On November 11, 2005, Peter F. Drucker—the father of modern management—died at the age of 95. He was the best-known writer about management in the world with more than 30 books, two novels, an autobiography, and hundreds of articles published over a 60-year period.

What is his legacy to proposal professionals?

*Images of Peter F. Drucker courtesy of Claremont Graduate University.*
A MAN OF VISION AND INFLUENCE

When Peter F. Drucker died last year, scholars and business leaders hailed him as the management guru of the twentieth century. According Andrew Grove, the co-founder of Intel, “Drucker is a hero of mine. He writes and thinks with exquisite clarity – a standout among a bunch of muddled fad mongers.” When Bill Gates was asked which management thinker influenced him the most, he replied, “Well, Drucker, of course.”

Stephen Covey also admired Drucker and described him as “truly the Renaissance Man of the field of management.” These comments were echoed by many scholars in the field of management.

Drucker even became a hero in the West Wing. According to Karl Rove, the president’s long-time advisor, President Bush is an outstanding example of a person who manages by objectives, one of Drucker’s principal recommendations for successful management. Rove told the Atlantic Monthly that he had never truly understood Drucker until he “saw Bush in action.”

Drucker once illustrated his approach to the study of management with a story. Once three stone cutters were asked what they were doing. The first replied that he was making a living. The second kept on hammering while he said, “I am doing the best job at stone-cutting in the entire country.” The third one looked up with a visionary gleam in his eye and simply stated, “I am building a cathedral.”

According to Drucker, the first man understands his task but will never become a manager. The second man understands that workmanship is essential, but he is just polishing stones. The third man is the true manager because he also understands that workmanship is essential, but “it must always be related to the needs of the whole.”

Drucker always admired people like the third stone cutter, and his own cathedral was the systematic study of organizations and their managers. His fascination with organizations appeared in his earliest book, published on the eve of World War II, and it continued unabated for more than six decades.

FROM VIENNA TO AMERICA

Peter F. Drucker was born in Vienna, Austria on November 19, 1909 to an upper-middle class assimilated Jewish family. Drucker’s father was a well-educated senior civil servant at the Austrian Ministry of Economics. His grandmother had studied piano with Clara Schumann and performed for Johannes Brahms. Other family members knew the psychologist Alfred Adler, and Drucker’s parents were friends with Sigmund Freud.

Although revolutionary developments in philosophy, psychology, art, and architecture were occurring in Vienna, Peter Drucker thought the city was hopelessly mired in the past. According to his charming autobiography, Adventures of a Bystander (1978), from the age of 14 he could not wait to leave his native city.

After graduation from the local gymnasium, the equivalent of an American high school, Drucker moved to Germany in the fall of 1927 to be a trainee clerk in a Hamburg export firm. “Those fifteen or sixteen months in Hamburg . . . were my real education,” Drucker reminisced. “I certainly learned a great deal more reading in the public library than I had learned twelve years at school, or was going to learn in several university years.” In that same year, he published his first article in a German economic quarterly on the Panama Canal’s role in world trade.

Fifteen months later, he moved to Frankfurt as a securities analyst for a merchant bank. For the first time in his life, Drucker became interested in academic studies and received his Ph.D. in international and public law in 1931 at the age of 22.
By now, Drucker was working as a financial reporter for Frankfurt’s largest newspaper. In two years, he rose to be senior editor of foreign and economic news. When the Nazis came to power, Drucker moved to England as the executive secretary of a small merchant bank. In three years he became a partner, but Drucker found banking unchallenging and left the field.

In 1937, Drucker proposed to Doris Schmitz. They were married for more than 60 years and raised four children. He affectionately described Doris as his first and best consultant. He frequently joked that he had made two great decisions in his life: not to attend college on a full-time basis and his refusal to accept Doris’s first snub when he proposed to her.

Drucker became a freelance correspondent for several British newspapers. He moved to the United States and traveled around the country to interview such luminaries as Henry Wallace, John L. Lewis, Henry Luce, and Harry Hopkins. He also lectured, sometimes with humorous results.

When he appeared in New York City before the Colonial Dames, the woman greeting him said, “I’m the club secretary and the only member under seventy-five. We’ll put all the members who can hear into the first two rows. But you better speak up; most of them can’t hear too well. Don’t bother about the others. They don’t hear at all.” After his lecture ended, a woman walked up to the front of the room and told him, “I am sorry I didn’t hear well enough to get your talk, but don’t you think that the poor will soon demand their place in the sun?”

When the Nazis took over Austria, his parents joined him in the United States. Drucker then published two books that made him well known on both sides of the Atlantic. In 1939, *The End of Economic Man* appeared. Drucker wrote that this study “attempted to analyze the roots of Nazism and of the decay of Europe’s liberal and humanist traditions.” Winston Churchill was so taken with the book that he recommended it to his field officers during World War II.

In 1942, the year Drucker became an American citizen, he published his second book, *The Future of Industrial Man*, which continued his political examination of the West’s political and moral crisis and the role of organizations in the twentieth century. By this time he was teaching at Bennington College in Vermont.

*The Future of Industrial Man* stimulated his interest in the management of institutions, which led to an invitation from General Motors to analyze its management and corporate structure. His study of the automobile company led to the *Concept of the Corporation*, which was published in 1946. This book

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**Drucker’s Early Ideas about the Economy and Society**

- Neither totalitarianism nor liberal democracy has provided people with stability and dignity.
- The free enterprise system is superior to other economic systems, but it has failed to reconcile economic performance with social responsibility.
- The large corporation has become the dominant institution of modern society, and corporate managers have become the new elite.
- Corporate managers can only justify their legitimacy by promoting prosperity, trust, and healthy human relationships both inside and outside their organizations.
- The corporation is not just an economic institution. It has important social responsibilities to society.
- The biggest challenge for management is to narrow the gap between society’s moral values and the amoral realities of economic activities.
made him famous, and after four decades it was still selling 20,000 copies a year!

**NEW YORK CITY AND SOUTHERN CALIFORNIA**

After the publication of the *Concept of the Corporation*, Drucker began consulting with hundreds of corporations and writing books about the theory and practice of management. In Drucker’s books, the words “may” or “might” scarcely appear. As a writer, Drucker always has been supremely sure of himself. There is no arrogance in any of his books, only an author brimming with assurance, knowledge, and poise.

While Drucker was consulting and pouring forth a steady stream of books, he taught at Sarah Lawrence College, New York University, and, up until his death, Claremont College outside of Los Angeles. Besides management, he offered courses on economics, international relations, history and literature, Japanese art (his favorite hobby), and statistics. Drucker was awarded the Presidential Medal of Freedom by President George W. Bush on July 9, 2002.

He also served as a regular columnist for *The Wall Street Journal* from 1975 to 1995, contributed 31 articles to the *Harvard Business Review*, and wrote for *The Atlantic Monthly* and *The Economist*. As he was fond of saying, “I know absolutely nothing technical. My product is organized thinking.”

Drucker is difficult to summarize because he was so prolific and wide-ranging in his interests. One approach to Drucker’s thought is to examine two classics published 31 years apart—*The Practice of Management* (1954) and *Innovation and Entrepreneurship: Practice and Principles* (1985)—and then review his political and social thought. For those who would like a thorough analysis of Drucker’s writings and a complete bibliography, I recommend John E. Flaherty’s *Peter Drucker: Shaping the Managerial Mind* (1999). The best anthology of Drucker’s writings on management is Peter F. Drucker, *The Essential Drucker: The Best of Sixty Years of Peter Drucker’s Essential Writings on Management* (2001).
**The Practice of Management (1954)**

After the publication of the *Concept of the Corporation*, Drucker began exploring managerial theory and practice. As he surveyed the corporate landscape in the early 1950s, Drucker was saddened by the anti-intellectualism and resistance to theorizing that characterized the study of management. Schools of business educated callow youths with absolutely no business experience by focusing on techniques rather than knowledge and a broad humanistic education. He also was disappointed by many of the managers he observed.

These men—and they were all males in the early 1950s—seemed myopic because they put a premium on functionality rather than generalized knowledge. Drucker was puzzled by their penchant for secrecy and their reluctance to be interviewed, which he took to be a sure sign of insecurity and lack of vision.

The result of Drucker’s wide-ranging reading and consultations between 1946 and 1954 was *The Practice of Management*. In the words of Flaherty, “it was the first attempt to codify managerial principles, prescribe basic skills for managerial effectiveness, and establish a foundation for the inchoate discipline of management.” This book established the study of management as a serious academic and intellectual discipline. Evidently, it is still being read because several months ago I bought a 1968 London edition in a Maryland used book store for $2.00.

In his preface, Drucker clearly described the challenge that faced any student of management.

“We have available today the knowledge and experience needed for the successful practice of management. But there is probably no field of human endeavour where the always tremendous gap between knowledge and performance of the leaders and the knowledge and performance of the average is wider or more intractable.”

Drucker made another point that undoubtedly surprised his readers. He argued that leadership could not “be taught or learned.” But while management could not create leaders, it could create “the conditions under which potential leadership qualities become effective.”

Drucker argued that ancient Greek and Israeli thinkers understood “all that has ever been known about leadership. The scores of books, papers, and speeches on leadership in the business enterprise that come out every year have little to say on the subject that was not already old when the Prophets spoke and Aeschylus wrote.” Yet 3,000 years of inspired writing had not helped people to become better leaders.

This is a theme that runs throughout Drucker’s writings—to demystify the elements of effective management and leadership. It did not involve the possession of charisma or special gifts, and it

Drucker argued that ancient Greek and Israeli thinkers understood “all that has ever been known about leadership.”

Drucker believed that leadership could not be taught or learned but through effective management could create the conditions for leadership to become obvious and effective.
did not justify the exorbitantly high salaries that Chief Executive Officers received. Being a good manager or leader required no genius, only thoughtful application.

In an article published many years later in the *Harvard Business Review*, Drucker listed eight principles that characterized successful managers and executives, none of which were related to a specific personality type:

- They asked, “What needs to be done?”
- They asked, “What is right for the enterprise?”
- They developed action plans.
- They took responsibility for their decisions.
- They communicated effectively.
- They focused on opportunities, not problems.
- They ran productive meetings.
- They always thought of “we” rather than “I.”

Effective leadership was not the product of a magnetic personality or the ability to make friends and influence people. Instead, leadership was “the lifting of a man’s vision to higher sights, the raising of a man’s performance to a higher standard, the building of a man’s personality beyond its normal limitations.” To accomplish this goal, Drucker recommended “strict principles of conduct and responsibility, high standards of performance, and respect for the individual and his work.”

According to Drucker, good management involved a holistic mind-set and the ability to recognize a corporate purpose. Effective managers needed to focus on ends rather than instrumental means. Drucker feared that if technicians rather than managers ran companies, customer needs and human relations would be ignored along with the outside world.

Drucker thought that the essence of effective management was the cultivation of the big rather than the little picture. He compared being a good manager to leading a symphony orchestra. By themselves, the orchestra’s instrumental players could not produce beautiful music. They needed someone who shouldered the “task of creating a genuine whole.” Drucker admired people like the legendary Alfred Sloan of General Motors because he had a compelling corporate vision that he used to help his company operate effectively.
In *The Practice of Management*, Drucker introduced one of his most influential ideas: management by objectives. According to him, management erred by looking for the Holy Grail of objectives that would lead to more profits. “The search for the one objective is essentially a search for a magic formula that will make judgement unnecessary. But the attempt to replace judgement by formula is always irrational.”

Instead, Drucker advocated creating objectives in every area where “performance and results directly and vitally affect the survival and prosperity of the business.” Objectives should accomplish five basic goals:

- Organize and explain the whole range of business activities in a small number of general statements
- Test these statements through actual experience
- Predict behavior
- Appraise the soundness of decisions while they are being tested
- Enable practitioners to analyze their own experience and thus improve their performance.

There were eight key areas where objectives of performance should be set: market standing, innovation, productivity, physical and financial resources, profitability, manager performance, worker performance and attitude, and public responsibility. Drucker refused to focus on profit to the exclusion of other areas. He believed that, if the corporation were viewed as a system rather than as many separate functions, there was only one kind of decision that should be made—a managerial decision.

Drucker’s goal was to discredit the concept of management as a functional technique. In his view, management by objectives would help produce professional managers instead of administrative technocrats. Drucker was very clear about who should not be in management.

A person should not be a manager if he or she was more interested in the question “Who is right?” instead of “What is right?” A person should not be a manager if he or she considered intelligence more important than character or integrity. Also, a person should not be a manager if he or she feared strong subordinates. Managers who lacked these qualities destroyed people, “the most valuable resource of the enterprise.”

Drucker believed that firms failed primarily because they could not answer a seemingly simple question: What is the business? He thought that successful managers made this question a key element in their daily decision-making processes. According to Drucker, there is basically only one goal for businesses: to create customers.

To create customers, managers had two essential tasks. The first was to create a “true whole that is larger than the sum of its parts, a productive entity that turns out more than the sum of the resources put into it,” like a symphony orchestra. The second essential task was to “harmonize in every decision and action the requirements of immediate and long-range future.” This was always a major theme for Drucker: reconciling the past with the needs of the present, a concept he learned from reading the eighteenth-century English thinker, Edmund Burke.

Companies had to recruit educated and dedicated individuals, but to retain them, high salaries were not enough. “The enterprise must be able to give such men a vision and a meaningful contribution to their community and society.”

This was another major theme for Drucker: business responsibility must embrace the public good. He wanted managers to restrain their self-interest and authority whenever
it infringed “upon the common weal and upon the freedom of the individual.” If not, neither managers nor their firms would have any legitimacy.

The Practice of Management created a new discipline: the systematic study of management. Almost all contemporary management thinkers stand on the shoulders of this book. As one business writer admitted, “the new gurus aren’t rewriting Drucker . . . . More often than not, they’re updating him by adding new ideas and tools to what Drucker has called ‘the practice of management.’”

**Innovation and Entrepreneurship: Practice and Principles (1985)**

At the age of 76, a still-vigorous Peter F. Drucker published one of his most influential books, *Innovation and Entrepreneurship: Practice and Principles*. If I had to recommend one book of Drucker’s to read, it would be this one because of its insightful blend of theory, practice, and case studies. It also is a pleasure to read.

Once again, Drucker began his book with a demystifying pronouncement. He considered the emergence of a “truly entrepreneurial economy in the United States during the last ten to fifteen years” the “most significant and hopeful event to have occurred in recent economic and social history.” But Drucker denied that innovation and entrepreneurship involved special gifts, talents, inspirations, or flashes of genius.

Instead, “innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned, capable of being practiced.” Citing the eighteenth-century French economist, Jean-Baptiste Say, and his fellow Austrian, Joseph Schumpeter, Drucker argued that entrepreneurship rested on the premise that change was normal and healthy. The task of the entrepreneur, in Schumpeter’s famous words, was “creative destruction.”

**Drucker’s Early Ideas about Business Management**

- A business organization is a human institution and a means to an end, not an end in itself.
- The major purpose of a business is to create customers. Customers determine the business’s mission.
- Performance and the ability to learn, not charisma or special gifts, determine the effectiveness of managers.
- Management is best learned by doing.
- Successful managers have similar characteristics: the ability to think holistically; good character and a sense of integrity; high standards of performance; and respect for others and their work.
- Management by objectives helps both managers and their subordinates enhance performance and results.
- Effective managers and leaders place their work within the broader context of the public good. Organizations must create meaning for their employees. People do not live by self-interest alone.
Drucker identified seven possible sources for innovative opportunities. The first four came from within the company or the industry while the other three came from the outside:

- The unexpected: successes, failures, and outside events
- The incongruity: the difference between what is and what ought to be
- Process need
- Unexpected changes in the structure of the industry or market
- Demographic changes
- Changes in perceptions, moods, and meanings
- New knowledge.

Drucker provided many examples of innovative companies that had taken advantage of new opportunities. Kimberly-Clark introduced disposable diapers. Pepsi-Cola created the Pepsi generation. Club Med introduced packaged vacations for the affluent middle class. After the decline of many leading national magazines, such as Life, publishers created specialized magazines to reflect the country’s ethnic and regional diversity and a new-found interest in specific topics, such as jogging or regional living. The Brunswick Corporation made bowling a popular form of family entertainment. And in the late 1950s, large urban banks introduced new credit plans for buying homes and cars for the growing middle class.

Drucker recommended that companies go through a four-step process to foster innovation. The first step is to prepare for innovation. This involved four basic steps:

- **Step 1:** Evaluate the lifecycle of existing services and products. Which ones are thriving and which ones have peaked or are declining?
- **Step 2:** Establish a systematic process of abandonment. This meant getting rid of products and services that were no longer productive.
- **Step 3:** Calculate the revenue gap that would result from the abandonment of specific products or services.
- **Step 4:** Set up a separate organizational structure to design, develop, and implement an innovative service or product with its own evaluative instruments.

The second step is to systematically examine the seven possible sources of innovation to determine the future direction of the organization. The third step is to analyze the opportunities identified through a three-step process:

- **Step 1:** Conduct an analysis to determine the impact of the seven sources of innovation on the organization’s processes, services, and products
- **Step 2:** Conduct a perceptual analysis of potentially new services and products, and how will they be perceived by the customer
- **Step 3:** Use customer surveys, focus groups, and other techniques to corroborate the analysis.

The fourth step is to exploit the new opportunities that had been identified, which involved a four-step process:

- **Step 1:** Conduct small-scale pilot tests of the new product or services
- **Step 2:** Commercialize the product or service
- **Step 3:** Provide adequate resources to bring it to market
- **Step 4:** Evaluate the results.

Drucker was confident that this procedure would result in the constant development of new products and services. He also thought that the best innovations were customer-driven and satisfied a simple and focused need, such as the need of mothers to use disposable diapers.

Drucker recognized that companies resisted innovation because it meant doing things differently.
He discouraged companies from asking, “How can we overcome the resistance to innovation in the existing organization?” Instead, the right question was “How can we make the organization receptive to innovation?” If innovation was defined as going against the grain, no company would embrace it. But if innovation were considered part of the day-to-day operations of the company, then it would succeed.

Drucker wanted companies to systematically abandon whatever was outworn, obsolete, and no longer productive. Every three years, companies should put all of its products, services, and internal processes on trial. Companies were like living organisms: they needed to eliminate their waste products to avoid poisoning themselves.

Drucker recommended specific techniques to foster entrepreneurial practices. The managerial vision should focus on opportunities. Companies should hold periodic two-day meetings for managers and executives that addressed three questions:

- What did we do that became successful?
- How did we find this opportunity?
- What have we learned and what entrepreneurial and innovative plans do we have now?

Finally, Drucker advised companies to hold three long meetings a year with top management and junior staff in all major divisions. As top executives listened, junior employees would identify new opportunities and afterwards submit working papers to meeting participants about implementing their ideas. Even if few changes actually resulted from these meetings, Drucker thought they would help instill an entrepreneurial vision throughout the company.

Drucker wanted to encourage “habits of flexibility, of continuous learning, and of acceptance of change as normal and as opportunity—for institutions as well as for individuals.” Here he thought that businesses could learn from the nonprofit sector in this arena. Instead of recommending that nonprofit organizations be run more like businesses, Drucker gave the opposite advice. Ultimately, Drucker wanted to create an entrepreneurial society where individuals and institutions were always learning and changing in response to new opportunities.

**POLITICAL AND SOCIAL THOUGHT**

While Drucker is best known for his studies of management, throughout his career he always wrote about government and society. I will review his

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**Drucker on Innovation and Entrepreneurship**

- Innovation and entrepreneurship are keys to organizational longevity and success, and they are critically important because change is normal and healthy.
- Innovation and entrepreneurship should focus on opportunities, not risks or problems.
- To foster innovation, companies must understand that their products and services have short lives.
- To encourage managers to innovate, companies should (1) make their own products and services obsolete; and (2) develop a systematic process for creating new products and services based on the careful analysis of trends and opportunities.
thinking in four key areas: (1) the growth of the knowledge society, (2) the impact of demographic change on society, (3) the rise of the nonprofit sector, and (4) the continuing failure of government. For an anthology of Drucker’s writings on society, see Peter F. Drucker, ed., *A Functioning Society: Selections from Sixty-Five Years of Writing on Community, Society, and Polity* (2003).

**Growth of the Knowledge Society**

According to Drucker, the most important contribution of management over the last century has been the fifty-fold increase in the productivity of workers in the manufacturing sector. In this century, the most important contribution of management will be to “increase the productivity of knowledge work and the knowledge worker.” Equipment was once the greatest asset of a company. In the future, it will be the productivity of knowledge workers.

Knowledge workers “do not identify themselves as workers but as professionals. Many of them spend a great deal of time doing largely unskilled work, for example, straightening out patients’ beds, answering the telephone, or filing. However, what identifies them in their own and in the public’s mind is the part of their job that involves putting formal knowledge to work.”

Knowledge workers, who now make up about one-third of the workforce in developed countries, have two main needs: formal education that qualifies them for certain positions and continuous education to keep their knowledge up-to-date. In the past, the concept of knowledge workers was applied to people with considerable theoretical knowledge and learning, such as physicians or engineers.

But today, this concept should be extended to include computer technicians, software designers, technicians in clinical laboratories, paralegals, and other professionals. Although many of the fields defined as knowledge work involved manual labor, they were all based on a “substantial amount of theoretical knowledge.”

Drucker argued that the next society will be borderless, “because knowledge travels even more effortlessly than money.” It would be based on upward mobility, which will be available to everyone through formal education. And

**Drucker on Government and Society**

- In developed countries, the growth of knowledge workers accounts for the remarkable increase in productivity over the last century.
- Falling birthrates and an increasing number of older people will change the economies and societies of developed countries in the 21st century.
- The rise of the nonprofit sector is one of the most positive developments in our society over the past fifty years because it provides essential social services and gives its participants a sense of fulfillment.
- The modern state cannot provide its citizens with a sense of community. That will have to come from organizations, not government agencies.
- Governments are inherently self-aggrandizing, bureaucratic, and incapable of innovating. Governments should privatize most of their traditional functions and focus on setting policy and standards.
it would have a high potential for individual failure as well as success because acquiring knowledge—the new means of production—would not guarantee upwards mobility.

Drucker was convinced that community colleges were responsible for the huge productivity of American society and the country’s ability to “create, almost overnight, new and different industries.” This was the wave of the future, for the only advantage developed countries possessed was to prepare, educate, and train people for knowledge work.

**IMPACT OF DEMOGRAPHIC CHANGE**

According to an article written by Drucker in a 2001 issue of *The Economist*, “the dominant factor in the next society will be something to which most people are only just beginning to pay attention: the rapid growth in the older generation and the rapid shrinking of the younger generation.” Drucker thought this demographic trend had positive consequences, but he was concerned about its overall impact on the economy and society.

On the positive side, Drucker believed that in the future, many adults over the age of 50 will choose not to work in traditional 9-to-5 jobs. Instead, they will participate in the labor force in nontraditional ways—as consultants, part-time workers, and as workers on special assignment. Others might devote a significant amount of their time to the nonprofit sector. These new ways of working will be a managerial challenge as organizations scramble to find ways to attract and retain growing numbers of older and educated people.

Second careers and the second half of one’s life increasingly will become common words as people develop 50-year work careers. In the past, organizations typically outlived their employees, but now the life expectancies of adults will dwarf the lives of most organizations.

But the real upheaval will be caused by the shrinking of the birthrate below the replacement rate of 2.2 live births per woman of reproductive age. This will lead to several important changes. First, it will make immigration a contentious issue in developed countries because only migration will help address the problem of shrinking birthrates. Second, it will mean a major change in the markets of developed countries.

After World War II, the market became focused on young people. Now it will increasingly fall upon middle-aged and older people because of their growing numbers and purchasing power.
In Germany, Italy, France, Spain, Portugal, the Netherlands, Sweden, Japan, the United States, and other developed countries, demographic patterns will strain the resources of government and society. Today in Germany 20 percent of the population is over 65. By 2030, that percentage will rise to 50 as the population declines from 82 to about 70 million people. During that same period, the number of working people will fall from 40 to 30 million. To keep the number of working people steady, by the year 2020 Germany would have to attract one million immigrants a year. Clearly, this is not likely to occur.

Life expectancy has been slowly rising for the past three centuries, but the declining birthrate is an unprecedented demographic event. Even in the United States, where the population is increasing due to immigration, the proportion of older people to the general population will rise steeply in the next 30 years.

Drucker wondered how developed countries will provide generous medical and retirement benefits to older people because the number of employed will shrink. Drucker also feared that the fight over retirement and medical benefits might split society into warring political camps and break the intergenerational compact between the young and old. He concluded that “demographics will not only be the most important factor in the next society, it will also be the least predictable and least controllable one.”

**RISE OF THE NONPROFIT SECTOR**

In the last two decades of his life, Drucker became very interested in the growing nonprofit sector of American society. In 1990, he helped found the Peter F. Drucker Foundation for Nonprofit Management, which in 2003 became the Leader to Leader Institute.

Drucker admired America’s best nonprofit organizations and believed they played a crucially important role in addressing local needs. According to him, the “21st century will be the century of the social sector organization. The more economy, money, and information become global, the more community will matter. Only the social sector nonprofit performs in the community, exploits its opportunities, mobilizes its local resources, solves its problems. The leadership, competence, and management of the social sector nonprofit organization will thus largely determine the values, the vision, the cohesion, and the performance of the 21st century society.”

Drucker believed that the modern state was so large that political citizenship was no longer functional. Consequently, autonomous community organizations were needed to help government perform more effectively and offer citizens satisfying outlets for their idealism. Drucker cited church-run inner city schools, pastoral churches, Girl Scouts, Red Cross, Alcoholics Anonymous, the Salvation Army, the American Heart Association, and the American Mental Health Association as examples of nonprofit organizations that produced impressive results.

Drucker thought that the rise of the nonprofit sector served as a clear warning to the private sector. When he asked business executives why they served as nonprofit volunteers in churches, scout troops, or in the local symphony orchestra, he heard the same answer. “In my paying job there isn’t much challenge, not enough opportunity for achievement, not enough responsibility: and there is no mission, there is only expediency.”

Drucker was heartened by the fact that if volunteers were counted, the nonprofit sector would be America’s largest employer with more than 80 million people volunteering nearly five hours a week—the equivalent of 10 million full-time jobs. He was convinced that nonprofit organizations were pioneers in the motivation and productivity of knowledge workers. They were developing the policies and practices that the business sector would need to follow in the future.
THE FUTURE OF GOVERNMENT

Throughout his life, Drucker had a negative view of the state. Drucker admired his father’s Austrian civil service, but in general he believed that governments are inefficient, unproductive, and interested only in expanding their size and power.

Drucker wanted government to systematically abandon what he considered “outworn social policies and obsolete public-service institutions.” An effective government should stop “doing” and instead concentrate on setting policies, making decisions, establishing standards, and providing its citizens with a vision.

Drucker believed that today’s democratic states are pork-barrel states because elected representatives “fleece their constituents to enrich special-interest groups.” Throughout Drucker’s writings, I have found no examples of the many successful government-sponsored programs from countries at the top of the United Nations Human Development Index, such as Denmark, Canada, Switzerland, Sweden, or Finland.

Drucker did not believe that governments are capable of much innovation. Public service institutions are dependent on budgets rather than results. They have to satisfy too many people. Most significantly, they exist to promote some good and see their missions in terms of moral absolutes. Consequently, they are incapable of doing a cost/benefit analysis to determine their effectiveness. “Most innovations in public-service institutions are imposed on them either by outsiders or by catastrophe,” Drucker claimed.

Drucker’s solution was to privatize many traditional government functions. He claimed to be in favor of effective rather than strong government, but throughout his writings, government is always a problem, not a solution.

SHAPING THE MANAGERIAL MIND

For Drucker, the fundamental task of management is always the same, whether the organization is a business, nonprofit, or government agency: “to make people capable of joint performance through common goals, common values, the right structure, and the training and development they need to perform and to respond to change.” Ultimately, management is about human beings. Its goal is to magnify people’s strengths and minimize their weaknesses.

Drucker believed that effective management was a liberal art. It was liberal because it dealt with the “fundamentals of knowledge, self-knowledge, wisdom, and leadership.” It was an art because of its concern with practice and application.

Drucker wanted the leaders and managers of organizations to ask themselves five basic questions:

- What is our mission?
- Who is our customer?
- What does our customer value?
- What are our results?
- What is our plan?

Drucker thought that management had transformed the world’s developed countries over the past two centuries. Managers have created a global economy and now rule the world. Most of them are only dimly aware of their power, and thus they are unprepared for the tremendous challenges that will confront them.

Drucker tried to make managers more reflective about their tasks and their role in modern society. To be effective, he believed that managers always needed to ask a series of fundamental questions that went to the heart of their responsibilities. “To whom is management accountable? And for what? On what does management base its power? What gives it legitimacy?”

These are questions well worth pondering for proposal professionals.
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