

# What Your Business Can Learn From Peter Drucker

By Matt Alderton, business.com writer | Oct 11, 2019

Home > Human Resources > Managing

SHARE THIS



- Who was Peter Drucker?
- For what ideas is Peter Drucker best known?
- What is management by objectives?

## Learn about Peter Drucker's management theory and how it can help your business.

Peter Drucker was a world-famous management consultant whose visionary management theories form the bedrock on which corporate America was built. Knowledge work, [corporate social responsibility](#) and organizational culture are just a few of the modern management concepts he conceived or propagated in the pages of his [39 beloved books](#).

To be clear, Drucker did not invent managers. By most accounts, however, he did invent management. When he began developing and disseminating his famous ideas in the 1940s, the "father of modern management theory" commenced a decadeslong journey during which he orchestrated a fundamental transformation of business leadership from a reactive to a proactive stance. Before Drucker, managers' highest priority was supervising. Now, thanks to him, it's strategizing.

"Drucker felt that all businesses need and deserve to be managed well," said Drucker disciple [Bruce Rosenstein](#), author of two books about the management guru and his theories: *Create Your Future the Peter Drucker Way* and *Living in More Than One World: How Peter Drucker's Wisdom Can Inspire and Transform Your Life*. "Part of that, he believed, was thinking about the future ... He recognized that even if you're really successful now, you will fail later if you're not thinking about the future."

In Drucker's [own words](#): "Management is doing things right; leadership is doing the right things."

It's just one of many insights Drucker left behind for businesses of all sizes, in all sectors. For business owners and managers who take the time to learn about them, his life and work can yield many more.

### Who was Peter Drucker?

Peter Drucker was born in Vienna, Austria, in 1909. He attended college and graduate school in Germany in the early 1930s, where he witnessed – and vocally opposed – the Nazis' ascent to power. He subsequently [fled to England](#) in 1933, and to the United States in 1937. During this period, he worked at various times as a financial journalist and an investment analyst. In 1939, he published his first book, *The End of Economic Man: The Origins of Totalitarianism*, which chronicled the rise of fascism.

Drucker believed that the only way to prevent a second coming of fascism was to create a "functioning society," the cornerstone of which, he said, was strong institutions – including corporations, which he believed had a duty to be as virtuous as they were profitable.

"Management, practiced well, was Drucker's bulwark against evil," explains the [Drucker Institute](#), a social enterprise established by Drucker to advance his ideas and ideals, on its website.

Drucker laid out his theory – that corporations are as much social entities as they are economic ones – in his second book, *The Future of Industrial Man*, which caught the attention of General Motors. In 1943, the company invited Drucker to study its internal operations, the result of which was Drucker's third book, *Concept of the Corporation*, in which he introduced many of his most influential management theories.

And so commenced Drucker's prolific career as a management consultant, teacher and author, which spanned more than 60 years until [his death of natural causes in 2005](#).

### For what ideas is Peter Drucker best known?

Drucker's management theory embodies many modern concepts, including the following:

- Decentralization:** Rosenstein said Drucker was focused on decentralizing – or democratizing – management in the workplace. He wanted all employees to feel valued and empowered, as if their contributions and voices mattered. He believed in assigning tasks that inspire workers, rewarding front-line workers with responsibility and accountability, and uniting supervisors and their subordinates to achieve shared organizational goals.
- Knowledge work:** Knowledge workers are white-collar employees whose jobs require handling or using information, such as engineers and analysts. Drucker – who foresaw the knowledge-based economy years before the rise of computing and the internet – placed high value on workers who solved problems and thought creatively, according to Rosenstein. He wanted to foster a culture of employees who could provide not just labor, but also insight and ideas.
- Workforce development:** Drucker felt strongly that managers should improve and develop both themselves and their team members, according to Rosenstein, who said that ongoing training and education are hallmarks of Drucker's philosophy. He believed external development – via participation in industry trade groups and conferences, for example – to be especially valuable.
- Corporate social responsibility:** Rosenstein said Drucker was a [holistic thinker](#). Instead of looking at businesses as discrete entities, he looked at them as components of a larger social system. In that context, he argued that businesses should see themselves as part of a community and make decisions in that regard – with as much respect for their external as for their internal impact. Drucker even viewed profits through a social lens: A company has a responsibility to be profitable, he argued, so that it can create jobs and wealth for society at large.
- Organizational culture:** Be they positive or negative, helpful or harmful, companies have always had cultures. But Drucker was among [the first to suggest](#) that managers could – and should – shape them. "The spirit of an organization is created from the top," he said in his book *Management: Tasks, Responsibilities, Practices*. "If an organization is great in spirit, it is because the spirit of its top people is great. If it decays, it does so because the top rots ... No one should ever be appointed to a senior position unless top management is willing to have his or her character serve as a model for subordinates."
- Customer experience:** According to the [Drucker Society of Austria](#), stewards of Drucker's philosophy in his native country, Drucker insisted that businesses have only one real purpose: to create customers. By viewing business operations and opportunities through that lens – the customer, not the business, decides what's important – he established a predicate for customer-focused companies like Apple, Zappos and countless others.

### What is management by objectives?

One of Drucker's [most enduring ideas](#) is that of "management by objectives," or MBO. Although it has come to mean different things to different people, the definition most agree on is management in pursuit of shared organizational goals.

The idea is simple: Employees at all levels work together to advance the business toward an agreed-upon destination. Each worker has an equal say, sharing their own opinions on what the destination should be. From there, teams establish goals and delegate specific tasks according to skill sets and interests.

The process comprises five basic steps:

- Managers and team members review and set organizational goals together.
- Team members distill organizational goals into individual objectives.
- Managers and team members monitor progress toward individual and shared goals.
- Managers and team members evaluate performance based on measurable milestones.
- Team members receive feedback and rewards relative to progress.

For organizations and individuals alike, Drucker believed in fellow management consultant George T. Doran's concept of "SMART" goals – goals that are specific, measurable, achievable, realistic and timebound.

"It's the idea that you have to have a sense of where you're going, what good results look like and how you're going to achieve them," Rosenstein said. "You have to think in a very concrete way about what you want to accomplish so that you can get there, and help other people get there."

### Is Peter Drucker still relevant?

Although Drucker's ideas are decades old, they feel as fresh today as they ever did. Consider, for example, one of his most famous pieces of advice: "Look out the window and see what's visible but not yet seen."

"Drucker wrote about 'the future that has already happened,'" Rosenstein said. "Think about self-driving cars, or blockchain, or artificial intelligence. These are things that have already happened but whose full social impact hasn't yet been realized. Drucker would have argued that your business needs to be thinking now about what those things are going to mean for your business down the road ... His advice is timeless. It will still apply years from now – whatever the current trends and technologies are."



**Matt Alderton**

[See Matt Alderton's Profile >](#)

Like the article? Sign up for more great content.

[JOIN OUR COMMUNITY](#)

Already a member? [Sign in.](#)

### Popular In The Community

**The Management Theory of Peter...**

**Prof M Gene A...**

I like your summary here Ms. Sammi. I am ...

[Top Comment](#)

**50 Free Website List Your Busin...**

**Tony Hisir**

Thank you for the list. Appreciate it.

[Top Comment](#)

2019 Atlas V6 SE Tech | 39 Month Lease

\$3,899 Per Month | \$3,499 due at signing. Excludes tax, title, license, options and dealer fees. No security deposit required. For highly qualified customers through Volkswagen Credit.

Atlas V6 SEL R-Line with 4MOTION<sup>®</sup> priced higher

Visit our dealership in the Chicago area.

[BUILD YOURS](#) [View key offer details](#)

AdChoices [Sponsored](#)

We'd love to hear your voice!

Login to comment.

[LOGIN](#)

[SIGN UP](#)

### Conversation (1)

Sort by Best

**Prof M Gene Aldridge** · 18 Feb

I like your summary here Ms. Sammi. I am a big fan of a Drucker. His work affected my teaching and consulting for over 40 years all over the world. However, the element missing in his work is the "thinking-behind" good management that allows Drucker's tactical approach to work. I call this thinking "radical, systems and ethical thinking" for the 21st Century. Without sound thinking prior to our launching of our management tactics we can leave corporations in a stew of tactical abstractions. In the discussion of management theory I offer the case for a new king of strategic thinking a priori to the tactical work. Just something to think about as we advance management theory in the 21st Century.

Prof M Gene Aldridge  
Goodyear, AZ  
2019

[Reply](#) · [Share](#) · [👍](#) [👎](#)

[Terms](#) · [Privacy](#)

[Add Spot.IM to your site](#)

b.

**business.com**

888.393.6000

[connect@business.com](mailto:connect@business.com)

200 5th Avenue, 2nd Floor

Waltham, MA 02451



© 2019 business.com  
All Rights Reserved.

#### Resources

[Expert Advice](#)

[Expert Search](#)

[Community](#)

[Contribute Content](#)

[Latest Content](#)

[Reviews](#)

[Site Map](#)

[Latest](#)

#### Our Company

[About Us](#)

[Advertise With Us](#)

[Privacy Policy](#)

[Terms of Use](#)

[Copyright Policy](#)

[Advertising Disclosure](#)

[Ad Guidelines](#)

#### Our Brands

[Business News Daily](#)

[BuyerZone](#)