

Ideas of Peter F. Drucker - Vital Knowledge for OHS Professionals

Most managers and safety professionals have heard of the work of Peter F. Drucker, called by many the father of modern management and the man who invented management. His pioneering work at General Motors, in *Concept of the Corporation* (Drucker, 1946) and his many books, articles and publications have provided the foundation for what is now termed *general management*. Knowing Drucker's ideas and how to put them to use can provide a key link to the management team in organizations, and improve individual and organizational effectiveness.

Drucker taught at the Drucker School of Management till the age of 92. These classes were filled with his wise personal observations, keen insights on history and world events, and crisp discussion. He insisted on clear thinking and the discussions were wide ranging. He was a compassionate person.

Drucker was a keen advocate of personal and organizational effectiveness. He was an advisor to top executives of major corporations, many of whom trekked to his home in Claremont, CA, for a day of discussions that could change the strategic direction of their organizations.

He wanted students to put his ideas into action. When students would tell him they liked one of his books, he often stopped what he was doing and said, "Don't tell me what you like about it, tell me what you're doing differently Monday morning." A central idea in Drucker's work was the idea of management as a liberal art. He thought of management as a moral force, not just a tool at to be used by an amoral market. Another key idea was to improve one's personal and organizational performance and decisions through a feedback system.

Drucker's work complements the work of safety professionals in valuing people as a key to organizational success. He was a great advocate of the need for nonprofit organizations, and of the need for dedicated volunteers working for causes in which they believed.

Applying Drucker's Ideas to Safety

Some safety professionals may ask, "Why should I care about Drucker and management? That's management business." There are two answers to that question, one on the personal level and one on the organizational.

At the organizational level, knowledge of basic management ideas and structures are critical to understanding how to implement effective safety programs. Familiarity with management concepts may allow the safety professional to understand management strategy and better integrate safety programs into the organization and discuss and justify budget requirements with management and finance professionals.

Although some safety professionals may only be interested in technical issues, technical education is not all that is needed to be effective. The idea of the two cultures of the "scientist" and "humanist" have been written about in current society. Management fits neither the humanist nor scientist category as it deals with results, with people and their values .

At the personal level, Drucker's work is about personal effectiveness. Consider these key points:

- 1) Drucker coined the term *knowledge worker*, a person who by specialized knowledge controls the means of production. Knowledge workers are specialized and independent. Safety professionals are true knowledge workers.
- 2) Drucker was interested in people and in doing good for society, just as safety professionals are. In discussing the current knowledge society, he said, "It is actually more important today for organizations to pay close attention to the health and well-being of all their workers than it was 50 years ago".
- 3) He saw the need for key regulations to provide structure to businesses, and to remind them of employee, labor and community interests, much like safety professionals see the need for national and global business regulation.

As Feder (2005) explains, "Unlike many conservative thinkers, Drucker wanted to keep government regulation over areas like food and drugs and finance. Indeed, he argued that the rise of global businesses required stronger governments and stronger social institutions, including more powerful unions, to keep them from forgetting social interests."

- 4) Drucker's concept of social ecology, the concept that changes in technology, industry trends relating to worker safety, changes in public opinion, and other internal and external changes are closely aligned with employee safety and safety professionals.
- 5) Little of the large body of literature on safety leadership and management makes use of Drucker's key ideas and information that could increase its effectiveness. Incorporating these ideas as core principles would likely strengthen leadership and management in the safety profession.
- 6) Many safety professionals are members, officers or board members of volunteer organizations.

Drucker's principles are particularly suited to making volunteer boards and volunteer organizations.

Drucker's Impact

United States

Drucker was widely published in influential business, policy and popular journals, magazines and newspapers and he was a prolific writer. He published 41 books, and regularly contributed to *The Economist*, *The Atlantic Monthly*, *Foreign Affairs*, *Wall Street Journal* and other top magazines and newspapers. He penned a regular column in the *Wall Street Journal* for 20 years. These articles on policy, economics, management, organization and practical "how-to" tools articles such as, "How to Manage Your Time—Everybody's No.1 Problem," published in *Harper's Magazine* (1966) soundly established his reputation as the authority on management in his time.

Concept of the Corporation (Drucker, 1946) was the first management book of its kind. It described and analyzed the basic functions of the 20th century corporation that have now

become standard, and it introduced the concept of management by objective, also now a generic phrase. Drucker also advocated a decentralized management function as most effective (*The Economist*, 2008).

His reception by American management and traditional American business schools was mixed. According to *Bloomberg Business*(2005):

In the 1980s he began to have grave doubts about business and even capitalism itself. He no longer saw the corporation as an ideal space to create community. In fact, he saw nearly the opposite: a place where self-interest had triumphed over the egalitarian principles he long championed. In both his writings and speeches, Drucker emerged as one of corporate America's most important critics.

He was personally outraged about the high levels of corporate compensation. In a 1984 essay he persuasively argued that CEO pay had rocketed out of control and implored boards to hold CEO compensation to no more than 20 times what the rank-and-file made. What particularly enraged him was the tendency of corporate managers to reap massive earnings while firing thousands of their workers. "This is morally and socially unforgivable," wrote Drucker, "and we will pay a heavy price for it" (*Bloomberg Business*, 2005).

He also criticized highly centralized corporate management systems, which also was unpopular. His independent attitude and criticism of established norms led to some criticism of his ideas. His widespread media popularity and impact were not universal. As management writer James O'Toole wrote, "With all those books he wrote, I know very few professors who ever assigned one to their MBA students. Peter would never have gotten tenure in a major business school".

Worldwide

While some American businesses view Drucker's ideas as outdated, Asian enterprises (in Japan, South Korea and now China) have embraced the ideas (along with the Deming quality programs). Drucker's work done during America's industrial zenith in the 1940s through the 1960s appears to be more relevant to emerging Asian industrial economies than in the data-driven and consumer service industries in the U.S. A case study could be made as to the effectiveness of the two approaches as American car manufacturers generated record losses for several decades while Japanese and South Korean manufacturers, predicting consumer trends, built market share with products that people joined waiting lists to buy.

Life & Achievement

Drucker was born in 1909 in Vienna, Austria. His father worked in the government and entertained notable personages at dinner parties at his home. Early influences, such as economist Joseph Schumpeter, helped mold Drucker's thinking. Schumpeter stressed the need for innovation and entrepreneurship in a healthy economy (Beatty, 1998).

In 1931, Drucker moved to Hamburg, Germany, where he worked at a cotton trading company and then at a newspaper. He then moved to Frankfurt where he worked at a newspaper and earned his degree (doctorate in Public and International Law from Frankfurt University).

As a young man growing up in Vienna and later as a student in Germany, Drucker witnessed the dangers of dysfunctional institutions and governments in the years leading up to the Nazi

seizure of power and World War II. He viewed helping ordinary individuals work together productively as a way of guarding against societal breakdowns in the future. (Rosenstein, 2005) Two of Drucker's writings were banned by the Nazis in 1933. In 1933, Drucker and his wife Doris moved to England, where he worked in insurance and banking. Drucker became a U.S. citizen in 1943 and became a professor at Bennington College (1942-49); professor of management at the Graduate School of Management at New York University (1949-71); and Clarke Professor of Social Sciences and Management at Claremont Graduate University (1971-2002).

During his career, he also served as a consultant to many Fortune 100 corporations and nonprofit organizations, including General Electric, IBM, Intel, Procter & Gamble, Girl Scouts of the USA, Salvation Army, Red Cross, United Farm Workers and several presidential administrations. In 1987, the graduate school of management was named after him. He died on Nov. 11, 2005.

Key Ideas & Messages

Management as a Liberal Art

Maciariello & Linkletter (2011) ask, "What has gone wrong with America's managerial class?" They note that Drucker insisted on the needs for values in organizations (*The Economist*, 2008). Drucker taught that management is about more than today's production data, which details yesterday's news. It is about understanding historical trends, analyzing data for completely unexpected opportunities, or new ways to use existing skills and products, often most successfully executed across different disciplines. It is about anticipating new trends and taking steps to respond to them. The concept that Management is a "liberal art" and a "moral force" for society was an often repeated Drucker focus.

The Knowledge Worker

Drucker coined the term *knowledge worker* in 1969. As noted, knowledge workers are those who have a special knowledge that allows them to produce specific, knowledge-based services or product. They carry the means of production within them. When they leave an organization, that capability may be lost. Drucker (2005) emphasized that employees are a resource, not a cost.

Personal & Organizational Effectiveness & Managing Oneself

"Know your strengths, what you are good at and what you are no good at all at" (Drucker, 1981).

- Discover your strengths through feedback analysis.
- Know where your time goes, keep a log and review it.
 - 1) "What am I doing that does not need to be done at all?"
 - 2) "Which of the activities on my time log could be handled by some else, perhaps even better?" and

3) "What do I do that wastes the time of others?" Identify time wasters by looking for the recurring crises and reducing them to routine (Drucker, 1966).

- Think about consequences. Drucker would often ask, "What are the consequences of this decision? And then what?" He meant that all decisions have first-order, second-order and third-order consequences. When weighing options for decisions it often is the downstream consequences that affect whether an option is the best decision that can be made.

Ethics & the Mirror Test

- "It (society) must expect its managers, executives and professionals to demand of themselves that they shun behavior they would not respect in others, and instead practice behavior appropriate to the sort of person they would like to see 'in the mirror in the morning'" (Drucker, 1981).

Drucker told the actual story of the mirror test in his lectures, and it is recounted in this excerpt:

Drucker recounted how the German ambassador to London responded in 1906 when he was asked to preside over a diplomatic corps dinner for King Edward VII, a notorious womanizer with an appetite that extended beyond the repast. "At the end, after the dessert had been served," Drucker explained, "a huge cake was going to appear, and out of it would jump a dozen or more naked prostitutes as the lights dimmed." The German ambassador resigned rather than take part. "I refuse to see a pimp in the mirror in the morning when I shave," he declared.

- Malcolm and Hartley (2009) say, "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."

Management by Objective

As the originator of management by objective, Drucker stressed the need to set measurable goals and objectives, and to track progress. Some argue that this method is inflexible and does not work. He stressed that it had to be flexible to be able to work; he did not advocate a static system.

He also noted that, within these objectives, social responsibilities must be included. He said that businesses had a responsibility to be profitable, and that only profitable businesses could fulfill their social responsibilities in their communities.

Here's a good summation of management by objective (Drucker, 2001):

- Objectives must be operational with specific targets and assignments.
- Objectives must be derived from "what our business is, what it will be, and what it should be."
- Objectives must make possible concentrated resources and efforts.
- Objectives must be multiple objectives.
- Objectives are needed upon which survival of the organization depends.

Effective Decision Making

Peter taught the course, Effective Decisions, which I took in 2001. He was convinced that the key ability of executive managers was the ability to make effective decisions. He called this a rare ability, but one that could be improved. Here's his recommended method: When one has a critical decision to be made, write it down along with the reasons for the decisions. Then, seal it in an envelope and put a date to open it in 1 year, 3 years and 5 years. Only by reviewing past decisions and their outcomes can we improve our decision-making ability.

Nonprofits, Business & Government

Drucker often spoke of the three key areas of society that were independent and interdependent—nonprofits, business and government.

He said that each provided critical and unique services and products to society and that their measures for success were different. He was deeply committed to the work of nonprofit organizations that he believed fulfilled a critical need in society. He strongly believed that the mission of nonprofits should be focused with measurable and achievable goals. He devoted the latter years of his life to helping several nonprofit organizations.

Drucker calls the Salvation Army "by far the most effective organization in the U.S. No one even comes close to it in respect to clarity of mission, ability to innovate, measurable results, dedication and putting money to maximum use." Those are his principal criteria: clarity of mission, innovative ability, clear definition of results and willingness to measure performance. When it comes to measuring results, Drucker felt the Salvation Army had one of the highest performance rates at the lowest cost..

Creative Abandonment

Drucker often spoke about the need to let go of ideas, products and approaches that had outlived their usefulness. He called this "creative abandonment." He said he had seen organizations assign their best people to keeping a product or service that was dear to them alive, even though it has absolutely outlived its usefulness. In his view, this was a terrible waste of resources. "There is nothing as difficult and as expensive, but also nothing as futile, as trying to keep a corpse from stinking" (Drucker, 2002).

Innovation

Drucker noted key areas in which innovation can be found. For example, "Be on the lookout for unexpected opportunities and run with them" (Drucker, 2002). Drucker noted that the "unexpected opportunities" area were usually the most overlooked, and the most potentially productive. He said to particularly look for niche areas of innovation in which there was a critical need, but few products or services. Many of his books and writings provide further insight into his thoughts on innovation and entrepreneurship.

The Drucker Five Questions

As consultant, Drucker always asked the CEO these five questions. He said that most had not thought about them or could not answer them:

1. What is our mission?

2. Who is our customer?
3. What does our customer value?
4. What are our results? (or, how is the value provided, and how do we measure this?)
5. What is our plan?

As an exercise, you may want to ask these questions about the organization you work for, or the nonprofits you volunteer with, and share these with other nonprofit organization leaders.

The Drucker Legacy

In 1997, *McKinsey Quarterly* stated, "In the world of management gurus, there is no debate. Peter Drucker is the one guru to whom other gurus kowtow" (*The Economist*, 2005). Peter was a modest man. As he once said "What I would say is I helped a few good people be effective in doing the right things" (*Bloomberg Business*, 2005). That article also included this quote from Jack Welch, former chair of General Electric said, "The world knows he was the greatest management thinker of the last century." And this from management guru Tom Peters: "He was the creator and inventor of modern management."

Even critics acknowledged his influence: "It is frustratingly difficult to cite a significant modern management concept that was not first articulated, if not invented, by Drucker, I say that with both awe and dismay," said James O'Toole, a University of Southern California professor (*Bloomberg Business*, 2005).

Despite wide acclaim, his work is not embraced or utilized in many U.S. businesses or business schools. His books are rarely required reading, and organizations often turn to more recent writings. In academics, he was against ethics as a separate academic discipline, preferring that it be integrated into both personal and organizational life. This brought additional criticism from the academic community. As Malcolm and Hartley (2009) explain, "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." His conservative viewpoints may also have contributed to the lack of enthusiasm for his work by some (Swartz, 2004).

Select Quotes

"There are many books I could have written that are better than the ones I actually wrote. My best book would have been *Managing Ignorance*, and I'm very sorry I didn't write it" (Feder, 2005).

"Management is doing things right, leadership is doing the right things" (Drucker, 2001).

"Successful leaders don't start out by asking, 'What do I want to do?' They ask, 'What needs to be done?' Then they ask, 'Of those things that would make a difference, which are right for me?' They don't tackle things they aren't good at. They make sure those necessities get done, but not by them. They are not afraid of strength in others" (Karlgaard, 2004).

"The three most charismatic leaders in this century inflicted more suffering on the human race than almost any trio in history: Hitler, Stalin and Mao. What matters is not the leader's charisma. What matters is the leader's mission" (Drucker, 1990).

Conclusion

Peter F. Drucker was an insightful management thinker and writer who formalized the study of Management. He valued workers as key to productivity, and wrote of the need for businesses to be a contributing part of their community. He termed this interaction social ecology. Drucker focused on individual and organizational effectiveness, on making a positive difference in society, on innovation and on ethics. Most OSH professionals share these characteristics.

The management tools which Drucker advocated can be successfully applied in many areas of safety management and in enhancing individual effectiveness. These ideas and principles have not been systematically used in the safety management field to date, but I believe they should be included in every safety professional's toolbox. It is my hope that this article will start many on the path of reading Drucker's works, and immediately putting them to use.

*"Management is doing things right; Leadership is doing the right things".
Peter F. Drucker*

*"Most effective way to manage change is to create it".
Peter F. Drucker*

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