INSIDE DRUCKER'S BRAIN: Sources and Notes

This book could not have been completed without the cooperation of Peter F.

Drucker. In addition to the extensive interview he granted me, he was also generous enough to give me permission to quote from any and all of his books (in any book written about him). From *Concept of the Corporation* to *The Practice of Management* to *Management Challenges for the 21st Century*, his words and wisdom are the very fabric of this book and I am forever in his debt.

There were other articles and books that were also very helpful in the compilation of this book. The precise citations of the quotations are listed below, but I would like to acknowledge several of them here: John Byrne's excellent *BusinessWeek* cover story on Drucker, "The Man Who Invented Management," written days after his death, was very helpful in filling in some key, poignant details.

Elizabeth Edersheim's *The Definitive Drucker* (McGraw-Hill, 2007) also helped to fill in some of the gaps regarding Drucker's earliest writings (among other topics).

Other books that were particularly helpful were Andy Grove's *Only the Paranoid Survive* (Doubleday Currency, 1996); John Micklethwait and Adrian Woolridge's The *Witch Doctors: Making Sense of the Management Gurus* (Times Books, 1996, 1997), Clayton Christensen's *The Innovator's Dilemma* (Harvard Business School Press, 1997); Larry Bossidy and Ram Charan's *Execution* (Crown Business, 2002); Jack Zenger and

Joseph Folkman's *The Extraordinary Leader* (McGraw-Hill, 2002); Marcus Buckingham and Donald Clifton's *Now, Discover Your Strengths* (Free Press, 2001).

Introduction, In Search of Drucker

"In mid-November Drucker sent me a letter...": That letter is dated November 14, 2003 and includes the permission from Drucker to quote from all of his books in a book about him.

"...this [Drucker] is a brand in decline...": John Byrne, "The Man who Invented Management," *BusinessWeek*, November 28, 2005.

Tom Peter's comment about how no true discipline of management existed before Drucker," can be found in John Micklethwait and Adrian Wooldridge's *The Witch Doctors* (New York: Times Books, 1996, 1997), p. 68. These authors quoted Carol Kennedy, author of *Guide to the Management Gurus* (London, 1991), p. 41.

Charles Handy, said "virtually everything can be traced back to Drucker,": John Micklethwait and Adrian Woolridge, *The Witch Doctors*, p. 75.

"He [Drucker] was the creator and inventor of modern management...": John Byrne, "The Man who Invented Management," *BusinessWeek*, November 28, 2005.

Jim Collins called Drucker "the leading founder of the field of management" in the Foreword, Peter Drucker, *The Daily Drucker* (New York: Collins, 2003), p. vii.

Drucker's "primary contribution is not a single idea...:" Ibid., vii.

Michael Hammer told another author "it is with some trepidation that I open his early books...,": Elizabeth Edersheim, *The Definitive Drucker* (New York, McGraw-Hill, 2007), p.8.

"It is frustratingly difficult to cite a significant modern management concept...asserted James O'Toole,...": John Byrne, "The Man who Invented Management," *BusinessWeek*, November 28, 2005.

Gates replied, "Well, Drucker, of course.": John Micklethwait and Adrian Wooldridge's *The Witch Doctors*, paperback, Times Business edition, p. 78.

"Before that, there was nothing...nothing had come together...": Interview with Peter Drucker, December 22, 2003.

Drucker described the Harvard Business School Professor who borrowed three chapters of *The Practice of Management* without attribution in a letter to author Jeffrey Krames dated November 14, 2003.

"Totally by accident...by falling into it...I am the world's worst manager,": Interview with Peter Drucker, December 22, 2003.

"Peter, This book is neither government nor economics...": Ibid.

"I had turned down the Harvard Business School...": Ibid.

"I need to buy a Christmas present for my wife...": Ibid.

"My family were printers in Amsterdam...": Ibid.

"I'm totally uninteresting...": John Byrne, "The Man who Invented Management," *BusinessWeek*, November 28, 2005.

"A book which most of the page will be empty...": Interview with Peter Drucker, December 28, 2005.

"It is formatted so that it can be displayed...": Ibid.



Opportunity Favors the Prepared Mind

"Peter, you have ruined your academic career forever...": Interview with Peter Drucker, December 22, 2003.

"I was a trainee in what had become the European headquarters...": Ibid.

"I was last in and first out when the market crashed...": Ibid.

"And an hour later I was hired:...": Ibid.

"I had gotten to know quite a few companies...": Ibid.

"That's my total business experience...": Ibid.

"A consultant has no risk...The clients pay for the consultant's mistakes...,": Ibid.

"We grew up multilingual...": Ibid.

"The Phone Call that Sparked a Discipline" story was recounted in its entirety in an interview with Peter Drucker, December 22, 2003.

"Concept of the Corporation established business as a subject of study...": Ibid.

"Promising young scholar will now devote...": John Micklethwait and Adrian Wooldridge, *The Witch Doctors*, p. .

"I happen not to be Jewish, though of Jewish descent...": Interview with Peter Drucker, December 22, 2003.

"I had begun to teach, again by pure accident...a year before that I had turned down the Harvard Business School": Ibid.

"My acquaintance friend said...and before we reached the subway station I had signed on at NYU": Ibid.

"Opportunity favors the prepared mind...You have to be receptive to it and I was": Ibid.

CHAPTER 2

Execution First and Always

"Objectives are needed in every area...": Peter Drucker, copyright 1954, by Peter F. Drucker, copyright renewed 1982 by Peter F. *The Practice of Management*, Drucker (New York: Harper & Row), p. 63.

The list of management attributes, from "can hire, fire, organize" to "most meeting end in murkiness," all came from the Interview with Peter Drucker, December 22, 2003.

"Welch was the right person for the business plan": Ibid.

"It is the duty of the executive to remove ruthlessly anyone...": Peter Drucker, *The Effective Executive* (New York: Harper & Row, copyright by Peter F. Drucker, 1967, 1985, 1996, 2002), p. 89.

Drucker's definition of a knowledge worker as "non-manual...what you have to go to school to learn...": Interview with Peter Drucker, December 22, 2003.

"To call abandonment an opportunity may come as a surprise...it stimulates the search for the new that will replace the old...": Peter Drucker, *Managing for Results* (New York: Harper & Row), 1964, 1986, p. 143.

"The right structure does not guarantee results...structure has to be such that it highlights the results that are truly meaningful": Ibid, p. 214.

"Execution is a specific set of behaviors and techniques...it is the critical discipline for success now...,": Larry Bossidy and Ram Charan, *Execution* (New York: Crown Business), 2002, p. 7.

Drucker himself admitted in "I have never been quite respectable in the eyes of academia.": *Concept of the Corporation*, p. 241, also referenced in John Micklethwait and Adrian Woolridge's *The Witch Doctors*, p. 79.

The *Economist's* John Micklethwait and Adrian Woolridge suggested that more recent scholars gained prominence...," *The Witch Doctors*, p. 79.

The quote regarding how the MBO method "dominated strategic thinking in the postwar decades" was written by John Micklethwait and Adrian Woolridge in *The Witch Doctors*, p. 75.

The source for Tom Peters not being assigned a single Drucker book in business school came from multiple sources, including *Witch Doctors*, p. 79, and John Byrne's article, The Man Who Invented Management, *BusinessWeek*, November 28, 2005.

"Peter would never have gotten tenure in a major business school...,": John Byrne, "The Man who Invented Management," *BusinessWeek*, November 28, 2005.

"Execution is not just tactics...Ram Charan, p. 6. "When I see companies that don't execute, the chances are that they don't measure, don't reward, and don't promote people who know how to get things done, Larry Bossidy, p. 73, both excerpted from Larry Bossidy and Ram Charan's *Execution* (New York: Crown Business, 2002).

"Management must always, in every decision and action, put economic performance first... and yet the ultimate test...to be able to control his performance": Peter Drucker, *The Practice of Management*, 1954, pp. 7-8, 9-10, 131.

CHAPTER 3

Broken Washroom Doors

"...every business has its broken washroom doors...,": *The Practice of Management*, p. 125

"Few people realize the competition for non-profit money...,": Interview with Peter Drucker, December 22, 2003

"This is morally and socially unforgivable...We will pay a heavy price for it...": John Byrne, "The Man who Invented Management," *BusinessWeek*, November 28, 2005.

In many non-profits, the lack of results only means that you should do more of it...,":

Ibid.

"I did a fair amount of consulting work on innovation with colleges and universities...,":

Ibid.

"Let me say the most difficult management job is the hospital...": Ibid.

"Hospitals don't like people who aren't seriously sick...": Ibid.

"Hospitals like crises. They are organized for crises...": Ibid.

"The hospital is not a health care provider; the hospital takes care of illness...,": Peter Drucker, *Managing the Nonprofit Organization* (New York: Harper Collins, 1990), p. 4.

"Mission statements have to be operational...,": Ibid.

"The organization's mission statement into specifics...,": Ibid, p. 5.

"If you don't want to be a crisis nurse you worked in a doctor's office...,": Interview with Peter Drucker, December 22, 2003.

"...Then the hospital takes over, not the doctor's nurse...,": Ibid.

"...Every business has its "broken washroom doors," its misdirections, its policies, procedures...,": *The Practice of Management*, p. 125.

Chapter 4

Outside-In

"The executive is within an organization...he sees the outside only through thick and distorting lenses...": *The Effective Executive*, p. 13.

"There is only one valid definition of business purpose: to create a customer," *The Practice of Management*, p. 37.

Drucker's eight business realities, from "Results and resources exist outside the business" to "To achieve the greatest economic results, concentrate...,": are paraphrased from *Managing for Results*, pp. 5-10.

"The executive is within an organization...He sees the outside only through thick and distorting lenses...,": Peter Drucker, *The Effective Executive*, p. 13.

Gerstner said "the company had lost touch with the marketplace and its customers...," was excerpted from a written question and answer interview with Lou Gerstner for my 2002 book, *What the Best CEOs Know* (New York: McGraw-Hill, 2003), p. 115.

"I started by telling virtually every audience...that there was a customer running IBM...," was excerpted from a written question and answer interview with Lou Gerstner for my 2002 book, *What the Best CEOs Know* (New York: McGraw-Hill, 2003), p. 115.

The Tesco plc material under the heading "The Outside-In Retailer" was obtained from the book by Clive Huntly, Terry Hunt, and Tim Phillips, *Scoring Points: How Tesco Continues to Win Customer Loyalty* (London: Kogan Page, 2007)

"Create value for customers to earn their lifetime loyalty," Ibid, p. 8.

☐ CHAPTER 5

When Naturals Run Out

"What a manager does can be analyzed systematically...,": Peter Drucker, *Management: Tasks, Responsibilities, Practices* (New York: Harper & Row, 1974), p. 402.

"There have been managers all through the ages but there were very few and far between...,": Interview with Peter Drucker, December 22, 2003.

"But suddenly you could no longer depend on the supply of naturals...you have to convert management into something that can be learned or taught. And that's what I did...": Ibid.

Jim Collins wrote *The Practice of Management* "stands as perhaps the most important management book ever written," in the Foreword to *The Daily Drucker*, p. viii.

"On or about November 6, 1954, Peter Drucker invented management...Drucker would supply the lack,": Peter Beatty, *The World According to Drucker* (New York: Free Press, 1998), p.101.

Beatty "must know something that I do not," Interview with Peter Drucker, December 22, 2003.

It has also been reported that he advised Margaret Thatcher to privatize the British mining industry, Elizabeth Edersheim, *The Definitive Drucker*, p. 1.

"In our research for the book *Built to Last*...Drucker is one of the most influential individuals of the twentieth century,": Jim Collins, in the Foreword to *The Daily Drucker*, viii.

"The story of Peter Drucker is the story of management itself...,":John Byrne, "The Man who Invented Management," *BusinessWeek*, November 28, 2005

"The company that most management books took for granted...middle management before World War II was very thin..,": Interview with Peter Drucker, December 22, 2003.

"Actually, even the companies I first knew in this country...,": Ibid.

"Right, DuPont invented middle management jobs just to keep them.": Ibid

"The GI Bill of Rights changed American society because it meant that enormous numbers of people...,": Ibid.

"Like any consultant, don't do as I do, do as I tell you to do,": Ibid.

The list of qualities that Drucker used to describe himself, from "I cannot manage people" to "I am totally hopeless" was excerpted from the Drucker interview, December 22, 2003.

The list of qualities that Drucker used to describe the natural he described, from "she can place people" to "she decides priorities," Ibid.

"In every law firm she joined she soon was the managing partner.": Ibid.

"What do I need to do to maximize my contributions...What contribution from me do you require...,": *The Effective Executive*, p. 62.

"For there are few things as useless...as the right answer to the wrong question...

Management is not concerned with knowledge for knowledge sake; it is concerned with performance...,": *The Practice of Management*, p. 353.

CHAPTER 6

The Jeffersonian Ideal

"In making and moving things... partnership with the responsible worker is the only way...,": *Managing for the Future*, p. 107.

"If the big-business corporation is America's representative social institution...,": Peter Drucker, *Concept of the Corporation* (New York: The John Day Company, copyright by Peter Drucker, 1946, 1964), p. 122 in the paperback Mentor Executive Library Edition.

Drucker wrote of "equality" as a "specifically American phenomenon for which no parallel can be found in Europe...,": Ibid., p. 120.

"Any institution has to be organized so as to bring out talents and capacities within the organization...,": Ibid., p. 28.

"More and more of the input we need will not be from people or organizations that we control...": Peter Drucker, *Managing in the Next Society* (New York: St. Martin's Press, 2002), p. 87.

"There was Mary Parker Follett. She was totally forgotten...,": Interview with Peter Drucker, December 22, 2003.

"Taylor applied to manual operations the principles that machine designers during the 19th century...,": Peter Drucker, *Technology, Management & Society* (New York, HarperCollins, 1970), p. 79.

"Taylor put knowledge to work to make the manual worker productive...,": Ibid., p. 37.

"Management was seen as a result rather than a cause...,": Ibid., p. 31.

"Taylor was not a charlatan, but his ideological message required the suppression of all evidence of worker's dissent...,": David Montgomery, *Fall of the House of Labor* (New York: Cambridge University Press, 1989), p. 254.

"...Further alienated turf-minded American academics: economists regarded it as vulgar sociology...,": John Micklethwait and Adrian Woolridge, *The Witch Doctors* (New York: Random House, 1996), pp. 72-73.

"We speak of 'leadership' and of the 'spirit' of a company, but leadership is given by managers...,": Peter Drucker, *The Practice of Management*, p. 13.

"It does not matter whether the worker wants responsibility or not. The enterprise must demand it of him...,": Ibid., p. 304.

"When Frederick Taylor started what later became scientific management...In making and moving things the task is always taken for granted.": Peter Drucker, *Managing for the Future*, p. 97.

"For twenty-five years, from the end of World War II...management...became a worldwide concern...,": Peter Drucker, *Management: Tasks, Responsibilities, Practices,* p. 11.

The other words that greeted IBMers who entered the school were "Observe," "Discuss," "Listen" and "Read, but a "THINK" sign was on full display in every IBM office, Thomas J. Watson, *Father, Son & Company*, (New York: Bantam Books, 1991), pp. 68-69.

"In knowledge and service work, partnership with the responsible worker...,": Peter Drucker, *Managing for the Future*, p. 107.

"It will become more and more important for these people to get together and actually meet one another...,": Peter Drucker, *Management Challenges for the 21st Century*, p. 91.

"The risk must be taken if people are allowed to define their own paths...,": Elizabeth Edersheim, *The Definitive Drucker*, p. 172

"If you are uncomfortable with the idea of vesting people with the power to fire their boss...,": Ibid., p. 172.

"What is your greatest priority? What should it be? What should you be expected to contribute?": Peter Drucker, *Management Challenges for the 21st Century*, p. 145.

G CHAPTER 7

Abandon all but Tomorrow

"A critical question for leaders is, "When do you stop pouring resources into things...":

Peter Drucker interview with Rich Karlgaard, "Peter Drucker on Leadership,"

Forbes.com, November 19, 2004.

"The best book I have not written was a book called Managing Ignorance...,": Interview with Peter Drucker, December 22, 2003.

"The first step in a growth policy is not to decide where and how to grow...,": Peter Drucker, *The Changing World of the Executive*, (New York: Times Books, 1982), p.88.

"Maximizing opportunities shows how to move the business from yesterday to today...,": Peter Drucker, *Managing for Results*, p. 140.

The source for the section entitled "Rewrite Last Month's Manual," including the quotes "something is wrong if workers do not look around each day..., and "there is a distinct difference between approaching TPS as a mere manufacturing tool," is David Magee's *How Toyota Became #1* (New York: Portfolio Books, 2008).

Kaizen is evident in all Toyota plants, where any worker is empowered to "stop the train" at the first sign of a problem, Ibid, p. 76.

According to Jim Press, the former president of Toyota Motor North America (and now president of Chrysler), "the factory is the most visible and the easiest place to identify [TPS] at work…,":Ibid, p. 31.

The source for the questions, "If we did not do this already, would we go into it now...,":, Peter Drucker, *The Post Capitalist Society* (New York: HarperCollins, 1993), p. 59.

"Every organization of today has to build into its very structure the management of change...": Peter Drucker, Ibid., p. 59.

"A strategy enables an institution to be purposefully opportunistic...": Peter Drucker, *Management Challenges for the 21st Century*, p.67.

"To let [such] a man stay on corrupts the others...,": Peter Drucker, *The Effective Executive*, p. 89.

"Also-rans...have to make do with what they have — or with less...,": Peter Drucker, *Managing for Results*, p. 146.

"Nothing may seem simpler or more obvious than to answer what a company's business is...,": Peter Drucker, *The Practice of Management*, p. 49.

"...Somebody in senior management the specific assignment to work on tomorrow...,":

Peter Drucker, *The Essential Drucker*, p. 139.



Auditing Strengths

"In knowledge work, above all, one therefore has to staff from strength...,": Peter Drucker, *The Changing World of the Executive*, p. 116.

The focus must be on strength...the greatest mistake is to try to build on weakness,": Peter Drucker, *The Practice of Management*, p. 150.

"We wrote this book to start a revolution, a strengths revolution...": Marcus Buckingham and Donald Clifton, *Now, Discover Your Strengths* (New York: Free Press, 2001).

"One can only build on strength. One can achieve only by doing.... focuses on people's weaknesses rather than on their strengths...": Peter Drucker, *The Practice of Management*, pp. 151, 157.

"We will have to learn to build organizations in such a manner...,": *The Effective Executive*, p. 19.

"Most Americans do not know what their strengths are...": Marcus Buckingham and Donald Clifton, *Now, Discover Your Strengths*, inside jacket flaps.

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"So what I really did...in systematic form, [was recognize] management as a new social institution...,": Interview with Peter Drucker, December 22, 2003.

"Drucker told me how much he hated cases...": Ibid.

"Waste as little effort as possible on improving areas of low competence...": *The Essential Drucker*, pp. 218-220.

In researching their book, the duo compiled 200,000 360 degree evaluations that were completed on 20,000 individuals...": John H Zenger and Joseph Folkman, *The Extraordinary Leader*, (New York, McGraw-Hill, 2002), p. 11.

"The really powerful message here is to be a highly effective leader inside of an organization...,": Jack Zenger, HR.com Webcast, July 1, 2005.

"One cannot do anything with what one cannot do...Appraisal must therefore aim first and foremost on bringing out what a man can do...": Peter Drucker, *The Practice of Management*, p. 151.

The anecdote about the University of Toyota's program aimed at identifying strengths was confirmed by email in correspondence with Mike Morrison, Dean of Toyota University, February 28, 2008.

"He [Welch] has that great ability to keep quiet...,": Interview with Peter Drucker, December 22, 2003.

"Your Back Room is Somebody Else's Front Room,": Jack Welch, *Jack: Straight from the Gut* (New York: Warner Books, 2001), p. 397.

Welch credited Drucker with the idea [of letting others handle what you don't do best] but added that it was something they practiced at GE. Rather than own a cafeteria, outsource it to a food company. If printing is not your strength, let a print shop handle it. The source for this is *Jack: Straight from the Gut*, p. 397.

"Peter had made him conscious of GE's ability to work with another organization that was excited about something...,": Elizabeth Edersheim, *The Definitive Drucker*, p. 25.

"Back rooms by definition will never be able to attract your best...,": Jack Welch, *Jack*, p. 397.

The anecdote about Home Depot and UPS and their synergistic relationship came from Elizabeth Edersheim, *The Definitive Drucker*, p. 23.

James McNerney's quote, "expect a lot, inspire people, ask them to take the values that are important to them...,": was excerpted from Geoffrey Colvin, "Blue Cross Blue Shield," *Fortune*, October 16, 2006.



The Critical Factor

"Successful leaders don't start out asking, "What do I want to do?" They ask, 'What needs to be done...,": Peter Drucker, Interview with Rich Karlgaard, *Forbes.com*, November 19, 2004.

"Leadership is not magnetic personality...it is not 'making friends and influencing people' — that is salesmanship...,": Peter Drucker, *The Practice of Management*, pp. 159-160.

Drucker's discussion of charisma not equaling leadership and Harry Truman having as much charisma "as a dead mackerel" was discussed in several of his books and articles, as well as in the Peter Drucker interview with Rich Karlgaard of *Forbes.com*, November 19, 2004.

The source for Drucker's discussion of Franklin D. Roosevelt, Winston Churchill, George Marshall, Dwight Eisenhower, etc, was from Peter Drucker's *The Essential Drucker*, p. 269.

"His [Ronald Reagan's] great strength was not charisma, as is commonly thought...,": *Forbes.com*, November 19, 2004.

"A leader is somebody who has followers." That was how he defined leadership in several of his books...James O'Toole, *Leadership A to Z*, (New York, Jossey-Bass, 1999), p. 68.

"The foundation of effective leadership is thinking through the organization's mission, defining it...": Peter Drucker, *The Essential Drucker*, p. 270.

"To put personality above the requirements of the work is corruption and corrupts...":

Peter Drucker, *The Practice of Management*, pp. 157-158.

"You tell us what you think is right. Don't worry about *who* is right...,": Peter Drucker, *Adventures of a Bystander* (New York: Wiley, 1998), p. 279.

"No institution can possibly survive if it needs geniuses or supermen to manage it...No institution can endure if it is under one man rule...,": Peter Drucker, *Concept of the Corporation*, p. 26.

"...Conscious attempt to run the billion-dollar business without managers...,": Peter Drucker, *The Practice of Management*, p. 114.

"In the modern corporation, the problem of leadership is not only more important than in other institutions...,": Peter Drucker, *Concept of the Corporation*, p. 29.

"Leadership cannot be created or promoted. It cannot be taught or learned...,": Peter Drucker, *The Practice of Management*, p. 159.

According to *Good to Great* author Jim Collins, Drucker was "infused with this humanity...,": Elizabeth Edersheim, *The Definitive Drucker*, p. 157.

"It is character through which leadership is exercised, "It is vision and moral responsibility...,": Peter Drucker, *The Practice of Management*, pp. 157, 350.

"The foundation of effective leadership is thinking through the organization's mission, defining it...But before accepting a compromise...,": Peter Drucker, *The Essential Drucker*, p. 270.

"In picking their cabinets, both Franklin Roosevelt and Harry Truman, said, in effect, never mind personal weaknesses. First tell me what each of them can do...,": Elizabeth Edersheim, *The Definitive Drucker*, p. 166.

"A leader may be personally vain —as General MacArthur was to an almost pathological degree...,": *The Essential Drucker*, pp. 270-271.

"The final requirement of effective leadership is to earn trust...Effective leadership—and again this is very old wisdom...,": Peter Drucker, *The Essential Drucker*, p.271.

Drucker once wrote that many companies owe their leadership position to activities undertaken by people who died a generation ago, Peter Drucker, *The Practice of Management*, p. 70.

"The gravest indictment of a leader is for the organization to collapse as soon as he leaves or dies...,": Peter Drucker, *The Essential Drucker*, p. 271.

G CHAPTER 10

Drucker on Welch

"....Jack Welch was, in many ways, a natural. But neither of his predecessors were. They had to learn it the hard way...,": Interview with Peter Drucker, December 22, 2003.

The entire greatest manager who built the pyramid story, that began with the following: "The greatest manager of all time...was the man who conceived, designed and built, totally unprecedented, the first pyramid...,": Ibid.

The section on comparing Jack Welch to Reg Jones in which I asked Drucker which was a better leader and Drucker responded: "Bluntly, Jones...Welch would have been very frustrated to have been GE's general manager in the '70s when GE was

basically...retrenching is the wrong word...but, defensive...," all came from my Interview with Peter Drucker, December 22, 2003.

"And secondly, that goes back to the 50's. Welch inherited that enormous supply of trained executives...this began really with Crotonville, the systematic development of managers that goes back to Ralph Cordiner...,": Ibid.

"The decency of that man [Jones] was remarkable. Within GE Welch was respected and feared, but Jones was loved.": Ibid.

"Jones realized the potential of GE Finance, which up until then was primarily focused on financing GE's product divisions... he saw clearly that Services was an area of expansion...,": Ibid.

"The client pays for the consultant's mistake.": Ibid.

"A manager is a manager is a manager," was said by Ralph Cordiner, in Noel Tichy, Stratford Sherman, *Control Your Destiny or Someone Else Will*, p.37.

"Buried in endless pages of stultifying elaborate prescriptions are such powerful concepts as management by objectives...," Ibid., p. 37.

"The discussion of decentralization, for instance, [excerpted from the Blue Books] sounds a lot like Welch's principle of speed...Ibid., p. 37

By the end of the decade the number of managers...That degree of commitment to executive training and development was later amplified by Welch...,": William Rothschild, *The Secret to GE's Success* (New York: McGraw-Hill, 2007), p.105.

"I was one of three founders – the other two [were] CEO of GE [Ralph Cordiner] and the man who brought me into GE as a consultant...,": Interview with Peter Drucker, December 22, 2003.

"...I was the main consultant in the late 40's, really early 50's...Welch had an enormous supply of trained, tested, and focused executives. Without those two [Cordiner and Smiddy], *Welch couldn't have done it.*": Ibid.

"He credits me for that decision...,": said Drucker offhandedly, Ibid.

"Dr. Drucker, are you saying that GE was ready, ripe for someone like Welch?" His answer only added more fuel to the fire: "More than that...,": Ibid.

By Welch's last year as CEO, GE Capital had skyrocketed to \$370 billion in assets and contributed more 41 percent of the company's total income...,": *Jack*, p. 233.

"Jones picked Welch because he was the right person for the business plan. He was not the right person to run the GE...I am the right man for the present, you need a man for the future...,": Interview with Peter Drucker, December 22, 2003.

"Jack Welch was, in many ways, a natural...So for five years – the first five years – his priority was to restructure GE," said Drucker, and then he asked again what needs to be done and set a new priority. And the last priority was to restructure GE around information...": Ibid.

"Since Welch took over as CEO in 1981, GE has created more wealth than any company in the world...,": Peter Drucker, *Management Challenges for the 21st Century*, p. 126.

"The main factor for [Welch's success] was that GE organized the same information about the performance of every one of its business units differently for different purposes...,": Ibid, p. 126.

"There is no such thing as a 'good man. Good for what is the question,": Peter Drucker, *The Effective Executive*, p. 3.

CHAPTER 11

Life and Death Decisions

"Promotion decisions are what I call "life and death decisions for managers...,": Peter Drucker, *The Practice of Management*, p. 155.

"A few years ago...there was all this talk about the death of hierarchy...Without a decision maker you'll never make a decision.": Peter Drucker, *Managing in the Next Society*, p. 79.

"Few things are less likely to succeed than hasty person decisions. And the same applies to most of the other top-management decisions...,": Peter Drucker, *Management*, p. 616.

"Never try to be an expert if you are not...,": Peter Drucker, *Forbes.com*, November 19, 2004.

"I would never promote a man into a top level job who had not made mistakes...,": Peter Drucker, in Jack Beatty's *The World According to Drucker*, (New York: Free Press, 1998), p. 113.

In the last analysis, management is practice. Its essence is not knowing but doing...,":

Peter Drucker, *Management*, p. xiv.

"Throughout every one of our knowledge organizations, we have people who manage no one and are still executives...": Peter Drucker, *The Effective Executive*, p. 8.

"Knowledge work is not defined by its quantity...,": Peter Drucker, *The Effective Executive*, p. 7.

"knowledge workers, managers, or individual professionals who are expected by virtue...,": Peter Drucker, *The Effective Executive*, p. 8.

"The people who actually do most of the knowledge and service work in organizations — engineers, teachers, salespeople, nurses, middle managers in general — carry a steadily growing load...,": Peter Drucker, *Managing for the Future*, p. 100-101.

The Three Officer's Rule, Ralph Cordiner anecdote was detailed in Peter Drucker's *The Practice of Management*, pp. 185, 187.

"Priority decisions, or nothing will get done...its strengths and weaknesses, its opportunities and needs...,": Peter Drucker, *Managing for Results*, p. 201.

"Priority decisions convert good intentions into effective commitments, and insights into action...,": Peter Drucker, *Managing for Results*, p. 201.

The discussion about "posteriorities," and the quote "It cannot be said often enough that one should not postpone; one abandons," comes from Peter Drucker's *The Effective Executive*, p. 110.

"It's almost always a serious mistake to go back to something no matter how desirable it might have appeared...,": Peter Drucker, *Managing for Results*, p. 201.

"...Business is society's change agent...the seemingly most successful business of today is a sham and a failure if it does not create its own and different tomorrow...No business will long survive, let alone prosper, unless it innovates successfully...,": Peter Drucker, Preface for *The Effective Executive In Action* (New York: Collins, 1996), page vii.

"Don't tell me what you're doing, tell me what you *stopped* doing.": Peter Drucker, *Forbes.com*, November 19, 2004.

"Executives spend more time on managing people and making people decisions than on anything else...": Peter Drucker, *Peter Drucker on the Profession of Management* (Cambridge: Harvard University Press, 1998), p. 33.

Drucker added that most executives make bad people decisions, with a batting average no better than .333: one-third of new hires are good ones...,": Ibid.



The Strategic Drucker

"Without understanding the mission, the objectives and the strategy of the enterprise...,":
Peter Drucker, *Management*, p. 48.

Strategy, we were told again and again, "belongs to military or perhaps to political campaigns but not to business." Drucker pointed out that the 1952 edition of the Concise Oxford Dictionary...,": Peter Drucker, *Innovation and Entrepreneurship*, (New York: HarperCollins, 1085), footnote, p. 209.

"...Within a decade management strategy became one of the most popular and most studied aspects of management and business, Peter Drucker, in the Preface to *The Executive in Action*, p. 5.

"Only a clear definition of the mission makes possible clear and realistic business objectives...Structure follows strategy...,": Peter Drucker, *Management*, p. 75.

"Nothing may seem simpler or more obvious than to answer what a company's business...And the right answer is usually anything but obvious...," Peter Drucker, *The Practice of Management*, p. 49.

"...Therefore the question 'what is our business?' can be answered only by looking at the business from the outside, from the point of view of the customer...,": Peter Drucker, *The Practice of Management*, p. 50.

"...Clear and sharp form...On the contrary," Drucker wrote, "to raise the question and to study it thoroughly is most needed when a business is successful...,": Peter Drucker, *The Practice of Management*, p. 51.

Drucker's American Telephone and Telegraph Company and how it defined the company as "our business is service," appeared in *The Practice of Management*, pp. 49-50.

"You have to keep in mind that human beings aren't good at understanding exponential growth...,": Robert Spector, *Amazon.com: Get Big Fast* (New York: HarperBusiness, 2000), p. 25.

Bezos then compiled a list of 20 potential products that could be sold on line, including music and office supplies...,": Ibid., p. 25.

The Bezos story of how he attended a four day bookselling course in Portland, Oregon: Ibid, p. 43.

Bezos vowed then to make customer service the "cornerstone of Amazon.com,": Ibid., pp. 44-45.

"...We set out to offer customers something they simply could not get any other way, and *began* serving them with books...,": Jeff Bezos, 1997 Annual Letter to Shareholders.

"We are working to build a place where tens of millions of customers can come to find and discover *anything* they might want to buy online...": Jeff Bezos, 1998 Annual Letter to Shareholders.

It was obvious from the beginning that Amazon couldn't stay in books and have margins that anyone would be happy...,": Robert Spector, *Amazon.com*, p. 191.

"It is...irrational not to plan for growth...every business needs a growth goal...,": Peter Drucker, *The Changing World of the Executive*, p. 91.

"...Organization must be reviewed as the business changes...,": *Managing for Results*, p. 214.

"It is the customer who determines what a business is. For it is the customer, and he alone, who through being willing to pay for a good or a service, converts economic resources into wealth...,": Peter Drucker, *The Practice of Management*, p.37.

"From the beginning, our focus has been on offering our customers compelling value...,": Jeff Bezos, 1997 Letter to Amazon.com Shareholders.

"There is one more major factor in every management problem, every decision, every action...,": Peter Drucker, *The Practice of Management*, p. 14.

"It's all about the long-term" became a catch-phrase in Jeff Bezos' annual letter to shareholders...,": Jeff Bezos, 1998 Letter to Amazon.com Shareholders.

Bezos vowed to "make investment decisions in light of long-term *market leadership* considerations rather than short-term profitability considerations...,": Jeff Bezos, 2000 Letter to Amazon.com shareholders.

"Priority decisions must be made 'deliberately and consciously'...,": Peter Drucker, *Managing for Results*, pp. 201-202.

"You do enough of these things and you're going to bet wrong...,": Jeff Bezos in Robert Spector's book, *Amazon.com: Get Big Fast*, p. xxi.

Of course innovation is risky. But so is stepping into the supermarket for a loaf of bread...,": Peter Drucker, . *Innovation and Entrepreneurship*, p. 139

"We will make bold rather than timid investment decisions...,": Jeff Bezos, 1997 Letter to shareholders.

"Many of you have heard me talk about the 'bold bets' that we as a company have made and will continue to make...,": Jeff Bezos, 2000 Letter to shareholders.

"Objectives must be defined from what our business is, what it will be, and what it should be...,": Peter Drucker, *The Essential Drucker*, p. 28.

Our vision is to use this platform to build Earth's most customer-centric company, a place...,": Jeff Bezos 1999 Letter to shareholders.

"...such entities, rather than a traditional model of a parent company with wholly owned subsidiaries...,": Peter Drucker, *The Essential Drucker*, p.102.

"We don't really care whether we sell something through zShops, or sell something directly...,": Robert Spector, *Amazon.com*, p. 219.

"Structure follows strategy. Strategy determines what the key activities are in a given business...,": Peter Drucker, *Management*, p. 75.

"The right structure does not guarantee results.": Peter Drucker, *Managing for Results*, p. 214.

CHAPTER 13

"A new Information Revolution is well under way. It has started in business...,": *Management Challenges for the 21st Century*, p.97.

"[One] characteristic that made Peter extraordinary was his gift for reducing complexity...,": A.G. Lafley in the Foreword to Elizabeth Edersheim's *The Definitive Drucker*, p. xi.

"Each manager should have the information he needs to measure his own performance...
"Only if he has all the information regarding his operations can he fully be held accountable...,": Peter Drucker, *The Practice of Management*, pp. 131, 133.

"The danger is being aggravated today by the advent of the computer and of the new information technology. The computer, being a mechanical moron...,": *The Effective Executive*, pp. 15-16.

"...When the new computer arrives, a frantic search begins to find things for it to do...,":

Peter Drucker, *Management*, p. 225.

"What does top management need in order to make its decisions...,": *Management*, p. 626.

The article entitled "The Coming of the New Organization" in which Drucker describes three phases of the corporation appeared in The *Harvard Business Review*, January-February, 1988.

"This established management as work and task...,": Ibid.

"We can perceive, though perhaps only dimly, what this organization...,": Ibid.

Drucker described his "four revolution" theory. In *Management Challenges for the 21*st

Century (1999); Drucker describes this new revolution with great clarity, calling it "a revolution in *concepts*...The new information revolutions focus on the 'I'": *Management Challenges for the 21*st Century, p.97.

"What is report X for, or what is the meaning of report Y?" As a result, this is redefining...,": Ibid., p.97.

"Half a century ago no one could have imagined the software that enables a major equipment maker...,": Ibid., p. 98.

"For top management tasks information technology so far has been a producer of data...,": Ibid., p. 99.

"The preservation of assets and for the distribution if the venture...": Ibid., p. 99.

"Top management's frustration with the data that information technology has provided has triggered...,": Ibid., pp. 99-100.

"What information concepts do we need...,": Ibid., p. 100.

"...The new area...and the most important one, in which we do not as yet have systematic and organized methods...,": Ibid., p. 100-101.

"The new Information Revolution began in business and has gone furthest in it. But it is about to revolutionize education...,": Ibid., p. 101.

"In health care a similar conceptual shift is likely to lead from health care...,": Ibid., pp. 101-102.

"And now the printed media are taking over the electronic channels...,": Ibid., p. 110.

"More and more of the specialty mass magazines...The new distribution channel will surely change the printed book. New distribution channels always do change...Ibid., p. 110.

"The truly revolutionary impact of the Information Revolution is just beginning to be felt.

But it is not 'information' that fuels...,": Peter Drucker, *Managing in the Next Society*,

(New York: Truman Talley Books, 2002), pp. 3-4.

"At the same time, new and unexpected industries will no doubt emerge...,": Ibid., p. 4.

"But they are made on the assumption that the Information Revolution will evolve as several earlier...Ibid., pp 4-5.

"The Information Revolution is now at the point at which the Industrial Revolution was in the early 1820s...This is likely to be true of the industries that will emerge...,": Ibid., pp. 5, 23.

GENERAL STATE OF STA

The Leader's Most Important Job

"One has to make the organization capable of anticipating the storm, weathering it...": *Managing the Nonprofit Organization*, p. 9.

"The most important task of an organization's leader is to anticipate crisis...,": Ibid., p. 9.

"Too many non-profits, especially large ones...have no clear sense of mission...,": Interview with Peter Drucker, December 22, 2003.

"It's worse than that...They put their best people on it, where they have no results..,":
Ibid.

"We work together on their mission, their leadership, their management...,": Peter Drucker, *Managing the Nonprofit Organization*, p. xiv.

"The non-profit institutions need management all the more because they do not have a conventional bottom line. They know they need to learn...Ibid., p. xiv.

"Problems of success have ruined more organizations than has failure...,": Ibid., p. 10.

"I made sure that we did not overextend ourselves...,": Ibid., p. 10.

"You cannot prevent a major catastrophe, but you can build an organization...,": Ibid.,.
p. 9.

"Some people are beautifully prepared for the crises. And hate everything else...,": Ibid p,. 9.

Churchill was at best an onlooker, "almost discredited, because there was no need for a Churchill.,": Ibid, p. 9.

"Fortunately or unfortunately, the one thing in any organization is the crisis. That always comes. That's when you *do* depend...,": Ibid., p. 9]

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"But another group is, fortunately... roll up their sleeves and go to work,": Ibid., p. 15.

"Winston Churchill in ordinary, peaceful, normal times would not have been very effective. He needed...,": Ibid., pp. 19-20.

"On the other hand, there are people who are very good when things are pretty routine...,": Ibid., p. 20.

The four competencies, beginning with "The willingness, ability, and self discipline to listen," and ending with an "understanding of how unimportant you are when compared to the task..." is excerpted from *Managing the Nonprofit Organization*, p. 20.

"That is a hallmark of the truly effective leader...,": Ibid., p. 21.

"Most leaders I've seen were neither born nor made...,": Ibid., p. 21.

"When Truman became president, he was totally unprepared...,": Ibid., p. 21.

"He forced himself to take a crash course in foreign affairs...,": Ibid., p. 21-22.

"He [MacArthur] built a team second to none because he put the task first...,": Ibid., p. 22.

"I taught myself that if I expect something to happen in three months...,": Ibid., p. 24.

"I was over-cautious when I ran institutions, or was part of the running...,": Ibid., p. 24.

"Balance decision between opportunity and risk....,": Ibid., p. 25.

"...Damn the torpedoes let's buy it. It's the last chance we'll have...,": Ibid., p. 25.

CHAPTER 15

A Short Course on Innovation

"...Businesses prefer not to abandon the old, the obsolescent, the no-longer-productive...,": Peter Drucker, *Innovation and Entrepreneurship*, p, 260.

Drucker told me that his consulting was his "laboratory"...."Writing is merely the last stage. By that time I wrote it I must have understood it, and practiced it for some time.": interview with Peter Drucker, December 22, 2003.

Drucker's discussion of his first innovation seminar, and how he waited 25 years to write a book on the subject, Ibid.

"... Tomorrow always arrives. It is always different. And then even the mightiest company is in trouble...Peter Drucker, *Managing for Results*, p. 191.

"The executive has to accept responsibility for making the future happen...,": Peter Drucker, *Managing for Results*, p. 192.

"The customer is the foundation of the business and keeps it in existence," Peter Drucker, *The Practice of Management*, p. 37.

"Because its purpose is to create a customer, any business enterprise has two — and only these two — basic functions...,": Ibid., p. 37.

"The second function of a business is therefore innovation...,": Ibid., p. 39.

"But it may also be a new and better product (even at a higher price), a new convenience...Ibid., pp. 39-40.

"Innovation goes right through all phases of business...,": Ibid., p. 40.

"Indeed, what the customer considers value is so complicated that it can only be answered by the customer...,": Ibid., p. 56.

The source for "What will our business be?" and the four questions that follow — from "What is the market potential and trend to "what wants does the customer have that are not being adequately satisfied by the products or services offered him today? — comes from Peter Drucker, *The Practice of Management*, pp. 56-57.

"...A growth policy needs to be able to distinguish between healthy growth, fat, and cancer...," Peter Drucker, *The Changing World of the Executive*, p. 90.

"Yesterday's breadwinner should almost always be abandoned...,": Peter Drucker, *Managing for Results*, p. 144.

"The starting point is to recognize that change is not a threat, but an opportunity,": Peter Drucker, *Managing the Nonprofit Organization*, p. 11.

Drucker cited two examples...this was not a "luxury" or "something to bring in additional money or good public relations. It is becoming the central thrust of our knowledge society.": Ibid., p. 11-12.

"The lesson is, don't wait...Organize yourself for systematic innovation. Build the search for opportunities...,": Ibid., p. 12.

"First, organize yourself to see the opportunity. If you don't look out the window...,": Ibid., p. 13.

"So we have to go beyond our reporting systems...": Ibid., p. 13.

The next challenge is "operating the new...babies don't belong in the living room, they belong in the nursery...,": pp. 13-14.

"You execute on the wrong strategy, you sink. You don't execute on the right strategy, you sink...,": Andy Grove, "Andy Grove on Intel," *Upside*, October 12, 1997.

"The need for a different memory strategy, one that would stop the hemorrhage, was growing urgent," Andy Grove, *Only the Paranoid Survive* (New York: Doubleday Currency, 1996), p. 88.

"...Had become marginalized by our Japanese competitors. There really was no viable option for us to work our way out...,": Andy Grove, Interview with John Heilemann, *Wired* Magazine, June, 2001, p. 144.

"Even the mightiest company is in trouble if it has not worked on the future...,": Peter Drucker, *Managing for Results*, p. 191.

Grove characterized a strategic inflection point as "a time in the life of a business in which its fundamentals are about to change.": Andy Grove, *Only the Paranoid Survive*, p. tk

Grove later added that strategic inflection points "represent, in my description of it, what happens to a business when a major change takes place in its competitive environment.": Andy Grove, Academy of Management Speech, San Diego, California., August 9, 1998.

"What used to work no longer works...we had lost our bearings. We were wandering in the valley of death...,": Andy Grove, *Only the Paranoid Survive*, p. 34.

"Like many philosophers, he [Drucker] spoke in plain language that resonated with ordinary managers...,": Andy Grove, Academy of Management speech, August 9, 1998.

Getting through the "valley of death" — "is a wholesale shifting of resources from what was appropriate for the old idea of the business...,": Andy Grove, *Only the Paranoid Survive*, p. 144.

"Your first task is to form a mental image of what the company should look like...,": Ibid., p. 140.

"They were shifting rare and valuable resources from an area of lower value...,": Ibid., p. 144.

"The scarcest resources in any organization are *performing people...*,": Peter Drucker, *Management Challenges for the 21st Century*, p. 121.

"They usually know more about upcoming change than the senior management because they spend so much time outdoors...," Andy Grove, *Only the Paranoid Survive*, p. 109.

A disruptive technology offers a new value proposition. They are "simpler and cheaper and lower performing...,": Clayton Christensen, *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail* (Cambridge: Harvard Business Review, 1997, 267), p. 267.

They often fail because the very management practices that have allowed them to become industry leaders...,": Ibid., p. 263.

In the closing pages of *Innovator's Dilemma*, Clay Christensen gave managers the following advice in his reader's guide: he recommended that organizations "give responsibility for disruptive technologies to organizations whose customers need them so that resources will flow to them," p. 266.

He also felt it important that responsibility for a disruptive technology not be thrown into the mix with other more established, mainstream products. Instead, he strongly recommended that a corporation should "set up a separate organization small enough to get excited by small gains...," p. 266.

"Babies don't belong in the living room, they belong in the nursery...,": Peter Drucker, *Managing the Nonprofit Organization*, pp. 13-14.

Third, Christensen told managers to "plan for failure." He urged executives not to bet everything "on being right the first time...,": Clayton Christensen, *The Innovator's Dilemma*, p. 266.

Lastly, "don't count on breakthroughs...,": Ibid., p. 266.

Grove spoke publicly how he was changed by reading Drucker's *Practice of Management* thirty years after...,": Andy Grove, Academy of Management Speech, San Diego, California., August 9, 1998.

Christensen called Drucker "an intellectual terrorist," for planting bombs that would go off in "unsuspecting reader's brains sometimes years later when triggered by a related event.": Clayton Christensen on Peter Drucker, Thought Leader's Forum, Peter F. Drucker Biography, The Peter F. Drucker Foundation for Non-Profit Organization.



Epilogue: From the Monster to the Lamb: The People Who Shaped Peter Drucker

The primary source for the Epilogue: From the Monster to the Lamb came from Peter Drucker's memoir, Adventures of a Bystander (New York: HarperCollins, 1991). The quotations excerpted from that book came from the following pages: ix, x, xi, 12-13, 16-17, 19, 20-21, 65-66, 68, 73, 116, 160, 161, 165, 167, 168, and 169.

There are additional sources that were also used in the compilation of this epilogue. Each is listed below:

"My aim has never been academic, that is, to be recognized; it has always been to make a difference.": Peter Drucker in a letter to author Jeffrey Krames, November 14, 2003.

He told *BusinessWeek*'s John Byrne six months before he died that he did his best work in the 1950s and characterized his work since then as "marginal.": John Byrne, "The Man Who Invented Management," BusinessWeek, November 28, 2005.

"One doesn't pray for a long life but or an easy death...,": Ibid.

"What I would say is I helped a few good people be effective...,": Ibid.

Freud and Drucker's family ate lunch at the same restaurant and they vacationed near the same lake.": Ibid.

Die Judenfrage in Deutschland, or The Jewish Question in Germany...The only copy that still exists is in the Austrian National Archives, with a swastika...," John Byrne, "The Man Who Invented Management."

"Each manager should have the information he needs to measure his own performance...Peter Drucker, *The Practice of Management*, p. 131.

"Peter's passion was the direct outgrowth of having witnessed Europe's economic free fall, Elizabeth Edersheim, *The Definitive Drucker*, p. 14.

"The failures and collapse that he wrote about in the 1930s," she continued, were, to his mind, directly connected to poor business...,: Ibid., p. 14.

"The rise of Fascism and Communism only confirmed Drucker's view of the critical need for vibrant businesses...,": Ibid., p. 14.

"Without economic opportunity,' he wrote in 1933, 'The European masses realized for the first time that existence in this society is governed not by what is rational...,": Peter Drucker in Elizabeth Edersheim's *The Definitive Drucker*, p. 14.

The source for Drucker's discussion of Nazism and totalitarianism and his accurate prediction of the Holocaust, as well as Churchill's praise of his work was Peter Drucker's *The End of Economic Man,* (New York: Heinemann, 1940). Much of the material quoted was excerpted from the Introduction to the Transaction Edition, published in 1994.

In the book, Drucker argues "that the basic institution of industrial society has to be both, a community that gives status, and a society that gives function...,": Peter Drucker, *The Future of Industrial Man* (New York, J. Day, 1942), from the Introduction in the Transaction Edition.

Drucker explained that no one used the word "organization" until after World War II, and that he might have been first to use the term…he argues that the emerging industrial society is different than what preceded it, "different structurally from nineteenth-century and early twentieth-century society and has different challenges, different values, different opportunities,": Ibid.

"It didn't have the most lasting impact, but the greatest impact.": Interview with Peter Drucker, December 22, 2003.