

Definitely Drucker

Long after Peter Drucker's death, the debate over what management should really be about still rages.

By Roberts Spillane (AFRBOSS Magazine, March 2008 p32 - 36)

Twenty senior managers spend five days at a management training centre. They are there, at great expense, to “bond” by acquiring spiritual intelligence from their executive coach. The litmus test of their success will be fire-walking. At the end of a week of “energy transference” and “spiritual awareness”, each manager is invited to walk across hot coals and thus test the laws of physics. They all meekly follow the leader, suffer serious burns, and 10 of them have to be removed to hospital.

At another training centre, managers have “lunatic” written on their foreheads. Amazed witnesses try to make sense of grown men howling at the moon. They conclude that the managers are seriously overpaid and possibly mad.

Yet another training centre specialises in assessing managers' personalities. One brave soul resists because he correctly argues that research studies spanning 50 years have shown that personality is unrelated to managerial performance. He is labelled a “difficult personality” who needs psychotherapy. A colleague submits to the personality test – the Myers-Briggs Type Indicator – and is ordered to wear the results on his shirt for five days. He objects but complies. One week later he considers legal action against those who subjected him to psychological indignities.

What have these three cases to do with management or the training of managers? If the doyen of management authors, Peter Drucker (1909-2005), were still with us, he would regard them as dangerous distractions – distractions because the ultimate test of management is performance at work, dangerous because they involve managers in psychological power games built on new age fantasies, bad psychology and covert agendas.

When I talked with Peter's widow, Doris, recently in California, she said that Peter battled for all his professional life against the misuse of psychology in management. She shares his view that the purpose of psychology in management. She shares his view that the purpose of psychology is to allow individuals to understand and master themselves. It is never to be used to manipulate and coerce others, and Drucker believed that to do so is a self-destructive abuse of knowledge and a form of tyranny.

The master of old was content to control the slave's body. Today's psychological despots seek to control the personality as well. Drucker acknowledged that psychological tyranny

has great attraction for managers because it holds out the promise that they can control their colleagues more effectively. All they need is a new vocabulary. But psychological tyranny requires almost universal genius on the part of managers. If they take psychologists seriously, they will need insight into innumerable personalities and to acquire a thorough knowledge of personality theories, tests and therapies. And when they attempt to put psychological tyranny into practice they will become its first casualty, as other psycho-managers undermine their authority.

The relationship of psychology and client and of manager and subordinate are mutually exclusive. Each has its own authority. Managers who pretend that the psychological needs of their colleagues rather than the objective demands of the task determine how they should manage are bad managers, and no clear-thinking person should believe or follow them. Managers who involve themselves in psychological power games destroy the integrity of their relationship with their colleagues, and with it respect for their roles.

It is unsurprising that Drucker's popularity with managers has, over five decades, run in inverse proportions to the popularity of managerial psychologists. Arguably, the great debate in 20th-century management was between Peter Drucker and Abraham Maslow (see box next page). American managers generally supported Drucker; Australian managers preferred Maslow.

Who was Peter Drucker and why should managers read any of his 39 books today? Born in 1909 in Vienna, Drucker studied economics and law in Austria and England. Determined to leave Austria, he removed himself first to Germany and then to England. He settled in America in 1937, where he taught philosophy and politics at Bennington College in Vermont. From 1950 to 1972 he taught management at New York's Graduate School of Business and then social science at Claremont College in California.

In 1939 he published *The End of Economic Man* and in 1942 *The Future of Industrial Man*. The former book tries to comprehend the appeal of fascism following the destruction of Europe's faith in an autonomous economic system, governed by rational laws and linked to liberty and equality. Fascism and Nazism succeeded because they were "irrational" and based on such non-economic factors as the will to power. The latter book contains Drucker's vision of the central problems and challenges facing the industrial society that would follow the fall of totalitarianism, especially those of liberty and legitimacy. As Drucker saw it, function and status would be determined by one's position in a large organisation in which a new and developing profession would occupy a critical role; management. But Drucker worried about the legitimacy of management and often upset audiences by claiming that it was the second-most illegitimate profession – and the first is fast becoming legitimate.

By the mid-1940s he realised that he was writing about management but knew little about what managers did. He needed to study them but was unable to enter their domain. Then in 1943, he was invited to study automotive firm General Motors and set out on the career for which he was to become famous.

For two years he talked with GM's senior managers, including the legendary Alfred Sloan. He had already formulated his view that managers have three jobs: to make economic resources productive (the entrepreneurial job); to make human beings productive (the administrative job); and to make public resources productive (the political job). He learned from GM's managers how they perform these jobs by setting objectives, integrating tasks and people, measuring performance, and developing people by continuous learning. He admired the way the managers took responsibility for contribution and rewarded strong performance. He learned that managers are creators not controllers, intrapreneurs not supervisors, and that "leadership" was not about seducing people or appealing to their personality. Rather, leadership is defined in terms of followers, and it is the responsibility of managers to persuade others that they are worthy, on technical grounds, to be followers, and it is the responsibility of managers to persuade others that they are worthy, on technical grounds, to be followed. It is simply irrational to follow another person because of his personality.

Drucker learned from Sloan that the purpose of organisation is to make strength productive. He was never persuaded by human resource advocates who told him that what counts is job satisfaction. He pointed to the evidence, which shows that job satisfaction and job performance are unrelated. Many dissatisfied people are strong performers whose dissatisfaction is called "energy". He did not agree with those who believed that the major management problem is ineffective communication. He believed that the three major dimensions of the task of management are to think through and define the purpose of the organisation; to make work productive and the worker achieving; and to manage social contacts and responsibilities. Since managers administer the present and create the future, they have to be innovators rather than controllers.

Drucker didn't believe it was necessary to have friendly relations with colleagues. Rather than emphasise management by getting on with others, he advocated management by objectives (MBO) and self-control, to produce responsibility and commitment within the organisation. MBO encourages managers to develop a set of realistic objectives for their work group and for themselves. These should spell out the contribution managers will make to the attainment of organisational goals in all areas of their business. Sadly, when MBO

was applied to Australian organisations in the 1970s the moral emphasis on self-control was dropped and it became management by objectives and the manager's control.

Drucker learned from his study of GM that there are three forces of mismanagement: the specialised work of managers which encourages them to pursue specialised training rather than the general, humanistic education which is essential for community leadership; the existence of hierarchy in which managers define themselves as supervisors rather than leaders; and the confusion about the organisation's mission. MBO can overcome these deficiencies by relating the task of each manager to the overarching goals of the business. Only by this technique can management become a cohesive group activity rather than a loose-knit collection of individuals pursuing their own agendas. Management debacles, such as Enron, are management and moral failures; they result from the lack of a cohesive management group and the lack of an overarching moral framework to regulate that group.

According to Drucker, the business enterprise needs a principle of management that gives full scope to individual strength and a common direction to effort. The principle that can achieve this is MBO and self-control because it substitutes external control for more effective internal control. He believed, however, that many managers have failed to take the initiative, and in emphasising external control, they have failed to take advantage of the strengths of people. Employees in most companies are basically underemployed. Their responsibility does not match their capacity. Employees must be held responsible for setting the goals for their own work and for managing themselves by objectives and self-control. They must be held responsible for the constant improvement of the entire operation – what the Japanese call “continuous learning”. This is not democracy; it is citizenship. It is not being permissive. It is also not participative management – which is often only a futile attempt to disguise the reality of employee impotence through psychological manipulation. Imposing responsibility on employees for their own goals and objectives strengthens management in the same way in which ‘decentralisation’ in the multinational company strengthens management. It creates a better understanding of management decisions and practices throughout the workforce.

Drucker also learned that, when it comes to making important decisions, argument must be encouraged. Managers are not paid to share their feelings with each other, they are paid to give reasons to support their views – to argue – and this crucial ability must be encouraged at all levels.

In 1946, Drucker published his account of his study of GM. *Concept of the Corporation* became an immediate success and started the vogue for “decentralisation”. Sloan immediately banned the book and forbade his executives to discuss it in his presence. Ford, on the other hand, embraced its ideas and was the first company to reorganise itself on a

decentralised basis. Ford gave Drucker the confidence to develop his ideas further and in 1954 his famous and feisty book *The Practice of Management*, widely regarded as his best, appeared.

Drucker considered his ideas for the self-governing plant community to be both the most important and the most original. Managers, however, have opposed these ideas as an encroachment on their authority and trade unions have remained sceptical. It was during his time at GM in the 1940s that he saw at first hand the possibilities for what became known as the Scandinavian semi-autonomous work group movement of the 1970s. What was achieved in US factories in World War 11 went beyond Swedish experiments with semi-autonomous work groups in Volvo, Saab and elsewhere, and neither management nor trade unions suffered any impairment of authority or prosperity. Yet Drucker concedes he was naive to expect that self-governing plant communities would find support. The movement towards responsible autonomy at work failed – vested interests are simply too powerful.

DRUCKERISMS

- Much of what we call management consists of making it difficult for people to work.
- Business has only two functions – marketing and innovation.
- The only things that evolve by themselves in an organisation are disorder, friction and mal-performance.
- There are no good executive compensation plans. There are only bad and worse.
- We know nothing about motivation. All we can do is write books about it.
- If you want to hire 50 people under the age of 25, hire 100 at random and six months later sell the worst 50 to your competitors. If you want to hire people over the age of 25, the only criterion for selection is successful performance in the last job(s).
- Management by objectives works if you know the objectives. Ninety per cent of the time, you don't.
- Working with people is difficult but not impossible. Tax accountants aren't going to change, but at least they can learn to say "good morning".
- If managers spend more than 10 per cent of their time on "human relations", they have time on their hands.
- If people perform they earn the right to be disagreeable to the boss.

- When a management subject becomes obsolete we make it an MBA course.

Drucker also participated in a survey of GM's workers that was framed as a contest – “My Job and Why I Like It”. The results fully supported his assumptions, later popularised by Frederick Herzberg as the “motivation-hygiene theory”. They showed that the extrinsic rewards for work (pay or promotion) are what Herzberg called “hygiene factors” because dissatisfaction with them is a powerful de-motivator but satisfaction with them is an incentive to few. Achievement, contribution, responsibility are the powerful motivators. The survey also showed that employees resent meddling managers preventing them from doing the work for which they are paid.

Around 200,000 GM employees participated in the contest but its success killed it. It was impossible to read, let alone collate, all the data and the union became so alarmed at the success of the contest that they made dropping further work on it a condition of accepting a wage settlement without a strike in 1948.

In the mid-1950s Drucker was the most famous management consultant in America, yet he was never tempted to become Peter Drucker Inc. He remained a “one-man gunslinger” and surprised clients by delivering his “reports” orally. He was often accused of making up “facts” as he went along, and of basing his recommendations on anecdotes and novels. He was a master of the witty aphorism and a brilliant storyteller, and he maintained a healthy scepticism about management facts and fashions.

Drucker never accepted the emphasis managers place on “potential”. He loved to tell of the army officer who was asked to rate his subordinates’ potential and said he could only rate their performance. But human resource managers will have their way and the officer was told to rate both performance and potential. So he wrote: “I believe this officer has leadership potential. Indeed, I believe his men would follow him anywhere – although I have to add it would out of a sense of curiosity.”

Drucker was equally sceptical about the obsession with “leadership” and would have agreed that the concept is an incantation for the bewitchment of the led. Management is neither science nor art. It is a practice and it can be taught. But training is not enough. Managers need to be educated for positions of community responsibility and for more than 2000 years it has fallen to the liberal arts to achieve this noble goal. So when Drucker retired from New York University he chose to continue to teach at a liberal arts college in California. To retire was, for him a death sentence, and since he loved to teach he continued to face classes of respectful students into his nineties.

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