



Genealogy of a social ecologist

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Abstract

Purpose – Most people typically view Peter Drucker as the founder of management theory, or the originator of concepts such as management by objectives. Few are aware of his larger vision of a free society of functioning organizations, much less the intellectual influences that drove that vision. This paper seeks to discuss four individuals whose ideas informed Drucker's concept of a moral society of modern institutions: Soren Kierkegaard, Friedrich Julius Stahl, Alfred Sloan, and Joseph Schumpeter.

Design/methodology/approach – Drucker's own writings, as well as correspondence, interviews, and other archival sources, are analyzed to illustrate the influence of each of the four people. Specific examples of each influence are shown, as well as a case study of one organization that exemplifies Drucker's entire vision in action.

Findings – Drucker's life and work represent a struggle to achieve his vision of a moral society of functioning organizations. His larger vision is imprinted on his ideas of the self-governing plant community, management by objectives, leadership integrity, and the morality of profit. However, Drucker's overall vision remains elusive in practice in large part because of its complex intellectual origins.

Research limitations/implications – Future research into additional intellectual influences on Drucker's work is suggested.

Originality/value – The paper offers an in-depth analysis of Drucker's work with respect to the influences of Kierkegaard, Stahl, Sloan, and Schumpeter, illustrating Drucker's intellectual lineage and history. It provides an important connection between the discipline of management and the liberal arts.

Keywords Management philosophy, Ethics, Society

Paper type General review

Founder of management theory, pioneer of privatization, renaissance man, expert on Japanese art – ask anyone who knew Peter Drucker to define him and you will get a stream of answers. Modelling his writing career after English journalist Walter Bagehot[1] and French historian Alexis de Tocqueville, writers who studied social institutions in England, France, and the USA with the goal of improving the functioning of these institutions, Drucker (1992, p. 57) called himself a “social ecologist”, which he defined as someone “concerned with man's manmade environment the way the natural ecologist studies the biological environment”.

In this article, we discuss some origins of Drucker's self-described career as a social ecologist. Rather than providing a comprehensive evaluation of the intellectual influences on Drucker's management theories, we present four representative figures who profoundly influenced Drucker's writings on management and society: the Danish existentialist Soren Kierkegaard, Prussian legal theorist Friedrich Julius Stahl, General Motors chairman Alfred P. Sloan, and the Austrian economist Joseph Schumpeter. Specifically, we illuminate the ways in which these four people influenced Drucker's



development of a moral, spiritual system by which humans could function in a modern society of organizations. Too often, professionals see Drucker's work as merely writings on business management strategy and structure. As we hope to show, his life work was a much larger project, one that sought to create a society in which people could find meaning and value through their work in organizations. Drucker's interpretation of Kierkegaard, Stahl, Sloan, and Schumpeter allowed him to develop a moral framework that permeated his entire body of work. Viewed through the lens of these four influencers, Drucker's published writings are part of a fundamentally philosophical endeavour in which he sought to reconcile the seemingly irreconcilable: good vs evil, stability vs disorder, and individual vs communal identity.

Drucker's writings on management and society reflect his acknowledgement and acceptance of the inherent conflict that he saw as part of human existence. In essence, his life's output is an exploration of the nature of humankind, the role of good and evil, and the function of the individual within the larger community.

Drucker's approach to management, then, was driven by his view of humankind and society, centering on the concept that we are seeking some kind of resolution to the tension inherent in human interactions. Pulled between competing forces, humans must navigate between various extremes, finding a middle ground of existence. For Drucker, society must find a middle ground between one extreme, the complete loss of individual identity and freedom, and the other, the complete loss of social meaning and responsibility. Following in a long and varied tradition of philosophical and intellectual inquiry, Drucker's work is a search for answers to questions about the nature of human existence within society: how does one live as a free individual within the confines and demands of larger society? What limits can society place on individual freedoms? What responsibilities does each person have toward the commonwealth? What should individuals expect from society? These questions became increasingly urgent for Drucker as he saw Europe turn to one ideology after another in its collective search for answers. Socialism, totalitarianism, and even capitalism could not provide the solutions to the problems of economic malaise, social turmoil, and human despair that characterized most of Europe in the inter-war period. The grim nature of instability, and the even darker reality of how people chose to resolve the tension inherent in social existence, drove Drucker's work on management and society.

By the time he came to America in 1937, Drucker was more than ready to explore a new approach to the old questions. The modern business organization provided him with a potential solution to the problem of living as a free individual within the confines of American industrial society. In his writings, Drucker negotiated a path not just for the structure of organizations, but for the conceptualization of a moral system of meaningful human existence. Membership in the industrial community allows one to retain his or her individuality, while also serving a larger moral purpose. In this sense, management is a tool in the service of a much larger project; it ensures the functioning and very existence of the organizations that will prevent both a loss of self and a loss of moral meaning in society.

This article explores the role that the intellectual influences of Kierkegaard, Stahl, Sloan, and Schumpeter played in Drucker's conception of such a project. Each of these four people represents a manifestation of the tension Drucker saw between living as an individual and living as part of the human community. Kierkegaard showed Drucker the difficult nature of balancing the material with the spiritual, and provided him an

answer that preserved individual existence without denying the existence of a larger force. Kierkegaard, Drucker's prophet of faith, delivered the message that humans can never be entirely trusted to do the right thing, nor can their organizations, unless there is faith in a greater purpose. In Drucker's work, Kierkegaard's Christian faith becomes secularized; for Drucker, twentieth-century humans must have a more tangible, earthly creed in which they can believe.

Stahl represented the search for a middle path between continuity and discontinuity, a pervasive theme in Drucker's writing. Stahl, the prophet of legitimate authority, wrestled with the polar opposites of revolution and monarchy, seeking a new form of legitimate government, just as Drucker sought to legitimize managerial authority and hierarchy.

Sloan's General Motors served as a laboratory for Drucker to observe how the decentralized industrial organization could allow for individual achievement and freedom, yet still maintain accountability and coordination. It was Sloan himself who modelled executive integrity, but, through his utter insistence on being a servant to General Motors, failed to envision the organization as part of a larger social framework, revealing the limitations of the policies and structure of General Motors and of its leadership.

Finally, Schumpeter's concept of "creative destruction" provided Drucker with his argument for the manager as entrepreneur and moral agent. Instead of succumbing to complacency, and thus either bureaucratic ossification or obsolescence, American executives could embrace the very change they feared, avoiding real destruction: the demise of American business and its entrepreneurial spirit. Whether in matters of the commonwealth or in the corporate boardroom, Drucker's work reflects this search for a pathway to individual human existence that has meaning and purpose, yet still functions within a larger moral framework.

The making of a moralist: Drucker's religious background

Although a fixture in the history of American management, Drucker was a product of his European upbringing, and the moral/philosophical framework of his management ideas cannot be appreciated without some knowledge of his early life. He was born in Vienna in 1909, and educated at the University of Frankfurt, where he earned his Dr. jur in International and Public Law. His father, Adolph, was an economist and government official in Vienna, and his mother, Caroline, studied medicine. Raised in an intellectual environment, Drucker experienced an adolescence more typical of the pre-First World War Austrian-Hungarian empire than that of the tumultuous period between First World War and Second World War, when Austria was a country characterized by sharp contrasts between socialist "Red" Vienna and the "Black" conservatives of the national government. Hermann Simon, a long-time friend and correspondent of Drucker, commented that Drucker was "a man of the past", a product of this unique atmosphere in Vienna where "great emphasis was placed on culture, art, music, historical consciousness, urbanity, and international openness" (Simon, 2002, p. 1).

Drucker's middle-class intellectual upbringing and education exposed him to the broad tradition of western literature and philosophy; thus, there are numerous potential intellectual influences on his work, some of which have been explored by other authors[2]. Drucker (2003) acknowledged the impact of several earlier thinkers on his career. In the introduction to his collection of essays titled "A functioning society" (p. viii), he stated that works by Edmund Burke and Ferdinand Toennies "permanently

changed my life". Plato receives credit (Drucker, 1985b, p. 31), as do Aristotle, Goethe, Henri Bergson, and Jan Christiaan Smuts (Drucker, 1957, p. 11). Some have attributed Drucker's intellectual lineage to Max Weber, although he denied the connection (Kanter, 1985, p. 10; Drucker, 1985, p. 31), and others have connected him to Emile Durkheim (Beatty, 1998, p. 71). St Thomas Aquinas, economist Karl Polanyi, the Apostle Paul – the sources of Drucker's ideas and methodology are certainly numerous, and have yet to be fully explored.

As our focus is on the moral component of Drucker's work, his religious background and beliefs are worthy of note. Drucker stated that he was raised a Lutheran, albeit a rather indifferent one; religious observance in his family "consisted of little more than a tree at Christmas and Bach cantatas at Easter" (Drucker, 1993, p. 425). There has been speculation regarding the possibility that Drucker's family was Jewish, and converted to Christianity[3]. Such behaviour was not uncommon in Vienna during the late nineteenth and early twentieth centuries (often referred to as the *fin de siècle*). Although Austrian society during this time was quite cosmopolitan, a mix of many ethnicities as well as Jew and Gentile, anti-Semitism existed; assimilation, including the denial of one's Jewish cultural and religious identity, was a much easier route to middle-class success than attempting to retain one's heritage[4].

Is there evidence of Jewish lineage in Drucker's family? According to author Andrea Gabor, Drucker stated that "there is no Austrian of my class who doesn't have Jewish relations" (Gabor, 2000, p. 300). Drucker's mother's family, the Bondis, included a number of rabbis and Talmudic scholars in past generations, although there is no evidence that her immediate family was Jewish. Caroline Bondi's sister, Margarethe, married Hans Kelsen, a prominent Austrian legal theorist who converted from Judaism to Catholicism in order to assimilate into Austrian society. There is no available evidence confirming whether or not Drucker's father, an Austrian government official, similarly converted from Judaism. In any event, Drucker's early religious background was certainly not one involving pious observance of any kind.

As Jack Beatty noted, Drucker found God in Kierkegaard's writings (Beatty, 1998, p. 98). While working as an apprentice at a Hamburg export firm, Drucker "accidentally" discovered the Danish philosopher, and knew "that my life would not and could not be totally in society, that it would have to have an existential dimension which transcends society" (Drucker, 1993, p. 425). Drucker's self-proclaimed spiritual awakening at age 19 began a life-long interest in Kierkegaard; he continued to wrestle with the problem of reconciling the spiritual and material worlds even as he studied "man's manmade environment".

Drucker pointed to other Christian writers and influencers on his life and work, including St Bonaventure (Drucker, 1985, p. 29) and Reinhold Niebuhr (Buford, 1991, p. 8). At times his larger moral framework is more overt, as are his references to Judeo-Christian principles, such as his justification for freedom in "the Christian concept of man's nature: imperfect, weak, a sinner, and dust destined into dust; yet made in God's image and responsible for his actions" (Drucker, 1942a, p. 483). At other times the references are more subtle, such as when he elucidated the basis for profit as a moral force. Regardless, his encounter with Kierkegaard sparked a search for individual meaning in the material world, a search along which Stahl, Sloan, and Schumpeter also provided guidance.

Drucker's legitimate, moral society of organizations remains elusive. The social ecologist may have had a clear vision in mind, but the difficulty in realizing this vision is, in part, a byproduct of its origins. Although he referred to himself as a "very conventional traditional Christian" (WBUR-FM, 2004), he also saw the impossibility of reconciling the conflict inherent in human existence as he defined it:

... someone said that the basic essence of Christianity is the tension between the command that the kingdom of God is not of this world, and the command that charity is the greatest of them all. That is a conflict that cannot be resolved, that the tension is the essence of why nobody can be a Christian. You can only hope to become a Christian. You know whenever any of you people talk of me as a Christian I wince (Buford, 1991, p. 9).

For Drucker, conflict was inherent in Christian theology, just as it is in existing simultaneously as an individual within larger society. Perhaps Drucker could live with an acceptance of this tension. But he believed that, in order for people to find meaning in society without falling prey to the false promises of charismatic leaders or illegitimate power, they needed some creed they could believe in that resolved the tensions and conflict inherent in human existence. Kierkegaard, Stahl, Sloan and Schumpeter, in different yet complementary ways, informed Drucker's mission to develop a secular creed based on a moral society of human institutions.

Søren Kierkegaard: the prophet of faith

Kierkegaard (1813-1855) is a seminal figure in the philosophy of existentialism, which, regardless of its form, emphasizes the individual experience over the larger social and political aspects of life. Kierkegaard was a critic of Georg Wilhelm Friedrich Hegel (1770-1831), whose answer to the conflict between unity and plurality was to replace that conflict with a new sense of a collective human spirit or mind. To Kierkegaard, Hegel's philosophy effaced the individual's very existence. Kierkegaard countered with an emphasis on the personal, individual experience of life over the social experience. Truth, according to the existentialists, must take into account the subjective nature of life; truth is not dictated by group norms and expectations. This is not to say that Kierkegaard and all existentialists embraced a philosophy of moral relativism; Kierkegaard's concept of individual truth was guided by its accountability to a higher power, specifically a Christian God. Even so, one's experience of that God, in other words, one's faith, is deeply personal for Kierkegaard. Thus, much of Kierkegaard's work is an exploration of the nature of faith, and how it allows one to exist in the material world as an individual without losing one's identity to society.

Key to Kierkegaard's philosophy (and to Drucker's understanding of it) is the emphasis that Kierkegaard placed on living in the material realm. Although very much a religious philosopher, Kierkegaard's work delves into the nature of earthly existence. In "Fear and trembling", Kierkegaard attempted to come to grips with the concept of faith itself. How do real people live in the real world with true faith, not the artificial faith of the casually observant Sunday Christian? What if such a faith calls on you to believe in the impossible? Or seemingly commit unethical or immoral acts? Ultimately, Kierkegaard concluded that faith is utterly personal and individual, beyond the capacity for human rationality; he described faith as a "tremendous paradox" that is "capable of transforming a murder into a holy act well-pleasing to God ... because faith begins precisely there where thinking leaves off" (Lowrie and Knopf, 1994, p. 44).

“Fear and trembling” is Kierkegaard’s analysis of Abraham’s willingness to sacrifice his son, Isaac. Kierkegaard concluded that faith is the only motivation that makes Abraham’s actions, his readiness to commit murder, defensible. Faith is the answer to despair and seemingly impossible situations: “Faith is the highest passion in a man” (Lowrie and Knopf, 1994, p. 109). Kierkegaard’s existentialism provided Drucker with a way to negotiate the tension between being an individual and functioning within society. Although, as he noted, his work was in society, Drucker often commented on the theological and philosophical underpinnings of his worldly endeavours:

Management always lives, works, and practices in and for an institution, which is a human community held together by the bond that, next to the tie of family, is the most powerful human bond: the work bond. And precisely because the object of management is a human community held together by the work bond for a common purpose, management always deals with the Nature of Man, and (as all of us with any practical experience learned) with Good and Evil as well. I have learned more theology as a practicing management consultant than I did when I taught religion (Drucker, 1988, p. 5).

Kierkegaard’s brand of existentialism, with its emphasis on the need for faith in the right kind of God, became crucial to Drucker’s understanding of modern society and human nature in general. Witness to the rise of the Nazis, and later the horrors of the Holocaust and Stalin’s totalitarian regime, Drucker (1949, p. 587) saw Kierkegaard as a ray of hope, “a prophet” in a time when there was “neither Saint nor Poet to make whole the shards of our experience”. Prophets, to Drucker, were the bearers of true wisdom, the carriers of visions that inspire and ensure the survival of society:

A leader is only as good as his basic ideas. AND THOSE ALMOST NEVER COME FROM THE LEADER . . . [they] depend on ideas and values given them by prophets and thinkers . . . without a prophet the people perish (the Bible does not say “WITHOUT A LEADER THE PEOPLE PERISH – WITHOUT A VISION they do [sic] – and the vision is the Prophet’s legacy!) (Drucker, 1995, p. 4).

Drucker learned from Kierkegaard that the only alternative to a life of despair and tragedy is faith, because only in faith does existence as both an individual and a member of society become meaningful. Faith involves effort, the result of “suffering, through painful and ceaseless struggle”. Importantly, Drucker’s characterization of faith is remarkably earthly. Very few can achieve the “inner knowledge of one’s own unification in God . . . But every man is capable of attaining faith. For every man knows despair”. It is in this despair that the individual recognizes the limitations of human existence, but also the requirements of it. Faith relies on a creator, on believing that “in God the impossible is possible”, but it is rooted in a comprehension derived from the pain and disappointments of life, not some ethereal spiritual awareness (Drucker, 1949, pp. 598-600). If faith comes from life experience, not from religious awakening, then it is available to all.

Drucker’s first major book, *The End of Economic Man* (1939), provides clear evidence of Kierkegaard’s influence. The entire premise of *The End of Economic Man* revolves around the role of faith in modern society. Drucker showed what happens when faith in modern society is lost by tracing the origins of totalitarianism to the failure of capitalism and Marxism to deliver economic equality. As ideologies, capitalism and Marxism replaced the earlier “ism” of rational progress, positivism,

which had failed to uphold its promises. As inflation, unemployment, and social upheaval grew in Germany, Austria, and in other European countries during the 1920s and 1930s, none of the “secular creeds” could explain what was happening, generating despair and hopelessness.

Thus, Germany and Italy turned to totalitarianism as the antidote to despair. Believing in “the magician who promises to make the impossible possible” (Drucker, 1939, p. 22) society experienced a Kierkegaardian crisis of faith, and, like Abraham, believed that the irrational could be made rational. The error was in the object of faith. Europe, in its despair, turned to the wrong god. It placed its faith in society.

So where does one place one’s faith? In *The End of Economic Man*, Drucker hinted at a “new society”, one that would provide a new creed not based on economic equality, but on some other undefined measure of freedom and equality. This new creed was the promise of freedom and equality that Drucker equated with membership within the large organization.

Drucker advanced his idea of the self-governing plant community as a model for this new society based on non-economic status and meaning. In this community, workers make decisions regarding issues that most directly affect them, including benefits administration, retraining, and occupational health and safety. More importantly, the self-governing plant community provides a rational, reasonably secure environment in which the employee has some sense of control over his or her situation. Drucker’s idea was to eliminate “fear of the unknown and the unpredictable”, so that workers could believe in the “rationality and predictability of the forces that control his job” (Drucker, 1950, pp. 200-1). If organizations are managed rationally, allowing employees some degree of autonomy, then workers will have faith in those organizations. Rather than flawed “isms”, functioning organizations must be the object of secular faith that will relieve despair.

Kierkegaard’s vision of faith proved seminal to Drucker’s life and work. Grounded in the realities of human suffering, this brand of faith provided a bridge between existence as an individual and as a member of society. As Drucker noted (1949, p. 602), “Kierkegaard’s faith cannot overcome the awful loneliness, the isolation and dissonance of human existence”. It just makes that pain and suffering “bearable by making it meaningful”. Faith is the path to a bearable life, not a Utopian one.

Friedrich Julius Stahl: the prophet of legitimate authority

Next to Kierkegaard, Friedrich Julius Stahl was one of the earliest and most important influences on Drucker’s ideas and writings. While studying at Frankfurt, Drucker planned on tracing the origins of the Prussian constitution by exploring three figures; Wilhelm von Humbolt (1767-1835), founder of the University of Berlin, Joseph von Radowitz (1797-1853), Prussian general who sought to unify Germany, and Friedrich Julius Stahl. Stahl (1802-1861) was an ecclesiastical lawyer and politician who argued against German unification. Like Drucker, Stahl lived in a period of massive political and social change, including the 1848 revolutions that shattered almost a generation of peace on the European continent. Just as Drucker’s “Black” and “Red” Austria could not go back to its pre-war days of monarchy, Stahl’s Prussia faced a political polarity between revolution and the restoration of the old monarchy. If Kierkegaard represents the role of faith in living as a moral individual within society, Stahl provided Drucker with the model for achieving balance between continuity and change. Faced with the

reality of revolution in Europe, Stahl looked for ways that newer forms of representation could be injected into the older, more traditional institutions of government. Whereas Stahl's project was to redefine nineteenth century political life, Drucker used much of Stahl's material to delve into the nature of power and authority in modern industrial society[5].

Like Kierkegaard, Stahl recognized that humans must live apart from God while in the earthly realm. Tension between individual wants and the interests of society is a given. Stahl's solution to this tension lies ultimately in one's submission to authority. In the ideal world, all willingly submit to the interests of a personal, creative Christian God. But Stahl recognized that humans require a more earthly form of authority. Stahl substituted the civil laws of the state for the more ethereal personal God. Submission to either form of authority, however, must be willing submission. Humans willingly submit to the authority of a God they see as personal in the ideal, religious realm. But why would individuals with free will submit to a supreme civil authority?

Stahl sought to define freedom in terms of accountability. This concept of freedom involved not the absence of limits on individual free will, but rather on the active participation of individuals as citizens. Individuals determine their own actions, but ultimately derive the freedom to make those determinations from a larger authority: civil law or, ultimately, God: "Because freedom arises from the law [aus dem Rechte] as an ethical order, it is not unrestricted, but from the start has a specific content, standard and boundaries . . ." (Stahl, 2007, p. 6).

Importantly, both the governed and the governor are subject to this definition of freedom. Citizens will willingly submit to institutional authority only if that authority has legitimacy; that is, only if that authority itself is accountable. In Drucker's words (Drucker, 2002a, p. 51), the ruler exercises power "completely and indivisibly. Hence, he is also responsible for it . . . Power requires responsibility . . ." The obedience comes out of free will because (and only if) the governed see their interests as aligned with those of the ruler. As long as freedom is "bounded first by higher duties to which persons must subordinate themselves" (Stahl, 2007, p. 6), one may govern – or manage – with legitimacy, and subordinates will freely comply.

Stahl's influence appears in a number of Drucker's ideas, including his concept of management by objectives (MBO). Drucker originally proposed MBO coupled with self-control in *The Practice of Management* (1954) as a way to resolve the tension between individual freedom and the authority that the individual must yield to the organization on employment. Through MBO, the individual exercises free will by establishing his or her own objectives, yet submits to authority in that these objectives are aligned with the larger goals of the company. Achieving freedom in the corporation and in other institutions of society requires responsibility at every level. MBO with self-control is a philosophy of management that incorporates methods for setting objectives and for monitoring performance by each organizational unit and by each person. The MBO process, if properly designed, develops both responsibility and freedom for individuals in organizations.

MBO provides a vehicle for willing submission to authority, and, according to Drucker, is the only principle that can "harmonize the goals of the individual with the common weal" (Drucker, 1954, p. 136). Like the creative personal God of Stahl, MBO allows the individual and community to unite in purpose while retaining individual

freedom. Management is legitimate because it is exercised through individual self-control, not organizational dominance.

In working through the topic of legitimacy of authority in organizations, Drucker encountered a problem with translating Stahl into modern industrial society: if the personal, creative God is not the aligning force, what is? Even if the authority within an organization is legitimate, it remains a human institution, and is thus fallible; it is the realm of “Fallen man”, in Drucker’s language (Drucker, 2002a, p. 51). Stahl’s answer involved a divinely-ordained, yet representative government. But managerial authority is, of course, not divinely ordained, and Drucker had to find a way to legitimize it in a secular manner. The new institutions, industrial organizations, must be organized around the idea that humans must be guided by some higher good.

The problem of legitimizing human power and authority is virtually omnipresent in Drucker’s work, whether he is discussing government, business, or society. In terms of management, Drucker knew he had to find a way to “make the ruling, decisive power of our industrial system a legitimate power” (Drucker, 1942b, p. 77). One way Drucker sought to legitimize power is through curtailment, or limiting the extent of an organization’s authority to those endeavours in which it can demonstrate competence. Throughout his work, Drucker criticized those who call on the corporate world to take on additional responsibilities for social ills, environmental problems, government corruption, and other larger issues. In arguing for a limited role for business in society, Drucker did not say that business has no social responsibilities; indeed he encouraged corporate financial contributions and volunteering, including the lending of leadership expertise to help authorities solve social problems. What he was saying is that no organization, public or private, should extend its authority outside of its realm of competence and primary mission.

Another way in which Drucker checked power was to channel it into what he saw as the least harmful path: the pursuit of economic gain. The profit motive was, for him, a means to prevent other types of detrimental exertions of power in society. Eliminating profit would mean that the lust for power would seep out in some other, less healthy way:

... the profit motive has a very high, if not the highest, social efficiency. All the other known forms in which the lust for power can be expressed, offer satisfaction by giving the ambitious man direct power and domination over his fellow men. The profit motive alone gives fulfillment through power over things (Drucker, 1946, p. 243).

Power cannot be eliminated, but can be channelled into a safe, socially legitimate function.

Nevertheless, Drucker was still left with the problem of a fallible human system that lacks a creative God to legitimize the ultimate authority figure. “Fallen man” is still in charge. Drucker wrestled with legitimizing power throughout his writings, exploring a range of solutions that drew on all of the lessons learned from his prophets. He realized that the “bearable existence” that was the reality of human life required functioning institutions to give meaning and status. Even if those institutions would always be imperfect, as Stahl showed, the answer was not to “turn the rascals out”, or revolt against those institutions, but rather to draw from the values and structures of the past that could be used to reforge them into improved organizations (Drucker, 1942a, pp. 178-84)[6].

In Stahl, Drucker found a blueprint for maximizing human liberty while retaining a legitimate system of authority in society. Power, authority, freedom, and responsibility are crucial issues for both men; if life in society requires the subordination of the individual will, then the only way to retain individual freedom is to align the interests of both the individual and greater society. Clearly, MBO is a major part of Drucker's solution for providing individual freedom and aligning it with the interests of institutions which individuals serve.

Alfred Sloan: the prophet of integrity

Two nineteenth-century Europeans armed Drucker with important components of his worldview: the importance of faith and legitimate authority. It was not until he came to the USA that Drucker met the figure, which helped him mould and implement that worldview into a specific vision for society. Drucker's relationship with Alfred Sloan, Chairman of General Motors, proved highly influential on his work. Not only did his study of the company launch his career as a management consultant, his personal dealings with Sloan moulded his ideas of what an executive should be, and how organizations could provide meaning and function within society and for individuals as well.

Alfred Sloan (1875-1966) graduated from Massachusetts Institute of Technology in 1892 with a degree in Electrical Engineering. He became the president of Hyatt Roller Bearing in 1899. Hyatt Roller Bearing merged with a company that was acquired by the General Motors Corporation. Sloan became President of General Motors in 1923 and served as its Chief Executive Officer for 23 years.

In January 1943, Donaldson Brown, assistant to Sloan, invited Drucker to study the policies and structures at the company. Brown's invitation came as a result of his reading Drucker's book, *The Future of Industrial Man* (1942b), in which Drucker posited that modern industrial society, specifically the corporation, would have to justify its power and authority, and would have to give the individual social meaning and status. Drucker's 18-month study of General Motors eventually led to his book, *The Concept of the Corporation* (1946).

Writing as a social ecologist, he analyzed the company in terms of its proper role in society, which he saw as reflective of the larger problem of reconciling the tension between individual and societal existence. Drucker was well on his way to defining his work as the study of organizations and management. He perceived in the corporation a new, major institution of society that was developing rapidly and worthy of study. To Drucker, it was clear that this new social institution should attempt to achieve alignment between the interests of the individual and those of the state.

What Sloan and General Motors showed Drucker was a model of how to align those interests. Sloan applied the concept of federalism, which he gleaned from studying the US constitution and the federalist papers, a series of essays written to garner public support for the US constitution, to the design of General Motors' management structure. General Motors was a union of separate North American automotive companies (Buick, Cadillac, Pontiac, etc.) that had to be integrated. The question was how to balance central authority with autonomous company divisions. Sloan chose decentralization as the organizational vehicle and, as a result, granted substantial autonomy to each company. Each company managed itself, although certain policies and resource decisions were reserved for top management. All decisions not expressly reserved for corporate management were made in divisions[7].

Decentralization became the dominant organizational principle for American organizations. But Sloan's structure only went so far for Drucker. Decentralization itself was a brilliant conception, but its successful implementation was crucial to what Drucker (1946) was more interested in: a functioning, healthy society that balanced individual and social existence. Indeed, his vision of the corporation itself diverged substantially from that of Sloan. In *The Concept of the Corporation* (p. 12), Drucker stated that his project "sees the essence and the purpose of the corporation not in its economic performance or in its formal rules but in the human relationships both between the members of the corporation and between the corporation and the citizens outside of it". Thus, while Sloan certainly taught Drucker about organization and structure, he also taught him the limits of that very organization and structure. More importantly, Sloan served as a model for the manager as a human being, even if he never presented himself that way to the public. Drucker would later write *The Effective Executive* (1966), a book that reflected much of what he learned from Sloan (and other very effective executives).

Drucker revealed much about his feelings toward Sloan in his preface to the 1990 reissue of Sloan's memoir, *My Years with General Motors*[8]. Drucker commented that Sloan criticized him for "putting management before leadership". Sloan believed, according to Drucker, that the key element of an organization was only secondarily its structure and policies but primarily its leader: the professional manager. In essence, success derived first from the man and his behaviour, and then from the supporting management systems (Drucker, 1990). Thus, although most well-known for his role in popularizing decentralization, Sloan was as much Drucker's personal mentor and exemplar. Drucker (1990) related several anecdotes (p. 2) that portray Sloan as a compassionate man, characterizing him as " 'people-focused' to the point of being quixotic". While decentralization provided a real-world example of distributing authority and accountability in a given organization, the real lessons learned from Sloan were about character and integrity.

What exactly were those lessons? That the manager is a professional whose client is the organization; his or her personal interests are always subordinate to those of the client. Good managers use evidence (i.e. facts), not personality, to make decisions. They do not try to change people, nor does it particularly matter if they like them; rather, they find their strengths and work with them. Disagreement and conflict are inevitable and important components of decision making. Finally, the manager is always a servant, imbued with responsibility commensurate with a given level of authority.

Sloan, Drucker's friend for 22 years, was the model executive, the servant of his organization who exemplified the type of professionalism that had been virtually nonexistent in corporate leadership. Drucker's vision for the corporate organization to provide social meaning and status to the individual requires executive integrity, so much so that he called integrity the "touchstone" of management:

The final proof of the sincerity and seriousness of an organization's management is uncompromising emphasis on integrity of character . . . A man might himself know too little, perform poorly, lack judgment and ability, and yet not do too much damage as a manager. But if he lacks in character and integrity – no matter how knowledgeable, how brilliant, how successful – he destroys. He destroys people, the most valuable resource of the enterprise. He destroys spirit. And he destroys performance (Drucker and Maciariello, 2008, p. 287).

Drucker's relationship with Sloan not only provided him with an archetype for the effective executive, but for professionalism itself. Many of Drucker's own tenets of behaviour reflect Sloan's lessons. Drucker was very private about his personal life, to the point of virtually effacing himself from his own memoir, *Adventures of a Bystander* (1978). He refused to discuss politics, ongoing clients, or relationships with anyone who was still living, and was adamant that he did not have friends among his colleagues or associates (a claim that most of Drucker's colleagues and associates will deny). Amusingly, Drucker even apparently used his hearing aid as a "management tool" on occasion, as did Sloan (Drucker, 1978, p. 286; Drucker, 1974, p. 55).

Yet, Sloan also taught Drucker through his role as a servant that being a servant is not enough. Sloan never agreed with Drucker's vision for the social responsibility of business: that "the organizations – and that means the 'professionals' who manage them – must surely take responsibility for the common weal" (Drucker, 1978, p. 293). Drucker's critique of General Motors continued well after the publication of *The Concept of the Corporation*; in his introduction to the Transactions Edition of that text (Drucker, 1993), he wrote that "the 1983 epilogue has been proven right in its prediction that, ten years later . . . General Motors would still be on the defensive", and that "I am increasingly coming to ask whether anything short of a General Motors breakup, either voluntary or through a hostile takeover, is likely to enable General Motors (or its successors) to make a successful turnaround" (Drucker, 1993b, pp. xi-xii). And we may now (May 2009) very well be witnessing the demise of the General Motors Corporation.

To provide an avenue for individual as well as social fulfilment, the corporation must not only be led by professional management, but must also have a structure and organization that recognizes its powerful position in society. Sloan showed Drucker the crucial concept of managerial decentralization, but more importantly modelled the "touchstone" of management: integrity.

Yet in doing so, Drucker's study of Sloan and General Motors taught him that, while the manager must always be the servant to the organization, the manager also must be aware of the organization's larger role in and influence on society. Sloan's lessons were human, the greatest one being that an organization comprises people who are not only members of an organizations, but "citizens outside of it".

Joseph Schumpeter: the prophet of innovation[9]

"Concept of the corporation" established Drucker as a keen observer of business and management. In the 1950s, he worked extensively with the General Electric Company and its CEO, Ralph Cordiner. Drucker's classic book, *The Practice of Management* (1954), grew out of his work with General Electric. It is in this work that he codified the nuts and bolts of the discipline and practice of management. Drucker followed this book with *Managing for Results* (1964), the first work to emphasize the importance of strategy, and Drucker's most analytical book by far.

As Drucker focused his attention on private sector organizations, or what he referred to as the "constitutive" or "fundamental" organizations of a functioning society (in that they create wealth), he turned to the problem of economic cycles inherent in market capitalism. If wealth-producing organizations were to provide social function and meaning for people, as well as opportunity for individual growth and advancement, they had to somehow buffer, or at least moderate, the disruptions created by such events as the Great Depression. Capitalism, like the other "isms" that

Drucker evaluated in his early works, would fail if it only held out promises of economic equality and meaning. What was necessary was not just individual gain, but a sense of membership in a larger community, a community that offered hope for a “bearable” existence. But that community could not be bearable if its very existence was constantly in danger.

In Schumpeter, Drucker found a champion of the entrepreneur and progress through change. Schumpeter’s concept of “creative destruction” proved highly influential to Drucker’s work, as did the economist’s ideas about profitability. Although Drucker appears to use Schumpeter rather pragmatically, he actually weaves the Austrian’s economic theories into his larger project of resolving the tension between the individual and society. Schumpeter’s economics are placed in the service of a greater cause: casting entrepreneurship as a regenerating force, and capitalism itself as a moral system.

Joseph A. Schumpeter (1883-1950), a friend of the Drucker family, served as the Austrian Minister of Finance in 1919-1920, a time of hyper-inflation brought about by provisions in the Treaty of Versailles ending First World War. He left Austria in 1925 and assumed a tenured position at the University of Bonn. He then moved to Harvard, where he taught from 1932 to 1950[10].

Schumpeter’s most important contributions are his theories of economic development and business cycles. In his book *The Theory of Economic Development* (1911), he introduced the entrepreneur, who is responsible for disturbing economic equilibrium and for causing boom and bust cycles. He characterized capitalism as a process of creative destruction[11]. While innovation makes some people better off, it disrupts the lives of many.

Drucker embraced the notion of creative destruction. He advised systematic entrepreneurship with innovation for individuals and for executives in the public, private, and social sectors: “The most effective way to manage change successfully is to create it” (Drucker, 2002b, p. 295). But to be able to lead change, an executive requires information, especially information about the industrial, national, and global socio-economic environments. This helps the executive to determine where the opportunities are.

In *Innovation and Entrepreneurship* (1985a), Drucker described systematically how to gather information for finding opportunities and sources of innovation. This book contains the closest thing to an explanation of his own methodology, that of a social ecologist, and of the processes he used to understand developments that other people often did not see or understand. Entrepreneurship, and the innovations of the entrepreneur, are the very activities that protect society and smooth out excessive boom-bust cycles. Furthermore, innovation helps individuals, organizations, and society maintain continuity through change. Change, ironically, provides the security needed for a meaningful existence in capitalist society.

Not only did Schumpeter provide Drucker with the tools to manage the ups and downs of capitalism, he led Drucker (Drucker, 1985) to his own concept of profit as part of a moral and ethical system. Schumpeter did not directly argue for profit as a moral imperative, but Drucker derived this from Schumpeter’s writings. Schumpeter’s view of profit is linked directly to the role of the entrepreneur, the change agent. The innovations of entrepreneurial activity generate greater profits until additional competitors adopt the same innovations, at which point, profits fall. Thus, profit is “the

temporary surplus of receipts over cost of production in a new enterprise". Profit is fleeting; it "clings to the means of production in no other sense than does the effort of a poet to his partly finished manuscript" (Schumpeter, 2000, pp. 137-51). In "The practice of management", Drucker (1954) argued that profit is a cost of doing business, not something to be maximized. Rather, profit is a form of insurance, a cost of assuming risk, allowing businesses to manage market fluctuations, as well as covering operating expenses and costs associated with innovation.

By the 1980s, well into his exploration of the role of the entrepreneur in society, Drucker took his concept of profit-as-cost and folded it into his larger project to find a meaningful existence in modern society:

Schumpeter's "innovator" with his "creative destruction" is the only theory so far to explain why there is something we call "profit." The classical economists very well knew that their theory did not give any rationale for profit. Indeed, in the equilibrium economics of a closed economic system there is no place for profit, no justification for it, no explanation of it. If profit is, however, a genuine cost, and especially if profit is the only way to maintain jobs and to create new ones, then "capitalism" becomes again a moral system . . . As soon . . . as one shifts from the axiom of an unchanging, self-contained, closed economy to Schumpeter's dynamic, growing, moving, changing economy, what is called "profit" is no longer immoral. It becomes a moral imperative (Drucker, 1983, p. 128).

Through Schumpeter, Drucker found a way to fashion capitalism into a moral system. Drucker's construction of profit using Schumpeter's system of disequilibrium and entrepreneurial innovation allowed him to envision profit within a new, moral framework. Capitalism was no longer simply indulging in the desire for financial gain, in greed, in the propensity to truck and barter. It was genuinely about regeneration, development, and growth, in society.

As Drucker began to look at non-profit institutions, or what he referred to as the "social sector", he necessarily shifted away from profitability toward human productivity as an agent of moral regeneration, human growth and development. His increasing interest in "knowledge workers" also reflected this view of productivity as a new measure of value to organizations and society: "A productivity-based economics might thus become what all the great economists have striven for: both a "humanity", a "moral philosophy", a "*Geisteswissenschaft*"; and, rigorous "science" (Drucker, 1980, p. 18). Initially, membership in the business organization was Drucker's primary source of individual meaning and communal belonging, and the profits of those organizations fuelled society's regeneration. By the 1980s, however, Drucker's vision of a society of industrial organizations providing meaningful social and individual existence seemed more like an impossible dream. Not only did he need to modify his view of Schumpeter's economics, of profit as the sole source of regeneration, but he also had to re-evaluate the very notion of faith in business organizations' ability to function effectively.

The role of the social sector[12]

As the industrial organization failed to provide a moral system for human existence, Drucker turned to the social sector as the place for individuals to find meaning and citizenship. The financial upheavals of stagflation in the developed world's economies during the 1970s were followed by corporate restructurings with an emphasis on providing shareholder value. This resulted in a dramatic transformation of the private

sector, particularly in manufacturing. Rather than job security, unemployment protection, and wage stabilization, these workers experienced an increasingly insecure environment, as companies sometimes eliminated entire plant communities to maintain profitability.

Rather than turn from his vision, however, Drucker instead modified his creed, finding a new institution to serve as the locus of faith:

In my *The Future of Industrial Man* (1942) . . . I argued then that the new organization – and 50 years ago that meant the large business enterprise – would have to be the community in which the individual would find status and function, with the workplace community becoming the one in and through which social tasks would be organized . . . This, however, has not worked . . . The right answer to the question Who takes care of the social challenges of the knowledge society? is neither the government nor the employing organization. The answer is a separate and new *social sector* (Drucker, 1994, p. 75).

Organizations would still provide meaning to people, but it would be the non-profits, or social sector organizations, that would save the day. When Drucker moved to Claremont in 1970, he began what later he would call the “second half” of his life[13]. He made a significant transition from business management to the management problems of the social sector, further developing his thinking on the role of the social sector in society. He spent an eight-year period in which he had regular contact with the leadership of the Girl Scouts of the USA in an effort to further professionalize and develop the leaders of that organization. Drucker consulted many other domestic and international organizations, including CARE International, Saddleback Church in California, and The Salvation Army, playing a critical role in professionalizing their management.

A moral vision for a functioning society

The deep influences of Kierkegaard, Stahl, Sloan, and Schumpeter appeared in Drucker’s work, and their messages often interconnect as he worked his way through his concept for a free society of institutions. Furthermore, all four serve as prophets, providing visions of how a society of organizations might be guided by the right values, and, also provide for individual achievement and fulfilment.

Kierkegaard injected the core element of faith in Drucker’s work. For both Kierkegaard and Drucker, faith is what makes it possible to bridge the chasm between the spiritual and the physical, or between the individual and society. One retains one’s individual, personal identity, yet becomes part of a greater whole through faith. For Kierkegaard, this faith was of a specific, Christian nature, believing that only in God is the impossible possible. Drucker’s faith, like Kierkegaard’s, was never fully in the material realm, in society, but yet his own individual experiences taught him that most people want salvation in the here and now, in other words a secular creed, one that will produce results in the material world. The self needs to be grounded in something, and for Drucker, that something needed to be in the world for humans to function in society. Faith, then, allows one to retain one’s individuality while still finding social meaning and relevance.

Drucker’s own faith in the private sector as the locus of social meaning clearly waned later in life (although he often downplayed this, emphasizing that his work was always about society and management, not just business). In his writings and interviews shortly before his death, Drucker discussed the profound transformations

he saw occurring: the demise of the USA as the dominant economic and political force, the end of the corporation as we know it, the portability and temporary nature of virtually every kind of employment – all changes that, if taken to their logical ends, could shake Americans' faith in almost every institution they hold dear[14].

As for the social sector, it appears to be the final secular institution in which Drucker had some faith; in one of his last interviews, he stated that, although business management was the first form of management to emerge, more important were managements of non-businesses, "which may develop society" (WBUR-FM, 2004). Drucker's life and work represent his struggle to find a secular faith for a modern world, something to make life bearable and give people hope.

If organizations are to provide the answer to a functioning society that offers meaningful individual and social existence, there must be a way to pursue one's individual goals and desires within the confines of an organization. Stahl's definition of freedom as bound by higher duties, as accountable to a higher source, gave Drucker a way to bridge the gap between the individual and the organization, and to legitimize authority and hierarchy. Stahl allowed Drucker to ground Kierkegaard's faith within the larger confines of society. Humans are imperfect creatures, always in need of guidance and direction, yet responsible for recognizing this fact and making the correct individual decisions:

Freedom is not fun. It is not the same as individual happiness, nor is it security or peace or progress . . . It is responsible choice. Freedom is not so much right as a duty. Real freedom is not freedom from something; that would be license. It is freedom to choose between doing or not doing something, to act one way or another, to hold one belief or the opposite. It is never a release and always a responsibility. It is not "fun" but the heaviest burden laid on man: to decide his own individual conduct as well as the conduct of society and to be responsible for both decisions (Drucker, 1942a, pp. 482-3).

Unified by such a vision of responsible freedom, people and organizations are aligned; authority has legitimacy, and individual decisions are in accordance with the needs of the larger group.

In practice, of course, responsible freedom does not always materialize. Drucker saw this in the corporate sector; he spoke about "[p]igs gorging themselves at the trough" when commenting on the widespread use (or abuse) of stock options, and the greed and corruption among executives that came in regular, recurring cycles in history. He was much more comfortable with corporations that were more egalitarian in their salary structure from top to bottom, and believed "high [excessive] salaries are a scandal" (Peterson, 1987). Drucker, too, was a prophet, never shying away from issuing a jeremiad or two on government inefficiency or corporate greed in the USA.

Much of his later irritation with the private sector stemmed from the positive lessons he gleaned from Sloan and General Motors. Drucker learned the balance of structure and leadership from Sloan. Sloan, the servant of General Motors, exemplified the virtues of responsible freedom and legitimate authority envisioned by Stahl. Yet, as both Kierkegaard and Stahl taught, humans are limited, as are their organizations. A virtuous executive and decentralized structure allow for the potential alignment of individual and organizational interests, but do not place the organization in its larger, social context. Sloan showed Drucker how the effective executive in an organization designed to maximize individual autonomy can legitimize authority and allow for freedom with responsibility. What he also taught Drucker was that perhaps not every

organization would see itself as a participant in a secular creed, a faith that, in corporate citizenship, the individual could find social meaning.

Lastly, Schumpeter allowed Drucker to cast capitalism as a moral force. Change becomes a key to sustainability, and the individual has control over his fate and social status through embracing this change. Profit becomes a moral force to be used to provide growth for people through its use in providing new resources for product, process and managerial innovation, as well as providing appropriate returns to equity shareholders. Profit and wealth creation also provide the surplus funds that are needed to fund government and social sector organizations.

In this way Drucker solved the conundrum identified by Schumpeter where the entrepreneur through his or her role as innovator creates the forces of creative destruction. Accepting change as a normal part of capitalism allows us to retain it, rather than throw it out – a continuation of Stahl’s idea of finding middle road between discontinuity and continuity. We do not give up on capitalism; we know its nature involves discontinuity but systematic innovation will bring forth change that does not necessarily involve the complete eradication of past values. Yet, it should be clear that Drucker did not place his faith in capitalism; the “ism” is not the locus of faith. Capitalism, like any creation of the creature (man), is flawed, separated from God. And, as private sector organizations appeared increasingly to be flawed, Drucker turned his attention toward increasing the productivity and effectiveness of the knowledge worker, and towards professionalizing the management of social sector institutions, as the hope for a bearable society.

The vision in practice: ServiceMaster Company

Rosabeth Moss Kanter has argued that Drucker presented “an optimistic Utopian view of human perfectibility” in his management writings (Kanter, 1985, p. 12). Was Drucker’s project of social ecology an impractical one? Was his vision of bridging the gap between individual and collective existence a quixotic dream doomed to failure?

Drucker did consult with organizations, even public corporations that embraced the visions of his four prophets. Perhaps the foremost example was the ServiceMaster Company during the time it was under the leadership of William C. Pollard.

During Pollard’s terms as CEO and Chairman (1983-2002), ServiceMaster expanded its service offerings from residential and commercial cleaning, facility maintenance and management for healthcare, education and industrial customers to a network of company-owned, franchised service centres and business units operating under such brands as TruGreen-ChemLawn, TruGreen-LandCare, Terminix, ServiceMaster Clean, Merry Maids, AmeriSpec, Furniture Medic, and ServiceMaster Management Services. Most of its operations were in the USA but it also had operations in 45 foreign countries and ended 2001 with revenues that exceeded \$6 billion.

Pollard upheld and developed the ServiceMaster values for over twenty years following in the steps of his two predecessors, Ken Hansen and Ken Wessner. Their leadership and management were based on their four objectives, which were:

- (1) To honor God in all we do.
- (2) To help people develop.
- (3) To pursue excellence.
- (4) To grow profitably.

But it is not these four objectives that distinguished ServiceMaster; rather, it was the depth to which these objectives, and the thinking behind them, were espoused and applied in the organization that truly distinguished this period of American corporate history, and represents the most clear example of Drucker's vision in action.

The first ServiceMaster value, "To honor God in all we do", is the most unusual and controversial; as Pollard noted, "it is the 'God language' that raises eyebrows". Pollard was very explicit that this value, for him, reflects his own Christian belief. Yet, modelling Drucker's Kierkegaardian influence, he stated that "My faith is personal to me and not a corporate belief, nor can it be mandated as such. However, our assumptions about human nature are fundamental to our assumptions about how work should be managed" (Pollard, 1996, p. 19).

The point of the first objective was to unite the individuals in the firm through faith. Ultimately, for ServiceMaster, this faith was in "the dignity and worth of every person – every worker" (Pollard, 1996, p. 21). In essence, Pollard found a way to secularize his own faith within the organization, linking his own personal God to the larger mission of the company. Assumptions about the existence and nature of God are thus fundamental to assumptions about human nature. Whether or not one shares Pollard's personal beliefs, the individual can still align his/her interests with greater assumptions about human nature. Faith in human dignity and worth unites the organization, and provides Stahl-like responsible freedom: "When the purpose of the firm is linked to the growth and development of a person in God's image, it unleashes powerful forces in the mind and spirit of the worker"[15]. Thus, ServiceMaster exemplified a management system that deeply integrates faith, the personal with the eternal, into the workplace.

Pollard also used Stahl-like language to justify the power of management. Authority is a necessary component of the organization, but the four objectives provide a moral compass for corporate leadership: "Unless leaders earn the right to have the power and it is accepted as legitimate, they will fall into the trap of seeking to implement power through authority and might" (Pollard, 1996, p. 101). The four objectives neatly unify Stahl's method of legitimizing authority with Kierkegaard's faith; the firm's mission, grounded in individual human development as a byproduct of a creator God, aligns manager and employee through a larger purpose: "People want to work for a cause, not just for a living. When there is alignment between the cause of the firm and the cause of its people, move over – because there will be extraordinary performance" (Pollard, 1996, p. 45). One hears echoes of the impossible becoming possible.

Sloan and decentralization also appear in ServiceMaster, and Pollard tied them to Schumpeter and creative destruction. Pollard argued that bureaucracy stifles entrepreneurial spirit and innovation. However, a structure that supports the larger vision of promoting human growth and development will only lead to innovation and improvement. Importantly, innovation is led by those closest to the customer: those on the front lines of the organization. By leading change, they help ensure the survival of the company that provides them opportunity for individual development.

Pollard also embraced Sloan's model of the leader as virtuous servant of the organization. Pollard's vision of the effective executive, however, more explicitly folded in the spiritual components of Stahl and Kierkegaard. Invoking Aristotle, he upheld self-control as a necessary quality of leadership. However, it was Jesus' message of

“Give thyself” that was more important for Pollard (1996, p. 130): “He taught His disciples that no leader is greater than the people he leads, and that even the humblest of tasks is worthy for a leader to do”. Thus, although both Pollard and Sloan believed in servant leadership, it had a distinctly religious quality for Pollard, translating into his acceptance of the organization’s larger role in society.

Finally, Drucker’s interpretation of profit as a moral force as derived from Schumpeter is clear from Pollard’s discussion of the link between profit and God (1996, p. 20):

Profit is a means in God’s world to be used and invested, not an end to be worshiped. Profit is a legitimate measurement of the value of our effort . . . It is a requirement for survival of the individual, the family unit, and any organization of society, whether it be a for-profit company or a not-for-profit organization . . . God and business do mix, and profit is a standard for determining the effectiveness of our combined efforts.

Linking profit to both individual and societal survival, Pollard explicitly described free-market capitalism as an instrument of God, a force for good. Cast in this light, profit ensures not only the continuation of the organization, but also the development of human potential. ServiceMaster’s profitability was thus effectively linked to its first three objectives; profitability honours God, helps people develop, and provides for the pursuit of excellence.

Under its current leadership, ServiceMaster no longer reflects this vision. Indeed, a value system that raises the question of God as its source cannot easily be implemented in public companies within the USA. Yet, there are examples of organizations in which it has been done successfully and profitably; Lincoln Electric managed to do so for a century (Maciariello, 2000). Nevertheless, the current paucity of organizations, both public and private, that have managed to combine meaningful individual and social existence through some sort of faith, legitimate authority, ethical and well-structured management, and adaptability indicates that perhaps Drucker’s vision is more difficult to implement than he imagined.

Conclusion

Is Kanter right about Drucker, then? We think not. Taking into account the influences of Kierkegaard, Stahl, Sloan and Schumpeter, it is apparent that Drucker never had an “optimistic Utopian view of human perfectibility” in mind. From Kierkegaard’s hopelessly isolated, alienated individual, lost without faith, to Stahl’s “fallen man”, doomed to fail without alignment with the greater creative God purpose, Drucker’s concept of humanity is hardly one of perfectibility. One of the reasons his ideas often seem too lofty or noble for the “real world” is that he had very high expectations for human potential, but only if human behaviour were grounded in a higher force. One cannot deny the religious overtones, the Judeo-Christian exhortations, in much of Drucker’s work. Although he was careful in his language, there is certainly a larger, moral framework underpinning his entire body of output. In his own definition of social ecology, Drucker (1992) made it clear that it is a moral discipline (p. 64):

Finally, social ecology is not value free. If it is a science at all, it is a “moral science” – to use an old term that has been out of fashion for two hundred years . . . The social ecologist believes, must believe, in the sanctity of spiritual creation.

Drucker was no Utopian; he was a pragmatist. Management is not a tool for promoting the good life within community, but the means of controlling and containing evil inherent in a society made by humans.

Drucker had difficulty providing a normative definition of a “functioning society”, but that did not prevent him from trying to understand the characteristics of a functioning society. We conclude by specifying the crucial characteristics of a society if it is to be considered functional as enumerated by Drucker (1942b, p. 28):

No society can function as a society unless it gives the individual member social status and function, and unless the decisive social power is legitimate power. The former establishes the basic frame of social life: the purpose and meaning of society. The latter shapes the space within the frame: it makes society concrete and creates its institutions. If the individual is not given social status and function, there can be no society but only a mass of social atoms flying through space without aim or purpose. And unless power is legitimate there can be no social fabric; there is only social vacuum held together by mere slavery or inertia.

Drucker, the social ecologist, had a clear vision for our “manmade environment”. That it remains elusive in practice is perhaps a byproduct of its complex intellectual genealogy and, as Drucker himself preached, the nature of existence itself.

Notes

1. Bagehot wrote for *The Economist* for 17 years and served as the magazine’s managing editor beginning in 1860. *The Economist* was founded by his father-in-law.
2. See Berthold Freyberg, “The Genesis of Drucker’s Thought,” Tony H. Bonaparte, “The Philosophical Framework of Peter F. Drucker,” Marshall McLuhan and Barrington Nevitt, “The Man Who Came to Listen,” and Edward J. Cook and Allen F. Chapman, “Drucker, Holism, and Smuts,” all in Bonaparte, T.H. and Flaherty, J.E. (Eds) (1970) *Peter Drucker: Contributions to Business Enterprise*, New York University Press, Stony Brook, NY. Jack Beatty’s biography, *The World according to Peter Drucker* (Beatty, 1998), includes some general discussion of Drucker’s intellectual influences. See also Nils Gilman (2006) “The prophet of Post-Fordism: Peter Drucker and the legitimation of the corporation” in Lichtenstein, N. (Ed.), *American Capitalism: Social Thought and Political Economy in the Twentieth Century*, University of Pennsylvania Press, Philadelphia, PA, pp. 109-131.
3. See, for example, Andrea Gabor (2000).
4. The literature on Jews in *fin-de-siècle* Austria is extensive. See Schorske, C.E. (1980), *Fin-de-Siècle Vienna: Politics and Culture*, Alfred A. Knopf, New York, NY; Rosenblit, M.L. (1984), *The Jews of Vienna, 1867-1914: Assimilation and Identity*, State University of New York Press, Albany, NY. There is considerable debate regarding how open Austrian society was toward Jews, and how overtly anti-Semitism was expressed during the period.
5. See English biography of Stahl by Alvarado, R. (2007), *Authority not Majority*, Woodbridge Publishing, Aalten, The Netherlands.
6. Jack Tarrant comments: “Drucker never really solved the problem of legitimacy. His compromise rationalization is summed up in his conclusion, ‘That the enterprise is not a legitimate government does not mean it is an illegitimate one’. Nonetheless, the legitimacy of managerial supremacy has continued to trouble Drucker”. See Tarrant, J.J. (1976), *Drucker: The Man Who Invented the Corporate Society*, Cahners Books, Boston, MA, p. 139. Berthold Freyberg also argues for the importance of Stahl on Drucker’s work: “What impressed Drucker was Stahl’s belief that power must submit to responsibility. This is not a rational

process: the acceptance of power as being governed by responsibility touches the roots of our spiritual existence, that is, our faith" (Freyberg, 1970).

7. For a comprehensive description of the life and times of Alfred Sloan at General Motors see Sloan, A.P. (1963, 1990), *My Years with General Motors*, Doubleday, New York, NY.
8. Drucker's contribution to the reissue has met with considerable controversy. See John D. MacDonald (2002), *A Ghost's Memoir: The Making of Alfred P. Sloan's My Years with General Motors*, The MIT Press, Cambridge, MA.
9. From the title of a Schumpeter biography, McCraw, T.K. (2007), *The Prophet of Innovation*, Harvard University Press, Cambridge, MA.
10. For more information see Schumpeter's biography referenced previously.
11. The clearest explanation of creative destruction is in Chapter Seven of Schumpeter, J. (1942) *Capitalism, Socialism and Democracy* Harper & Row Publishers, New York, NY, pp. 81-110. For example: "The opening up of new markets, foreign or domestic, and the organizational development from the craft shop and factory to such concerns as US Steel illustrate the same process of industrial mutation . . . that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one. This process of Creative Destruction is the essential fact about capitalism. It is what capitalism consists in and what every capitalist concern has got to live in" (p. 83). Also, ". . . competition of the kind we now have in mind acts not only when in being but also when it is merely an ever-present threat. It disciplines before it attacks" (p. 85).
12. In an effort to define a heterogeneous group of non-governmental and non-business organizations, various writers in the USA, including Drucker, coined the terms "social" and "independent" sectors in the late 1980s.
13. Drucker's close friend and consulting client, Bob Buford, refers to this as "half time". See Buford, R. (1994), *Half Time: Changing Your Game Plan from Success to Significance*, Zondervan Publishing House, Grand Rapids, MI.
14. In a National Public Radio interview with Tom Ashbrook, Drucker stated that today's society was witnessing a "transformation as fundamental as that of the eighteenth century before the Napoleonic Wars". See WBUR-FM (2004), available at: www.onpointradio.org/2005/08/management-guru-peter-drucker-rebroadcast (accessed 7 May 2009).
15. Personal communications between C.W. Pollard, Chairman of ServiceMaster, and Joseph A. Maciariello in 1996 during the time Pollard was writing his book, *The Soul of the Firm* (Pollard, 1996).

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