

Chapter 1

Opportunity Favors the Prepared Mind

“Peter, you have ruined your academic career forever.”

—What Drucker’s friend told him after he published
Concept of the Corporation

As I sat with Drucker that morning, it occurred to me that the inside of his home was similar to the outside: understated and uncluttered, with books and Japanese art and neutral-colored couches and chairs. There was no evidence of a trophy room, or even a trophy corner.

Drucker’s writing career had started almost sixty-five years earlier, with the publication of *The End of Economic Man* (1939), an antifascism book that attracted the attention and praise of Winston Churchill. Since then he had been hailed by U.S. presidents (for example, Nixon), and had won the Presidential Medal of Freedom in 2002 (awarded by George W. Bush), yet there was nothing in sight that indicated anything of these ac-

complishments. As I took in the surroundings I reminded myself to focus on the job at hand. It was not enough that the tape recorders were working; I needed to pay close attention if I was to engage Drucker by asking the right follow-up questions.

However, Drucker never allowed me to get in that first question. He was like the football coach who had arrived on the sidelines with the first twenty plays already decided upon, and didn't waste a moment getting to it. His first order of business was to describe his serendipitous entry into the business world. Drucker explained at length how he accidentally got into the management field (*but he created the management field*, I thought to myself). At first it seemed as though Drucker was having a bit of fun with me—a career like Drucker's does not happen by accident. But as he narrated story after story, I realized that there was no false or calculated humility. He meant it when he said he “fell into management.”

Drucker told me he didn't know anything about management from “the inside” because he had never been a manager. It wasn't that he wasn't interested in business. Before coming to the United States he held several jobs that had immersed him in different parts of the business world: “I was a trainee in what had become the European headquarters of a major Wall Street firm that's long gone . . . one of those great nineteenth-century German/Jewish American firms. I was a trainee in the first investment department in Europe . . . that was an American Invention,” said Drucker.

However, Drucker's timing could not have been worse. The stock market crashed at about the same time he started, putting

an end to any hopes of an investment banking career: "I was last in and first out when the market crashed," reported Drucker good-naturedly.

As luck would have it, just after he was fired, a colleague invited Drucker for a drive to a local newspaper. There the publisher told the jobless young man that they were looking for a business and foreign affairs editor. "And an hour later I was hired without any business experience," recounted Drucker. "I was a trainee in Hamburg for eighteen months where I mostly learned to spell Edinburgh, literally. All I did for eighteen months was to write out envelopes!"

Drucker handled more than envelopes when he left Hamburg to work as a reporter a few years later: "I had gotten to know quite a few companies when I was the American business writer for a group of British newspapers in Frankfurt"—one of those newspapers was the precursor to *The Financial Times*. He also received his doctorate in public and international law while holding down his reporting job.

He then worked as an economist for an international bank in London. But that was it, said Drucker, "That's my total business experience... I spent two, almost three years in London as the economist asset manager over a small and fast-growing investment bank... but I have no other business experience."

After a few moments of silence (it was so quiet I could hear the whirring of the tape recorder), I reminded Drucker that he had more business experience than that. "You are a management consultant," I added, to which Drucker quickly replied: "A con-

sultant has no risk... the only risk he has is that the client doesn't come back. *The clients pay for the consultant's mistakes,*" he said finally, as if to put an end to that discussion once and for all.

Drucker's Break

Drucker came to the United States in 1937, and began his career as professor of politics and philosophy at a liberal arts college in Vermont, Bennington College. However, if he had had his way he would not have taught either of those courses. He confided to me that he would have preferred to teach the freshman writing course. He said he had known he could write since he was twelve, and in English, since "we grew up multilingual. At home we spoke German and English, more English than German."

It was while teaching at Bennington College that he got the break that would forever alter his life's course. It started with a phone call he received in the fall of 1943. Almost exactly to the day, sixty years later, Peter Drucker retold the story in vivid detail, recounting each detail as if it had taken place six weeks earlier rather than six decades.

The Phone Call That Sparked a Discipline

"To this day I don't know how General Motors came to me or who was responsible for it," started Drucker, looking off in another direction. "We had been up in Vermont since the summer of 1941 and the college closed down in the winter. We had rented an apart-

ment near Columbia and I tried to find out in the library how corporations are... managed... *but I could find nothing on the topic.*

“And nobody was willing to let me come in [to study the internal workings of a large corporation] until finally... probably exactly to the day, sixty years ago, a telephone call came in and the voice said, ‘I am Paul Garrett; I am a vice president of General Motors in charge of public relations and I have been asked to ask you whether you’d be willing to make a study of our top management.’ I have never been able to find out who it was at GM who wanted me to do this—everybody denied it.

“I asked [before I committed myself] if I could make a tour of the company... I then came back to the then vice chairman, who probably was the man who had the idea to bring me in, Donaldson Brown. And I said, Mr. Brown, I can’t do this study. Nobody will want to talk to me; they will see me as a top management spy... and I said to him there is only one way [that this will work]. In this united country you can do anything if you say you are writing a book. He said no, we are not going to have it.

“And so we parted... after six weeks Paul Garrett called back and said we have been thinking about it; come back to Detroit to discuss it, and so we agreed on me writing a book... I told GM I will not have it censored by you except for actual facts... that’s how I began and I spent the next eighteen months or so... I think I visited every GM Division east of the Rockies. I wrote the report and GM said you have to publish it; we committed ourselves to it. I had a publisher but nobody thought that such a book would have any market.

“My publisher only published it because he had published two earlier books of mine that had been successful . . . It was a tremendous success. That’s how I got into management . . . *But I really don’t know anything about it from the inside.*”

It was the publication of that book, *Concept of the Corporation* (1946), that gave people the first up close look at the inner workings of General Motors, or any large corporation, warts and all. That watershed book, which argued for decentralization—the process of delegating decision making down into an organization, closer to the people who actually do the work—would gain greater traction in the decades ahead.

Decentralization was one of the major themes of that book and other Drucker works. He felt strongly that a large company with a few key executives barking out orders for the entire company, no matter how widely dispersed its operations, was a recipe for failure.

By the 1980s, Drucker had inspired more than three quarters of Fortune 500 companies to become decentralized. He had also made a cogent argument for the humanization of the worker. Up to that point, employees were dehumanized, treated as cogs or “helpers,” considered a cost, not an asset.

Drucker also argued that workers should be empowered to make more decisions, arguing for “creating the self-governing plant community.” He described in detail the relationship between the individual and the organization, which became the nucleus of so many future business books; yet few of today’s

business authors have read that more than sixty-year-old work, which I call the grandfather of the modern-day business book.

Publication of *Concept of the Corporation* put Drucker on a path he would not veer from for the rest of his life. But it was not a traditional path; in fact, as this story illustrates, Drucker found himself deep in uncharted waters following the book's publication.

"*Concept of the Corporation* established business as a subject of study," Drucker told me. But as his friend the president of Bennington College told him, it nearly ruined him. To get ahead in the academic world, one did research, published papers, and got tenure. One harsh reviewer at the time wished this "promising young scholar will now devote his considerable talents to a more respectable subject."

The more prestigious the institution, the greater the likelihood the faculty would thumb their noses at Drucker's commercial books. All books were considered to be frivolous, a distraction from the things that serious academics were supposed to do to advance their careers (that still holds true today in top-tier and most four-year universities). Drucker understood this and plowed on, damn the consequences.

It is not without irony that his success as an author worked against him. But Drucker was never concerned with conforming to convention. To the contrary, from his earliest days he showed a propensity for abandoning the old and charting a new path. He never cared what people thought. He also exhibited great courage.

In his early twenties, shortly after Hitler came to power,

Drucker wrote two small books, pamphlets really, that he knew would be banned and burned by the Nazis. He told me, "I happen not to be Jewish, though of Jewish descent. But quite a few generations back." But Drucker did not write these books because of his Jewish ancestry; he did it because it was important to him to be counted, so that at least he would know he had taken a stand against tyranny, hatred, and fascism (see the Epilogue for more details on this period of his life).

Fired by Eisenhower

By 1950, Drucker had left Bennington and was supposed to take a teaching position at Columbia University. However, that was not meant to be. Once again fate intervened. Here is how he recalled his "accidental" teaching career: "I had begun to teach, again by pure accident, at the Graduate Business School of New York University in 1950 . . . ; a year before that I had turned down the Harvard Business School."

Drucker was not willing to give up his burgeoning consulting business, which would have been necessary if he had chosen to teach at Harvard. And he hated writing cases, and the Harvard Business School was known for its case approach.

So Harvard was out. Instead, Drucker signed on to teach at Columbia, in New York, but Dwight D. Eisenhower, who was president of the college then—and not yet of the country—"was a cost cutter," so Drucker's job was eliminated before he'd set foot inside a lecture hall.

Minutes after getting the bad news about the Columbia job, he ran into someone he knew on the way to a subway station in New York. That chance meeting, like many other random events in Drucker's life, proved auspicious. Here's how Drucker remembered that accidental meeting: "My friend said, 'What are you doing?' And I said, 'I just found out that I don't have a job at Columbia.' And I said to him, 'What are you doing?' And he said, 'I am coming to raid the Columbia Business School for people to teach at our graduate business school ...,' and before we reached the subway station I had signed on at NYU."

Of course, no one attains Drucker's level of success by accident. When I asked him if he really achieved so much by sheer luck or happenstance, his voice and manner instantly took on a more serious tone: "*Opportunity favors the prepared mind.* If opportunity knocks at the door you have to open it. You have to be receptive to it and I was."

Opportunity Favors the Prepared Mind

Each step of Drucker's career put him in uncharted waters. He never turned his back on a favorable opportunity if he felt it was the right one. Rather, he maintained the flexibility to take advantage of opportunities as they came his way. He did it by abandoning the tried and true in favor of an uncertain future. Put another way, sometimes the road less traveled turns out to be the fastest way to get somewhere, but one must always be willing to take that risky first step.