



Guru Interview: Peter Drucker Part One

The founding father of the study of management reflects on his life and career.

Interview by James Nelson

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After receiving his doctorate in Public and International Law from Frankfurt University in Frankfurt, Germany, he worked as an economist and journalist in London before moving to the United States in 1937.

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How does it feel to be looking at the world from a 95-year-old vantage point?

Peter Drucker:

Well, it makes me feel very old. But not much has changed in my basic outlook. 40 years ago I used to work primarily with business. The last 30 years I've worked primarily with non-profits, though I still have a few old business clients. And the business people with whom I worked have mostly retired, so I'm working with new people, very interesting people. It hasn't changed that much.

We have to ask you just one more light question. To look out on the scene in California, and have a governor who shares your charming accent? Are you surprised by Arnold Schwarzenegger's rise?

Peter Drucker:

Well, Governor Schwarzenegger is a surprise. I've never met him. I think he's a very able man, and, by background, he's about as different from me as anybody could possibly be. The only thing we share is the accent. He even comes from a totally different part of Austria. And I left long before he was born. I left 77 years ago. So I'm not

particularly impressed by another Austrian. I've known too many.

You have been writing, teaching and consulting about management for over 60 years, both as a thinker and communicator. You have ranked management as among the major social innovations of the 20th century. Why? What in your view does society owe to management?

Peter Drucker:

The word "management" was coined in 1911. It was unknown before then. Before that, everybody assumed that the owner ran a business. Non-owners, professionals, came in shortly before World War I. Simultaneously, J.P. Morgan invented professional management in America, Japan and in Germany. Management was a new social function, which made possible a new society, a society of organizations. And let me say that while business management was the first to emerge, it was not the most important. The most important ones are the management of non-businesses, such as hospitals, universities and churches. They are the most interesting organizations because they have to define what they mean by results. How do you define the results of the large church I'm working with, which has grown from 500 to 6,000 members? What are the results of Claremont Graduate University? They are much more important, much

more difficult to define, and much more interesting.

Ever since the publication of your seminal book, *The Practice of Management*, published 50 years ago, you have been educating managers through book after book, dozens at this point. What's the essential Drucker message to today's 21st century managers?

Peter Drucker:

I always ask the same three questions whether I'm dealing with a business or a church or a university. And whether it's American, German, or Japanese makes no difference. The first question is what is your business? What are you trying to accomplish? What makes you distinct? The second question is how do you define results? And that's a very tough question, and much tougher in a non-business than in a business. And the third question is what are your core competencies? And what do they have to do with results?

And that's all really. There is no great difference between this century and the last century, except there are so many more organizations today. We became a society of organizations in the last century. When managers were very rare you could depend on the naturals. Now you need enormous numbers of them.

You speak of management as a "practice." I wonder what you mean by that. And what's called management science? What is the difference between management as a practice and management science?

Peter Drucker:

I very rarely speak of management science. Management is a practice like medicine. There's medical science and there are medical scientists to support medical practice. And management, like medicine, is a practice. The results are not in theory but in what actually happens. Management science supports the manager by furnishing the tools to achieve the desired results. But the implementation of those tools, the actual use of management tools is a practice, not a science.

So, we have all these organizations today, and so many business schools charged with educating new managers and leaders. How are business schools doing in that mission?

Peter Drucker:

It is a mistake to say that business schools are charged with educating leaders. They are charged with educating competent mediocrities to do competent work. That's also true of medical schools. They are not charged with educating leaders but physicians who don't kill too many people. That's true of law schools. They are charged with educating people who can draft a decent will, not with producing legal leaders. You can't educate leaders, well, you can in the sense that leaders need to know a lot. But the purpose of professional schools is to educate competent mediocrities in large numbers. And that is what we are doing. Whether we are doing it well or not, I do not know. That's another matter.

In an era of organizations, when society is structured by so many organizations, how can we get sufficient numbers of very competent managers, or very competent leaders?

Peter Drucker:

Look, that question was answered 350 years ago with the reorganization of the medical schools in 16th century – early 17th century – Holland and Scotland. You have to give people tool competence, and you have to set standards, and you have to get across what are the key questions. So you don't start, as the medieval medical school did, by asking the question, how do we teach medical leaders? You start by asking how do you teach ordinary people to do a conscientious diagnosis. What questions must they ask? What records must they keep? What feedback do they need? And you ask pretty much the same sort of questions in management schools. What are results, and what needs to be done, and what are the priorities, and who has to understand what we are trying to do? The questions are 350 years old. They are no different in any profession. They are what distinguish a profession. And perhaps not everybody can learn it. But pretty much everybody can learn it if he or she works hard enough.

“Let me say bluntly, I don't believe in leaders. All the talk about leaders is dangerous nonsense. It is a copout. Forget about it.”

Let me say bluntly, I don't believe in leaders. All the talk about leaders is dangerous nonsense. It is a copout. Forget about it. And I am very unhappy that after the 20th century, with Hitler, Stalin and Mao as the great leaders, maybe the greatest leaders in hundreds of years, I'm very unhappy that anybody wants leaders with those

examples of mis-leaders so fresh. We should be very much afraid of leaders. We should ask, what do they stand for? What are their values? Can we trust them? Not “do they have charisma?” We've had too much charisma the last 100 years.

If you are so sceptical of high-charismatic leadership, what do you think of the recent era of high-profile CEOs we have just gone through? And, for that matter, the super-sized compensation of American executives?

Peter Drucker:

I am old enough to remember Franklin Delano Roosevelt and Harry Truman, and while Roosevelt was a great leader, Truman was the best President the United States has had, and the one who accomplished the most. He was not a high-profile leader, on the contrary. Everybody underrated him, including himself. So I have very little use for the superman CEO.

As for the high salaries, I think they are a scandal. J. P. Morgan, who was not averse to money, said in 1906 that any organization, any company in which the top people got more than 20 times what the average people got is mismanaged. He refused to invest in it. That is still a good rule, and by that rule I wouldn't invest in a great many of our companies. By the way, the CEOs I have known – and I have known quite a few – did not see themselves as supermen. They built a team. They were team leaders.

You have just talked about leadership in disparaging terms and coupled it with references to Mao, Hitler and Stalin. It's been said that you see management itself as a kind of bulwark against fascism. Is that accurate? And how does it fill that function?

Peter Drucker:

I don't see management as a bulwark. I see the functioning organizations in a society as a bulwark. And they depend on management as their organ. The present tendency is to look at management as if it were something by itself. Nonsense. Management exists for the sake of an organization. It is the servant of the organization. And any management that forgets that is a mis-management.

What are the consequences if managers in general don't see their role that way?

Peter Drucker:

Well, your organization is apt to go down pretty fast. And what are the consequences of mis-

leadership in any organization? To destroy the morale of the organization. Managers and administrators are servants, and the moment they forget that they do damage. □



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Can we look upon nations as leaders, and if so, how do you assess America's current leadership role in the world?

Peter Drucker:

Now, I don't think you have the next 30 days to discuss that question. As to America's role in the world, fortunately, we are no longer dominant. We are still militarily dominant, but not politically or economically, thank God. It is very dangerous to be the superstar. With China and India and the European Union emerging, we are fast becoming just another great power. And that will be hard to swallow, especially as we have 30 years of delusions of grandeur. Not because we were strong but because others were so weak. And a world economy is emerging in which we are not even the foremost power. That's probably the European Economic Union. And we will have to learn to be one of – make it half a dozen – major players. And America's role in the world will increasingly be one of equals. America is not going to be the big bully and the big boss, as we are discovering in Iraq – the total disaster of Iraq – where we are creating only more turmoil. America's great strength was that it stood for values, not just power.

In 2002, President George W. Bush awarded you the National Medal of Freedom, a very high honour. You spoke earlier of Presidents Truman and Roosevelt and their competencies. How would you assess George W. Bush, graduate of the Harvard Business School, as a national leader?

Peter Drucker:

I'm sorry, I never answer questions about politics. One assesses a president 20 years after he has disappeared. We are just now beginning to understand Harry Truman, and he is emerging as a very great president. And I don't think the time has come yet, when we are even able to assess this president's father.

Over 30 years ago you coined the term "knowledge worker", and now knowledge workers abound. What are the particular challenges of managing these specialists?

Peter Drucker:

I have been wrestling with that question for 30 years. How do you make a knowledge worker productive? Knowledge by definition is highly specialized. Nobody is very good at knowing many things. Let me say, a journalist – and I'm an old one – is very good at being able to grasp the

essence of other people's knowledge and projecting it. But that doesn't mean they know anything about psychology – they know how to write about it and how to make it accessible to the laity. Knowledge is exceedingly specialized. And so knowledge workers have to be managed because, by itself, a specialty is not productive. It's got to be integrated with the knowledge of others, integrated into a team of knowledge workers.

The second thing is that knowledge workers are basically, I wouldn't say loners, but soloists. And to make them effective you have to be their protector, their eyes and ears, but also their tongue. And finally, as a rule they don't want to be managers. Good knowledge workers want to keep working in their specialties. That is a very tough challenge, especially when the public prestige and the pay goes to managers, and thus, you have to develop the career ladder for the professional specialist.

In 1993, you wrote a book called *The Post-Capitalist Society*. Can you explain what that term means – and when, if ever, will we arrive at it?

Peter Drucker:

We are already in the Post Capitalist Society, very much so. We have moved into the information society. Nothing is easier than to get money today, if you have the right information. It used to be the other way round. Anybody with a PC, and today that means everybody in the developed countries, has direct access to all the information in the world, and is beginning to learn to use it. Not my generation, I'm 95. But my grandson's. In this knowledge society you compete not by having money but by making knowledge productive. And we in America, so far, have been ahead in this. But not for very long.

You have always expressed great confidence in free markets, but you have also expressed reservations about capitalism per se. With the advent of the knowledge society, are your concerns about capitalism now irrelevant, or do you still have reservations?

Peter Drucker:

Free markets have their severe limitations, but they are infinitely better than any alternative, especially as they are pretty fast at self-correcting. When they make mistakes, and they make plenty, they correct themselves. An economy, a society, an organization are balancing acts. Among the main jobs of management is to balance short-term results and

long-term results, and market standing and innovation, and so on. Management is a balancer and above all it's a balancer between the different expectations of its constituents. And the first constituent is not the shareholder. The first constituent is the consumer. If you don't satisfy the consumer, there's nothing else you can do.

Capitalism is always in danger of overbalancing toward the shareholder. The job of leadership, whether in the political sense or in business, is to restore the balance as it is needed at the time. Because that changes. Experiment is the strength of capitalism, and no other system has that strength because no other system is pluralist.

Over the years you've written very sceptically about government. What are your views on the future of government, of government's role in the Post-Capitalist Society?

Peter Drucker:

You know, one of the things one learns when one gets to be my age is not to predict. I'm sceptical of any institution that does not have severe restraints and limits on power. I'm sceptical of power. I'm an old conservative. Power without authority is the ultimate political evil.

“In this knowledge society you compete not by having money but by making knowledge productive.”

Government needs to be limited and restrained and confined to the jobs government can do. There are many things government cannot do. Government is a poor doer. Government is a norm-setter. And if government attempts to do, then it usually fails for the simple reason that government cannot abandon easily. It hangs on to things forever, until they are totally bankrupt, and even then it hangs on. In the past 30 years we have been cutting government back to the things it does well, though it still does too many things. 50 years, or 100 years from now I hope government will look very different.

There's a lot of unease today over where the world is headed. What's your sense of the direction in which the world is moving?

Peter Drucker:

Well, I think anybody who is not uneasy about the direction in which the world is moving is blind and deaf. The belief in progress which we inherited from the 18th century is gone. The belief

in a western-dominated world is going. The emerging powers – China and India – are by no stretch of the imagination western nor will they westernize themselves the way Japan did 150 years ago. We don't understand this new world. We don't know the extent to which the EU will become a union or remain a loose confederation. We don't understand the way MERCUSOR (the Latin American EU) is going. We are in a period of transition as fundamental as the 18th century before the Napoleonic Wars.

We know this much. The world is not going to be dominated by any one great power. For Americans that's going to be a very difficult thing to accept. Most of us still see a World – the world of 1960 – in which America was the only great power, and the only functioning economy. Today the EU is bigger. China is trying to build a free-trade zone that will be bigger than America both as producer and consumer. So, we Americans will have to learn that it is going to be a very different world and a world in which different values must co-exist. It will have western production and western competitiveness, and it will be held together by information, not by power. That is the direction the world is going. It will be a rough period of transition for the next 30 years or so.

You've lived a long life and focused intensely on how it is lived. Now you're 95. What about the after-life, what about God? How are you thinking about the moment of transition that you are inevitably approaching?

Peter Drucker:

I happen to be a very conventional, very traditional Christian. Period. I don't think about it. I'm told it's not my job to think about it. My job is to say, yes, Sir.

That must be very comforting.

Peter Drucker:

It is. And every morning and evening I say, praise be to God for the beauty of His creation. Amen.

You sound so vital. We hope to get a chance to talk to you again.

Peter Drucker:

Let's hope so. □