

Peter Drucker, author of 30 books and mentor to some of the world's most famous business leaders, is the all-time king of insight. He talks here about the unimportance of managing people, the evil of charismatic leaders, and the despicableness of empowerment.

A figure walks onstage to accept an award for a lifetime of achievement. Eight thousand people jump to their feet and fill the vast hall with noisy tribute. A swarm of fans rush the stage with cameras. The noise rolls on and on and finally fades like summer thunder.

No, the furor wasn't for Tom Cruise or any rock star. This celebrity is Peter Drucker, leading candidate for being the most influential observer in modern business history. At 89, Drucker is a living icon for generations of managers and their teachers. An awestruck young spectator says, "I feel like I've just seen Elvis."

That a man of ideas—a writer, teacher, and mentor—would excite so much admiration gives one hope for the state of heroism in our time. It's not just that he has published 30 books and mentored some of the most famous business leaders in the world, or that his ideas permeate the practice of modern management around the globe. It's that it

marshaling such phrases as "I insist" and "I forbid."

It's Drucker's writing that reveals his genius, not just for observation and insight, but also for clear and original thinking beautifully expressed. He is to management what Steven Jay Gould is to natural science, Isaac Asimov to astronomy, and John McPhee to geology.

Drucker is also a life-long teacher, first at Sarah Lawrence, then at Bennington, and for the past 20 years at the Claremont Graduate School. His model for teaching, according to a chapter in his autobiographical *Adventures of a Bystander*, was a pair of spinster sisters who ran a small school for young children in Austria before World War I. Miss Elsa, clad in shiny black bombazine and high-button shoes, and Miss Sophy, draped in pastel chiffon scarves, taught the boy Peter the essence of good teaching: to give sparing but deserved praise and ask challenging questions. That he never mastered legible handwriting nor the manufacture of a three-legged milking stool did not prevent the precocious Drucker from being pro-

# Peter Drucker

all adds up to such sustained accomplishment. In an age of evanescent fame and fleeting brilliance, Drucker is a genuine, made-to-last hero.

Though he walks with the help of a cane, sensibly tagged with his return address, and must deal with the inconvenience of tuning a pair of hearing aids, Drucker has the lively mien of a younger man. White, wispy hair rises off a high forehead as if charged by the mental energy within. He has the courtly demeanor of his upbringing in pre-World War I Austria, but it's layered over with a sense of humor and a frankness that is quite American. He understands American culture so well that Henry Luce hired him to complete *Fortune* magazine's 10th-anniversary issue. English is the language Drucker writes in, teaches in, and probably thinks in, but he still speaks it with some indelible German consonants. "Ve sneak out," he said as he and his wife were leaving a reception a bit early.

He is a romantic who insists on kissing his wife goodbye before she heads out on an errand, and yet he can be feisty and gruff in defense of a cherished idea,

moted early to secondary school or from being "incurably infected" to teach. In 50-some years of teaching—humanities, social sciences, religion, philosophy, literature, history, government, management, economics, and statistics—he has "not found a subject yet that is not sparkling with interest." Miss Sophy gave him "respect for the task" and Miss Elsa "a work discipline and the knowledge of how one organizes for performance."

Drucker claims to have happened onto his role as the fountainhead of the discipline of management by sheerest serendipity. "This was largely luck; I happened to be there first." That, of course, overlooks the fact that in 1943, he saw the catalytic ideas in the management practices of General Motors—the only company that would permit him to observe up-close—and that he translated those insights into one of the most popular and seminal management books of all time, *Concept of a Corporation*. It was the first book to treat a business corporation as a political and social institution. Though economists scorned it for its absence of insight into pricing theory and the like,

By Patricia A. Galagan

managers fell on it like starving dogs on prime sirloin.

One of Drucker's most original ideas was the "self-governing plant community," by which he means the assumption of managerial responsibility by individual employees, work teams, and employee groups over such areas as the structure of jobs, the performance of major tasks, and the management of "community affairs," meaning such things as shift and vacation schedules, safety, and benefits. When Drucker first proposed the self-governing plant community in the 1940s, it was a heretical challenge to managerial authority. As you will learn in our interview, he is distressed that the notion of employee responsibility has been corrupted by the mindless granting of empowerment, something he terms an abomination.

Drucker continues to see what others overlook and to champion ideas that will probably not get their due until he is enjoying a more celestial perspective on the world. He already has an intellectual legacy that includes such ideas as the decen-

tralization of large organizations, management by objectives, and the role of the knowledge worker. His prediction that the continuing education of adults is the next growth industry is already coming to pass. The lessons he draws from not-for-profits haven't come to a boil yet nor have his observations about demographic change ("populations are shrinking, not growing"), but he has the patience of a profoundly insightful man who has seen his vision come to be many times. To quote the American poet Robert Frost: "We dance round in a ring and suppose, but the Secret sits in the center and knows."



**Galagan:** You've described the difficulty of increasing the productivity of knowledge workers and the impossibility of supervising them in the sense of telling them how to do their work. Given that, what should a management

curriculum be teaching today? What are you teaching your management students that you weren't teaching them a decade ago?

**Drucker:** I am no longer teaching subjects I focused on barely 10 years ago: I am teaching subjects I merely touched 10 years ago. I no longer teach the management of people at work, which was one of my most important courses, because I no longer think that learning how to manage other people, especially subordinates, is the most important thing for executives to learn. I am teaching, above all, how to manage oneself.

The course I just finished teaching is on the knowledge worker. It deals with what you have to know about yourself—how you have to learn, how to place yourself, how to take charge of your own work and your own career, how to make yourself productive, and so on.

Another major course I teach now, but didn't teach at all 10 years ago, is the productivity of the knowledge worker.

And another area I am focusing on is

## My Days With Peter Drucker

By Stephen H. Rhinesmith

It was a rainy Sunday in New York in June 1974. I was looking through the *New York Times Book Review*, and there was a review of Peter Drucker's new work, simply titled *Management*. It was a very favorable review. I don't remember the details, but what I do remember are two sentences: "Peter Drucker believes strongly in nonprofit organizations and feels their management is critical to the future. He therefore offers pro-bono consultation to a number of organizations."

At the time, I was in my third year as president of the American Field Service International Student Exchange Program. AFS is a worldwide organization that each year sends more than 10,000 students abroad to live with families in one of 60 countries. The OPEC oil crisis had just hit in the fall of 1973, and I was



Rhinesmith (right) with his mentor, Peter Drucker

struggling to contain international transportation costs as well as find new ways to recruit host families around the world. I wondered out loud whether Drucker would be interested in helping me. My wife, who overheard my query, said, "Of course, why don't you write and ask him?"

I did—and it was one of the most important letters of my life. Within a week, I received a phone call, with this wonderfully gravelly voice on the other end: "This is Peter Drucker. I have read your

letter. I know AFS, and I would be happy to talk with you. Come and see me." That was it—Peter doesn't talk much on the phone.

I flew to California within a couple of weeks and went to his home in Claremont around 9 in the morning. Peter answered the door, invited me in, and asked me to tell him about AFS. We talked for the morning; had lunch with his wife, Doris; went for a walk in the afternoon; and when I finally left in the early evening, we had

been talking for 10 hours. I remember feeling intellectually exhausted, but I wondered what I had learned. It seemed as if I had done all of the talking. Peter had taken no notes, and I had not much on my own notepad because he had given me very few answers to my questions. I was a little disappointed at having spent such a long time with one of the world's great minds and that I seemed to have nothing to show for it.

A week later, I received a letter. It was nine pages, single-spaced, and had

how to manage relationships in which you are not in command—alliances, partnerships, contracts, outsourcing. Such relationships are the way the world economy is going.

And finally, I am teaching a course on the information that executives need. This course does not focus on the computer and data processing, which so far I believe have resulted in executives having less information than they used to, rather than more. Instead, it focuses on the information they need and how to get it. It focuses especially on how to organize the supply of a type of information that is totally absent today for executives—information about the world outside the company. By that I mean such information as the economic chain of which your business is a small part, the market, the environment, the society, the world economy. These are all areas on which our modern technology gives absolutely no information, and yet in which both the costs and the results are for business.

been typed by Drucker himself! It had taken him two days to write it, and it contained a detailed analysis of our discussion, with absolutely brilliant insight into the issues I had raised. It was obvious that Peter had spent the day doing what consultants should do—listening. Without taking a note, he had absorbed my life and my organization.

He raised in his letter to me his classic question: “What business are you in?” He observed that the business I was in was not international student exchange but “family finding.” The students were what we put into families, but it was the families who were really our customers. He was right, and I spent some years working on that proposition.

But what really reveals Peter Drucker is the end of the letter. Let me quote:

“My dear Mr. Rhinesmith, I happen to believe that a professional relationship is not proper unless money changes hands. I consider our relationship a professional one, though I also hope that, as in every good professional relationship, it will contain a good, warm, close personal relationship. I am not willing to take money from AFS International Scholarships—under no circumstances. I am thus forced by my professional

**Galagan:** You’ve written about management and leadership, but much more about the former. How do you define the difference between them, and which one do you think is more important for success in the knowledge economy?

**Drucker:** This is largely a misunderstanding. I have written a great deal about leadership, starting with my earliest management book, *Concept of the Corporation*, which came out in 1946. In *The Practice of Management*, written in 1954, there is a whole chapter called “The Spirit of an Organization” that deals primarily with leadership. And I wrote the very first book on leadership in organizations, *The Effective Executive*, which came out in 1966 and is still a best-seller. And since then, I have published quite a bit on leadership.

I know something that today’s writers on leadership mostly do not know or want to know. I come out of political science and, therefore, I know what every political scientist has known since Aristotle 2,400 years ago: Leadership has to

propriety to enclose a donation to AFS to be used by you wherever you feel that the need is the greatest.”

It was vintage Peter Drucker—ethical, clear, philanthropic, and supportive. It was also the beginning of a six-year relationship, in which we saw one another several times a year to talk about the “state of the world.” We always met at his home and took walks. He also started advising me on my career. That led to discussions about my future in nonprofit versus for-profit organizations. Peter eventually counseled me to become president of the American Management Association—an organization that he had supported for many years. He felt it would be a perfect combination of training and development, international operations, and nonprofit leadership. I was interested, but timing became a factor and, while waiting to hear from AMA, I received an offer to become president of Holland America Cruise Lines. It was an opportunity to practice in the real, for-profit world. I took the job; Peter was very disappointed with me. I had a difficult time there and was eventually terminated.

In an act of synchronicity, however, the day I was fired I received a call from

be grounded in a Constitution. Otherwise, it quickly becomes irresponsibility. The people who knew that best were the founding fathers of the American Republic, and especially the authors of *The Federalist Papers*—which is still by far the best book on leadership.

Leadership grounded in charisma, which is what so many writers today want to advocate, inevitably becomes misleadership. I am amazed that today’s prominent writers on leadership do not seem to realize that the three most charismatic leaders in all recorded history were named Hitler, Stalin, and Mao. I do not believe that there are three men who did more evil and more harm.

Leadership has to be grounded in responsibility. It has to be grounded in a Constitution. It has to be grounded in accountability. Otherwise, it will lead to tyranny. When I look at the last 30 to 50 years—I’ve been around that long—without exception, the charismatic leaders—whether in business, government, or religion—have ended in failure and

the United States Information Agency asking me to come to Washington to provide some advice on international student exchanges. That led, over several years, to my appointment as Special Ambassador to the Soviet Union for President Reagan to coordinate his U.S.-Soviet Exchange Initiative. From there, I became involved in globalization and the American Society for Training & Development. On June 2, 1998, Peter and I were re-united at the ASTD International Conference in San Francisco when he received ASTD’s Lifetime Achievement Award and I received the Gordon Bliss Award.

Throughout these extraordinary times, my days with Peter have remained with me. It was a rare privilege to see not only how his mind works, but also how his integrity, commitment, and passion to providing insight on the human condition have produced one of the greatest bodies of management literature in history. These are days that I shall always cherish.

And Peter Drucker is a man whom we all should cherish—always.

**Stephen H. Rhinesmith** is president of *Rhinesmith & Associates*.



disgrace. And they have left a legacy of mismanagement and chaos.

The test of any leader is not what he or she accomplishes. It is what happens when they leave the scene. It is the succession that is the test. If the enterprise collapses the moment these wonderful, charismatic leaders leave, that is not leadership. That is—very bluntly—deception.

I have written, I would say, as much about leadership as most of today's prominent experts on the subject, but I have always stressed that leadership is responsibility. Leadership is accountability. Leadership is doing—to use the title of one of my most popular articles and one that is quoted again and again.

And as for separating management from leadership, that is nonsense—as much nonsense as separating management from entrepreneurship. Those are part and parcel of the same job. They are different to be sure, but only as different as the right hand from the left or the nose from the mouth. They belong to the same body.

**Galagan:** In the decades that you've been observing organizations and work, you've seen many things that others missed but that came to pass and have a major impact, such as the rise of knowledge work and the social role of organizations. What are you seeing now that you think most people are missing?

**Drucker:** The one thing I see that most people are missing, and not only in business, is the tremendous implication of demographic change.

When I was born almost 90 years ago, practically everybody—95 percent of all people, even in the most highly developed countries—made their living by working with their hands and largely doing unskilled, untrained, repetitive work. They were farm workers, domestic servants, underlings in small shops; a minority worked in factories. Today, in developed countries, the proportion of the workforce that makes a living by working with its hands is down to one-fifth. No such demographic change has ever happened before, let alone in a short century.

When I was born, less than one-third of the human race lived in cities. Even in the most highly developed countries, city dwellers were still a minority. Today, there are very few countries where the great majority does not live in cities. Again, that is an unprecedented change.

### **ASTD Presents Peter Drucker With Lifetime Achievement Award**

Last June, at a ceremony at ASTD's 1998 International Conference and Exposition in San Francisco, CEO Curtis Plott presented Peter Drucker with a Lifetime Achievement Award. The ASTD award recognizes an individual for a body of work that has had a significant impact on the field of workplace learning and performance.

Drucker's profound contribution has been to show that businesses are human as well as economic enterprises. Since the 1940s, he has advocated treating employees as resources rather than as costs. At the center of his work is his belief in the individual. He has taught that work must have social meaning and purpose; it should value opportunity and individual fulfillment, not just cost and efficiency.

And finally, the biggest change of them all is the change in age structure. I am not talking about the increase of older people, which by now everyone knows—although when I first began to talk about this 40 years ago, nobody did. The really important change for the next 30 years in developed countries is the very fast decrease in the number of young people.

The birth rate in every developed country except the United States is well below the reproduction rate of 2.2 live births per woman of reproductive age. In southern Europe—Portugal, Spain, southern France, Italy, and Greece—the birth rate is down to one live birth per woman. In Germany and Japan, it is 1.4. Only in the United States is the rate still adequate, and that is only because of the tremendous wave of immigration from countries where the birth rates are still very high. The U.S. birth rate will go down around the year 2010. In Europe, the younger population is already shrinking fast. In Japan, it is beginning to shrink. This decrease in the number of young people not only aggravates the problem of supporting older people but also creates a totally new social, political, and economic environment.

And that, by the way, explains why the productivity of people with advanced education will increasingly become the one and only major criteria in international economics.

**Galagan:** You take a global view of management, yet there are many cultural, political, and economic factors that work against a global management model. Do you believe that an effective global management model is emerging and, if so, what are its most common characteristics?

**Drucker:** Yes, there is a global management model emerging; and, no, there is no global management model emerging. The tasks, the tools, and the problems are becoming the same everywhere, so you have to organize yourself for doing the same tasks—but with different conventions.

Japanese management does exactly what American or German management does, but we all know that in important aspects Japanese management does things differently. The same is true of the rapidly emerging overseas Chinese. We used to joke that the Japanese succeeded in converting the modern corporation into a family. The overseas Chinese are busily converting the family into a modern corporation. And they are quite successful.

I hate to use the word *culture*. I think it is a word one should avoid. It has far too many meanings and not one of them is clear. Still, from country to country, culture is so different, meaning is so different.

The other day, I heard a very distinguished friend of mine, who was an ambassador to Japan, talk about his frustration in working with the Japanese bureaucracy. What he really complained about was that he never got a straight "no" from them. They would say, "maybe." But everybody who knows Japan knows that means "no."

If he had been an ambassador to France, he would have complained just as much about the bureaucracy. French bureaucracy doesn't say "no" either: It loses the file again and again, and that means "no." And we, in the United States, appoint a committee. That also means "no."

One has to learn how to say "no." The secret of good management is learning how to say "no" much more often than "yes." But different cultures, different conventions, and different managers

say "no" differently. And, in that sense, the same is true of relationships, titles, and so on.

Yes, there is global management emerging simply because the tasks are the same. To run an automobile factory in Malaysia is no different than to run one in Nagoya, Japan, or in Detroit. Training people in these countries is almost exactly alike, if the training is any good. But relationships are very different between worker and supervisor, supervisor and superintendent, and between the factory and the company, even though the management tasks are exactly the same.

**Galagan:** You've written that "the task of management in the knowledge-based organization is not to make everybody a boss. It is to make everybody a contributor." Could you elaborate on the perils of empowerment and tell us how managers can avoid them?

**Drucker:** I have never used the word *empowerment* and never will. I consider it a despicable word. I have always talked of responsibility and only of responsibility. Only if there is responsibility can there be authority—that too is the first lesson of political science. If an organization is based on power, it makes no difference whether the power is at the top or at the bottom. It is an abomination and an offense, and so I will only talk of responsibility. One must push responsibility as far down as one possibly can. That leads to authority.

And so I demand—I am not saying I recommend—I demand in every organization in which I have anything to say that managers start with these questions: What contribution can this institution hold you accountable for? What results should you be responsible for? And then ask, "What authority do you then need?" That is the way to build a performing institution.

The models are plentiful. It is the model that the Catholic Church used to restructure itself in the 13th century when it was in total shambles. It is the model on which the United States Marine Corps operates, and the model on which the American Constitution was built. It is the model for every company I know that is truly well-managed. I only wish there were more.

**Patricia A. Galagan** is editor-in-chief of *Training & Development*.



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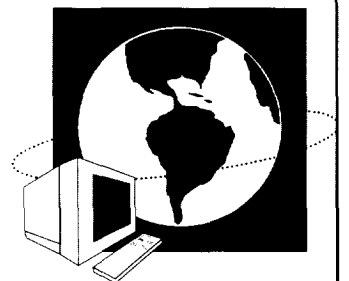
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