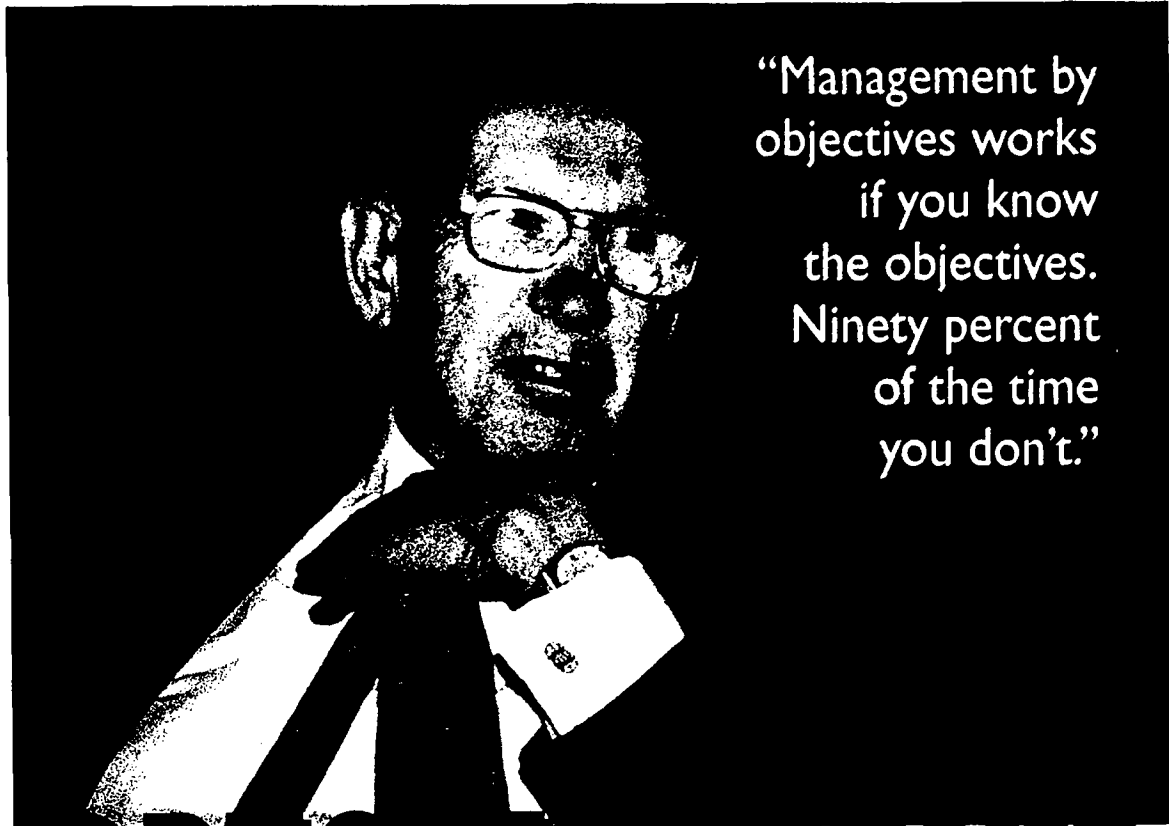


ManagementREVIEW



“Management by objectives works if you know the objectives. Ninety percent of the time you don’t.”

DRUCKER SPEAKS HIS MIND

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INTERVIEW

DRUCKER SPEAKS



BRIEFCASE

There are management experts and there is Peter Drucker. A trenchant, unorthodox and independent analyst, Drucker is generally recognized as the foremost thinker in American society today. Founding father of the discipline of management, this influential author, speaker, philosopher and Renaissance man still regards himself as a journalist who researches and observes. Last summer *Management Review's* European editor met with Drucker in a three-hour interview in London, where Drucker was the keynoter of the American Management Association International's Top Management Forum.

THIS MIND

by MIKE JOHNSON

A human icon of modern management and a man whose active career has spanned the greater part of the 20th century, Peter F. Drucker has always held very clear views on the role of the modern manager.

Drucker himself is not an organization man. In an era when management gurus and wannabes alike have founded research organizations and made millions of dollars in consulting fees, Drucker's career has steered clear of business in favor of academia. He has taught government, economics, religion and Oriental art. Since 1971, he has been Clarke Professor of Social Science and Management at Claremont Graduate School in Southern California, which named its Graduate Management Center for him in 1987. He spent the previous 20 years as professor of management at New York University's Graduate Business School, where he still serves as Distinguished University Lecturer.

Now 86, Drucker maintains as active a schedule as ever, except that now business executives come to his door, seeking counsel from the man who prefers to write books (35 to date) and articles (30 for *Harvard Business Review* alone) and work with his students—those who will be the knowledge workers of the 21st century.

"Increasingly, the knowledge workers of tomorrow will have to know and accept the values, the goals and the policies of the organization," Drucker says. "To use current buzzwords, they must be willing—nay, eager—to buy into the company's mission."

"You'll need both the hard and soft disciplines, just as you need two hands," Drucker says. He adds that every manager has two jobs to do: "One, running a business, and two, building an organization." Each must "know

what the other one is doing. And both must say the same things, otherwise management and the company will lose all credibility—and rightly so.

Not only do managers have two jobs to do, they must apply double vision to the task by fo-

A seminal thinker for most of his 86 years, Peter F. Drucker talks about business strategies, social conditions and government mismanagement.

cus on both the short and the long term at the same time. "The idea that you can think only one way is nonsense," Drucker says. "Put it this way: It doesn't help to know what surgery I am going to do in the morning if the patient dies during the night."

The Formative Years

Peter Drucker's career reads more like that of a man who has dealt with immediate issues and opportunities rather than one who has kept the long view firmly in sight.

He was born in Austria in 1909, the son of Adolf Drucker, an official in the Austrian civil service and a leading and sometimes outspoken liberal. In his youth, Peter was surrounded by the cultural and artistic elite that pre-war Vienna was famous for; his father was instrumental in founding the Salzburg Festival and served for many years as chairman of the board of that international music festival. In 1938, in response to the Nazi Anschluss, the

family emigrated to the United States.

Peter, meanwhile, had left Austria after graduating from high school for a job as a trainee clerk in a Hamburg export house. (He would later remember a Victorian atmosphere in which he sat on a high stool and made chicken scratches with a quill pen in large, leather-bound ledgers.) Then, while working as an editor and financial writer for the *Frankfurt General Anzeiger* in the early '30s, Drucker earned his doctorate in public and international law from the University of Frankfurt.



“Many businessmen are always establishing new beachheads. They never ask, ‘Is there a beach to that beachhead?’”

A talented writer, Drucker was offered a job in the Ministry of Information soon after the Nazis came to power in 1933. In response, the young Austrian published a philosophical essay that placed him squarely on the Nazis' blacklist, then left for England and a banking job. In 1937, he came to the United States as the American correspondent for a group of British newspapers.

The young Drucker's experiences taught him early the power of the press, a lesson that the older Drucker believes has implications for today's knowledge workers: Will the information age leave large parts of our global society in an underclass of knowledge-starved poor? Peter Drucker downplays these fears. “Actually it's probably the poor people who'll benefit most from the information age,” he hypothesizes. “I am working now with a major Latin American country—which has one of the highest illiteracy rates—[teaching them to use] satellite transmission and cheap personal computers to bring education to the remotest hamlet at around 5 percent of the cost of traditional schooling.”

Drucker the octogenarian has seen history repeat itself more than once: “I am reminded of the argument of the late '40s and early '50s that television would leave the poor out—they couldn't possibly afford it. Fifty years earlier, the same debate raged over the telephone.”

In fact, Drucker believes that access to information will help dispel inequities between the rich and the poor. “It is the poor who are

most deprived of access to the world,” he says. “The rich can afford books, for instance, and so it is the poor who will most eagerly grab at new information.”

Drucker also believes that any efforts by governments to censor the flow of information to its citizens are doomed to failure. His own essay, the one banned by the Nazis, became an underground sensation after his departure from Germany. It's even easier now to circulate politically sensitive material, he points out: “The dishes now are no bigger than a fair-sized wallet; you don't need a rooftop anymore. And you can easily hide [the equipment] under a bed and still receive.” How can governments stop the flow of information? Drucker asks. “Any attempt to censor only means that, like all forbidden fruit, the information becomes increasingly tempting—pornography and the politically forbidden alike.”

Drucker recalls that when he was a child, his father taught him an important lesson about information control: “We were allowed to read every book in his big library at any age. Our neighbors' children came over to read in my father's library the books they were forbidden to read at home—‘unsuitable’ books such as Ibsen and Freud—which my brother and I simply found too boring.” He applies that lesson to cross-national issues today:

“All attempts to keep out information will prove as ineffectual as the French attempts to keep out American movies or McDonald's,” he believes. “Look at what the French plan to forbid U.S. movies has done for the industry—its share of the European market is 50 percent higher than it was before the French tried to keep Hollywood movies out.”

Instant Communication

It is not only the disadvantaged who will benefit from the rapid communication of data and ideas, he says. Drucker sees today's instant communication as a way to give more people access to information than ever before. “Even my 5-year-old granddaughter, otherwise interested only in baseball and dolls—and in that order—knows how to get into the Internet,” he says.

Access to higher education is also changing. “At our management center in Claremont we are already offering our courses via satellite downlink all over Southern California and getting a very high response, especially from 40- to 50-

year-old candidates for our Advanced Executive Program. These upper-middle executives also like our weekend courses," he adds. Drucker himself teaches Saturdays from 9 a.m. to 4 p.m. Satellite technology has indeed changed the very meaning of what a classroom is at Claremont: "Within five years, half of our students won't come to campus."

"Also, I believe that we shall have many more in-house educational institutes," Drucker says. "The best one is Motorola's and then the newly reengineered GE Institute at Crotonville," he says of the institute he helped found 40 years ago. We need both corporate and traditional universities, he adds. "And we need competition for schools at all levels—otherwise we shan't get the school of the future that we need so badly."

The Pay Problem

It has been said of Drucker that he has turned down more in consulting fees than he has ever earned. His teaching career clearly demonstrates that he is more interested in the philosophy than in the actual practice of management, and he levels criticism at those business schools that graduate young executives who are most interested in chasing the almighty dollar.

These business schools "decided to get the highest possible salaries for their graduates and they all went into Wall Street or consulting." All they accomplished was to "graduate very bright parasites." Drucker claims it doesn't have to be that way. He says that Claremont would be "very unhappy if some of our graduates didn't go into manufacturing. Other schools [he names Wharton and Northwestern] feel the same way."

Not only are many business school graduates heading off to high-paying careers in blue-chip corporations, in consulting and in law firms; but as they are rising to the top of their professions, their salaries also are rising—sometimes exponentially. Drucker has been speaking out against excessive executive rewards for decades, and as a result, he says of himself, "I am *persona non grata* in U.S. management by being outspoken about executive greed." He supports his opinions about executive compensation by quoting none other than millionaire banker J.P. Morgan as saying, "The company that is likely to succeed is one where no one makes more than 20 times the income of the lowest employee [after tax]."

"If you applied that today," Drucker notes dryly, "the maximum salary in the United States would be \$1 million." And he believes

that more is at stake than just money: "It is immoral to pay CEOs bonuses when they lay off workers. [Lee] Iacocca at Chrysler got a million-dollar bonus based on stock price—and the stock price went up because he fired 30 percent of the blue-collar workers."

While Drucker doesn't object to "an occasional bonus for truly outstanding performance," he stresses that the argument is neither economic nor moral; it is social. That's why "the worst bonuses are those enormous ones for the wholesale firing of people—they destroy social cohesion and community."

Executives walk away with tremendous bonuses and blue-collar workers lose their jobs. But "the real damage is what it does to people in the rest of the company," Drucker maintains. How so? "The cynicism in my classes [at Claremont] of upper-mid-level managers is unbelievable and totally erodes their ethics. If the boss is allowed to steal openly and publicly, why shouldn't they?"

The only solution, according to Drucker, is to judge executive performance



VITAL STATS

PETER F. DRUCKER

Born: Vienna, Austria, 1909

Education: University of Frankfurt, L.L.D. in public and international law, 1931.

Teaching Career: Sarah Lawrence College (economics and statistics); Bennington College (politics, history and philosophy); New York University's Graduate Business School (management); Pomona College (Oriental art); and Claremont Graduate School (social sciences and management)

Books Published: *The End of Economic Man* (1939) was the first of a string of 35 books, including his autobiography, *Adventures of a Bystander* (1978) and two novels. Among his best-known works are *The Effective Executive* and *The Frontiers of Management*. Drucker has been translated into at least 24 languages and is as well-known in Asia as in North America and his native Europe.

Honorary Degrees and Titles: Drucker holds orders from the governments of Austria and Japan as well as 17 honorary doctorates from American, Belgian, English, Japanese, Spanish and Swiss universities.

Management Honors: Fellow of the American Association of Science; Honorary Member of the National Academy of Public Administration; Fellow of the American Academy of Arts and Sciences; Fellow of the American, British, French and International Academies of Management.

Hobbies: Mountaineering and a student of Asian and Japanese art.

Family: Peter Drucker lives in Claremont, Calif. He and his wife have had four children and six grandchildren.

"from the shareholder's perspective," which will require "performance standards that are better measurements than [short-term] dollar per share."

Seminal Study

Rethinking the mores and habits of corporate America is not new to Peter Drucker. His first major consulting project was a 1943 study at General Motors that led to *Concept of the Corporation*. That book, which detailed what is now known as Management by Objective and redefined employees as a resource rather than a cost, thrust him into a limelight that has never left him. In the '90s, his interests have turned increasingly to the immense transitions our society is now undergoing. In his recent book, *Post Capitalist Society* (Harper Business, 1994), he details how these changes will have an impact on business, labor and management.

Drucker offers a truly global outlook that overrides his opinions about any one political system. He believes that post-war social policies are wreaking economic havoc throughout the West. A major burden, in his view, is that government safety nets have caused irreparable damage to the people they were designed to protect.

"Western democracies suffer from the failure of the welfare state," he says. "The policies that do damage are different in different countries, but they all destroy society and destroy people. In the United States, it is our welfare system, which effectively pays people for not working." Unlike the welfare system, he says, "our unemployment system actually works—we pay for getting people back to work—and as a result, we have virtually no unemployment [except among the chronically unemployed] despite the enormous dislocation of blue-collar industrial jobs that went from 25 percent plus of the labor force to 12 percent within 15 years."

Europe's problems are a result of its protective labor laws, he continues. "Europe does the same thing in its unemployment payments and in its horrible penalties for laying off people. The results have only led to nobody hiring."

Drucker tells the story of a Belgian banking executive who needs several thousand workers but has decided not to hire anyone, partly because of the labor costs involved if those people have to be laid off, and partly because of the Flemish/Walloon problem which

**"Strong people
always have
strong
weaknesses."**



implies that an employer should not hire from one ethnic group without hiring an equivalent number of people from the other.

Drucker is deeply skeptical about the future unless our elected bodies begin to reform themselves, and he says that, just like our corporations, "governments need to reinvent themselves to become again effective—and perhaps even to remain relevant."

Global money markets have become the one true "sovereign," he says, because the governments of all developed countries, "excepting only Japan and Germany, have become so spendthrift and are so much out of control that they totally depend on foreign borrowings to cover their chronic deficits. This is what underlies the present collapse of the U.S. dollar and the frightening currency crisis we are in."

With a touch of macabre humor, Drucker says, "That does not mean that governments have ceased to matter—they can and do cause immeasurable harm, but they cannot do much good, if any, until they recover their fiscal and monetary sovereignty. Most of them—the United Kingdom as much as the United States or Italy or Denmark—no longer enjoy [this sovereignty] and will not recover until they have accepted that no country can run any longer on chronic deficits—the global money markets won't finance them any longer."

Is Peter Drucker pessimistic about the future? "We are definitely, in the West, beginning—so far only beginning—to tackle these issues. But so far no one really has answers, except that the experiments of the last 40 years haven't worked socially."

But change won't come easy, according to this man who left Germany for the United States in the '30s, who survived two World Wars, the Great Depression and the Cold War: "We surely face many years of soul-searching, of turbulence—and a real danger of demagoguery." ■■■

Mike Johnson, *Management Review's* European editor based in Brussels, is author of "Managing in the Millennium" (Butterworth Heinemann, 1995).