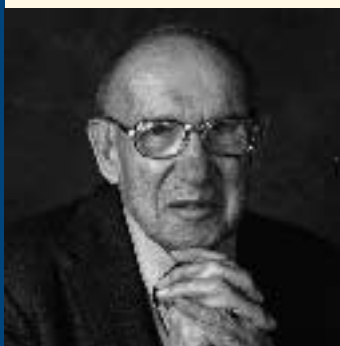


# Peter Drucker

## Manage Yourself and Then Your Company: Set an Example



*“All management books, including those I have written, focus on managing other people. But you cannot manage other people unless you manage yourself first.”*

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## ***IEDC Book of the Year 2005 - Homage to Peter Drucker***

*The world has lost its greatest management icon, and IEDC-Bled School of Management its great friend and supporter. Peter Drucker, more copies of whose works were printed than of any other book except the Bible, not only built the intellectual bridges connecting our understanding of the past with our hopes for the future, but also provided know-how on how to cross them and create a better world.*

*The IEDC Book of the Year 2005 is a reprint of the Book of the Year 1997, featuring the highlight of IEDC's 10th anniversary celebration, a satellite transmission of a lecture by Peter Drucker.*

*Ten years ago we invited him to give a talk to our guests and after that we stayed in touch. I visited him twice at his home in California and enjoyed his and his wife Doris's hospitality. Those were unforgettable moments: Drucker was a very demanding, honest and straightforward person and conversations with him were a real challenge and a true lesson in art and history. Drucker was also a warm, extremely modest person. His own books had a place in his garage, while the books on art that he liked so much were in his living room.*

*He remembered his childhood stay in the Topolšica Spa, and Ljubljana from the nineteen-thirties. He showed great interest in the development of our school, and I had hoped he would speak to us again on October 20, 2006, on the occasion of its 20th anniversary.*

[1]

*Great people are also always great in their simplicity, clarity and care for humanity. Peter Drucker's lecture to our guests in 1996 is a precious document, and we would like to share it with you.*



Danica Purg

## Manage Yourself and Then Your Company: Set an Example

[ LECTURE BY PETER DRUCKER ON THE OCCASION OF THE 10<sup>TH</sup> ANNIVERSARY OF THE IEDC ]



### The First Important Thing: Manage Yourself

All management books, including those I have written, focus on managing other people. But you cannot manage other people unless you manage yourself first.

The most crucial and vital resource you have as an executive and as a manager is yourself; and your organization is not going to do better than you do yourself. So, the first thing to say about the development of a country like yours or companies like those represented in this room today is: development. That is a very general term. Development is, foremost, dependent on how much you get out of the one resource that is truly under your own command and control, namely: yourself. When I look at all the organizations I have worked with over a long life, there is a difference between the successful ones and the great majority who are, at best, mediocre. The difference is that the people who are running the successful ones manage themselves. They know their strengths - and it is amazing how few people really know what they are good at. You do not know it unless you work at finding out what you are good at.

[2]

Most of the people I know who have done an outstanding job, and the number is not very large, have systematically organized finding out what they are really good at. You do it, by the way, by using a very old method which has nothing to do with modern management and which goes back thousands of years. Whenever you do something of significance, whenever you are making an important decision, and especially whenever you are making a decision about people (that is your most important decision), usually you write down what you expect the results will be and nine months later or a year later, you look at it. And then you will see very very soon what you are good at. You will see very very soon where you need to learn, where you need to improve; and you can also see very, very soon where you are simply not gifted. There are no universal geniuses, but a person can be very good - I have seen people who can just look at a market and they understand it. They do not need any tools or research. But, they are very often hopeless when it comes to managing people, so find out what you are really good at and then make sure you place yourself where your strengths can produce results. Yes, one has to work at overcoming weaknesses. But even if you work very hard and you manage to become reasonably competent in an area in which you really are not gifted, you are not going to be a top producer. You are a top producer if you put yourself where your strengths are and if you work on developing your strengths.

The second thing is to pay a great deal of attention to how and where you place other people. Again, place people where their strengths can produce results. When you look at an organization, everybody has access to the same money. Money is totally impersonal, everybody has access to the same materials. What differentiates a successful organization from most others is the way they place their people. It is not only that they keep on developing their people, but first place them where the strengths of the people can produce results and where their weaknesses are irrelevant. And those are the first things to say that make the difference between being an outstanding performer and being mediocre or worse.

And one part, a very important part, and one cannot stress it enough in a country like yours which is trying to catch up and does not have too much time - you have maybe ten years - is to realize that the people at the top set the example. Your company may be very small, quite unimportant, but within that small company you, the executive, are exceedingly visible. Most management is by example and whenever you look at truly outstanding organizations there is one, very rarely more than one, maybe two, maybe even three, but I have yet to see one that has more people who set an example. And that also is tremendously convincing. Here is an executive who performs and then people know they can do it, too. Perhaps that is the most important area, especially in a new and small and growing organization, and in a country like yours which has to do so many things at the same time because you have to catch up with most of the history of this century.

[3]

### **Ethics - The Mirror Test**

This most important area may be the area of personal behavior, the quality area of ethics. I am always asked what I mean by that. The answer is a very, very old one; it goes back to the ancient Greeks. I call it the mirror test. Every morning when you look in the mirror, when you shave yourself or when you put on your lipstick: is the person you see in the mirror the person you want to see? Do you want to be the kind of the person you see? Maybe "ashamed" is too strong: are you uneasy because you cut corners, because you break your promises, because you bribe, because you do something for immediate short-term benefits? Are you that kind of a person? Do you want to see, in the mirror, what you actually see? That is the mirror test and it is vital, simply because you may be able to fool people outside your organization, but you cannot fool people inside your organization, and, as you behave, they will too. Well, perhaps not emulate you, but if you give the wrong example, you send the wrong signals. You will corrupt the whole organization. So management does not begin with the environment, and it does not begin with the company's so-called competencies; it begins with managing yourself for performance and setting an example and that, perhaps, is the most important thing one can say.

After you have forced yourself to behave in the way you expect, you want to appear in the mirror; and especially after you have worked

hard on putting the people in your organization where their strengths can really perform and where the things they do not have don't really count. It does not really count that this person is not technically superior if he or she is in a position where there are no technical requirements, but that you have a person who really knows how to work with people. Let me say that I do not think anybody who does not know how to do this can learn it. Yes, if you know how to do it, you can greatly improve, you can acquire techniques, you can learn this or that important tool, but you have to start off with an ability. Ability is even the wrong word; you need the basic attitude of respect for people and interest in people. I am not referring to "be nice". The boss from whom I learned the most, many years ago when I was a very young man, was editor-in-chief of a newspaper at which I had just started, and I do not think that I made a very good career of it. I do not think that in the four years of working for him he ever said one word of praise, yet he respected my work. He could be very nasty and he was: he forced me to rewrite and rewrite and rewrite, and I had incredible respect for him because he applied the same discipline to himself. However, he was not a friend; he was not a nice person, he was distant and aloof and demanding, but he knew how to get people to perform. And so the first thing to do is to manage yourself.

#### [4] **The Second Important Thing: Spend More Time Outside of the Company**

The second thing to remember is spend enough time and effort on the outside of your business. A great danger in an organization, and not only a big one, is that you disappear in it, it absorbs you, that you spend all your time, energy and ability on internal problems.

Not all the results of an organization and especially of the business are on the outside. And not only where the customers are, also where the non-customers are. Even if you are the dominant business in your field, you very rarely have more than 1/3 of the market, which means that 2/3 of potential customers do not buy from you. You may know a great deal about your customers and pay a great deal of attention to them; and maybe you are in a business in which there is only a handful of customers for that special machine you make, and so you know your customers and you are in touch with them. One of the advantages of medium-sized or small businesses is that you can say you know your customers. In a big business you do not. You have no reports. And yet 2/3 of the market does not buy from you and you should make sure that you have enough time to look at these non-customers. Why do they not buy from us? What are their values, what are their expectations? That is not the reason. The main reason is that change practically always starts with the non-customers.

What I mean is this: in the last 30 years major industry has got into trouble and I do not have to tell you that the major industries of the 1950s and 1960s are universally in trouble: the automobile industry, the commercial banks and the big steel companies. Almost all of the

industries that dominated the industrial landscape in the developed countries in the 1950s and 1960s are today on the defensive, and in every single case the change started on the outside amongst the non-customers and they are in trouble to a large extent. Department stores, not yet in Europe, but present in the US and Japan, are in terrible trouble whereas forty years ago they dominated retail distribution. The change started with the non-customers, with the couple. When the woman, an educated woman, also went to work, she did not have any more time to shop at the department store. The basic theory of the department store is to enable the housewife who has no job (the husband is at work, the children are at school) to spend a lot of time there. Department stores are very time consuming - to get a feeling that she is doing something for the family, for herself. Suddenly, the same women, first in the US and now increasingly all over the developed world, also have a job and they do not have the time. But they were never department store customers and so the department stores, which of all our businesses probably have, by far, the best statistics on their customers, did not even realize that the next generation of customers did not shop in department stores until they suddenly lost the market and most American department stores actually went through bankruptcy. Now the Japanese department stores are falling back for the same reason.

So the first thing to do is make sure you are close enough to the outside that you do not have to depend on reports. The best example I know: many years ago a man built one of the world's major businesses, the first business that really took advantage of the great change in medicine when the practice of medicine shifted from the individual practitioner to the hospital (that happened after the Second World War in the developed countries). This man saw this first and built a very big and successful business on it. There is a simple rule: every executive in that company from its beginnings, when it was very small to its being a huge big multinational, every executive spent four weeks - two times two - outside the company. Whenever a salesman went on vacation, an executive took his or her place for two weeks, twice a year, and called on customers and sold to customers and introduced new products into the hospital market. As a result, that company understood the rapidly changing market. It is not because it had reports (everybody had the same reports), but because it spent some time with the hospital administrator who actually made the buying decisions. And so: make sure you know the market.

[5]

### **The Third Important Thing: What are the Strengths of Your Company?**

The third thing to say is: we need to understand what we now call the core competencies of your organization. What are we really good at? That also requires something you shouldn't do. You probably, by now, all have beautiful methods of capital allocation. Before you make a decision to invest, you make thirty studies and you may be

advanced enough to use all four ways we know to analyze a capital investment. When I started in business almost 70 years ago, we used these methods which were in every book, but we could not apply them because it would have required hundreds of clerks. Now, using even the simplest of personal computers, PCs, it takes five minutes, so you use all the methods. And one thing you never do - you do not write out what we expect when we spend this amount of money on building a new plant, on building a new service organization or work on a new product or service. What do we expect? You do not build in the feedback three years later or five years later, to see what you do; the result is that you do not know what you are good at, and you work on the things you are not good at rather than use your strengths.

[6] What do our customers pay us for? Why do they buy from us? In a competitive, non-monopolistic market, and that is what the world has become, there is absolutely no reason why a customer should buy from you rather than from your competitor. None. He pays you because you give him something that is of value to him. What is it that we get paid for? You may think this is a simple question. It is not. I have now been working with some of the world's biggest manufacturers, producers and distributors of packaged consumer goods. All of you use their products, even in Slovenia. I have been asking that question now for a year. We have two kinds of customers: one, of course, is the retailer and, if that soap or that detergent or that mayonnaise is not on the retailer's shelves, the housewife won't buy it. And so the customer, of course, is the housewife. What do they pay us for? I do not know how many people in the world make soap, but there are a great many. And I can't tell the difference between one kind of soap or the other. And why does the buyer have a preference, and a strong one, by the way? What does it do for her? Why is she willing to buy from us when on the same shelves in the US or in Japan or in Germany there are soaps from five other soap manufacturers? She usually does not even look at them. She reaches out for that soap. Why? What does she see? What does she want? Try to work on this.

Incidentally, the best way to find out is to ask customers, not by questionnaires but by, again, sitting down with them and finding out. The most successful retailer I know in the world is not one of the big retail chains. It is somebody in Ireland, a small country about the size of Slovenia. This particular company is next door to Great Britain with its very powerful supermarkets and all of them are also in Ireland; and yet this little company has maybe 60% of the sandwich market. What do they do? Well, the answer is that the boss spends two days each week in one of his stores serving customers, from the meat counter to the check-out counter, to being the one who puts stuff into bags and carries it out to the shoppers' automobiles. And he knows what the customers pay for.

Let me say this may all sound very simple to you. It is not. It is infinitely more important than any other management tool.



## **Cost Accounting is Obsolete**

Yes, within the next 10 to 15 years we are going to change our basic information systems and fundamental changes will come to accounting which is, now, more than 700 years old, and totally obsolete. We are developing very new accounting concepts, and our accounting in 15 years hence will look very different. In the 70 years I have been working, it hasn't changed at all or very little, but in the next 15 it will improve. And we are totally changing manufacturing and going towards lean-manufacturing or whatever you want to call it. It is going to view manufacturing very differently not as a way of moving material but as a way of organizing, building around the flow of the process; really building around information. I am up to my ears in working with medium-sized companies, mostly on this, and it is amazing work. Although we already know how to move, I am not saying we are through; but we are getting there.

Take a big market, the world market for locomotives, and take a very big market like China or India. They have to rebuild the railways and we, in the US, also have to rebuild them. Only 10 years ago there were very few locomotive manufacturers in the world - mainly four big ones. The one that was the smartest 10 years ago is now by far the biggest, and makes as many locomotives as the other three put together by change in the manufacturing process, not automation. That's almost unimportant, yes - there are thoughts required on automation, but fundamentally they saw through what a locomotive is and organized the process around the end product. And now they have one-half of the world market. It took them 15 years. I have been working with them for 15 years and they have worked very hard but they have changed a lot. All these are very important things. [7]

But let me go back to the beginning: the place to start managing is not in the plant and it is not in the office. You start with managing yourself by finding out your own strengths, by placing yourself where your strengths can produce results and making sure that you set the right example (which is basically what ethics is all about), and by placing your people where their strengths can produce results.

Thank you very much, ladies and gentlemen. My thanks again to Danica Purg for allowing me to talk to you; and now I hope we still have a little time for your questions. Thank you very much.

### ***Replies to Questions from the Floor***

#### ***Derek Abell:***

*What are the two or three things to come that managers will have to keep an eye on?*

#### ***Peter Drucker:***

*I see the focus of Mr. Abell's question and I think the first thing is to have an eye on yourself and the next on what goes on outside, because both markets and technology change very fast and you don't hear about them on the inside till it's too late. There are three things. The third thing to be said,*

especially to the medium-sized companies, which, I think is what we have in this room at the moment, is: make sure that you sit down with your own people once a week, maybe once a month quietly for a long time, and ask them: what do we in this company do that helps you? What do we in this company do that hampers you? What do I as your boss do that helps you? What do I as your boss do that hampers you? There are two requirements to being a boss. One is to set the right example; and the other is to help and enable his/her people to perform. Those are the things I would put first. All the rest is different from organization to organization; these things are the same in all human organizations. I hope this answers your question, Mr. Abell.

### **Motivation: the Quality Award**

#### **Miro Germ:**

What do you think about the European Quality Award? Could the quality award score be a performance measure of top managers?

#### **Peter Drucker:**

I have mixed feelings. On the one hand, to try to meet the standards has a tremendous quality impact on an organization. You know the secret of a good sports coach is to get his players (and I used to play football, European football when I was young) to want to beat the enemy, to want to win, to want to win together. And that is what a quality award does. It creates that team spirit. On the other hand, it focuses on one, and only one dimension and when you look at what has happened to award winners, a good many of them two years later will be frowned on because they had put quality in production first. That was the only thing they cared about. And now that they had won it, there are no other worlds to conquer. So, on the one hand I think that you need something. Need is too strong a word; you use something that focuses a team. I used to be a chamber music player in my younger days and when we sat down, never as professionals, we were focused on that one quartet and it gave us tremendous excitement. But it also meant that we neglected the repertoire - we focused on very few things and we did not really become better players. We did a better job of the Schubert quintet but I didn't become a better cellist. An award has great motivating power, but don't let it overshadow performance.

[8]

### **Development is Ensured by a Civil Society and Education**

#### **Peter Kraljič:**

What is your perception of the development opportunities of Central and Eastern Europe?

#### **Peter Drucker:**

That question is difficult because you are lumping Central and Eastern Europe into one question. And I am an old European, I was born when Ljubljana was still Laibach, so I was born still in the Austro-Hungarian monarchy and I spent the first 10 years of my life in it. I know that there is no such thing as Central or Eastern Europe, except on the map. But Slovenia is very different from the Ukraine, believe me. And what is the difference? Well, you do have an old civic tradition in Slovenia, as they have in the Czech Republic. The development opportunities are tremendous.

*Where you don't have that civic tradition, the civil society with functioning social organizations, where the state has killed everything else if it ever existed, where you don't have the educational infrastructure (and, again, you in Slovenia have it and the Czechs have it, and the Hungarians have some), there, I think, it is very difficult. Well, I don't think an institute like Danica Purg's could have happened in, let us say Poland, or could have been set up in former Russia because the basic tradition isn't there. The basic commitment to community isn't there and the civil society does not function. So, I would look at individual countries, and not from the point of economics but from the point of your society. What makes Singapore, Malaysia, Indonesia or Taiwan so special? What makes Singapore special is that the Chinese have a basic civil tradition based on the family that creates energies; and the same is true in South Korea. And where you don't have it, yes, the dictator's sons get rich and the dictator's nieces get rich, but the society does not. And so, I think, where you have civil society, and you in Slovenia have a very old tradition of it (I know a little bit about your country and the Czechs have it), it is going to be tough, hard work in this very competitive world but the community is there and that, I think, is what distinguishes you. That's the most I can say. I don't think there are opportunities for countries; there are opportunities for individual businesses. They can be helped by a country's policy, or hampered; but if you don't have the individual businesses and drive behind it and the support of the community, you are not going to get anywhere. So, where you have it, I think, the opportunities are good. It's going to be very hard work in the very competitive society. Nobody has an advantage anymore, you have to earn it every day, but where you have that basic social foundation, I would almost say that a society that is proud of itself, then you can succeed. That's all I can offer. Otherwise, I would look at individual countries and industries.*

[9]

## **Women in Management**

### **Alenka Sabadin:**

*How do you see the role of women managers in professional management in the world of tomorrow?*

### **Peter Drucker:**

*I am probably the wrong person to ask that question. Because, you know, as I grew up my mother was a professional woman, the second woman pediatrician in Austria (the first one was her cousin). My wife is a professional woman who now, at the age of 85, is starting a new business: she is a physicist. I ran a women's college, and I was the first person in the United States to admit women to a graduate business school, so I am obviously not impartial and I have worked very well with women. I have never had any problems. I think in the United States, in another 15 years, every single financial officer will be a woman. Women are making extraordinary careers in finance and accounting and they are incredibly gifted in it. They are succeeding where men are phasing out since women began to take over. On the other hand, let me say, even in 15 years most manufacturing managers will still be men, even though we now have almost one-fifth of the students in our engineering schools women and they are very good students, but they gravitate even in engineering into staff jobs rather*

than line jobs. When you look at our health care system (and as you may have heard, it is in turmoil and transition), increasingly the people that emerge as managerial heads there are former nurses, women nurses: they know the hospital. And also women find it very hard to get in and even harder to make a career. But I think you can expect, from now on, women to have an increasingly more professional focus: the kind of women that may sit at home terribly bored or the ones who are becoming part of the major accounting firms, part of the major law firms, taking over in medicine where, in the United States, women were almost unknown except as nurses 45 years ago. So, I think that women are increasingly taking over professional and managerial jobs and increasingly, in the US, that is no longer a problem. That's almost an accomplished fact and, I think, it has to do with the fact that so much modern work is not heavy manual work, but is brain work that requires the willingness to work with other people. Let's face it, women are usually better at that than men. So much of it requires that balance between perception and the rigorous method which a good controller has and that, too, is something that women are usually better at than men. So I think, in the US, we are about two-thirds of the way there. We began in 1960; 35 years ago in my executive management program for people at 45 to 50 who are just below the top position, one of them had been counseling the Bishop every week. We began 24 years ago when we had maybe two or three women in the group out of every hundred we admitted. Now it's about 40 women out of every hundred. And these are people who make substantial careers, otherwise we would not take them. I also think that's going to be universal.

[10]

## **Management in Non-profit Companies**

### **Danica Purg:**

*In connection with non-profit organizations, what do you see as being relevant? You mentioned the Bishop of California and when we talked you said that it is very important that more and more people from institutions which are not business institutions undergo management education because they are running very important businesses. Today, there are about 300 people here, mostly from business and also from the government, hospitals, the church, etc. Can you tell us something about possible impacts on management development you see as relevant? Is there any difference between the two types of organization profit and non-profit ones?*

### **Peter Drucker:**

*Let me first make one thing clear, Danica Purg. That Bishop in my executive management program is a man. We haven't yet reached the level of women Bishops, although, I think we will be getting there, perhaps not in my lifetime, but maybe within 50 years. Yes, there is a difference between non-profit and profit. Non-profit organizations are much harder to manage. There are two reasons for this. First, they do not have a financial bottom line. If you run a business, by the end of the year, you may not know how well you have done, but you know that you have done poorly. And that is like in the non-profit institutions. The other one is that non-profit institutions, in many cases, depend very heavily on volunteers and volunteers are a very different management challenge to employees. Much*

*easier because they are committed to what they are doing and much more difficult because the satisfaction of the paycheck isn't there. There are differences, but both need management; and management, therefore I would say in a well-run non-profit organization is better as a whole than even in a well-run business. But most non-profit organizations are still very poorly run because people believe that theirs is a good cause and that's what matters; results don't matter. They are not focused results and so they need a great deal of management development. You are in that field, not because of good intentions, but because you want to make a difference in society, the community, in whatever the non-profit organization's mission is. All my own managerial experience is in non-profit organizations. I ran a small university and a very large professional school in my career. I have never run a business. I worked in one a very long time ago, so my experience is in non-profit as an executive and, I wouldn't say it's more difficult, but there is more to learn, simply because most of the people who are in them want to do good and now have to learn how to do well; they have to learn to manage for results.*

### ***The Modern Educated Person is Continually Learning***

***Danica Purg:***

*Could you explain your notion of an educated person?*

***Peter Drucker:***

*I think that is a very basic question and I think we can now answer it. It is not what we meant by an educated person yesterday: when I went to high school educated meant that you could read a Latin inscription (which, incidentally, I no can longer do). Being educated today means to have learnt to learn and it means to continue to learn. That is "educated" today and it's no longer what we had for a couple of hundred years: that nice, kind of educated person, humanist, though I still count myself one of them. But, now, I think what makes a person an educated person is a commitment to continuous learning, going back to school, such as in your courses, Danica, reading, trying out things, learning and expanding one's horizons. That is an "educated person" now.*

[11]

### ***Plans, the Future, Thanks and Congratulations***

***Danica Purg:***

*Tell us please, at the end, what are your future plans?*

***Peter Drucker:***

*My own future plan is to keep active and work for as long as the good Lord will permit me, which cannot be very long; and not to retire. I wouldn't know what to do - so to continue to work as long as people like you want me to talk to them, as long as my plans still come to me (and they do), as long as I still can teach, I hope I will be able to continue. It can't be very long, but as long as the good Lord gives me, my plans are to keep on trying to make a tiny little contribution in this very dangerous world. They are my plans. A week from tomorrow I will be going to Japan on a lecture and consulting tour, probably my last one. It is going to be strenuous, and I will rest for a week before I start teaching again; and November may be the busiest month I have ever had in my life. All non-profits, by the way: about 6 or 7 non-profit institutions I have been working with are coming back to*

*spend one or two days with me. So I have no plans. I just keep on doing what I can do as long as I am able to do it.*

*Thank you again very much for asking me to speak to you and again, you have my warmest congratulations on your 10th anniversary. You and your institute are doing what we need. You are in this horrible century of wars and persecution, trying to create the education and the competence for tomorrow and for a better century. And if I have made a slight contribution I would be very very happy. Thank you very much, Dr. Purg. And thank you very much, you, people in Ljubljana, for the great pleasure and the great honor to be allowed to talk to you. Thank you very much.*

## Peter F. Drucker: Timeline

### 1909

Born November 19 in Vienna, Austria, into a highly-educated professional family deeply involved in the cultural, political and economic affairs of the day. His kindergarten teacher taught 'the concept of management'.

### 1918

The school he attended in 4th grade, run by his beloved Misses Elsa and Sophy, focused on what people can do, which became an early model concept for the Drucker credo. He spent the summer at the Topolšica Spa, Slovenia.

### 1919

Entered gymnasium and was instructed in religion by Father Pflieger, who posed the key existential question, 'What do you want to be remembered for?' This question was an important touchstone for Drucker throughout his life.

### 1927

Moved from Austria to Germany to study law at Hamburg University. One course presented admiralty law as a microcosm of Western history, society, technology, legal thought and economy. It became the model for Drucker's management teaching.

Attended a performance of Verdi's Falstaff at the Hamburg Opera and was inspired to carry out his life's work in the spirit of Verdi, who said: 'All my life as a musician I have striven for perfection. It has always eluded me. I surely have an obligation to make one more try.'

[13]

### 1929

Published two econometric papers, one of which predicted, in the early fall of 1929, the continued rise of the stock market. This cured him permanently of ever making predictions. Worked as a trainee securities analyst in the Frankfurt branch of a Wall Street firm before transferring to Frankfurt University.

Joined Frankfurt's largest daily newspaper, the Frankfurter General Anzeiger, as a financial writer. Promoted a year later to senior editor in charge of foreign affairs and business. His boss, Erich Dombrowski, a leading liberal editor, taught him to evaluate his work and decide what to focus on, what to improve, and what to learn. This type of assessment became a key element of Drucker's work with managers and organizations.

### 1931

Received a Ph.D. in international law from Frankfurt University.

### 1932

Published an essay on Friedrich Julius Stahl, a leading German conservative philosopher, which offended the Nazi government. The pamphlet was banned and burned. Drucker decided not to stay in Germany under Nazi rule, and moved to London, where he worked for a merchant bank and continued to write and to study economics.

**1933**

Visited Ljubljana, Slovenia.

**1937**

Married Doris Schmitz and moved to the United States as a US correspondent for a group of British newspapers. Doris Drucker became his support and inspiration.

**1939**

Published his first book, *The End of Economic Man: The Origins of Totalitarianism* (reissued 1995), which Winston Churchill ordered be included in the book kit of every graduate of the British Officers' Candidate School. Taught part-time at Sarah Lawrence College.

**1942**

Joined the faculty of Bennington College, Vermont, as a professor of politics and philosophy.

**1943**

Published his second book, *The Future of Industrial Man* (reissued 1994), which led to an invitation from General Motors to study their corporate and top management structure: his first of many consulting projects.

**1945-46**

[14] Published *The Concept of the Corporation* (reissued 1992). This book, which originated in Drucker's study of General Motors, introduced the concept of decentralization as a principle of organization, and that of management by objectives to replace command and control. It also introduced the principle of worker responsibility, which General Motors rejected but which Japan made the cornerstone of its postwar industrial strategy.

**1950**

Joined the faculty of New York University's Graduate Business School as a professor of management, where he stayed until 1971. Overheard Joseph Schumpeter, noted Harvard economist, say to his father, Adolph Drucker, 'I know that it is not enough to be remembered for books and theories. One does not make a difference unless it is a difference in people's lives'. This becomes a key part of Drucker's thinking about his own life and work.

**1954**

Published *The Practice of Management*, thereby establishing management among the major social innovations of the 20th century. Among his contributions are the three classic questions: What is our business? Who is our customer? What does our customer consider value?

**1966**

Published a highly-regarded book, *The Effective Executive*, which tells managers to focus on strategic priorities in order to avoid wasting time on nonessential matters.

**1971**

Left New York University to become the Clarke Professor of Social Sciences and Management at Claremont Graduate School in



California. Claremont later renamed the school after him.

**1975**

Began a 20-year tenure as a monthly columnist for the editorial page of the Wall Street Journal. Commenced what he described as his 'period of greatest productivity'.

**1976**

Appointed to the board of the financially distressed Asian Art Museum in San Francisco. Donors responded to his vision, and the museum was turned around. Provided a similar vision for CARE at a time when that organization was reeling from financial scandal.

**1979-85**

Became a professorial lecturer in Oriental art at Pomona College in Claremont.

**1981**

His questions to Jack Welch, CEO of General Electric, generated GE's cornerstone strategy of striving to be No. 1 or No. 2 in every business.

**1984**

Argued famously that a company's CEO should make no more than 20 times the salary of its lowest-paid worker.

**1987**

The Peter F. Drucker Graduate Management Center at Claremont Graduate University named in his honor.

[15]

**1996**

Spoke at the 10th anniversary celebration of IEDC-Bled School of Management.

**1998**

The Drucker Archives inaugurated at Claremont Graduate University. Drucker's works are collected and categorized in the archives, making his ideas, ideals, and philosophy widely accessible to scholars and practitioners.

**2000**

Opening of the new IEDC premises on Lake Bled, Slovenia: Drucker sent his warm congratulations, saying 'Cresceat and Floreat!'

**2002**

Drucker awarded the Presidential Medal of Freedom by President George W. Bush for his service to the field of management.

**2005**

Won the McKinsey Award, presented by the Harvard Business Review for the best business article published in HBR in 2005. Drucker's 'What Makes an Effective Executive' tied for first place. Died at his home in Claremont on November 11, a week before his 96th birthday, having published 38 books and been translated into 37 languages.

Source: CGU, IEDC

## Peter F. Drucker: Man of the Past, Man of the Future

[ A PERSONAL HOMAGE BY HERMANN SIMON\* ]

“What this book actually dealt with is THE FUTURE OF SOCIETY.” This is the closing sentence of Peter Drucker’s *Management Challenges for the 21st Century*,<sup>1</sup> which appeared in 1999. The future was always of particular interest to Peter Drucker. Many people contemplate and write about the future, but no other management author had such an impact on our thinking as he. What made Drucker so exceptional? What distinguished him from all the others? My hypothesis: Drucker interpreted the future in a unique way because he was a man of the past.

I once asked Professor Drucker whether he considered himself more as a historical writer, or a management thinker. Without much hesitation he answered, “a historical writer”. Shortly before this I had read his memoirs, *Adventures of a Bystander*.<sup>2</sup> In this book he swept us away into a world that has since disappeared, to the source of my argument. Another famous Viennese, the writer Stefan Zweig (1881-1942), called this “yesterday’s world.”<sup>3</sup> The environment into which Peter F. Drucker was born and raised was unique in many ways. In the upper middle classes of the Austro-Hungarian empire, great emphasis was placed on education, culture, art, music, historical consciousness, urbanity and international openness. However, these catchphrases only partially describe this period in Vienna. Whoever wishes to understand life at that time should read Drucker’s *Adventures of a Bystander* and Zweig’s *Yesterday’s World*. It was common practice, for example, for children of the educated classes to be brought up speaking several languages, as they often had English and French governesses.

[16]

This world is reflected most convincingly in the minds that it produced, whose curriculum vitae closely resemble that of Peter Drucker. The fall of the Austro-Hungarian Empire in 1918, Bolshevism in Russia, the Nazi period in Germany: this “volcanic tremor across our European earth,” as Stefan Zweig called it, uprooted an entire generation and simultaneously released tremendous creativity. Stefan Zweig first emigrated to England and later moved on to Brazil. The philosopher Karl Popper, born in Vienna in 1902, wrote his main work *The Open Society and Its Enemies* during the Second World War while in exile in New Zealand, and later settled in England.<sup>4</sup> The path of the mathematician John von Neumann (1903-1957), to whom we owe the development of game theory and the computer, led him from Budapest via Germany to Princeton, New Jersey, U.S.A. The writer-philosopher Elias Canetti (1905-1997) made his way to England and later to Switzerland.<sup>5</sup> The science journalist Artur Koestler (1905-1983), born in Budapest, lived a restless life in Israel, Germany, Russia, France, Spain, and finally England. Ernst Gombrich (1909-2001), world-famous art historian, was born in Vienna in the same

year as Drucker. Written in England, his voluminous work *The Story of Art* (688 pages!) sold more than six million copies. This group could also be extended to include the sociologist Norbert Elias (1897-1990),<sup>7</sup> who was born in Breslau and whose wanderings led him to Paris, England, Amsterdam, and Bielefeld, where I met him at the age of 90. Karol Woytila, from Krakau, Poland, better known as Pope John Paul II, was also a child of this unusually fertile cultural ground: he spoke ten languages. Peter Drucker's sojourns fit well alongside those of this exceptional group: Vienna, Hamburg, Frankfurt, England, and America.

Via its own decline the Danube monarchy set its children free. Far from their homelands, these people accomplished great things and left permanent marks on the cultural inheritance of humankind. The scions of the royal and imperial monarchy were able to achieve such success because they had become exemplary world citizens – educated, culturally flexible, multilingual, historically conscious – long before the era of globalization. “Yesterday’s World” had clearly prepared them for the world of the future. Their works are echoes of a unique culture.

This, however, was merely the broad general setting. The specifics are even more notable. Because Peter Drucker understood history as few others do, he could elucidate the future in a way characteristic only of himself. He impressed me repeatedly with his detailed and extensive knowledge, and with his clever and unusual associations. Several experiences and analogies bear witness to this. When I read many years ago that the famous philosopher Arthur Schopenhauer had learned Spanish only in order to read *The Oracle Manual and the Art of Worldly Wisdom*<sup>8</sup> by the Spanish Jesuit Balthasar Gracian (1601-1658) in its original language, I was truly impressed. I later corresponded with Drucker about this and discovered that he was well acquainted with Gracian. In fact, he wrote, “My father gave it to me as a present 72 years ago when I left Vienna to become a business apprentice in Hamburg. ... A few months later I discovered Kierkegaard [a Danish philosopher]. And these two have become the poles of my life. Because of Gracian, I taught myself enough Spanish to read his work in its original language – and along with that I learned enough Danish to also read Kierkegaard’s work in its original language.”<sup>9</sup> To learn Spanish like Schopenhauer in order to read Gracian, and also to learn Danish (like the famous Spanish philosopher Miguel de Unamuno (1864-1936)) in order to read Soren Kierkegaard (1813-1855) in the original are parallels that put Drucker’s extraordinary talents and depth into their proper light.

Let us explore a specific case. Drucker frequently names Deutsche Bank in his publications as the first business to be organized according to modern principles. Because I knew of his interest in this institution, I once sent him an article about one of its founders, Ludwig Bamberger (1826-1899).<sup>10</sup> I did not expect Drucker to be familiar with the name, which I myself was not. But I was wrong again: he was well acquainted with Bamberger’s life and deeds

through the diaries of his own grandfather, Ferdinand von Bond. Drucker replied, “His stories of Ludwig Bamberger and Georg Siemens [another founder of Deutsche Bank] fascinated me and I still remember some of them,”<sup>11</sup> – further proof of his unbelievably detailed knowledge.

Drucker’s close proximity to and personal contact with great personalities – from all imaginable categories – are also remarkable. In *Adventures of a Bystander*, Drucker recalls his acquaintanceships with Buckminster Fuller, the physicist, and Marshall McLuhan, the communication scientist. I quickly noticed that whenever I mentioned a famous name to Drucker, he knew the person. Three examples: he had known Ernst Juenger (1895-1998), the controversial German writer, since the 1930s; and had met Reinhard Mohn, the man who turned Bertelsmann into a truly global publishing company in the 1950s. When I asked him if he knew art historian Ernst Gombrich, he responded: “I did not know Gombrich from Vienna. But, about ten or twelve years ago, I spent a very happy and long evening with him in London. ... After that we regularly exchanged books and letters and articles.”<sup>12</sup> This is indeed a small world. From across great distances, great personalities attract one another and their paths intersect. Drucker often found himself in the right place at the right time for such encounters.

[18] Drucker possessed yet another skill, which I have observed to such a great extent only in the Argentine writer Jorge Luis Borges: that of association.<sup>13</sup> Borges seemed not only to have read everything; he was also able to make the most improbable connections and associations. In so doing, he surpassed time and space and recognized relationships and analogies which escape the average person. The same was true of Peter Drucker. He drew parallels and recognized commonalities between current, future and historical developments, spanning them with broad intellectual arches. Personalities such as Drucker und Borges seemed to have encyclopedic memories. Yet this alone is not enough; the real skill is the ability to make connections. Arthur Koestler, whom I mentioned above, considered this competence the true source of creativity.<sup>14</sup>

Drucker’s last book, *Management Challenges for the 21st Century*, bears witness to this skill. In it his consideration of information technology in light of the history of the printing trade leads to surprising conclusions. As he saw it, the winners of the IT revolution are not the hardware or software developers of today, but rather the publishing houses which have access to knowledge and content. He listed Bertelsmann with Reinhard Mohn as an example. Bertelsmann is currently the largest publisher of English-language books in the world. Drucker’s choice pleased me personally, because I had, just a few months previously, named Reinhard Mohn the “Entrepreneur of the Century” for the largest German weekly newspaper, *Die Zeit*.<sup>15</sup> But in this context Drucker’s choice has far greater weight.

Drucker’s historical competence cannot, of course, be interpreted “mechanically”. History does not repeat itself, nor does it follow

given laws as Karl Marx or Oswald Spengler suggested.<sup>16</sup> Nevertheless, it can be said that the human being has changed very little during the course of recorded history. The statements by Plato, Aristotle, or Seneca about the human being and his/her behavior are as accurate today as they were in ancient times. We therefore gain valuable insight when we interpret current developments and the future in light of historical analogies. This is a perfect description of Peter Drucker's great strength – and also of the most notable weakness of nearly all management authors. Their knowledge of history is typically sporadic, superficial, or totally nonexistent. In contrast to those who have dubbed themselves specialists in entrepreneurial history but only cover a small portion of this field, Drucker possessed a much broader foundation of historical knowledge. Without this type of historical understanding and consciousness, it becomes easy in management to fall victim to the current buzzwords or trends of the day. The comments of the philosopher George Santayana that history will repeat itself for those who do not want to learn from it are perhaps especially pertinent for management, which often purports to create something new but it is really only serving old wine in new wineskins.

Peter Drucker taught us using history as his tool. He held a mirror in front of us that opens up new perspectives and helps us to better understand the future. This brings us back to Soren Kierkegaard, who said, "Life can only be understood by looking back, but can only be lived by looking forward." Precisely because he was a man of the past, Peter Drucker shone as a thinker of the future. [19]

*\*HERMANN SIMON is founder and chairman of Simon, Kucher & Partners Strategy & Marketing Consultants, Bonn, Boston, Frankfurt, London, Milan, Munich, Paris, Tokyo, Vienna, Warsaw and Zurich. Simon is a leading strategy, marketing and pricing expert, he consults to corporations worldwide. Simon has been on the editorial boards of numerous scientific journals both in the USA and in Europe. He is a director in several corporations and serves on the board of trustees of several foundations. In the past, he was Professor for Management Science and Marketing at the Universities of Mainz and Bielefeld and a Visiting Professor at Harvard Business School, Stanford University, London Business School, INSEAD, Keio University Tokyo and the Massachusetts Institute of Technology. Simon's more than 30 books include the world bestsellers Hidden Champions (published in 14 languages) and Power Pricing (published in 12 languages), Think!, Strategy for Competition, Strategy and Corporate Culture. In the survey conducted in 2005 by Winfried Weber & Partner, Simon was named the second most influential management thinker in the German-speaking countries, after Peter Drucker.*

<sup>1</sup> Peter F. Drucker, *Management Challenges for the 21st Century*, New York: Harper Business 1999.

<sup>2</sup> Peter F. Drucker, *Adventures of a Bystander*, New York: Harper & Row 1978.

<sup>3</sup> Stefan Zweig, *Die Welt von gestern – Erinnerungen eines Europäers*, Stockholm: Bermann-Fischer 1944.

<sup>4</sup> Karl Popper, *Die offene Gesellschaft und ihre Feinde*, Stuttgart: UTB 1992.

- <sup>5</sup> Elias Canetti, *Die gerettete Zunge*, Munich: Carl Hanser 1977.
- <sup>6</sup> Ernst Gombrich, *The Story of Art*, 16th edition, London: Phaidon Press 1995. First edition published in 1950.
- <sup>7</sup> Norbert Elias, *Der Prozess der Zivilisation*, Bern: Francke 1969.
- <sup>8</sup> Balthasar Gracian, *The Oracle Manual and the Art of Worldly Wisdom* (Spanish original title: *Oraculo manual, y arte de prudencia*), translated into German by Arthur Schopenhauer, 11th edition, Frankfurt am Main: Insel 1998.
- <sup>9</sup> Personal letter from Peter F. Drucker, July 26, 1999.
- <sup>10</sup> *Frankfurter Allgemeine Zeitung*, “Ein bärtiger Revolutionär und erfolgreicher Bankier” (English: “A bearded revolutionary and a successful banker”), February 1999; see also Benedikt Koehler, Ludwig Bamberger, *Revolutionär und Bankier*, Stuttgart: Deutsche Verlag-Anstalt 1999.
- <sup>11</sup> Personal letter from Peter F. Drucker, March 4, 1999.
- <sup>12</sup> Personal letter from Peter F. Drucker, November 28, 2001.
- <sup>13</sup> See for example, Jorge Luis Borges, *Selected Non-Fictions*, New York: Viking 1999.
- <sup>14</sup> Arthur Koestler, *Der göttliche Funke*, Munich: Scherz 1968.
- <sup>15</sup> Hermann Simon, “Fit für die Zukunft”, *Die Zeit*, 30 December 1998.
- <sup>16</sup> Oswald Spengler, *Der Untergang des Abendlandes*, Munich: Beck 1923.

**IEDC “Books of the Year”**

- 2005 Peter Drucker: *Manage Yourself and Then Your Company: Set an Example*
- 2004 Manfred Kets de Vries, *The Bright and Dark Sides of Leadership*
- 2003 Fons Trompenaars, *The Challenge of Leadership - Visions, Values, Cultures*
- 2002 Milan Kučan, Jean-Philippe Deschamps, William George, *Leadership for Innovation*
- 2001 Milan Kučan, Peter Kraljič, Peter J. Rohleder, *Competitiveness of Companies in Central and Eastern Europe*
- 2000 Paul Strebel, *Focusing on Breakthrough Options*
- 1999 John M. Stopford, *Harnessing Organizational Knowledge for Strategic Innovation*
- 1998 Pedro Nueno, *Maintaining Your Personal Value*
- 1997 Lecture by Peter F. Drucker on the occasion of the 10th IEDC Anniversary: “*Manage Yourself and Then Your Company: Set an Example*”
- 1996 10 years of IEDC
- 1995 George Taucher, *How to Succeed with Strategic Alliances* [21]
- 1994 William A. Fischer, *The New Faces of Manufacturing*
- 1993 *The European Presidents’ Challenge; Beyond Restructuring*
- 1992 *Developing Managers for Eastern and Central Europe*
- 1991 Thomas J. Peters, *The American Way of Managing – A Model for the Whole World?*
- 1990 Arnaldo C. Hax, *Redesigning of Strategic Concepts and Processes*
- 1989 Derek F. Abell, *Management in the Organization of the Future*
- 1988 Peter Kraljič, *Ways to Industrial Success*

## About IEDC – Bled School of Management

Established in 1986 as the first business school of its type in Central and Eastern Europe, the IEDC – Bled School of Management is one of the most prominent international management development institutions in Europe. It is a place where leaders come to learn and reflect, an international center of excellence in management development, a business meeting point, and a unique place where works of art provide a creative environment for creative leadership. Some of the world's most eminent professors and consultants teach here, and participants attend from all over the world.

In 1999 the IEDC – Bled School of Management was one of the first two business schools to be awarded the IQA (International Quality Accreditation), while in 2005 it received an international accreditation by the Association of MBAs (AMBA).

The IEDC – Bled School of Management is also the headquarters of the Central and East European Management Development Association (CEEMAN), the International Management Teachers Academy (IMTA), and the European Leadership Centre (ELC).

[22] Along with its highly-ranked International Executive MBA and Presidents' MBA programs, the IEDC offers short executive seminars for top management, tailor-made programs for corporate partners, and a wide range of general management programs including a five-week General Management Program and an International Summer School for Young Managers.

The IEDC – Bled School of Management Faculty of Postgraduate Studies of Management holds the status of a higher education institution at the Slovenian Ministry of Education, Science and Sport, which allows the school to offer master's and doctoral degree studies in management in addition to MBA courses.

### **The IEDC – Bled School of Management is a member of:**

- The Central and East European Management Development Association (CEEMAN)
- The European Foundation for Management Development (efmd)
- The Association to Advance Collegiate Schools of Business (AACSB International)
- The Executive MBA Council (EMBAC)



FROM: Peter F. Drucker  
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DATE: November 21, 04

TO: Fax # Dr. Danica PURJ, President  
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If this transmission is not clear, or if pages are missing, please telephone and request re-transmission. This transmission contains 8 pages in addition to the cover sheet.

Dear Danica Purj;

my warmest thanks for your kind birthday wishes which I greatly appreciate. And CONGRATULATIONS on the wonderful success of IEDC- I am impressed and greatly delighted. I am totally retired from teaching although I do give three to four big special lectures still at the University- the latest one was three weeks ago, the next (third) in late January. But I write a good deal- especially some major pieces for the WALL STREET JOURNAL and new forewords for re-issues of old books. And I do a fair amount of pro bono (i.e. unpaid) consulting for not-for profit institutions, especially Churches (particularly the peculiar American phenomenon of the "megachurches" with 8000 or 10,000 members and up to twenty pastors), hospitals (which are, I believe, the most complex social organization- especially in the unique American version of the free-standing community hospital, i.e. a hospital totally independent of and separate from, any government and yet not a "business" and universities. BUT I do not travel any more- it's the one thing I had to give up. My wife Doris is even busier than I am, marketing a unique tool for speech control she designed and patented-- it's doing very well with speech clinics and speech pathologists.

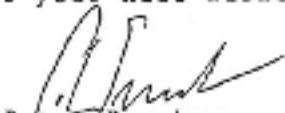
And just now I am doing three new forewords for the Chinese re-issues of some old books.

Your news made me very happy. Do keep me informed about your work and your progress- thank you in advance.

Has winter arrived in Bled yet? I imagine the KARAWANKEN (what is their name in Slovenian?) are fully snow-covered. We had heavy rain a few days ago so our mountains (up to 3500 m high) are fully snow-covered, down to 800 m (we are at 600 m) - a beautiful sight and promising a white Christmas. But the days are bright, sunny and warm- though not warm enough to go swimming even in a heated pool.

But enough chatter-- again my thanks for your nice wishes and my delighted congratulations on your success.

As always

  
Peter Drucker

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