



# Peter F. Drucker: ethics scholar *par excellence*

Ethics scholar  
*par excellence*

Susan B. Malcolm and Nell Tabor Hartley  
*Robert Morris University, Coraopolis, Pennsylvania, USA*

375

## Abstract

**Purpose** – Drucker’s views about ethics are supported by the philosophical foundations of Aristotle and Confucius with regard to the responsibilities and interdependencies that exist between individuals, organizations, and societies. The purpose of this paper is to demonstrate Peter F. Drucker’s work in the field of ethics as being applicable to the twenty-first century and beyond.

**Design/methodology/approach** – The approach used to research the topic was qualitative and constructive in nature. Primary resources relied on published scholarly work from Peter F. Drucker and Aristotle, in connection with work from other scholarly sources.

**Findings** – The research demonstrates the continued viability of Peter F. Drucker’s work in the field of ethics, as being applicable to the twenty-first century and beyond.

**Practical implications** – The paper offers substantive underpinnings for the current study of ethics in the business disciplines, while at the same time suggesting that “*plus ça change, plus c’est la même chose*” (The more things change, the more they stay the same).

**Originality/value** – As a contribution to honor the life and works of Peter F. Drucker, the paper is original in that Drucker’s work in the field of ethics is highlighted. The paper is supported by ancient philosophical underpinnings that offer a foundation for Drucker’s work and allow his lessons to continue for generations to come.

**Keywords** Ethics, Philosophy, Organizations

**Paper type** Viewpoint

Peter Drucker was an architect of management thought, strategist, leader, scholar, visionary, and a staunch advocate for ethics in business. Yes, the man who adamantly challenged the formation of business ethics as a discipline was the strongest and possibly the most prophetic supporter of ethics in business (Drucker, 1981). In fact, Drucker endorsed ethics in all facets of life and saw ethics as originating with the individual: “one ethics, one set of rules of morality, one code, that of individual behavior in which the same rules apply to everyone alike” (Drucker, 1981, p. 19). His approach has a universality of application that has endured in the business community over more than 60 years.

Drucker was a business management scholar and practitioner who could see around corners and, in doing so, did not allow himself to be defined by current business acumen or distracted by the psychological analysis that surrounded his commentary on business ethics or any other topic. He embodied the very essence of the knowledge worker and the educated person who he defined in his writings. Like the knowledge worker, Drucker engaged in a life-long constant pursuit to learn and apply theoretical and analytical knowledge (Drucker, 2001). Drucker, also like the knowledge worker, used his education to maintain some level of personal autonomy that allowed him to work as a specialized consultant to firms and individuals. Drucker existed outside of the organization because he was a “universally educated person” who bought knowledge “to bear on the present, not to mention” having “a role in molding the



future” (Drucker, 2001, p. 289). In other words, he possessed the particular and universal intelligences that were recognized, among others, by Aristotle.

The multiple intelligences of Peter F. Drucker were based on the premise that ethics is the foundational platform for all facets of society and he relied on the ethics of Aristotle and Confucius, among others, as the basis to his writings. From the ancient wisdom of Aristotle, Drucker (1981) expanded the concept of “prudence” to the “Ethics of Prudence”, deliberation, action, and a long-term, integrated view of economics and society. Confucian ethics, i.e. focused on the ethics for individuals, is a precursor of Drucker’s assertion that “ethics has as much to say to the individual in our society of organizations as they ever had to say to the individual in earlier societies” (Drucker, 1981, p. 35).

According to Edmund Byrne, of the *Journal of Business Ethics* (2002), these philosophic foundations are rarely found in the discussion of ethics in business, and yet such connections may offer credibility to an otherwise immature field. Drucker recognized the interrelated nature of philosophical ethics with business and he also recognized the limitations of appropriating ethics to one discipline. For this reason, the content of this paper is focused on philosophy-based ethics as it relates to business and the work of Peter F. Drucker.

### **Drucker’s views about ethics**

In 1981 Drucker acknowledged that the field of ethics had existed for centuries, and explained that there are conflicting approaches and codes of conduct that regulate it. He did not, however, see a specific definition or place for business ethics as separate from any other ethics. In fact, Drucker was quick to explain that:

all authorities of the Western tradition – from the Old Testament prophets all the way to Spinoza in the seventeenth century, to Kant in the eighteenth century, Kierkegaard in the nineteenth century and, in this century, the Englishman F.H. Bradley (1927) (*Ethical Studies*) or the American Edmond Cahn (1955) (*The Moral Decision*) – are, however, in complete agreement on one point: There is only one ethics, one set of rules of morality, one code, that of individual behavior in which the same rules apply to everyone alike (Drucker, 1981, p. 19).

Drucker (1981) explained that Western tradition is based on the fundamental, singular recognition of one code of ethics, that of individual behaviour: one code based on the idea that all men and women are alike. He discussed the perils of doing otherwise in his illustrations of inequities that occur when society places different standards on individuals than on business organizations. Drucker said that “business ethics” is “not ethics at all” but rather that “it asserts that acts that are not immoral or illegal if done by ordinary folk become immoral or illegal if done by ‘business’” (Drucker, 1981, p. 20). He explained this inequity as casuistry, or a “set of special ethics for those in power” (Drucker, 1981, p. 22). Historically and specifically, the casuist had a “social responsibility” simply because of social status; this responsibility has its origins in Calvinism under which a ruler was seen to have a duty to “subordinate his individual behavior and his individual conscience to the demands of his social responsibility” (Drucker, 1981, p. 22). Examples of these conflicts between obligation to social position and individual conscience are evident throughout history, but all result in the same casuistry: “social responsibility” as an “ethical imperative” that offers primacy to the social element and thereby politicizes an action which ultimately results in the subordination of ethics to politics (Drucker, 1981). This subordination of ethics

---

to the political creates a climate of casuistry whereby executives use business ethics to justify actions instead of imposing limitations (Drucker, 1981).

Byrne (2002), also, wrote of social pressure as the impetus behind ethical practice in business. He saw these social pressures in the form of public response by consumers and the legal system and, though he saw the need for some social pressure by the public, he did recognize the penchant for relativism. This imbalance, and subordination of ethics to the political, is in opposition to Western tradition that recognizes only one set of ethics for all. Recognizing philosophical foundations as a source for “systematic theorizing” and “articulating ethical norms, principles, and standards” offers an opportunity to escape the relativistic and arbitrary application of public opinion ethics to business entities (Byrne, 2002, p. 121).

Scholars have offered commentary, rationale, critique, and endorsement of Peter Drucker’s approach to business ethics. Several examples of these works are referenced throughout the essay. The works originate from the *Journal of Business Ethics* in articles by Michael Schwartz (1998), Hoffman and Mills Moore (1982), Klein (2000), Byrne (2002), Romar (2004), and Kulshreshtha (2005), and by Mark Schwartz in the *Journal of Management History* (2007).

Michael Schwartz (1998) recognized that Drucker intentionally chose to distance himself from those writing in the field of business ethics. Schwartz attributed this distancing to Drucker’s observations of the hypocrisy of German humanization of work as seen in the Third Reich of Adolf Hitler and the relationship between that humanization of work and business ethics. Schwartz offered an expanded view of Drucker’s writings and recognized that “all of his managerial writings promote an ethical stance for those employed in business” (Schwartz, 1998). Further, Schwartz related Drucker’s Aristotelian views to those of philosopher Martin Buber. Drucker insisted that ethics in business could be considered only in reference to the individual, as Buber emphasized in his discussion about the role of individuals within groups and within society (Buber, 1965). Buber (1965), said that, “the idea of responsibility is to be brought back from the province of specialized ethics, of an ‘ought’ that swings free in the air, into that of lived life” (p. 16). He (Buber, 1965) explained much in reference to dialogue, saying that a person who practices responsibility in dialogue does not need to name that speaker but responds to an inward call and is stirred “in his heart of hearts”. Responding in the life of dialogue is a “basic movement” in “turning towards the other” (Buber, 1965, p. 22). This turning toward the other is also foundational in Buber’s discussion of community or of “being with one another of a multitude of persons” and of being somewhere that “community happens” (p. 31). He saw community “in life lived towards one another” (p. 31). Buber extended these concepts in his discussion of the role of education in developing character.

Klein (2000) recognized Drucker as a business moralist, albeit one whose writings about business ethics had drawn criticism. Klein considered him to be a “business moralist” based on a broad examination of Drucker’s management works that were published between 1954 and 1974. Klein extended his examination to include: a 1993 analysis of a post-capitalist society and the 1998 work of Jack Beatty (1998) entitled, “The World according to Peter Drucker”, before concluding that Drucker had remained consistent in his views on business ethics. Klein explained that Drucker saw the post-capitalist world as a “society of organizations consisting of two tiers of specialized functions – those of organizations and of workers within these organizations” (Klein,

---

2000, p. 126). Drucker's idea was that both tiers of organizations comprise knowledge workers who desire self-development and satisfaction through more than a paycheck, a condition that enhances the performance potential of an organization. The importance of intrinsic rewards and the desire for self-development are lynchpins of Drucker's ethics.

### **Drucker and the business ethics discipline: a controversy**

Why is there controversy over Drucker's role in the growth of ethical concerns in business fields? In response to the formal recognition of business ethics as a stand-alone discipline, Drucker wrote an article entitled, "What is business ethics?". In the article (Drucker, 1981), he presented his views of ethics as being part of a holistic framework of the individual, business, and society. Reactions to Drucker's position polarized the academic community. Michael Schwartz attributed Drucker's views to his German past and to "Weimar Germany" (Schwartz, 2002), or to a lifelong devotion that privileged community above economics (Schwartz, 2004). Others insisted that Drucker denounced the field and attributed his views to a fundamental misunderstanding (Hoffman and Mills Moore, 1982).

Specifically, Hoffman and Mills Moore (1982) took umbrage with Drucker's definitions of the issues and themes related to business ethics, questioned his stance as being defensive of business operations in society, and offered commentary explaining their perceptions of the contradictions in Drucker's views. In 2004, Schwartz offered a complete analysis of Drucker's opposition to business ethicists when he reviewed a lifetime of Drucker's work. He reviewed Drucker's perceived prejudice based on his past life experiences with fascist Germany, and discussed Drucker's low tolerance for top management that gains at the expense of others. Schwartz saw Drucker as ambitiously trying to create a "civil society through community organisations" while business ethicists offered guidance to those who are engaged in economic activities. Schwartz seemed to provide the clearest statement of the controversy concerning Drucker's views which were based on his understanding of business and ethics, developed as the cumulative result of his education, family, and life experiences. Drucker (1939) himself recognized this in his "political book" entitled "The end of economic man" when he acknowledged the contents as examining only "one pole of human existence" in the social and economic spheres to the exclusion of the spiritual sphere; essentially, only "one-half of the picture" (pp. xvi-xvii). Drucker (1939) provided the context in which the analysis was written, explaining that the research was started in pre-Hitler Europe and completed when Nazism came to power in Germany. He cautioned that the conclusions should not be "applied indiscriminately – if at all – to the USA" because "Whatever the underlying forces are which will determine the developments in the USA, they are different from those in Europe" (Drucker, 1939, p. xviii).

The influence of Drucker's life in the formation of his teachings is something that is understood and cannot be segregated to create a view that is void of these inherent prejudices. This pivotal role of life experience in the formation of future interpretations and human development was recognized earlier by social psychologist Kurt Lewin whose formula  $B = f(P,E)$  is a classic statement in the social sciences. The fact that behaviour is a function of the person and his or her environment (Lewin, 1941) is a heuristic to explain the impact of one's momentary environment and personal history

---

and inclinations on one's behaviour. When the formula was presented it contradicted most popular theories, in that it gave importance to a person's momentary situation in understanding his or her behaviour, rather than relying entirely on the past. The education theorist John Dewey (1938) later concurred with Lewin. Dewey recognized that people are a product of personal experience coupled with external sources (from outside of an individual), "which give rise to experience. It is constantly fed from these springs" (Dewey, 1938, p. 40).

Hans-Georg Gadamer, German philosopher, recognized that, "a person who believes he is free of prejudices, relying on the objectivity of his procedures and denying that he is himself conditioned by historical circumstances, experiences the power of prejudices that unconsciously dominate him" (Gadamer, 2004). Being "situated" in thought "does not limit the freedom of knowledge but makes it possible" (p. 354). As previously referenced, Drucker recognized that his historical circumstances helped to frame his thought (Drucker, 1939, xviii).

However, Drucker's views, including any prejudices, are repeatedly subject to the scrutiny of others such as scholars, students, business leaders, and the public. This lifelong scrutiny continually nuanced Drucker's understanding of business challenges in the form of a continual renewal process that Gadamer (2004) possibly saw as a "fusing of horizons". Gadamer saw, however, that changes in understanding and interpretation must be accompanied by application, based on the foundations of Aristotle. Drucker also saw the work of Aristotle as foundational.

### **Aristotelian support for Drucker**

In recognizing the Aristotelian connection, Drucker specified the importance of Aristotelian prudence. Aristotle offered a framework for prudence, recognizing the prudent person as someone who is "able to deliberate finely about things that are good and beneficial for himself, not about some restricted area . . . but about what sorts of things promote living well in general" (Aristotle, 1999, p. 89). He also said that prudence is "a state of grasping the truth, involving reason, concerned with action about things that are good or bad for a human being" (Aristotle, 1999, p. 89). Prudence is about deliberation and the "unqualifiedly good deliberator is the one whose aim accords with rational calculation in pursuit of the best good for a human being that is achievable in action" (Aristotle, 1999, p. 92). Aristotle acknowledged that "good deliberation will not be every type" and that a "base person" may use deliberation toward some evil but that "good deliberation is the sort that reaches a good" (Aristotle, 1999, p. 94). Further, Aristotle explained that "good deliberation is the sort that correctly promotes the unqualified end [i.e. the highest good]" (Aristotle, 1999, p. 94).

Drucker explained that a prudent person does not attempt to specify right behaviour but assumes "that what is wrong behavior is clear enough" (Drucker, 1981, p. 27). Following in the Aristotelian tradition, Drucker noted that being prudence allows everyone to become a "leader", "a 'superior' man by avoiding any act which would make one the kind of person one does not want to be, does not respect, does not accept as superior" (Drucker, 1981, p. 27).

Applying prudence to individuals and to business organizations, Drucker extended his thoughts to the knowledge worker of the twenty-first century. He said that knowledge workers should be asking, "What should my contribution be?" (Drucker, 1999, p. 183). To Drucker this question went to the essence of the context or situation of

a business or person, their strengths, and provided the results that were needed to make a difference. He felt that this freedom to choose, while unprecedented, offered an opportunity to assume responsibility. Drucker (2001) saw the societal shift from a blue-collar industrial society to a knowledge-based mobile society as a shift with potential benefits and risks. Society still required companies with employees and still required a society of organizations; yet the knowledge workers owned the tools of the trade, unlike previous times when corporate structures controlled the “organization man”. Drucker, however, saw that the resulting corporate chaos and adjustment caused companies to focus on their own individual difficulties and challenges rather than any type of “common good”. In some cases, these companies were not seeking more authority over others but nor were they assuming any responsibility for others. The “common good” is orphaned and, in Drucker’s opinion, the organization may be pressured to return to an earlier form of pluralism, a pluralism based in feudalism that demands “private hands to assume public power” (Drucker, 2001, p. 318). For Drucker, these changes leave firms without an “integrating force” that aligns societal organizations with community, in the form of a coalition. Yet the needs of society, for charity and for services that are directed at “changing the community and at changing people”, will continue to grow (Drucker, 2001, p. 329).

Bellah *et al.* (1996) expressed a similar observation and concern in a discussion about Alexis de Tocqueville’s notion of individualism as it is manifested in America. Paralleling Drucker these authors observed a duality of utilitarian focus combined with therapeutic feelings as characteristic of American individualism when discussing society as a whole. The sustainability of individualism, however, has only been possible “because it has been supported and checked by other, more generous moral understandings” (Bellah *et al.*, 1996). Further, the “American experiment is a project of common moral purpose, one which places on citizens a responsibility for the welfare of their fellows and for the common good” (p. ix). These authors echo sentiments similar to Drucker’s in discussions about the consequences of declining civic membership, corporate volatility and “placelessness”, declining public trust, failure of community, and an overall resulting decline in social capital. These competing demands of the personal and the social were also addressed by Aristotle (Meikle, 1995, p. 88).

Aristotle offered insight into balancing the needs of society with the needs of persons when he connected prudence with political science and explained that “prudence is concerned with action” (Aristotle, 1999, p. 92). Specifically he said that “the aim of studies about action” is “to act on our knowledge” and similarly that “knowing about virtue is not enough, but we must also try to possess and exercise virtue, or become good in any other way” (Aristotle, 1999, pp. 167-8). This balance between extremes was described as virtue of character in his Doctrine of Mean (Aristotle, 1999). Aristotle acknowledged that the mean is “hard work”, eludes many, and sometimes requires one to “take the lesser of the evils”. The mean aims at “the intermediate condition in feelings and actions” (Aristotle, 1999, p. 29). The pursuit of this virtue is predicated on “prudence”, which involves deliberation and personal knowledge of the particulars, in order to make the “right moral choice” (Irwin, 1999, p. xx).

### **Ethics in action through individuals**

Drucker’s “educated person” who possesses a universal view of the world is best equipped to make the right moral choices, is part of a leadership group who is able to

---

provide a “unifying force”, and “can focus local, particular, separate traditions onto a common and shared commitment to values, a common concept of excellence, and on mutual respect” (Drucker, 2001, p. 289). These persons will “have to be prepared to live and work simultaneously in two cultures – that of the ‘intellectual’, who focuses on words and ideas, and that of the ‘manager’, who focuses on people and work” (Drucker, 2001, p. 292). This educated person “defines society’s performance capacity”, and also “embodies society’s values, beliefs, commitments” (Drucker, 2001, p. 287).

Drucker (2001) clarified that the educated person, in the nineteenth century, was someone who was university-trained in a discipline or *techné* with a professional qualification in contrast to someone who was given a basic undergraduate humanities degree. These educated people, such as lawyers or physicians, were trained in respective “disciplines” that offered a way to make a living. Drucker (2001) argued that *technés* have now “become knowledges in the plural”, must not be isolated into separate and fragmented disciplines but, rather, must be integrated into the concept of knowledge or risk isolation and sterility. He advocated that an educated person in a knowledge society would understand various knowledges, not as a practitioner, but as someone who tries to understand from a more universal view. The educated person, then, is able to integrate multiple knowledges. This expectation is grounded in the work of Hannah Arendt’s *Lectures on Kant’s Political Philosophy* and her interpretation of Kant’s “world citizen” who is thinking with an “enlarged mentality” (Arendt, 1992, p. 42). Arendt (1992) explained that someone with a “world citizen” view is able to consider the views of others and to be “open to all sides.” Ideally, this person is able to move from “standpoint to standpoint” in general thinking.

In addition to considering multiple knowledges, and the particular as well as the universal issues of a given situation, Drucker’s educated person must be able to act based on prudent considerations. Action that occurs in consideration of the universal and the particular as well as the historical context of the present situation embody Aristotle’s prudence which is also referenced as *phronesis* (Irwin, Glossary, 345). According to Weinsheimer (1985), *phronesis* is learned through application and is dependent on theoretical information. *Phronesis* cannot be applied systematically because each application applies to a different situation and involves judgment (Weinsheimer, 1985). The application is based on context and requires wisdom-informed action.

Drucker recognized the importance and origins of informed action among the effective executives with who he worked during his 45 years of consulting work. Being able to lead with informed action was not a genetic, natural talent for any of the effective executives with who Drucker came in contact. They had to:

... learn to be effective. And all of them then had to practice effectiveness until it became habit. But all of the ones who worked on making themselves effective executives succeeded in doing so. Effectiveness can be learned – and it also has to be learned (Drucker, 1996, p. 523).

Management scholars Noel Tichy and Warren Bennis concurred (Tichy and Bennis, 2007). In their recent book about judgment, both offered theoretical grounds as well as industrial examples of various corporate practices that are designed to offer low-risk experience to the new executive and emphasize the fact that good judgment is not “one terrific aha moment after another. In the real world, good judgment, at least on the big issues that make a difference, is usually an incremental process” (p. 18). The idea of

---

learned competence is at least as old as Confucius in sixth century BC China (Renard, 2007). Historically, the integration of judgment, prudence, and prudence are supported by Confucian ethics[1].

### **Confucian support for Drucker**

Confucianism was originally incorporated into the foundations for a political philosophy and, though not originally welcomed by the existing rulers Emperor Qin Shihuangdi, it survived attempts to obliterate it from Chinese culture and served as a core ideology for the Han dynasty for over 400 years (Renard, 2007, p. 41). Confucianism became more systematized when it functioned as a foundation for training the bureaucrats and officials of the empire (Renard, 2007, p. 41).

Followers of Confucius consider “life/progeny” with “heart/mind” as the two “basic constituents” of a person and consider a “full person” as someone who “exists in society, in communication with others” (Renard, 2007, p. 73). A primary focus of Confucian ethics is the focus on cultivating virtue through emphasis on the spirit of community, propriety and reciprocity in relationships, maintenance of the “best” traditions, and benevolence of a ruler toward subjects.

Drucker recognized that Confucian ethics dictate that there is “no ‘social responsibility’ overriding individual conscience” but rather the same rules apply to every person (Drucker, 1981, p. 30). Confucian ethics (Drucker, 1981) rely on five relationships of interdependence and emphasize behaviour that maximizes the benefits of each party. (The five interdependent relationships are superior and subordinate, father and child, husband and wife, oldest brother and sibling, and friend and friend). This approach places emphasis on the importance of considering others and dictates that one provide what the other needs “to achieve its goals and to fulfill itself” (Drucker, 1981, p. 32). This Confucian ethic underlies “much of Drucker’s writing” (Romar, 2004, p. 200). Drucker and Confucius viewed ethics as central to the interdependencies of all human relationships (Romar, 2004).

Confucian ethics, according to Drucker, are in stark contrast to the pedantic “business ethics” that is solely concerned with compliance with legalities, as opposed to essence of the law. Most recently, this emphasis on compliance was observed in the behavior of executives from Lehman Brothers, Fannie Mae and Freddie Mac, as well as numerous others in the 2008 global economic crisis that made decisions based on the letter of the law rather than of its essence. Drucker looked at business ethics as more of a “media event than philosophy or morals” and recognizes that, while “fashionable”, business ethics is more of an ‘ethical chic’ based on good politics (Drucker, 1981, p. 35). Drucker preferred the durable ethics of Confucius that focused on interdependence and relationships, and he strongly asserted that, “ethics has as much to say to the individual in our society of organizations as they ever had to say to the individual in earlier societies” (Drucker, 1981, p. 35). He advocated (Drucker, 1981) the fundamental concepts of Confucian ethics as appropriate for present-day society and complementary to Aristotle’s prudence and self-development.

May Sim, author of *Remastering Morals with Aristotle and Confucius*, made a similar connection despite the obvious “historical and cultural, linguistic and conceptual – separating Aristotle and Confucius” (Sim, 2007, p. 5). Sim, despite skepticism from MacIntyre, explained that the basis for learning cultural traditions from the inside was to develop a bridge between two otherwise and seemingly

---

disparate cultures (Sim, 2007, p. 7). Further, Sim connected Confucius with Aristotle, noting that the appeal by Confucius to “distinctions between actions and passion, quantity and quality, situation and outfit, and even between people (as organic wholes) and their relationships” is central to the moral teaching of Confucius and that each of these items has a comparable description in Aristotelian thought (Sim, 2007, p. 8). Confucius and Aristotle both taught “that a virtue is a cultivated disposition to choose a qualitative ‘mean’ in action” and neither believed that “knowledge of definitions and rules suffices for practical moral guidance” (Sim, 2007, pp. 11-12). Finally, despite differences in attitudes toward the populace and despite showing allegiance to separate types of political structures, Aristotle and Confucius both extended views about virtue and family life to the wider society and both men converged on the issue of virtue being good for self and others (Sim, 2007).

### **Integration of individuals, society, and ethics**

Drucker’s writings always reflected the integrated nature of the person, the organization, and society. He insisted that the interests of workers, corporations, and society are mutually dependent. From the outset Drucker acknowledged that the corporation must focus on economic performance; however, he simultaneously recognized the integrated nature of the private corporation with society, calling the organization an “organ of society” that “serves a social function” (Drucker, 1954, p. 381). According to Drucker, the human and material resources that are concentrated in an organization offer the managers an unprecedented opportunity that “requires of the manager that he assume responsibility for the public good, that he subordinate his actions to an ethical standard of conduct, and that he restrain his self-interest and his authority wherever their exercise would infringe on the commonwealth and on the freedom of the individual” (Drucker, 1954, pp. 382-383). Drucker emphasized that corporate management must consider “public responsibilities” in recognition of the fact that management is an “organ” of a larger society that “cannot be compromised or side-stepped” (Drucker, 1954, p. 383). Toward this end, he said (Drucker, 1954) that management should consider the public demands as opportunities rather than restrictions. Further, management must ensure that the “actions and decisions of the business enterprise will “not create future public opinion, demands and policies that threaten the enterprise, its freedom and its economic success” (Drucker, 1954, p. 385). Drucker noted that “what is most important is that management realize that it must consider the impact of every business policy and business action on society” (Drucker, 1954, p. 388). The business group “must succeed in harmonizing public and private interest by making what is the common good coincide with its own self-interest” and, further, the reconciliation should be based on private virtue not vice (Drucker, 1954, p. 390).

A total of 40 years after the first publication of *The Practice of Management*, Peter Drucker continued to emphasize the integrated relationship between management, self-management, and society in *Management Challenges for the Twenty-first Century* (Drucker, 1999). Throughout this latter book, Drucker relentlessly emphasized the need to manage oneself, and insisted that managing oneself is a “Revolution in human affairs” because it “requires new and unprecedented things from the individual, and especially from the knowledge worker” (Drucker, 1999, p. 194). Managing oneself “demands that each knowledge worker think and behave as a chief executive officer” (Drucker, 1999, p. 194). Drucker, in an Aristotelian spirit, also addressed the

---

importance of knowing our character. Character might be defined as the sum total of all of those morally relevant habits that we have developed and on which we rely in reaching decisions. Aristotle described the role of the family and the community in providing moral education and the importance of acting on that knowledge (Aristotle, 1999, pp. 167-8).

Drucker (2001) insisted that the ability to manage oneself, combined with recognizing new certainties of the twenty-first century: an emphasis on the long-term horizon that emphasizes service to the customer and “minimum profitability rather than meaningless shibboleth ‘profit maximization’”. These Drucker (2001), said will be essential to the success of business and to the future of society (p. 38). Drucker, as quoted by Novak (1996), said that the “ultimate resource in economic development is people. It is people, not capital or raw materials, that develop an economy” (p. 119). Kulshreshtha (2005), stated that Drucker emphasized organizational ethics which must “define right or sincere behavior” to create “harmonious and productive relationships within organizations” (Kulshreshtha, 2005, p. 398). Drucker’s management theory addressed business ethics when discussing the fact that profits are not the sole purpose of business, corporations as institutions are related to society and therefore have responsibilities, and that business also has responsibilities toward employees (Schwartz, 2007).

Marketplace examples of Drucker’s integrative thinking abound. Bolman and Deal (1995), wrote imploringly of the need for “Soul” in the corporate world. Michael Novak, in “Business as a calling” (1996), discussed the morality of business as related to persons and society, the importance of reflection on or listening to those in the marketplace, and the purpose and meaning of business. A more recent book, *Firms of Endearment: The Pursuit of Purpose and Profit* (Sisodia *et al.*, 2007), detailed the importance of recognizing the interdependencies that exist between people, community, and society through a discussion about “firms of endearment” (FoEs).

A central feature of FoEs, or businesses that exemplify Drucker’s philosophy, is the attempt to reconcile the common quandary between qualitative and quantitative aspects of commerce that were articulated thousands of years ago by Aristotle in his treatise on Politics (Aristotle, 2004). Aristotle expressed his concerns over the use of money in economic exchange for goods that are not necessities for life but are goods that are being purchased for the purpose of reselling in order to make more money; a cycle of endless accumulation (Aristotle, 2004; Meikle, 1995). The foundational concepts of FoEs validate the ideas of Drucker and Aristotle by satisfying multiple constituents within various organizations.

By considering the needs of the organization and the constituents of a larger society, the public companies identified as FoEs outperformed the standard and poor 500 companies over ten, five, and three-year periods, with returns of 1,026 percent versus 122 percent for ten years ending June 30, 2006, 128 percent versus 13 percent for five years, and 73 percent versus 38 percent for a three-year period (Sisodia *et al.*, 2007). Further, in comparison with 11 companies highlighted in Jim Collin’s bestseller “Good to great”, each of which had delivered “cumulative returns at least three times greater than market over a 15 year period,” the FoEs delivered cumulative returns to investors that were much greater (Collins, 2001; Sisodia *et al.*, 2007, p. 17). Specifically, the FoEs outperformed the “Good to great” companies by a ratio of 3.1 to 1 over a ten-year period a ratio of 1.7 to 1 ratio over a five-year period; and they performed on an equal basis for

a three-year period (Sisodia *et al.*, 2007). By recognizing the interdependencies that exist between people, community, and society, as advocated by generations of ethicists, the FoEs achieved undeniable success.

### Implications

In conclusion, at the risk of appearing naive or overly simplistic, Drucker has been the most prophetic of business ethicists, preferring not to isolate and dissect but, rather, weave together the person, business, and society in a holistic framework. This desire for holistic thinking is evident from the earliest of his writing in “The new economic man” and extends throughout Drucker’s career. This holism is grounded not only in Aristotle and Confucius but also in the work of more recent scholars such as Immanuel Kant, Hannah Arendt and Hans-George Gadamer. Historically, there is universality in Drucker’s belief that there is one set of ethical codes that apply to everyone, across the socio-economic and hierarchical spectrum. Drucker’s holistic view, in combination with his ability to articulate the particulars, is consistent in his writings about ethics, leadership, and the relationship that exists between the individual, the organization, and society. He considered ethics as essential to all interactions, and he avoided the inclination to examine the topic as one that is discrete and static. Ethics, for Drucker, is a part of an ongoing, dynamic interaction between all facets of society. Drucker offered a framework and a foundation that are built on timeless principles and therefore, he continues to be a viable source of information and insight in the field of ethics. He was the ethics scholar *par excellence*.

### Note

1. No primary source of Confucius’ writings exists. The views of the man whose real name was K’ung Ch’lu, were recorded by his disciples in a book called the *Analects*.

### References

- Arendt, H. (1992), *Lectures on Kant’s Political Philosophy*, University of Chicago Press, Chicago, IL.
- Aristotle (1999), *Nichomachean Ethics*, 2nd ed., Hackett Publishing, Indianapolis, IN (translated by Irwin, T.).
- Aristotle (2004), *Politics*, NuVision Publications, Sioux Falls, SD (translated by Jowett, B.).
- Beatty, J. (1998), *The World according to Peter Drucker*, The Free Press, New York, NY.
- Bellah, R.N., Madsen, R., Sullivan, W.M., Swidler, A. and Tipton, S.M. (1996), *Habits of the Heart: Individualism and Commitment in American Life*, University of California Press, Berkeley, CA.
- Bolman, L. and Deal, T.E. (1995), *Leading with Soul: An Uncommon Journey of Spirit*, Sage, San Francisco, CA.
- Bradley, F.H. (1927), *Ethical Studies*, The Clarendon Press, Oxford.
- Buber, M. (1965), *Between Man and Man*, 3rd ed., Macmillan Company, New York, NY (translated by Smith, R.G.).
- Byrne, E. (2002), “Business ethics: a helpful hybrid in search of integrity”, *Journal of Business Ethics*, Vol. 37 No. 2, pp. 121-33.
- Cahn, E. (1955), *The Moral Decision: Right and Wrong in the Light of American Law*, University of Indiana Press, Bloomington, IN.

- Collins, J. (2001), *Good to Great*, HarperCollins, New York, NY.
- Dewey, J. (1938/1997), *Education and Experience*, Touchstone, New York, NY.
- Drucker, P.F. (1939), *The End of Economic Man: A Study of the New Totalitarianism*, William Heinemann, London.
- Drucker, P.F. (1981), "What is 'business ethics'?", *The Public Interest*, No. 63, pp. 18-36.
- Drucker, P.F. (1954/1993), *The Practice of Management*, HarperBusiness-HarperCollins, New York, NY.
- Drucker, P.F. (1996), *The Executive in Action*, HarperBusiness-HarperCollins, New York, NY.
- Drucker, P.F. (1999), *Management Challenges for the Twenty-first Century*, HarperBusiness-HarperCollins, New York, NY.
- Drucker, P.F. (2001), *The Essential Drucker: Selections from the Management Works of Peter F. Drucker*, HarperBusiness, New York, NY.
- Gadamer, H.G. (2004), *Truth and Method*, 2nd rev. ed., Continuum, London (translated by Weinsheimer, J. and Marshall, D.G.).
- Hoffman, W.M. and Mills Moore, J. (1982), "What is business ethics? A reply to Peter Drucker", *Journal of Business Ethics*, Vol. 1 No. 4, pp. 293-300.
- Irwin, T. (1999), "Introduction", in Aristotle, *Nicomachean Ethics* (translated by Irwin, T.), Hackett Publishing, Indianapolis, IN, pp. xiii-xxviii.
- Klein, S. (2000), "Drucker as business moralist", *Journal of Business Ethics*, Vol. 28 No. 2, pp. 121-8.
- Kulshreshtha, P. (2005), "Business ethics versus economic incentives: contemporary issues and dilemmas", *Journal of Business Ethics*, Vol. 60, pp. 393-410.
- Lewin, K. (1941), "Defining the field at a given time", *Symposium on Psychology and Scientific Method as part of the 6th International Congress for the Unity of Science, University of Chicago, Chicago, IL*, pp. 292-310.
- Meikle, S. (1995), *Aristotle's Economic Thought*, Clarendon Press, Oxford.
- Novak, M. (1996), *Business as a Calling: Work and the Examined Life*, The Free Press – Simon & Schuster, New York, NY.
- Renard, J. (2007), *101 Questions and Answers on Confucianism, Daoism, and Shinto*, Paulist Press, New York, NY.
- Romar, E.J. (2004), "Managerial harmony: the Confucian ethics of Peter F. Drucker", *Journal of Business Ethics*, Vol. 51 No. 2, pp. 199-212.
- Schwartz, M. (1998), "Peter Ducker and the denial of business ethics", *Journal of Business Ethics*, Vol. 17 No. 15, pp. 1685-92.
- Schwartz, M. (2002), "Peter Drucker's Weimar experience: moral management as a perception of the past", *Journal of Business Ethics*, Vol. 41 No. 1/2, pp. 51-68.
- Schwartz, M. (2004), "Drucker's communitarian vision and its implications for business ethics", *Business Ethics: A European Review*, Vol. 13 No. 4, pp. 288-301.
- Schwartz, M. (2007), "The 'business ethics' of management theory", *Journal of Management History*, Vol. 13 No. 1, pp. 43-54.
- Sim, M. (2007), *Remastering Morals with Aristotle and Confucius*, Cambridge University Press, Cambridge.
- Sisodia, R., Wolfe, D.B. and Sheth, J. (2007), *Firms of Endearment: The Pursuit of Purpose and Profit*, Wharton School Publishing, Upper Saddle River, NJ.

- 
- Tichy, N. and Bennis, W. (2007), *Judgment: How Winning Leaders Make Great Calls*, Penguin Group, New York, NY.
- Weinsheimer, J. (1985), *Gadamer's Hermeneutics: A Reading of Truth and Method*, Yale University Press, New Haven, CT.

#### **About the authors**

Susan B. Malcolm obtained her BA in Communications from the University of Pittsburgh, MBA from Indiana University of Pennsylvania, MS (Ed) and a PhD from Duquesne University in Pittsburgh, Pennsylvania. She has eight years of part-time teaching experience at Robert Morris University, is a new part-time instructor at Duquesne University, and has 20 years of experience in human resources, consulting, marketing, and employee benefits. Susan B. Malcolm is the corresponding author and can be contacted at: malcolms@duq.edu

Nell Tabor Hartley holds a BA degree from Agnes Scott College, the MS from the University of Illinois and PhD from Vanderbilt University. Her university teaching and corporate consulting career spans two decades. Readers of *The Journal of Management History* may be familiar with the 2006 Umbrella Model she provided as a tool for studying the impact of the philosophies of previous scholars on current business behaviors.