

The Future of Economic Man:

*How Management Can
Maximize Institutional Potential,
Increase Human Prosperity and
Create a Functioning Society*

by

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“Human Prosperity in a Changing World”
Peter Drucker Challenge: 2017

Introduction: Management's Alternative to Totalitarianism

"Within one hundred fifty years, from 1750 to 1900, capitalism and technology conquered the globe and created a world civilization" (page 19, Post-Capitalist Society).

Peter Drucker referred to management as the "organ" of society. He believed it was not just big businesses that needed effective management, but every organization and institution of society could benefit from implementing the management principles he espoused. Hospitals, churches, museums and school systems; for profit and nonprofit alike, could further advance their mission, therefore meeting the needs of more people and making a positive difference in their communities, through the practice of management. Therefore, the effective and ethical management within a community's organizations, is the foundation of all social prosperity. Drucker also believed that management was the greatest antidote to totalitarianism. This is because when organizations, in a capitalist and democratic state, are strengthened and are performing at their peak, people are less reliant on government to supply their needs; as opposed to in a socialist state. Drucker, a witness and resistor of Hitler's Nazi war machine, saw firsthand his native Europe fall into the turmoil of totalitarianism. Drucker abhorred fascism of all kinds. Whether it was led through the political dictatorship of the Axis Powers' armies in World War II, such as the German Fuhrer, Italy's Benito Mussolini, or Japan's Emperor Hirohito; or in subsequent socialist philosophies like the Marxism-Leninism of Joseph Stalin and the red flag of Communist China.

In the Preface to the Thirtieth Anniversary Edition of his first full-length book in English, *The End of Economic Man: The Origins of Totalitarianism* (Harper & Row, 1969), Drucker states that the book "Diagnosed Nazism—and Fascism—as a pervasive sickness of the European body politic. And instead of proclaiming Marxism as the coming savior I asserted that the total failure of Marxism had been a main reason for the flight of Europe's masses into the fervency of totalitarian despair" (page vi). Famed business consultant and Drucker protégé, Jim Collins, who has authored his own set of management classics with *Built to Last: Successful Habits of Visionary Companies* (Harper Collins, 1994) and *Good to Great: Why Some Companies Make the Leap and Others Don't* (Harper Collins, 2001), in his Foreword to *The Daily Drucker: 366 Days of Insight and Motivation for Getting the Right Things Done* (Harper Business, 2004), states that of Drucker's pioneering work, *The End of Economic Man*, "After the fall of France in 1940, Winston Churchill made it a required part of the kit issued to every graduate of the British Officer's Candidate School" (page viii). The webpage for the Drucker Society of Austria (www.druckersociety.at) lists the former Prime Minister's own review of the book. Churchill, then the leader of the United Kingdom, said "Capitalism as a means of producing goods in constantly increasing volume at a constantly diminishing cost is by no means a failure... In the heyday of industrialism, it was argued that the competitive system gave a free and equal chance to everybody." And the 'About' page for Peter Drucker on the Drucker Institute's website (www.drucker.institute) has a headline quoting Drucker as saying "Performing, responsible management is the alternative to tyranny and our only protection against it". Echoing the "Father" of the field

he created, management then, in a competitive free market, is the only viable system for sustaining a functioning and prosperous society.

Creating a Prosperous and Functioning Society: The Future of Economic Man

“The most fundamental, though least publicized, feature of totalitarianism in Italy and Germany is the attempt to substitute noneconomic for economic satisfactions, rewards and considerations as the basis for the rank, function, and position of the individual in industrial society” (page 129, *The End of Economic Man*).

The title for this essay is a play on words, a combination of Drucker’s first two books, *The End of Economic Man* and its’ sequel *The Future of Industrial Man: A Conservative Approach* (Mentor Executive Library Book, 1965, 1942). In the latter, Drucker begins to articulate his response to the totalitarian state; what he called a “functioning society”. Drucker wrote “Man in his social and political existence must have a functioning society just as he must have air to breath in his biological existence...A society may be based on concepts and beliefs developed to organize a specific physical reality... It must master the material world, make it meaningful and comprehensive for the individual; and it must establish a legitimate social and political power” (pages 26-27). I believe this definition captures the meaning of a truly prosperous, healthy, and functioning society. A society where people can live with dignity, purpose, and contribute to the communities they are apart of. This ideal functioning society considers prosperity in a holistic view, understanding that humanity’s well-being includes the noneconomic aspects of the social, emotional, intellectual, and spiritual components, in addition to the financial and material elements of life.

In the succeeding text, *The Future of Industrial Man*, Drucker traces humanity’s economic systems from the mercantile philosophy onward, as well as the shift from an agrarian to industrial economy. In today’s day and age, a 2017 updated version of this publication might as well be called *The Future of “Information” Man*, because with the advent of technology, especially in the 21st Century with the World Wide Web, has made information and data the new currency of the knowledge society. In his book *The Strategic Drucker: Growth Strategies and Marketing Insights from the Works of Peter Drucker* (John Wiley & Sons, 2010), Drucker colleague Robert Swaim describes what he calls the “Fourth Information Revolution” and states that Drucker, very early on, identified the significance of the Internet on marketing. Swaim quotes Drucker as saying, “Under e-commerce, delivery will become one area in which a business can truly distinguish itself—it will become the decisive competitive factor even where brands seem to be entrenched” (page 180). This type of digital technology has helped to spawn prosperity across the world, through online businesses such as Amazon, Netflix, and Thrive Market, companies that have created instant access to their products with a click of a button. The Apple iPad is another wonderful example of an intuitive technology that has been leveraged to help with educating children in developing countries. These examples lead to a more enjoyable, fruitful, and prosperous life.

Drucker's dream of a functioning society was an expression of his social and political aspiration, not an imaginary or unrealistic utopia. It is due to this interest in studying man and his environment that led to Drucker calling himself a "Social Ecologist" in his book, *The Ecological Vision: Reflections on the American Condition* (Routledge, 1993). But Drucker did not separate his views on a functioning and prosperous society from effective human management. For him, the two went together, complimenting one another. In his Introduction to his last book, an anthology titled *A Functioning Society: Community, Society, and Polity in the Twentieth Century* (Routledge, 2002), Drucker states that "I am best known, especially in the United States, as a writer on management. But management was neither my first nor has it been my foremost concern. I only became interested in it because of my work on community and society. More of my books actually deal with community, society, and polity than deal with management...All my other management books deal with the corporation as 'human effort' and as 'social institution'" (page vii). Carrying on the legacy of Peter Drucker, the Drucker Institute at the Claremont Graduate University, and associated with the Drucker School of Management, states that their mission is "Strengthening Organizations to Strengthen Society". This brief motto alone could serve as a short definition of a prosperous and functioning knowledge society. As Jim Collins states in his introductory section "Peter Drucker's Legacy" in the *Revised Edition of Management* (Harper Collins, 2008) with updates by Drucker colleague, Joseph A. Maciariello, that "Business and social entrepreneur Bob Buford once observed that Drucker contributed as much to the triumph of free society as any other individual. I agree. For a free society to function we must have high-performing, self-governed institutions in every sector, not just in business, but equally in the social sectors. Without that, as Drucker himself pointed out, the only workable alternative is totalitarian tyranny. Strong institutions, in turn, depend directly on excellent management and no single book captures its essence better than his seminal text, *Management*" (page xi).

The Father of Management on Financial Services

"Today, the dollar is no longer able to fulfill its role as the key currency—even though it is and will continue for a long time to be the main trading currency"
(page 186, *The Drucker Lectures*).

As the Vice President of Jackson Brokerage Corp., a national financial distribution firm, I get to serve and strengthen society through our mission statement by "Positioning Financial Institutions for the Future". Drucker himself, was no stranger to the field of finance. Early in his career he worked both for an insurance company as well as the chief economist of a private bank in London. Drucker's biography on the website of the Drucker Institute, notes that during his time "In Cambridge Drucker had attended a lecture by leading economist John Maynard Keynes, and there [he] had an epiphany: 'I suddenly realized that Keynes and all the brilliant economic students in the room were interested in the behavior of commodities while I was interested in the behavior of people.'" Continuing Drucker's work, The Drucker School of Management, is now offering a Master's of Science program in Financial Engineering, which provides "A flexible interdisciplinary curriculum...that gives graduates excellent preparation for

careers in risk management, investments, banking, corporate finance, hedge funds, quantitative finance, data analytics, derivatives, and more,” boasting graduates “Now in leadership roles at some of the most prominent financial firms and companies in the world, such as Goldman Sachs, Barclays, and AIG”. I have the pleasure of working with some of these companies, and can attest to the global influence such corporations have in influencing other sectors in society to achieve true financial wealth and holistic prosperity. A functioning society and a thriving economy go hand-in-hand, both responding to the behavior of commodities *and* people.

Maximizing Institutional Potential: Vision, Mission, Passion, and Capacity

“Institutions have to think through their competence. Where a manager knows he is not competent, he has to have the courage to say “No”. Nothing is less responsible than good intentions where competence is lacking” (page 143, A Functioning Society).

Functioning societies are driven forward by efficient organizations. And efficient organizations are led by effective management. Peter Drucker was famous for developing his “Management by Objectives” philosophy in his 1954 book *The Practice of Management* (Harper Business). The basis for this effective, and immediately applicable theory, is to begin by asking “What needs to be done?” The five-step framework of “MBO” begins with 1.) A review of the organization’s goal or vision, 2.) Establishing worker objectives and priorities, 3.) Monitoring progress, 4.) Evaluating quality and 5.) Incentivizing and rewarding performance. Drucker is also famous for quipping that goals without plans are simply good intentions. To insure action on his advice would always be taken, Drucker would often conclude his meetings with top executives by asking them “What will you do differently on Monday?” His thesis was that by changing the executive’s “inputs”, or behavior, he would change the organizations “outputs”, measured in the form of results.

The combination of competence with confidence flows from the development of a passion. In her instant New York Times bestselling book, *Grit: The Power of Passion and Perseverance* (Scribner, 2016), Dr. Angela Duckworth, professor of psychology at the University of Pennsylvania, describes passion with sentiments that represent feelings such as “unusually resilient”, “ferocious determination”, and an “enduring” or long-suffering for something of which you love and care deeply about. She explains that grit encompasses a committed interest, deliberate practice, compelling purpose, and an expectant hope. Grit is the consistent persistence that allows an individual or an organization to withstand difficult or challenging situations and overcome adversity in a competitive market. Drucker was passionate about pursuing a functioning and prosperous society. Equally, he was passionate about challenging his clients to seek excellence. In his new book *Peter Drucker on Consulting: How to Apply Drucker’s Principles for Business Success* (LID Publishing Inc., 2016), William A. Cohen, Drucker’s first executive Ph.D., titles one of his chapters “Drucker’s Consulting Model Was to Ask Questions” (Chapter 7). This is because Drucker, as a master teacher, often taught through Socratic dialogue. In fact, his seminal workbook *The Five Most Important Questions You Will Ever Ask About Your Organization* (Jossey-Bass, 2008) forms the

foundation for the mission diagnostic tool I use in working with leaders of financial institutions. The five questions: 1.) What is our mission? 2.) Who is our customer? 3.) What does the customer value? 4.) What are our results? and 5.) What is our plan? all help executives to begin to articulate their purpose. Additional visioning questions like “What do you want your financial institution to be known for?” and “What are the unique challenges you help your clients overcome?” are helpful for establishing the vision, mission, and desired results that leaders and shareholders are after, thus expanding an organizations capacity to serve more clients and make life better for others. This passionate pursuit of progress always leads to prosperity.

Increasing the ROI of People: Coaching on Purpose

“Leadership is lifting a person’s vision to higher sights, the raising of a person’s performance to a higher standard, the building of a personality beyond its normal limitations” (page 288, *Management: Tasks, Responsibilities, Practices*).

As the Director of Coaching on Purpose, a leadership development consultancy and subsidiary of JBC Companies, I have the pleasure of stewarding our corporate mission statement to “Help Financial Institutions Increase the ROI of their People”. COP is also a Zig Ziglar Legacy Certified corporate training program. Ziglar has a famous quote that says, “You don’t build a business, you build people and then the people build the business.” I believe this is his interpretation of Drucker’s core philosophy about management: to make the strengths of people effective and their weaknesses irrelevant. Management, when done right, can maximize human potential and improve performance. Management is such a linchpin of our economic society that earlier this year, Harper Business released the 50th Anniversary Edition of Drucker’s book *The Effective Executive* with a Foreword by Jim Collins (January, 2017) and Harvard Business Review Press rereleased *Managing Oneself* (March, 2017) and *The Peter F. Drucker Reader: Selected Articles from the Father of Modern Management Thinking* (December, 2016). Through COP, I partner with various training and development programs, HR departments, and institutional recruiting efforts, to teach the Ziglar Legacy curriculum, “Building Winning Relationships”, “Building the Best You”, and “Goal-Setting and Achievement” workshops, designed to unleash worker productivity and increase employee engagement. William Cohen parallels this faith in people in his book, *Peter Drucker on Consulting*, with chapter titles like “Developing a Client’s Self-confidence and Your Own, Too” (Chapter 12) and “People Have No Limits! A Critical Concept for Every Consultant’s Mastery” (Chapter 16). Again, Drucker believed that leadership and management were not ends in-and-of themselves, but were the means to create an effective organization, and thus a functioning and prosperous society.

Conclusion: The Future that is Already Here

“Within a few years I then realized that the business corporation was only the earliest of these new organizations, within the industrial society—each an autonomous power

center in its own right—so that society was becoming a Society of Organizations. And I also began to realize that each of these new organizations, unlike any earlier power center, was based on knowledge and that as a result society and economy were rapidly becoming knowledge society and knowledge economy, with knowledge workers the center of population and work force” (page x, A Functioning Society).

In his teachings and writings on management, Drucker always stressed the importance of leaders and organizations taking social responsibility. Drucker advocated that executives take the long-view of history to see how their actions, or lack thereof, could impact society. One example of this was Drucker’s exhortation against high executive compensation. In what became known as “the Drucker Principle” at the 2010 World Economic Forum in Davos, Switzerland. Rick Wartzman, the inaugural Executive Director of the Drucker Institute, referred to a 20 to 1 ratio for a CEO’s salary in his February 17th 2011 letter to the Securities and Exchange Commission. Along the same lines, Drucker also stated that many in the North American culture experience confusion or disgust with the concept of success. Instead, he suggested replacing the word “success” in our business vernacular, with “contribution” when discussing one’s own vocation or fulfillment of responsibility. Contribution leads to prosperity. In the same vein, when recounting his first meeting with Drucker and what he learned, Jim Collins notes in his Foreword to *Management Revised*, “That free society triumphed in the twentieth century guarantees nothing about its triumph in the twenty-first... When young people ask, “What can I do to make a difference?” one of the best answers [is]... Get your hands on an organization aligned with your passion, if not in business, then in the social sectors. If you can’t find one, start one. And then lead it—through the practice of management—to deliver extraordinary results and to make such a distinctive impact that you multiply your own impact by a thousand-fold” (page xiv). At the 2015 Global Leadership Summit, Collins referenced Drucker’s observation that the 20th Century was a society of organizations well managed, but predicted that the 21st Century would become known as a society of networks well led. This is the true “Community of the Future”, an already present reality within our prosperous society.

In the original 1939 Forward to *The End of Economic Man*, Drucker wrote “I believe that the material, far from being the foundation of human society, is but one pole of human existence. It is of no greater, though of no less, importance than the other pole, the spiritual—corresponding to man’s dual nature as belonging at the same time to the animal kingdom and to the kingdom of heaven” (page xxvii). Such is the heartbeat of human prosperity; a holistic prosperity that encompasses the financial, social, emotional, intellectual, and spiritual aspects of one’s life in a healthy and functioning society.

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