a leader*», was his motto.

St. Gallen, in November 2009

Yours sincerely

Prof. Dr. F. Malik

A handwritten signature in black ink, appearing to read 'F. Malik'. The signature is written in a cursive style with a large, sweeping initial 'F'.

100 Years of Peter F. Drucker, the Father of Management

*Start with what is right
rather than with what is acceptable.*

Peter F. Drucker

Peter F. Drucker, the intellectual father of management, would have been 100 years old on November 19, 2009. There could hardly be a better time to remember the man than now, with so many of even the most competent executives deeply troubled at the cracks appearing in the **seemingly rock-solid foundations** of their world. The absolute truths taught at business schools suddenly appear invalid on several key points. Drucker's work can be highly instrumental in the **process of reorienting** and finding **solid ground** beneath our feet.

Numerous symposiums were held by the many **Peter F. Drucker societies** formed all over the world after his death on the occasion of his 100th birthday. As a **keynote speaker** at conferences in Beijing, Shanghai and Vienna I was pleased to observe a great amount of interest in Drucker's management ideas, though I was perturbed at the general lack of knowledge out there. Now, however the time is right for the New World I have often written about to be created, and for which we have the solutions. Drucker's insights hold tremendous potential for transforming managers into true leaders of today.

Drucker is without question the **most seminal management thinker of the 20th century**, and one of the few offering a comprehensive, overarching perspective. While other management writers deconstruct, Drucker puts the pieces together; they analyze, but he synthesizes, outlining a macro-level vision of the creative and controlling societal function we call management. Drucker was an astute observer of the worlds of business and politics, who was unmoved by fads, remaining throughout his entire life focused on the **role and responsibilities of managers in a properly functioning society**.

Central Performance Control®



Malik Wholistic
Management Systems®

His legacy spans more than 40 books, in addition to a host of papers including articles for the Harvard Business Review and The Economist. He also wrote a column for the Wall Street Journal for 25 years. The name Drucker is synonymous with management. Few are aware however that beyond writing about management he was also one of the **major social philosophers of the 20th century**. His main concern was the functioning of society, as revealed in the title of his 1942 book *«The Future of Industrial Man»*, in which he outlines a theory still valid today.

He continually explores the themes of managerial role-modelling, effectiveness and responsibility in the interests of a functioning society. These are the values being urgently called for today in the wake of the crisis and its accompanying fundamental societal change – though often in the context of a superficial discussion without adequate depth of knowledge.

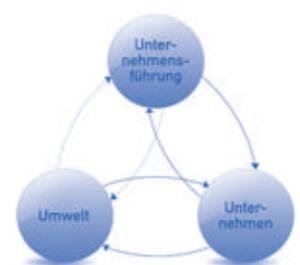
A European American

Drucker's views about management, the business world and society are American in origin, though intimately informed by his **European upbringing**. This explains to a large extent the holism and multidimensionality of his thought, observable throughout his entire work.

He was born in 1909 to a **well-to-do, educated bourgeois family** that lived in Vienna, a city known for both decadence and innovation as the intellectual, philosophical and cultural center of the world. He knew many of the great intellectuals of the day, who were frequent guests at his home. Drucker grew up familiar with European history, culture and philosophy, but because of his original thinking capacity he was able to perceive early on the errors and unfortunate developments they gave rise to.

While studying law and political science in Hamburg and Frankfurt he worked as editor of a journal on international relations, honing the writing skills that would be the tools of his trade all his life. When the Nazis burned his essay on the political philosopher *Friedrich Julius von Stahl* he left for England in 1933 where he became a journalist for the Financial Times before moving to the US.

Malik Basic System
of Corporate Policy®



Malik Wholistic
Management Systems®

He taught politics, philosophy and management at the Bennington College in Vermont, and later at New York University. From the 1970s on he lived in California, working at the little-known Claremont University as a professor of sociology. The university was eventually to name its business school after Drucker. He even declined two offers from Harvard. He once commented: «*The great trouble with a Harvard-type program is the arrogance it breeds. Students do not learn how difficult it is to accomplish anything*». And also: «*Harvard, to me, combines the worst of German academic arrogance with bad American theological seminary habits*». It says much about the quality of Harvard's leadership back then that the institution still invited him to come.

As an author and **consultant to top executives and governments** around the world, Drucker influenced the business world and society in a quiet but fundamental way. **Japan and Korea** owe their economic miracles to him, while **Mexico** and other Latin American nations would have enjoyed the same if they had followed his recommendations on a sustained basis.



With Peter Drucker in January 2005 at his home in Claremont, CA

A few days ahead of his 96th birthday Drucker died, on November 11, 2005. He continued to write until shortly before his death. «*I am a writer*», he used to say. When I last visited Drucker in January 2005 at his home, we were talking about a manuscript of his he was working on conceptually, but I knew that he would no longer complete it. «*You may finish it...*», he said. One last time – and we both knew it was the last – he urged me not to lose sight of the mission he had repeatedly reminded me of since 1988 – to carry on where he had to leave off.



Management – as old as the Pyramids

For many, Drucker is the **father of modern management**. He unequivocally rejected this «honor», despite its being conferred by such prominent media organizations as The Economist, Business Week and The Wall Street Journal. No one «invented» management Drucker once observed, adding with a wink that if someone did he thought it would be the CEO of Egyptian Pyramids Incorporated.

Drucker's great achievement is not invention or discovery, but rather **recognition of the importance of management** in its multidimensional complexity as a creative and dynamic force in society. He was the first to define management as a **social function** and as a **profession**.

He began making management teachable and learnable by establishing it as an independent field of knowledge. Yet he always understood management as an **application-oriented discipline** rather than a science. While concerned with truth, he was also concerned with what works on a practical level. Because of this orientation, he successfully resisted the academic tendency towards abstract theory.

His assessment was blunt: *«Graduate school faculties are made up of people who have never been out working in organizations, who have never found out about the brilliant marketing strategy that doesn't work because the consumer does not behave the way you think he ought to»*. And on another occasion he opined: *«In business school classrooms they construct wonderful models of a non-world»*. The present crisis and the events leading up to it confirm the veracity of both these statements.

Misguided management as a cause of the crisis

If the world had implemented Drucker's principles of **socially responsible corporate management** instead of the false doctrine of shareholder governance propagated by business schools, the present crisis would have been avoided. Though partly due to economic circumstances, **misguided corporate management** played a substantially larger role in bringing about the crisis.

Malik General Master Controls®



Malik Wholistic
Management Systems®

While some of the top universities have hesitantly begun modifying their curricula, the ten thousand business schools in existence around the world will not likely be able to adapt quickly enough to the changed situation. As has occurred throughout the past, these institutions will become victims of their own success, becoming obsolete as they fail to adapt to **changes** and the **new challenges** ahead. «*Arrogance means to be proud of ignorance*», as Drucker once pointedly remarked.

Because Drucker himself experienced the disastrous depression of the 1930s and its consequences and because of his conviction of the necessity for **free markets**, he sharply opposed such **wrong-headed practices** as management by numbers as taught at business schools and exorbitant executive pay. One time he remarked that there are only two kinds of executive compensations systems, bad and terrible.

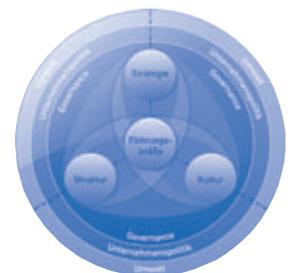
Drucker outlined the prerequisites for a functioning society to be **example-setting leadership**, **effective checks on power** and unconditionally **demanding responsibility**. The principles and practices he developed to achieve these represented an ethical stance intended as a concrete means of **improving society** rather than an expression of Western philosophy.

Management as a profession

Drucker always thought on several different levels simultaneously. On the one hand, he was able to perceive major societal trends and described these without academic jargon and reams of footnotes. On the other hand however, he paid attention to **seemingly banal management phenomena** hardly ever deemed important enough by academia to be taught at business schools. These are precisely the things however that are critical for new managers to be able to quickly obtain results, demonstrate their ability to effectively assist their own managers and handle increasingly larger tasks without additional stress.

He thus laid the **foundation for management as a profession**, in particular a **profession of effectiveness**. He was the first one for example to study the tasks and tools involved in executives' day-to-day activity, personal work methods, managers' daily preparation

Malik General Management
Master Model®



Malik Wholistic
Management Systems®

and the communicative effectiveness of written documentation. He was not interested in the status quo «out there», in contrast to today's so-called empirical research, but rather what is **necessary for an activity to be effective**. Rather than coming up with this himself he observed individuals engaged in work to discover how they become effective or what makes them effective. This approach I describe as «**empirical normativism**»: looking to see what works and establishing that as the norm. In philosophy this continues to be overlooked, where one aspect or the other is considered, but never both.

Drucker was always keen for example to analyze the **effectiveness and efficiency of meetings**, i.e. preparation, follow-up and follow-through to final implementation of decisions and measures. He paid attention to such seemingly commonplace practices as the composition of agendas and minutes, and action steps outlined on the basis thereof. Throughout his life he drew upon his experiences working in hands-on collaboration with corporate managers and directors of non-profit organizations. He noticed that often seemingly trifling matters have a tremendous impact on the effectiveness and success of executives, such as for example whether they tend to be more of a reader or a listener, i.e. whether the eye or the ear is their primary avenue for information. In my over 30 years of experience, I have never met anyone who pays attention to such things, especially at universities and business schools.

Drucker's **work with top executives** on concrete problems and challenges provided him a research laboratory, and in this respect we were very similar, in that we both have these types of experiences to draw upon – I thirty and he sixty years. We often talked about the regrettable circumstance that the realities of being a business management professor today make it nearly impossible to gather significant real-world experience, thus rendering it increasingly difficult to pass on knowledge of effective real-world practices to students.

Drucker worked closely with *Alfred P. Sloan*, who was CEO and Chairman of US the carmaker General Motors for 36 years between 1920 and 1956, known for having grown the company from its incredibly modest beginnings into one of the world's largest manufacturing firms, which for decades made huge profits amid eco-

Malik Standard Model
of Effectiveness®



Malik Wholistic
Management Systems®

conomic malaise by revolutionizing the American auto industry. Drucker called Sloan a «**true professional**» due in part to his conscientiousness regarding things of seemingly lesser importance, such as the systematic incorporation of dissent in the consensus-finding process to achieve better results.

Another example of leadership professionalism for Drucker was the American five-star general *George C. Marshall*, Chief of Staff of the U.S. Army between 1939 and 1945, whom the British Premier *Winston Churchill* after the war called «*the organizer of victory*».

While Drucker was interested in studying strategy from an overall perspective, he was just as interested in the details of how strategies are executed. He believed achieving results was not a matter of talent, but rather **professionalism**. Whenever he met successful people, one of his standard questions was always, «*What is it that makes this man so effective?*» And in relation to failures he would ask, «*What were the reasons why this person failed?*»

As important as **talent** is – as Drucker himself acknowledged – he felt it was not enough in and of itself. The way in which one utilizes one's talents **when the rubber hits the road**, so to speak, was more important to him. We always talked together about the tragedy of highly talented individuals who don't know how to capitalize on their talents. Even more often we talked about people whose practically-oriented professionalism in being effective made possible great achievements for them using the little they had to work with.

Drucker probably noticed such things because he was a keen observer on both a macro and micro level. The first time I noticed the **thoroughness** of his scrutiny was when I was attending a one-day meeting in Vienna in 1988 held with Drucker and 200 top executives from Austria's nationalized manufacturing sector, which at the time was deeply mired in crisis. The conference program and agenda were for him of extreme importance. Several times he proposed changes in them, right up to the start of the meeting. He wanted to know all sorts of details concerning the individual firms and managers, and was able to recall nearly all of these in discussion, which greatly impressed the managers assembled, as presentation slides with general bullet points were typical of such meetings rather than informed statements. Drucker didn't need any slides.

Malik Integrated
Management System (IMS®)



Malik Wholistic
Management Systeme®

Instead of a projector, he relied on **clear language** and an **endless collection of real-world examples**.

Management as the key societal function

Contrary to today's business administration theory, Drucker's management concept derives not from the material needs of the business world, but rather the **requirements** institutions must fulfil in order to have a functioning society. This is precisely what makes Drucker's ideas vastly more effective today for business management than approaches limited by the dominant profit-driven management paradigm. His experience working with **non-profit organizations** helped him develop a management concept that works even without quantifiable figures or a bottom-line profit objective.

Drucker's first book, *«The End of Economic Man»* (1939), in which he examined the totalitarian systems then in existence, and his second, *«The Future of Industrial Man»* (1942), in which he presented a comprehensive social theory on what makes a functioning society, together form the cornerstone for the theory of management he developed much later. In these he establishes – contrary to widely held opinion – that while free markets are necessary, they cannot create either a functioning economy or society, as the present crisis is once again demonstrating.

Drucker's 1946 commissioned study of General Motors, *«The Concept of the Corporation»*, is in fact not about management, but rather represents the first comprehensive analysis of the newly arising industrial economy and the corporation as its primary productive organ.

This was the context in which Drucker developed management theory into an application-oriented discipline, the basis for which he outlined in the work *«Practice of Management»* (1954). He precisely formulated his purpose and mission to be the **creation of customer value**, a position contrary to the goals of profit maximization and securing union jobs. Profit and employment are not goals, he contended, but rather a by-product of effectively fulfilling the mission for the customer, anchoring **productivity and innova-**

Central Performance Control®



Malik Wholistic
Management Systems®

tion as the drivers of business activity – in contrast to the self-destructive philosophy of profit maximization.

This formed the basis for the principles of corporate policy and organization he outlined, for the duties and working methods of top management, for decision-making, managing people, hiring, work effectiveness, self-monitoring and responsibility.

Little room for originality

Drucker's contribution to management literature is so **large in scope** as to scarcely leave any room for originality on the part of other 20th century writers. *Tom Peters*, co-author of the best-selling 1980s classic *«In Search of Excellence»*, came to this conclusion himself when studying a number of Drucker's books he had been largely unaware of, like *«The Practice of Management»*, for an article for a *«Peter Drucker retrospective»*. **«Drucker said everything»**, he concluded, succinctly and accurately. And at the Vienna Drucker Symposium, Irish management writer, social philosopher and London Business School professor, *Charles Handy*, candidly said he realized after having written his own books that Drucker had already written them all before him.

Perceiving the unseen

Drucker correctly foresaw several future developments, though in many cases so far in advance that they were just barely getting started. The methods he employed were the **observation and perception** of actually existing circumstances perceived by few individuals. Drucker had the same data everyone else did; he always worked alone, without an assistant and only sometimes with a secretary. What he got out of the data however was often the opposite of that perceived by the mainstream. Using the same information, Drucker came to entirely different conclusions, always having the courage to go **against general opinion**, and doing it with gusto.

For example as early as the 1950s he predicted the rise of the **«organized society»**, the demise of unions and the impact of demographic shifts. Then in his 1976 book *«The Unseen Revolution»*

Central Performance Control®



Malik Wholistic
Management Systems®

he outlined the consequences of asset accumulation within pension funds. That was ten years before the **first corporate raider incidents** shocked the financial world, and fifteen years before these accumulated assets pushed their way onto the stock market, leveraged at cheap interest, contributing substantially to today's crisis. He foresaw clearly ten years in advance that the Soviet Union and global communism could not survive, which was partly the reason why China opted early on for a different approach. He also understood the social dynamics of technology and innovation better than others, writing as early as the 1960s about knowledge being the new capital and the rise of the knowledge society.

He benefited from a **broad knowledge of history** and wide-ranging artistic interests, including particularly music, literature, Japanese painting and Chinese calligraphy. Instead of prognoses and belief in progress, Drucker was interested in the practice of innovation and the idea of a future that doesn't just happen, but instead is designed today to make for a different tomorrow. He used to always say that strategy and operational planning have nothing to do with future decisions, but instead with today's decisions that will impact the future.

Drucker was a man of the future, and a man of change. *«Be ahead of change»* was one of his mottos. Our conversations always involved this subject, particularly in relation to the **mission** he urgently apprised me of back in 1988 over dinner, before meeting with leading Austrian executives in Vienna. He said that while he had developed a management philosophy for the 20th century, my task would be to reinvent this for the 21st century. In 2005 at our last meeting he repeated: *«Go beyond, and reinvent for the 21st what I could do only for the 20th century»*. My systemic perspective was of particular importance to him, which he himself explicitly described in the first chapter of the 1956 book *«Landmarks of Tomorrow»*, a work that reveals his profound understanding of the new paradigm of highly complex dynamic systems, whose time back then had not yet come.

*We don't believe in progress,
we practice innovation.*

Peter F. Drucker

Central Performance Control®



Malik Wholistic
Management Systems®

The most important books by Peter F. Drucker

Of the over 40 books by Drucker, the following are particularly useful in managerial practice. Drucker's autobiography is also an excellent resource for information about the man and his times.

Most of the books listed were republished in the 1990s. His older works though are as relevant as ever. It is recommended to read the books in English, as the German translations are in part dissatisfactory.

Management classics:

- Managing for Results, 1964
- The Effective Executive, 1967
- Innovation and Entrepreneurship, 1985
- Managing the Non-Profit Organization, 1990
- Post-Capitalist Society, 1993
- Managing in the Next Society, 2002
- Cardinal Virtues of Effective Leadership, 2004; (by Peter F. Drucker and Peter Paschek)

Autobiography:

- Adventures of a Bystander, 1978; Transaction Publishers, New Brunswick/London 1994

Central Performance Control®



Malik Wholistic
Management Systems®

Index

- application-oriented discipline 168
- cause of the crisis 168
- challenges 169
- Churchill, Winston 171
- corporate raider incidents 174
- customer value 172
- demographic shifts 173
- Drucker, Peter F. 163
- Drucker societies 165
- empirical normativism 170
- free markets 172
- functioning society 165
- Handy, Charles 173
- Harvard 167
- innovation 172
- large in scope 173
- management 163
- management model 163
- management thinker 165
- Marshall, George C. 171
- mission 172
- new world 165
- non-profit organizations 170
- organized society 173
- Peters, Tom 173
- productivity 172
- professionalism 171
- profession of effectiveness 169
- reorientation 163
- Sloan, Alfred P. 170
- talent 171
- von Stahl, Friedrich Julius 166
- wholistic management system 163
- wrongheaded practices 169

Drucker and Malik Management - Leadership Knowledge

Basic knowledge by Peter Drucker can be found in our Open Seminars and Inhouse-Education programs.

Especially recommended open seminars which amongst other things combine Drucker's knowledge with our New World Solutions for the 21st century:

Malik Top Executive Seminar®

Right assessment of the situation. Right action. New functioning by means of right Malik Management. With Prof. Dr. F. Malik and selected speakers.

[Info and Registration](#)

Malik Management Summer School®

Making Business Units function even under extreme conditions – achieving best results – General Management for Managers with direct profit responsibility. Everything a manager needs for sustainable results.

[Info and Registration](#)

Malik Junior Management Program®

Wholistic General Management for junior managers. The Malik Junior Management Programme conveys the Malik Management System® for reliably functioning management.

[Info and Registration](#)

Malik Managerial Effectiveness® Program

The seminar about the bestseller and standard work «Managing Performing Living» by Prof. Dr. F. Malik. Effective management for each organization and each person.

[Info and Registration](#)

Malik Wholistic Management of complexity

Principles of functioning – cross linking models and RealTime-control – understanding variety and control – how cybernetic management functions reliably – new management for a new time. Perfect for the crisis – but independent of its further development.

[Info and Registration](#)

The **Malik Management Systems** exist in all present day forms of technology: Consulting Services, Education Programs, books, DVDs, Web-Streamers, CDs, MP3, E-Learning-Programs, Blended Learning Programs, Webbased Flah Programs.

The user is **independent of time and place**. In comparison to conventional forms, time for knowledge acquisition is reduced by more than 90%. Being ten to hundred times faster is a decisive competitive advantage in today's change. Malik Management Systems are **modular** and can be **adapted unboundedly for each purpose**. They are the **nervous systems** for functioning organizations.

www.malik-mzsg.ch

Reader services

Tips for the usage of the m.o.m.®- Letter

The right-hand margin has deliberately been made slightly wider so that you can use it for comments, notes and hints. The best way to file the issues is chronologically. The convenient original binder labeled with the year is the ideal solution. You can easily find passages that interest you using the index and table of contents.

Complete index/table of contents

You will receive a complete table of contents and index once a year.

Questions and responses to the content

We are happy to receive questions about and responses to the m.o.m.® letter:

Tel. +41 (0)71 274 34 00, Fax +41 (0)71 274 34 99, E-mail: fredmund.malik@mzsg.ch.

Further products

The m.o.m.®-Letter in German

For you or your foreign subsidiaries or for customers, colleagues or friends abroad, the m.o.m.®-Letter is also available in German.

The m.o.m.®-Letter on audio CD and MP3

Are there some subjects you would also like to listen to? Many of the m.o.m.®-Letters are available on CD and MP3. Spoken by the author himself. Price per CD is CHF 50.30 incl. Swiss VAT and postage/packing. Price per MP3 is CHF 23.00 incl. Swiss VAT.

Information and Order

Telephone no. 0041 (0)71 274 37 00 or by e-mail at info@mom.ch

www.malik-mzsg.ch