

Business Man

Peter Drucker, the father of management theory, had more in mind than the bottom line. BY MARK WILLIAMS

The World According to Peter Drucker

By Jack Beatty

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The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood," wrote John Maynard Keynes in his 1936 book, *The General Theory of Employment, Interest and Money*. "Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some... economist."

Peter Drucker fits Keynes's model of a thinker who enslaves businesspeople. Mr. Drucker's influence has been colossal. Even people who have never heard of him are familiar with concepts like decentralization, knowledge workers, outsourcing, and privatization—only a few of the ideas that he introduced over the years. Furthermore, if Mr. Drucker can't simply be pinned down as either an economist or a political philosopher, that's because he's been something of both. He *invented* management theory. Mr. Drucker's influence is still expanding as he continues to publish and develop his theories. By anybody's standards, publishing six books (and numerous essays) in the last decade while maintaining a schedule of international consulting and teaching is vigorous—remarkably so for someone born in 1909.

HERRING readers know all about Mr. Drucker. But do most of us understand him only in a selective, one-dimensional way?

In *The World According to Peter Drucker*, Jack Beatty, a senior editor at *The Atlantic Monthly*, has concisely placed all the man's works within an intellectual biography. It's an admirable primer, fair to all of Mr. Drucker's thinking. Most originally, it captures how, in the fuller context of his social concerns, Mr. Drucker "defends profit, but as if it were broccoli: a distasteful obligation of managers who would rather be reading Kierkegaard," as Mr. Beatty puts it.

Origin of the corporate species

Europe's smashup in the first half of the century looms large behind those concerns. In 1933, sickened by dismissals of Jewish faculty at the university where he worked and having seen a pamphlet he had written burned by the Nazis, the Austrian-born Mr. Drucker left Germany for Britain and then America. In 1939 he published his first book, *The End of Economic Man: The Origins of Totalitarianism*. It argued that 19th-century Europe's mercantile society had promised equality and justice through economic liberty, but World War I and the Great Depression had destroyed popular faith in that promise. Fascism and socialism had filled the vacuum.

In *The Future of Industrial Man* (1942), Mr. Drucker examined what had replaced the old mercantile order: the industrial corporation. But he worried that the corporation so far had failed to create a sustaining social concept to justify its existence. Mr. Drucker wanted companies to re-create community, becoming "the place in which and through which the social tasks would be organized."

THE WORLD ACCORDING TO PETER DRUCKER



JACK BEATTY

Living in America, Mr. Drucker had recognized that people were living in a society of organizations. But, in the beginning, he knew nothing about these organizations.

Having refused to teach in the segregated South, Mr. Drucker found a job at Sarah Lawrence College in New York but was fired for his unwillingness to sign a Communist Party condemnation of the president of Brooklyn College. He moved on to Bennington College, where he explained to Bennington's president that he wanted to write about the management of corporations. The president told him, "You're now at the point where you can go into economics or into political science. With this topic you will lose all respectability in either." Mr. Drucker was similarly rejected by corporate America at first: Westinghouse's chairman even banned him from the company's offices, saying he must be some kind of radical.

Finally, around Christmas of 1943, he received a consulting assignment from General Motors. Mr. Beatty writes that the company Mr. Drucker studied had converted for wartime and didn't manufacture a single car between October 1942 and September 1945: "Drucker got little chance to observe the factory 'lifer,' the 20-year prisoner of the GM plant.... [The] features of wartime mass-production inevitably distorted his vision, lending it a Panglossian flavor. His transformative hopes for the postwar era rested on illusory grounds."

Employees first

The Concept of the Corporation was published in November 1946, around the time the United Auto Workers went on strike against GM. Mr. Drucker had called for extreme changes in the company's employee relations: workers should be a "resource" in the "self-governing plant community," and long-term employees should be paid guaranteed annual wages even during economic slumps. GM, however, intended to restore the prewar status quo. An executive who was caught reading *The Concept of the Corporation*, Mr. Beatty claims, was quietly told, "Better go work for Mr. Ford."

Nevertheless, the book was enormously influential. Henry Ford II acknowledged

that Mr. Drucker's advocacy of decentralization helped him rebuild Ford in 1946. GE hired Mr. Drucker as a consultant in 1950. In Japan, his call for guaranteed annual incomes was implemented as lifetime employment policies; assured of their jobs, Japanese workers were not afraid to suggest efficiencies. By the '80s Mr. Drucker was credited for shifting 75 to 80 percent of the *Fortune* 500 to decentralization.

As his growing consulting career further acquainted him with American corporations, Mr. Drucker—always a partisan of pragmatism—became less utopian in his outlook. *The Practice of Management* (1954) resulted from his desire to “give the managers I worked with in my client companies everything they would need to do their jobs and prepare themselves for top-management responsibility.” This book, of course, is the daddy of them all—for management theory, something like *Das Kapital*. This reviewer therefore wondered what the first generation of managers to en-

counter the book had thought about it.

So I asked my father. His assessment: Mr. Drucker had provided managers not only with an inspiring vision of themselves in the context of their businesses, but also with an integrated theory for dealing with everyday realities of corporate life. “And he

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told you how to deal with your boss, which nobody had done before,” my father added.

Yet THE RED HERRING's editor, knowing I feel much as he does—that if you were to throw Tom Peters and the rest off the end of a pier it would be no great loss—said to me, “Reading Drucker is depressing, because he's as good as this stuff gets.” Meaning, even the best of the management gurus

was unworthy of the hype. How good, I wondered, is Mr. Drucker? I cracked open three of his less-acclaimed management works, bound together as *The Executive in Action*, and took another look.

On every page there were ideas and arguments, supported with examples, recent as well as historical and drawn from almost every kind of human enterprise, that cogently illustrated whatever issue was at hand. Still, with sufficient diligence, most intelligent people could present a similar encyclopedic show. The real test was whether Mr. Drucker had helped his intended audience by expanding their understanding of the possibilities open to them. And it seemed to me that he had: what was exceptional was his earnestness about examining both the business organizations within which we actually work (and live, he recognized) and the potential for something better. 🍷

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