

# Peter Drucker lives on

PETER Drucker, the acclaimed management thinker, was widely remembered on his centennial last month. *Harvard Business Review* ran a feature titled, *What would Peter do?* The reference was to the present economic crisis in which managers and businesses have come under a cloud.

Well, first Drucker would have rubbished any characterisation of him as a 'guru' — he famously said that newspapers used the word only because the word 'charlatan' was too big to fit the headline. Drucker did write some books of the 'how to' variety. But he was not the sort to prescribe 'six easy steps to brand-building' or 'eight rules for go-getting CEOs'.

Drucker was a business philosopher who sought to establish broad principles for successfully managing businesses over the long run. His focus would have been on what managers might do to prevent situations that give business a bad name.

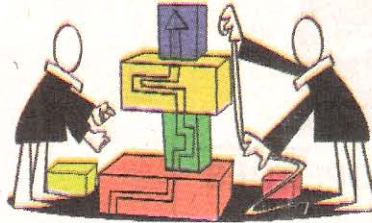
One of the articles in *HBR* mentions some of the things he would have done in today's situation. He would have exhorted top managers to work together to rein in excesses in executive pay. He would have reminded businesses that in order to retain the loyalty of knowledge workers, businesses must create a larger purpose that such workers could relate to. He would have re-emphasised the need for businesses to work closely with civil society and non-profit organisations.

Some of Drucker's ideas have been so widely embraced that they have become commonplace. The purpose of a company is to create a customer. Every company must define clearly the nature of its business. Discarding the old is as important as focusing on the new. Knowledge-based organisations need fewer levels than the traditional industrial firm. Managers routinely practise these tenets without even knowing where they came from.

Is there anything in Drucker's work that remains relevant and is not fully reflected in managerial practice? I combed through Drucker's writings and found at least three areas where his ideas could make a difference: the role of a CEO; the functioning of

## THE BIG PICTURE

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- He contends that management must strive to make whatever is good for the country is also good for the enterprise

corporate boards; and the larger responsibilities of management.

Most people think the CEO is one man's job. No doubt, many CEOs find it convenient to have it that way — the imperial CEO lording it over all he or she surveys. Yet, as Drucker correctly points out (and this was in 1955!), the CEO's job involves three distinctive functions: planning for the future, responding to every day problems, being the organisation's face to the outside world.

It is impossible, Drucker asserts, for any individual to successfully handle more than any two of these three functions. Hence, the CEO's role cannot be discharged by one person, it can be done only by a team. And the team should comprise at least three members. How many businesses can claim to do this?

Drucker is emphatic as to the need for effective boards. "It is an organ of review, of appraisal, of appeal". The last function, appeal, that Drucker mentions is striking if only because it is defunct today. Drucker says of

this particular function of the board, "Somebody has to discharge the final judicial function in respect to organisation problems, has to be the 'Supreme Court'". We all know the drab reality that obtains today. Most boards do not even want to take cognisance of appeals from managers — that would be 'interfering in operational matters'.

Drucker argues that it is in the interest of the top management team to attract outstanding individuals to the board and to make the board effective. An effective board is crucial to the success of top management. Yet, most CEOs tend to regard boards as decorative as best and a nuisance at worst.

Lastly, the responsibilities of management. One is self-evident and has been placed on the altar — making profits. Drucker is not dismissive of profits. Indeed, he sees it as the first responsibility of business. But, management has other responsibilities towards the enterprise as well: making sure of tomorrow's management; not claiming special allegiance from its employees over and above the contractual obligations; allowing the freest mobility from the bottom to the top; developing a capital expenditure policy that counteracts the business cycle.

Beyond these, management has a larger responsibility towards society. This is not what passes these days for 'corporate social responsibility'. It is much loftier than that. Drucker inverts the free market slogan, "What is good for the enterprise is good for the country". He contends that management must strive to make whatever is good for the country become good for the enterprise. Business must make this rule "the lodestar of its conduct".

There is so much wisdom in Drucker's writings. Yet, it is possible to go through an MBA programme without even heard of Drucker. It is possible to be a professor in a business school without having read Drucker. That is, perhaps, why so many managers are like the blind men in the parable who feel out an elephant's parts without knowing the elephant.

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