

Peter F. Drucker – Management Needs Christian Values

Manfred J. Hoefle

"The only basis of freedom is the Christian concept of man's nature: imperfect, weak, a sinner, ... yet made in God's image and responsible for his actions."

(The Future of Industrial Man. p. 110. 1942)

Peter F. Drucker is *the* management theorist. He is considered to be the founding father of modern management.¹ Peter Drucker, whose life spanned the past century (1909 – 2005), was a highly educated citizen of the world: a creative spirit who wrote thirty-nine books including many classic works on business management. He was a man of many parts: a sharp observer, a life-long student, a teacher, coach of renowned corporate leaders, and the founder of an executive school in Claremont, California, that bears his name.

Much has been said and written of his achievements, and yet there is a lesser-known side to Peter Drucker; that other side is the subject of this essay. He was reticent about his personal philosophy of life. He also strongly objected to being called a 'management guru' – an epithet often tied to him. Instead of being a provider of answers, Drucker always remained a questioner: his teaching method was Socratic.² What mattered most was the questions that arose from his observations of society and, above all, major corporations, as well as his reflections on those analyses, and how people affected by such institutions could turn his conclusions into action. His adherents have previously shown little interest in Drucker's innermost convictions and motives. Only after his death are questions of that type now being asked.³

Early interest in religion and institutions

Born in Vienna, at a time when the Austro-Hungarian empire was dissolving, Peter Drucker was raised in a liberal-minded and educated family. His father was a high-ranking civil servant in the Ministry of Economics. His mother, a former medical student, was a talented musician. She devoted herself to his upbringing and ensured him a culturally and intellectually stimulating environment.⁴

Peter Drucker, as a young man with many interests, attracted attention immediately after leaving high school due to several articles he wrote for business and economics publications. Drucker demonstrated a precocious talent for teaching and writing, and remained a life-long student in many fields: law, theology, philosophy, literature, history, political science, political institutions, economics and statistics and even Japanese calligraphy.

Arising from his experiences as a youth in a world being torn apart, he independently and soon drew conclusions that shaped his character and mind. Three conflicting ideas impressed the young Peter Drucker:

¹ Special Report in *The Economist* (19 Nov. 2005) entitled *The one management thinker every educated person should read*.

² A typical statement by Drucker is, "...but I'm giving you the questions that you should be asking."

³ According to Timo Meynhardt, University of St. Gallen, and Peter Paschek, Vienna/Berlin (author and friend of Peter Drucker) and above all in the USA, by Joseph A. Maciariello, like-minded theorist and professor in Claremont, California, and Jack Beatty.

⁴ Drucker shared a similar background to other outstanding Austrian scientists who resumed their life's work after emigrating to Britain and above all the United States: political economists such as August F. von Hayek, Joseph Schumpeter, Ludwig von Mises, Fritz Machlup, Gottfried Haberler; all representatives of *the Austrian School of Economics* (also known as the *Vienna School*).

1. In his dissertation *Die Rechtfertigung des Völkerrechts aus dem Staatswillen. Eine logisch-kritische Untersuchung der Selbstverpflichtungs- und Vereinbarungslehre* Drucker analysed the emerging legal positivism and its leading representative **Hans Kelsen** (1881 - 1973): the architect of the Austrian constitution of 1920. Drucker considered such an absolutist and pure theory of law to be ominous; he believed that all laws must relate to a fundamental general law of morality, a *Jus Gentium*. This, his first scientific work, reflected his lifelong conviction that every social order requires a basis in morality.

2. In his next scientific work he discussed the work of **Friedrich Julius Stahl** (1802 - 1861) the great Prussian legal philosopher and lawyer who developed a theory of law and the state *based on a Christian world view (Weltanschauung)*. Stahl's principle idea is that power must be legitimate and accountable and founded upon absolute moral values; this was something Drucker continued to advocate throughout his life. Drucker applied this same principle to business corporations: he argued they must always be embedded in their community (*Gemeinschaft*) and integrated within society (*Gesellschaft*).

3. When Peter Drucker, then a trainee bank clerk in Hamburg, first studied the works of **Sören Kierkegaard** (1813 - 1855): the existentialist philosopher, theologian, religious essayist and proponent of the *Idea of Christianity*, Kierkegaard was still relatively unknown. Drucker was fascinated by the methodology adopted by this theological individualist, namely, to employ philosophy as a instrument for reflecting upon Christianity. Kierkegaard thought that humans existed in a dynamic relationship as both spiritual beings and members of society. According to Kierkegaard, it is belief that imbues our spirituality with the conviction that we are not alone, with meaningfulness, and with an absolute point of reference, namely God. The recognition on one hand that evil is part of human nature and on the other that a bearable coexistence⁵ is still possible became inherent to Peter Drucker's personal philosophy.

According to Drucker himself, two liberal thinkers had a major influence on his thinking.⁶

The first was **Ferdinand Tönnies** (1856 - 1936): sociologist, political economist and philosopher, who believed that humans or citizens were in an interrelationship between status (in a community) and function (in a society) and were members of both a community and a society.

The second was **Wilhelm von Humboldt** (1767 - 1835) the founder of Berlin University. Based on his analysis of the French Revolution, Humboldt argued that limits should be set to state power and that autonomy of individual citizens should be rigorously defended. Peter Drucker returns to these ideas repeatedly in his books on social matters.⁷

⁵ Often referred to by Peter Drucker as the "bearable society".

⁶ Drucker remained true to the Austrian school of political economics: anti-Keynesian, critical of excessive theory, with a preference for systemic individualism, self-evident axioms and logical reasoning. He also generally agreed with the idea of price as an indicator of value, the impossibility of central planning, and the unavoidability of economic cycles.

He was greatly influenced by his friend Joseph Schumpeter's analyses of entrepreneurship and innovation.

⁷ He was also influenced by: Edmund Burke (political philosopher and originator of conservatism), Alexander Hamilton (creator of American political economics), Alexis de Tocqueville (politician, historian, founder of comparative political science), Walter Bagehot (British economist, theorist of political constitutions, publisher of *The Economist*), and Alfred Sloan (CEO and President of General Motors, who commissioned a study of GM by Peter Drucker).

Drucker wrote his first book while barely 30 years of age. After preliminary work in England it was published in 1939 after he migrated to the United States; *The End of Economic Man – The Origin of Totalitarianism*⁸ was an unashamedly political book with an original conclusion: it was the widespread hopelessness across Europe that paved the way for fascism; and this coincided with the failure of Marxism as an economic system that proved incapable of giving a meaning and purpose to life, as was then becoming clearly apparent. Drucker identified "the impotence of religion, especially when it was needed most", and considered this "the most discouraging aspect of the current situation in Europe".⁹ As he saw it, the absence of spiritual belief exposed the masses ... to the unrealistic false promises of totalitarianism and the two secular religions of fascism and communism. That book – still highly readable today – affords early evidence of Drucker's prophetic insights based on a deep understanding of social undercurrents: that capacity proved to be one of his special strengths.

Christian thinking as a basis for management theory

Drucker's interest in questions of management and major corporations arose from his never-ending interest in religion, society and institutions. He was one of the first after the second world war to recognize that management was assuming a new central role in the leadership of business corporations and society.¹⁰

The fundamentally Christian aspect of Drucker's thinking is demonstrated by reference to quotations from his writings. These are followed by summaries that should also serve to encourage further reading of Drucker's works.

1. The nature of humanity

"The large corporation must offer equal opportunities for advancement. This is simply the traditional demand for justice, a consequence of the Christian concept of human dignity."

(Concept of the Corporation. p. 141. 1946)

The Christian concept of the dignity of mankind embraces the autonomy and responsibility of the individual based upon a higher principle.¹¹ Humans are social and spiritual beings who are imperfect sinners whose journey through life is erroneous, sinful, God-denying, and who need salvation and orientation. According to this concept of humanity, the reduction of human beings to mere economic entities is fundamentally wrong. The personal development of humans who work in business enterprises should be one of that enterprise's primary goals. The strict separation of work and life is an obstacle to personal development.¹²

⁸ The book was reviewed by Winston Churchill and recommended as reading for British officers. The German translation first became available in 2010 (see Bibliography).

⁹ Note by author: Analogies with the present are speculative, but not necessarily irrelevant.

¹⁰ In Drucker's words, "That I established the study of management as a discipline in its own right; and that I focused this discipline on People and Power, on Values, Structure and Constitution; and above all, on Responsibilities." (*Management*, revised edition 2008, with Joseph A. Maciarello).

¹¹ Theodore Levitt, Marketing Professor, editor of Harvard Business Review and friend of Drucker, reviewed the first part of *Concept of the Corporation* (1970), and called it a "noteworthy catholic analysis".

¹² Noteworthy is the conclusion that "The circumstance that the masses replace order through organizationability if order is not available to them, that they pray to a demon if they cannot find a god to worship or a sense of humanity to respect, proves by the inherent intensity this takes, that people need order, belief and a rational concept of humanity." (p. 210)

2. Role of business enterprises

"Business enterprises ... are organs of society. They do not exist for their own sake, but to fulfill a specific social purpose and to satisfy a specific need of a society, a community, or individuals."

(*Management: Tasks, Responsibilities, Practices.* p. 39. 1973)

Managerial power requires social legitimacy. The latter derives from the provision of valuable economic performance, the development of employees as human beings, and ensuing positive social consequences. Good business leadership presupposes a healthy feeling for community and for the purpose of the business enterprise.

3. Role of management

"Management is deeply involved in spiritual concerns – the nature of man, good and evil."

(*The New Realities.* p. 223. 2003)

Management is what used to be called a liberal art. It presupposes a comprehensive understanding of religious and social philosophy, history, sociology, psychology and, of course, political economics and business administration. This knowledge is the foundation for prudence and leadership. Management is an art or skill that demands practical experience: his adage *management is about human beings* must be the guiding principle for every manager. This is why management has an inherent mission to act as a moral force: to accept the moral spectrum of human behavior and employ it to best purpose for both the business enterprise and the people themselves.¹³ It follows that management is a *moral science*.

4. Business ethics

"But if (a man) lacks in character and in integrity – no matter how knowledgeable, how brilliant, how successful – he destroys. He destroys people, the most valuable resource of the enterprise."

(*Management.* p. 287.2008)

Ethics is all-embracing. *Business ethics* understood as a means to an end is an unacceptably restricted and improper form of a general moral imperative.¹⁴ Drucker considers belief to be the only true basis for ethical behavior. Laws must be clear and consistent so that they can serve as clear unambiguous and binding rules of behavior. Regulations need sanctions. Freedom is only acceptable in combination with responsibility. Self-determination requires moral justification. It is worthy noting that Drucker believed Confucianism can offer us a means of moral orientation that is supportive of community life, above all due to the secondary virtues of Confucianism that correspond to those of Western civil society.

In wise old age: scepticism but public profession of Christian beliefs

In the final two decades of his life, Peter Drucker distanced himself from the growth of *big business*, the selfish behavior of *managerists*, of insatiable American consumerism, and the hegemony aspired to by the United States of America. This was wholly consistent with his own personal philosophy.

¹³ "... can turn man into a biological machine run by manipulation of fears and emotions, a being without beliefs, without values, without principles, without compassion, without pride, without humanity altogether."
(*Landmarks of Tomorrow.* p. 258. Transaction Publishers, Brunswick, N.J., USA.1996.)

¹⁴ "The problem is one of moral values and moral education; a separate ethics of business does not exist nor is one needed."

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As early as the 1980s, he criticized the high compensation of top management in public corporations. He was especially critical of the self-service mentality of business executives while simultaneously large numbers of employees were being dismissed. He directed further criticism, but typical for Drucker, in mild form, at the power-obsessed growth of businesses via takeovers of other firms, and the weak role of retirement pension funds as shareholder representatives, due to their unhealthy proximity to executive management. He was wholly opposed to the ascent of short-termism in management.

Peter Drucker described himself as a *Christian-conservative anarchist*. This is wholly consistent with his essays in which he repeatedly identifies an inherent contradiction between conservatism and progress. However, Peter Drucker was undoubtedly a man of integrity. He often said that he considered himself no different to any other Christian; what really mattered was an unrelenting effort to become a true Christian; as he put it, "You can only hope to *become* a Christian". He was convinced that human beings required noble goals and, applying this principle to himself, he said that he always hoped to achieve higher goals, but was never conceited enough to believe he had already reached them.

As far as the state is concerned, Drucker was a historically-aware observer who believed the state should be a strong guarantor of law and order, but should not attempt to alleviate all of mankind's cares and worries. He concluded that a perfect society can never be achieved, only a bearable one. You may aim for improvement but not for perfection¹⁵: this is a conservative concept, but also a Christian one, since it focuses on individuals and their beliefs, and upon an end that is not of this world, but rather outside of it.

These concluding words stand as a will and testament to the ideas of Peter Drucker.

An understanding of responsibility in the economy and society – his noble inheritance

As a *social-ecologist* – and that is how Drucker described himself throughout his life – the world of institutions, of corporations and their managers, became the primary object of his studies, conclusions and teaching during the middle years of his life. Banks that are innovative, value-creating and serve the real economy were a particular focus of interest. Especially in his later years, Drucker attached great importance to non-profit organizations that assume responsibility for beneficial social progress: schools, universities, hospitals, welfare facilities, charitable trusts and organizations. He considered himself a trustee of effective, properly functioning institutions and an advocate of proper leadership. At the same time, he was historically aware of the propensity for civilized order to collapse.¹⁶ He was deeply skeptical of the human desire for power.¹⁷

An abiding concern of Drucker's was the duality of freedom and power, authority and responsibility, progress and conservation, good and evil, worldly actions and spiritual fulfillment.

¹⁵ There is a general conformity here with the *piecemeal (social) engineering* concept of Karl Popper, the great philosopher and scientific theorist; also born in Vienna and of the same generation as Drucker.

¹⁶ Peter Drucker drew attention to the spiritual collapse of social order in the thirteenth century, the intellectual collapse in the sixteenth century, and the collapse of civilized society in the twentieth century. Whether he would have thought an economic crash, climate change, cultural decline or a clash of civilizations possible in the twenty-first century remains speculation, but it is something we cannot rule out.

¹⁷ He concluded that "... the desire for power is the basic sin of humanity...". He concluded that "... the desire for power is the basic sin of humanity." (Kardinaltugenden, p. 225).

Drucker believed in the sanctity of spiritual creation. He considered traditional Christian values to be a form of *practical wisdom* and an essential ethical foundation for responsible corporate leadership.

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The author first studied the ideas of Peter Drucker at the University of St. Gallen, Switzerland. Hans Ulrich recommended that Drucker, by then a renowned management theorist in the USA and Japan, be awarded his first honorary doctorate in the German-speaking world in 1970. Drucker's book *Management: Tasks, Responsibilities, Practice* was a source of inspiration to the author during his stay in the USA in 1975. *Managerismus*/managerism is an attempt to describe responsible corporate leadership in the spirit of Peter F. Drucker. For further information please visit www.managerismus.com / www.managerism.org

Translation: Derek Brocklehurst

(Remark: The last clause can be shortened/changed). Nevertheless the link to managerism should be preserved,)