In 2005, when Peter Drucker moved on from this world at the age of 95, he left the world with a legacy of 39 volumes of written work based on his thinking, teaching, and consulting with organizations. Born on 19th November, 1909, in Vienna, Austria, Drucker remained somewhat of an enigma—he was a connoisseur of Japanese art, had excellent command over medieval history, could quote from various sources with equal ease, and was known to embody the Socratic method of dialogue. He had thought and written about many issues generating new ideas and has been many times called the management guru, though he apparently did not like to be called that. He felt it enshrined him and did not leave an opportunity for others to question him.

Charles Handy, an influential thinker and management writer, in his keynote speech at the conference to celebrate Peter Drucker’s 100th birthday held in Vienna, said, ‘When I discovered Drucker, I hit a low, because many things I was writing and thinking about had already been written by him.’1 He gives the example of his writing about elephant and fleas to discuss how large organizations could innovate. Later he says he realized that it would appear that he had plagiarized because Peter Drucker had written about it in late 50s using the same metaphor and the same context. Several other management thinkers and practitioners have felt check-mated by his prolific writing.

In remembering and paying our tribute to Drucker, the management thinker, the writer, the consultant, it is opportune for management researchers and practitioners to sit back and think which of the contributions of Drucker are relevant to us today.

In this article, we do not claim to have read all his work but based on our limited reading, the experience of attending the 1st conference to mark his centenary, listening to various management thinkers and managers from all over the world, and interacting with several of them on a one-to-one basis, we present some of the key ideas of Drucker that we feel still remain relevant.

**DRUCKER AND MANAGING**

In 1954, Drucker wrote the seminal “Practice of Management,” in which he popularized the idea of Management by Objectives (MBO). His thesis was that many a times

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1 Paraphrased from Charles Handy’s keynote speech in the 1st international conference to celebrate Peter Drucker’s 100th birthday held in Vienna on November 19th and 20th, 2009
managers become so focused on what they are doing that they forget why they are doing it and they go off-track. Drucker proposed “management by objective” as a way to combat this “activity trap.” With MBO, employees participate in setting goals and are then evaluated on how they fulfill those goals. Managers can focus on the “what” rather than the “how.” “Management by objective works—if you know the objective,”2 which he said was not known ninety per cent of the time.

Peter Drucker very aptly said that as a manager you have to focus on performance, people, and motivation. In ‘The Practice of Management,’ (1954) Drucker posed three simple questions: What is our business? Who is our customer? What does our customer consider valuable?3 Though on the face of it they are simple questions, the importance of them can only be gauged by the fact that management practitioners all around the globe epitomize them as three classical questions. These ideas seem so mundane today and so commonplace that one does not even think that someone had at some point articulated it. However, their relevance is no less today. Every manager needs to be efficient and effective and the tools that Drucker has provided are handy and worth practising. Even today it is sometimes surprising to us as facilitators of executive learning, to see people arguing that focus on people is not important, or to find the executives unaware of the drivers of motivation of their people.

On a related note, Drucker emphasized that management is the art of making things happen within the context of a social order.4 While emphasizing planning, Peter Drucker also talked about implementation and strategic thinking. He wrote, “Plans are only good intentions unless they immediately degenerate into hard work.” Further, he pointed out that “execution is the only strategy customers or competitors ever see.”

“From quiet reflection will come even more effective action.” Peter Drucker was thus able to present for practitioners a framework for their work and life and for management teachers a useful guideline to design management curriculum around thinking, reflecting, planning, and implementing.

DRUCKER AND MARKETING

Drucker’s views about marketing are potent and have shaped thinking on marketing. Drucker was the first to say that the “purpose of business is to create a customer.” He put the customer in the centre, thus making him the ‘grandfather of marketing’.5 “Because the purpose of business is to create and keep a customer, the business enterprise has two—and only two—basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs. Marketing is the distinguishing, unique function of the business.” The claim that, “business has two functions – marketing and innovation,” sparked debate and got managers and academicians to pay attention to the theory of business.

Drucker was among the first thinkers and academicians to distinguish between marketing and selling and also the idea that if you understand your customer and design your product/service accordingly, there is little need to spend on creating a demand or persuading. He, in no unclear terms, said, “A company’s primary responsibility is to serve its customers, to provide the goods or services which the company exists to produce. Profit is not the primary goal but rather an essential condition for the company’s continued existence. Other responsibilities, e.g., to employees and society, exist to support the company’s continued ability to carry out its primary purpose.” The emphasis on service and not profit as the key objective for the company is very relevant today.

The economic meltdown of 2008 reminds us that though we may pay a lot of lip service to the importance of customer, the concerns of the customer were the farthest from the decisions of the bankers, thus, reminding us that the cost of losing focus of the lodestar is very steep for the world of business.

Though born in Vienna, Austria, Drucker fled it after the World War II in 1937. The events of his time influenced his thought and work. He felt that pluralist socie-

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3 ibid
4 Yves Doz’s speech in the 1st international conference to celebrate Peter Drucker’s 100th birthday held in Vienna on November 19th and 20th, 2009.
5 Philip Kotler’s speech in the 1st international conference to celebrate Peter Drucker’s 100th birthday held in Vienna on November 19th and 20th, 2009.
7 ibid
ties needed to keep in sight a common good. Thus he said in various books that if society/organization of the last 20th century and beyond wished to learn from history, leaders “will have to learn to be leaders beyond walls.”

**DRUCKER ON INNOVATION, ENTREPRENEURSHIP AND CHANGE**

Peter Drucker also fuelled thinking on innovation, entrepreneurship and change. He argued that innovation is a systematic process and can be managed with discipline. Innovation, according to him, should not be dependent on occasional flashes of genius from some bright individuals but should be a planned, organized, and sustained effort. He wrote that before innovation can happen, the organization needs to go through a process of upheaval following which innovation can take place. According to him, innovation was the life blood of an organization, and creativity was the life blood of innovation.

Along with innovation, he claimed, it is entrepreneurship which is the driving force of any society. Drucker visualized that “Innovation and entrepreneurship have to become an integral, life-sustaining activity in our organizations, our economy, and our society.” To him, both innovation and entrepreneurship are interwoven and one grows on the other. In his own words, “Innovation is the specific instrument of entrepreneurship. The act that endows resources with a new capacity to create wealth.” Change, he felt, was also rooted in innovation and to manage one, the other cannot be left unattended. “To be a successful change leader, an enterprise has to have a policy of systematic innovation.”

Organizations can survive and change only if they work towards creating new changes through continuous innovations. Drucker chided managers to not simply manage change but proactively create change. He stressed that change was a categorical imperative for an entrepreneurial system, stating: “Earlier economic activity was based on the assumption that there would be no change, an assumption which was institutionally guarded and defended. Altogether up to the seventeenth century, it was the purpose of all human institutions to prevent change. The business enterprise is a significant and rather amazing novelty in that it is the first human institution having the purpose of bringing about change.”

Another interesting idea of Drucker is that of Creative or Planned Abandonment. It is about knowing when to say ‘no,’ when to stop investing in any failed idea/exhausted purpose. “A critical question for leaders is, ‘When do you stop pouring resources into things that have achieved their purpose?’ Peter Drucker tells leaders that if the purpose of their organization is no longer connecting with the people, then it is time to let go and change. Drucker calls this process “planned abandonment.” It along with the notion that in organizations, things are dynamic and need to interact with the real world in real time. If decisions do not have “cash value” on the street, it is time to abandon out-of-date policies, procedures, or requirements.

His advice to entrepreneurs of new business is insightful and very practical at the same time. In an interview with George Gendron, he said, there are four foreseeable and avoidable “entrepreneurial pitfalls.” It is best for entrepreneurs to avoid them.

According to Drucker, the first pitfall comes “when the entrepreneur has to face the fact that the new product or service is not successful where he or she thought it would be.” The entrepreneur at this time could decide that either he/she knows better than the market and keep investing resources in it and thus putting good resources after a bad decision. This according to Drucker has lead several promising enterprises to disappear in quick time.

The second pitfall is related to the entrepreneurs’ belief that profit is what matters most in a new enterprise. He continues to say that profit is secondary and it is cashflow that matters most in case of new businesses.

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The third pitfall comes when the business grows and the person who founded it becomes incredibly busy. Rather than allowing different role-holders to function responsibly and independently, the entrepreneur holds on and in the process demotivates the team and becomes the bottleneck to further growth.

The fourth pitfall is the most critical one. As the business becomes successful and the entrepreneur begins to put himself/herself before the business, the energy of the business flows out. We hear this echoed in the work of Jim Collins and others where they studied companies that performed consistently year after year. They found that the leaders who led such company displayed Level 5 leadership characterized by “personal humility and professional will.”14

**DRUCKER AND LEADERSHIP**

Leadership according to Drucker, was a function of the work that the leader did. It was not position or power. To quote him, “Leadership is not rank, privileges, title or money. It is responsibility.”15 For Drucker, effective leadership was not associated with making speeches or being liked. He said, “Leadership is defined by results not attributes.” He was very wary of the whole idea of charismatic leaders. According to Drucker, “Charisma can undo leaders by inviting their inflexibility and resistance to change.” He focused on effectiveness of leaders and their ability to move away from command and control and inspire “volunteerism” in their people. Drucker emphasized that leadership is hard work and the exercise of discretion based on systemic understanding of the situation. Leadership has nothing to do with having supernatural powers. It is acts of leaders that matter. “No institution can possibly survive if it needs geniuses or supermen to manage it. It must be organized in such a way as to be able to get along under a leadership composed of average human beings.”16 For Drucker, leadership was not inborn but a learned behaviour. He proclaimed, “Leadership must be learned and can be learned.” Drucker, in the spirit of his focus on performance, said leaders set processes and monitor them. He also said leaders learn and help others in their team to learn. Leadership for him is more about inspiring others to transcend their limitations. He proclaims, “Leadership is the lifting of a man’s vision to higher sights, the raising of a man’s performance to a higher standard, the building of a man’s personality beyond its normal limitations.”17 These are exactly the same views that are echoed in the work of Peter Senge and Ronald Heifetz, authors of the book, ‘Leadership Without Easy Answers.’

**DRUCKER ON ROLE OF GOVERNMENT**

Not many management thinkers have delved on the role of the government. Drucker claimed that the three sectors of a society are government, business, and philanthropy. Drucker had seen the worst forms of governance in his early years in Austria where his first books were banned and burnt by the government of Austria. However, he still felt that government was needed to govern rather than perform like a business. He said only the government can make major decisions thereby becoming the key enablers for the growth of any organization. Drucker asserted, “instead of seeing government as a partner we fear, I think we should see them as a partner we welcome.” He wrote three books (Post Capitalist Society, New Realities, and Managing in a Time of Great Change) and several papers delving on how changes in political and economical developments induce changes in society. Drucker suggests that the government should concentrate on monopoly functions such as defence, law and order, and justice; set rules that can be followed by individuals and groups of diverse nature; have time-bound, need-bound programmes with clear objectives and resources assigned; abandon activities that fail to produce results, and privatize all those activities that cannot be efficiently carried out by the government. Drucker claimed that the current economic theories used by the government were inadequate and it was important to have a new economic theory to explain behaviour of four co-existing economies—micro-economy of individual and firms, the macro-economy of the state, the economy of the transnational business, and the world economy with growing economic regionalism.18 The existing economic theories, according to him, are capable of handling only the micro and macro perspective.

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RELEVANCE OF PETER DRUCKER’S WORK
DRUCKER AND MULTIPLE STAKEHOLDER PERSPECTIVE

“These [two] traditional views [fuzzy balancing and deference to manual workers] are now obsolescent. But the emerging American theorem that businesses should be run exclusively for the short-term interest of the shareholders is also not tenable, and will certainly have to be revised.”19 Not only did Drucker put the customer at the centre of any organization, he constantly focused on people asking and answering basic questions, such as, Who is the customer? What is my mission? What is the purpose? Have I put everyone who is involved in the picture? Drucker was not a proponent of the unidimensional view of creation of shareholder value as the reason for existence of business. He wrote extensively and used the multi-stakeholder perspective as the basis of his research and practice. He would have been unhappy about the cosmetic way in which many companies practise corporate social responsibility, saying that if you are serving all the stakeholders where is the need to do CSR? Cooperrider (2008) quotes Drucker in a personal interview, “Every single social and global issue of our day is a business opportunity in disguise.”20

Synthesizing Drucker’s views on leadership, marketing, customer focus or business and management, reveals his obvious respect and concern for humanity. Drucker asserted that managers have a societal and moral responsibility to ensure that jobs are fulfilling and individuals are able to contribute as fully as they can. The manager cannot simply get away by fulfilling fiscal responsibilities.

DRUCKER AND KNOWLEDGE WORKERS

Drucker, in 1969, had started to talk about the uniqueness of knowledge workers and challenges of managing them. “The hidden conflict between the knowledge worker’s view of himself as a ‘professional’ and the social reality in which he is the upgraded and well paid successor to the skilled worker of yesterday, underlies the disenchantment of so many highly educated young people with the jobs available to them.”21 He noted that business and other institutions are “increasingly the means through which individual human beings find their livelihood and their access to social status, to community and to individual achievement and satisfaction.” In his book ‘The Effective Executive’ he wrote, “Modern society is a society of large organized institutions. In every one of them ... the center of gravity has shifted to the knowledge worker, the man who puts to work what he has between his ears rather than the brawn of his muscles or the skill of his hands.”22

Drucker coined the term “knowledge worker” in 1960 to describe the growing cadre of employees who laboured with their brains rather than their hands. Drucker explained that knowledge workers require a new style of management that treats them more as volunteers or partners than as subordinates. He wisely emphasized that the ability of leaders to motivate “the most valuable asset of a 21st century institution” would become a cornerstone of competitive advantage23. According to Drucker, the most important distinguishing factor in any business transaction is going to be ‘knowledge’. “We know now that the source of wealth is something specifically human: knowledge. If we apply knowledge to tasks we already know how to do, we call it ‘productivity’. If we apply knowledge to tasks that are new and different we call it ‘innovation.’ Only knowledge allows us to achieve these two goals.”24 Drucker in his uncanny clarity said, “the management of knowledge workers should be based on the assumption that the corporation needs them more than they need the corporation.”

Given the extent to which Indian educated youth are entering the workplace as knowledge workers, managing their engagement and commitment to the work and the organizations remains a challenge. Peter wrote, “The more knowledge-based an institution becomes, the more it depends on the willingness of individuals to take responsibility for contribution to the whole, for understanding the objectives, the values, the performance of the whole, and for making themselves understood by the other professionals, the other knowledge people in the organization.”25

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Drucker’s writing remains relevant even today. One of our favourite articles that Drucker wrote was on his experiences of being a knowledge worker. He discusses in this article the importance of continually learning, working towards perfection, the importance of understanding the motivation one has to work and contribute. Talking of perfection, Drucker’s inspiration to strive for perfection came from the great 19th-century Italian composer, Giuseppe Verdi. Verdi had once said, “All my life as a musician I have striven for perfection. It has always eluded me. I surely had an obligation to make one more try.” Not only his writing but also the way he lived and learnt, offers important lessons for managers during all phases of their careers. He had pledged to be a life-long learner and from there came the advice to organizations to be ‘learning organizations’ throughout their life cycles. He personally preferred to be called a ‘Student’ rather than a ‘Guru’. Sticking to his pledge, Drucker assigned himself a new topic about which he knew nothing and made it the subject of intense study every few years. His work, his life, will continue to be a source of work, inspiration for all of us engaged in managing/teaching directly or indirectly. In our quest for studying the latest, we hope we do not forget the vast wisdom of the work of Drucker.

DRUCKER AND RESPONSIBILITIES OF A CEO

“The CEO is the link between the inside, where there are only costs, and the outside, which is where the results are.” Peter’s advice to the CEOs was to work on the strengths of their people rather than focusing on their weaknesses. Drucker in his book, ‘The Practice of Management,’ spoke about the dysfunctional effects of executive over-compensation and too much emphasis on short-term performance. He said, “Integrity should be the litmus test for managerial character.” Drucker emphasized on the importance of personal characteristics of the CEO. A CEO must be competent enough to envision purposes which are more meaningful than personal profit. According to him, leaders need to go beyond the system in which they work and work towards common good of society, which means taking civic responsibility. Given that the CEO’s task is complex, he noted that single CEOs would be unable to govern effectively and thus should form top management teams. In his above-mentioned book, in 1954, he laid out the essential principles of corporate governance. He said it is the CEO’s role to manage a strong board and help them keep the company on track. Focus on the future by looking out of the window and amplifying weak signals was the advice given by Drucker to CEOs. Drucker was a proponent of ‘empowerment’ for employees in the coming age. He of course did not mean it in the faddish sense, claiming, “If you’re uncomfortable with the idea of vesting people with the power to fire their boss, then you are not ready for the task of leadership in the next century.” His views on looking into the future are also relevant for CEOs. Drucker observed that “all institutions live and perform in two time periods: that of today and that of tomorrow. Tomorrow is being made today, irrevocably in most cases. So his simple advice was to “Put your resources on tomorrow, where the results are, and not on yesterday, where the memories are.” Drucker wrote, “All one can do is analyse the present, especially those parts that do not fit what everybody knows and takes for granted.” Drucker wrote that CEOs’ role is to create a better future rather than sitting back and speculating about it. It needs to take actions, decide, take risks and move ahead. He said, “The future will not just happen if one wishes hard enough. It requires decision—now. It imposes risk—now. It requires action—now. It demands allocation of resources, and above all, of human resources—now. It requires work—now.”

DRUCKER AND SUCCESS

One of the favourite pieces of the first author written by Drucker is the one where he talks about the importance of choosing and working on our second career much before we had gone down the first career. He warned against sticking with just first career choice. “The probability that the first choice you make is right for you is roughly one in a million. If you decide that your first choice was the right one, chances are you are just plain lazy.”

27 Ibid
He reasoned that to beat the fact that anything that goes up has to come down, you have to buck the trend by starting a new curve before the old one starts to go downhill. It is equally applicable to individuals and organizations and even nations. Drucker warned managers against complacency due to excellence which according to him is only a temporary phase and must be handled with caution. “Success always obsoletes the very behaviour that achieved it. It always creates new realities. It always creates, above all, its own and different problems. Only the fairy story ends -They lived happily ever after.”34

Sitting too long on one’s laurels ensures downfall and it is important that one starts to invest in something that one wishes to do in the future today rather than when the future arrives. Even in the context of business, he said that success is dangerous if the companies succeeding do not comprehend the new changed realities evolving along with it and are blinded by appreciation and applause. “When it is all fair weather, and not a cloud on the horizon, that’s the time a company should be making changes. But I have yet to have someone come to me and say, ‘Everything we do is coming up roses, and we are worried about it.’ Although it’s difficult to argue with success, management certainly doesn’t wait until it is faced with extinction.”35 In a few words, he advises very appealingly, “The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday’s logic.” We may not go as far as to say that if managers had heeded what Drucker had written about, the world would be a better place and the crisis of 2008 could have been averted. However, it helps to not ignore the wisdom of Drucker and not painfully rediscover the wheel.

Management researchers, it has been severely said, can learn from Drucker’s ability to synthesize large amounts of data and information.36 He did not achieve his legacy by being involved in reductionist analysis of data but by being open, curious, imaginative, and creatively synthesizing. In his brilliant synthesis, he has provided more insights to managers and management researchers than what one could achieve by simple analysis. We would say that though analysis cannot be tossed out completely by researchers or practitioners alike, the importance of synthesis in advancing understanding is not misplaced and must be given its due place. We could all learn from Drucker’s method of synthesis and systematic understanding.

His advice to managers of knowledge workers was that they create a context where employees can take responsibility for their work. The manager’s role is to provide guidance where required without being intrusive.

We also invite readers of this piece to share with other readers their own personal favourite stories of Peter Drucker. If you write in the next month, we would be able to publish them in the next issue of Vikalpa: The Journal for Decision Makers.

Note: Some of Peter Ducker’s quotes are very famous, so much so that the original source is very difficult to trace. Thus in some cases, the quotes appear without a detailed citation.

Neharika Vohra is a Professor in the Organizational Behaviour Area at the Institute of Management, Ahmedabad. A Ph. D. from the University of Manitoba, she has been a Visiting professor in the same University and also taught at the Xavier Institute of Management, Bhubaneswar. She specializes in social psychology and cross-cultural psychology. Her academic and research interests include leadership and gender issue in organizations, management across cultures, challenges in the growth of small business, and leadership in educational institutions. She has been a recipient of the Award for Excellence in Teaching and the Young Psychologist Award.

e-mail: neharika@iimahd.ernet.in

Kumar Mukul is currently working as an Academic Associate in the Organizational Behaviour Area of the Indian Institute of Management, Ahmedabad. A Post-Graduate in Sociology from the Jawaharlal Nehru University, New Delhi, he was awarded the Junior Research Fellowship of UGC. His areas of interest include leadership and change management, innovation, talent management, and cross-cultural issues.

e-mail: kumarmukul@iimahd.ernet.in


36 C K Prahalad in his speech in the 1st international conference to celebrate Peter Drucker’s 100th birthday held in Vienna on November 19th and 20th, 2009.