Peter Drucker: modern day Aristotle for the business community

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Abstract

Purpose – Current headlines depicting the billion dollar government bailouts of some of the world's largest business corporations suggest that a new paradigm of management is needed. This paper seeks to propose that the management theory of Peter F. Drucker and certain Aristotelian concepts, expressed in the *Nicomachean Ethics* and *Politics*, are applicable to the business community today.

Design/methodology/approach – Drucker's management philosophy is synthesized with the moral philosophy of Aristotle to suggest a practical management framework for contemporary business practitioners. In providing a virtue-based moral framework for management grounded in a concern for character, communal wellbeing, and ultimate purpose, Drucker's Aristotelian-style of business management provides a viable, virtue-based management theory that contemporary managers should be able to embrace.

Findings – Drucker has been regarded as one of the most influential management thinkers of the twentieth century. It is suggested that, given the current level of morality shown in the behaviour of business people today – business leaders in particular, what is needed is a change in managerial perspective. A change from the prevailing concern with one's own wellbeing – how much one has, or can get for oneself – to include a concern for the wellbeing of others. It is proposed that Drucker's management philosophy, which reflects Aristotelian matters of character, community and *telos*, though formulated many years ago, provides a framework for improving managerial behaviour today.

Research limitations/implications – Drucker's pragmatic business commentary and advice reveal a deep understanding of the complexity of the business world and the realities of business from the perspective of the business person, and yet do not reject the overriding moral principles of integrity, community and achievement that serve as the foundation for society.

Originality/value – The paper offers a business-relevant, virtue-based perspective that, in the author's opinion, is more than adequate for a renewed vision of management in the twenty-first century.

Keywords Business ethics, Leadership, Social responsibility, Philosophical concepts, United States of America

Paper type Conceptual paper

Society in crisis

Newspaper headlines remind us that something is happening, has been happening, in corporate America, and that ultimately it will affect everyone. That something is the new breed of business executive – an executive tenaciously participating in a reformulation of the rules of business. Their "fast companies" are busy changing the status quo with respect to the way business is conducted, and a lot of innocent people are being left in the ditch[1].

The public came to know of the outcomes of their decisions when the US media reported on the ostensible callousness of managerial decision-making and behaviour portrayed by business leaders such as Enron's Jeff Skilling and Andrew Fastow,

Dennis Kozlowski of Tyco, Gary Winnick of Global Crossings, and John Rigas of Adelphia, as well as many others whose deeds did not make US national headlines. David Hart of Brigham Young University noted that the widespread publicity of the costly ethical failures of US organizational leaders is evidence of a critical problem in US society today – "the scarcity of men and women of good character in positions of significant leadership" (Hart, 2001).

Hart's perspective was echoed by *International Herald Tribune* commentator William Pfaff, who discussed what he called the "pathological mutation" in capitalism as a systemic condition contributing to the Enron scandal. Pfaff noted that a sharp decline in corporate morality gained speed with a switch from the traditional owners' capitalism to a new form, a model of "manager's capitalism" – a "version of capitalism [that] functions primarily to enrich corporate managers as a class" (Pfaff, 2002).

John Bogle, founder and former CEO of the Vanquard Group (a mutual fund management group), wrote of the "pathological mutation" of capitalism in his book *The Battle for the Soul of Capitalism* (Bogle, 2005). He discussed the exacerbating conditions that have led to the deterioration of corporate morality in America today. In part due to changes in societal, corporate and governmental oversight (or lack of), today's capitalists luxuriate in an environment different from that of their predecessors – free to run business more on their own and for their own interest. This environment did not occur in a vacuum:

> While the modern world of business was built on a system of trusting and being trusted, societal changes produced a new "bottom line" society whose attributes included grossly excessive executive compensation and stock options, part of an enormous transfer of wealth from public investors to the hands of business leaders, corporate insiders, and financial intermediaries during the stock market boom and bust (Bogle, 2005, p. 1).

To business executives eager to "make it" as a business super-magnate, and reap their inflated executive compensation packages, the deregulated business environment may have been regarded as a coup for the managerial class. To a more astute society, had we been more attentive to the newly opened door that would allow all kinds of self-serving machinations, it may have been a regarded as a precursor of what was to come. Today, *Forbes* commentator Michael Spence writes of an even more serious economic matter that does in fact affect everyone – the failed economy and the US bailout of financial institutions. "The US economy and much of the rest of the developed world, is in the midst of the collapse of an asset bubble fueled, in the main, by excess leverage" (Spence, 2008).

David Hart (Brigham Young University) was right – the costly ethical failures of US organizational leaders in the 1990s was evidence of a looming critical problem in American society, the problem of deterioration in the way business was being conducted. What we have seen over and over is a misguided understanding of leadership, a misperception of what leadership is supposed to be about – in short, a crisis of character in corporate America.

Contemporary management trends focus on improving profitability by increasing productivity and streamlining, downsizing, outsourcing, and out-competing the competition. Business executives have become so focused on managing the bottom-line that they have lost a sense of responsibility for the well being of the industry, the employee and society in general. When a manager becomes too devoted to financial success and perceives the monetary rewards of work and doing business as the

ultimate measure of his success and worth as a person he, or she, loses perspective of the larger meaning and purpose of work. Losing perspective often results in an over-zealous concentration on ensuring high returns to stockholders and increasing one's own wealth while exercising poor judgment and imprudent decision-making, as recent corporate scandals affirm.

Greatly needed, but seriously lacking, is leadership rooted in a principle of morality characterized by good judgment. Judgment that of course ensures corporate economic objectives are achieved, but not at the expense of long-term wellbeing of the broader community. Alasdair MacIntyre suggested that modern day ethics offered little help to the general society in moral decision-making, and certainly nothing for the business community. MacIntyre was one of the first moral philosophers to propose a return to Aristotelian virtue-based ethics because of its focus on excellence (virtue), community, personal character, the individual, and external actions as a moral guide for action and decision making (MacIntyre, 1984). Philosopher Robert C. Solomon took MacIntyre's thought one step further and proposed the Aristotelian model of virtue as a viable theory for business. Both suggest that Aristotle's virtue ethics provide a rich account of moral qualities which could be applied in business since the virtues that Aristotle wrote about the most – courage, justice, prudence and temperance – with some effort, could be developed by anyone[2].

No one could argue that Aristotle's *Nicomachean Ethics* (1962) imparts one of the most thorough representations about what it means to be a decent person and member of society. Nevertheless, Aristotle worked out his theory 2,500 years ago, within the context of his time and culture. He could not foresee the complex business environment that exists today as a result of industrialization, globalization and the postmodern ideologies with which we live.

Today's business environment needs someone who understands the complexity of the business world and the pragmatic realities of business from the perspective of the business person, and yet does not reject the overriding moral principles that ground one in a community. The management philosophy of consultant, author and academician, Peter F. Drucker, is the voice that offers that perspective. Drucker believed that business, and the managers who manage them, have a purpose that transcends the individualist ethic of self-interest and profit-maximization characterized in America's capitalist ideology. Central to Drucker's philosophy of management is the idea that the business organization is a human and social organization – a community in and through which the worker could find purpose and meaning in life[3].

The manager's philosopher – Peter F. Drucker
The late Peter F. Drucker (1909-2005) has been considered one of the twentieth-century's most prominent thinkers in the field of business and a major shaper of management thought. Drucker's 75-year career as an author, teacher and consultant in the field of management resulted in more than just the production of theories and business models. Drucker's understanding of the work of management produced modern ideas for a distinct way of being a manager based on forgotten ideals and deep-rooted moral principles. Drucker regarded the business corporation as a human organization, a social organization, a community and micro-society of the larger macro-society, in addition to being an economic entity. His management philosophy is based on a communitarian philosophy – grounded in the belief that even in our

individualistic society people still seek connection, meaning and purpose (Drucker, 1946, pp. 24-6).

Drucker's view of business

In *The Practice of Management* (1954) and later in *Management: Tasks, Responsibilities, Practices* (1973), Drucker introduced the fundamentals of how the contemporary corporation, which he viewed as a "social institution", could best be managed. It is in these important and essential works that Drucker examined the concept of management and identified the role of management as a distinct function characterized by a degree of responsibility that must be taken seriously by the people who hold leadership positions as managers. Addressing more than the economic tasks and responsibilities of managers, Drucker focused on the primary elements of the dyadic relationship that is part of all organizational life:

(1) the person as a whole – someone with values, responsibilities, their qualifications, and development as a human being/as a manager; and

(2) the organization as a whole – consisting of the "business" existing as a "human/social organization" responsible for developing the people employed by it, and as a "social institution" with responsibilities to the society in which it operates.

Drucker advocated the idea that the profession and practice of management had moral significance based on two assumptions. First, the work of the manager has far-reaching impact on the development and wellbeing of the people who work in the corporation, and second, because of the impact that a company's actions (through the actions and decisions of its leadership group) have on society (Drucker, 1954, pp. 3-5). Because business leaders have this degree of influence and power, Drucker aligned with professional responsibility the duty to act with integrity, exercise sound judgment and courage, and "[a]bove all, not knowingly to do harm" (Drucker, 1973, pp. 268-9).

Despite his position on the importance of the moral quality of the manager and the managerial profession in general, Drucker wrote very little on the topic of ethics. And not because he thought ethical behaviour had no place in business. Rather, the standards of one's business behaviour, Drucker believed, should be no different from the standards that apply to the individual in life in general. Business people, he thought, must be held accountable to the same code of ethics that the ordinary citizen is accountable to and should not be permitted to reduce their unethical activity to a cost-benefit analysis. He addresses this issue in detail in his 1982 essay "The Matter of 'Business Ethics'" published as part of a collection of essays in *The Changing World of the Executive* (Drucker, 1982, pp. 246-9). Drucker criticized contemporary business ethics as a form of "casuistry" which permitted a special code of ethics for people in positions of power; business leaders for example, who are required, or expected, to do certain things in the name of social responsibility. There was really just one ethic, which should apply to all, regardless of status or function.

It is for this reason that Drucker was so highly critical of business ethics and business ethicists. Consequently, he is often misinterpreted as being against ethics in business[4]. Authors who criticize Drucker as being against ethics in business unfortunately misinterpret him, and fail to take into consideration the full breadth and depth of his management philosophy[5]. Author and long-time friend of Drucker, John

Flaherty, wrote that Drucker did indeed "recognize the importance of understanding right and wrong as an indispensable feature of executive decision making and effectiveness" (Flaherty, 2002, p. 265). Critics who only briefly scan the vast corpus of Drucker's work often miss the point of Drucker's standpoint on management – that once one has reached a leadership position in management, that achievement in itself presupposes knowledge of the difference between right and wrong. According to Drucker, only individuals who have demonstrated a high caliber of integrity should be promoted to managerial positions; it is presumed that moral integrity is part of the individual's character (Drucker, 1954, pp. 157, 348-9).

Drucker's criticism of business ethics, as it has been adapted by business ethicists and the contemporary business organization, stemmed from his belief that the traditional principle-based theories are inadequate as guides for moral behaviour. This is not to say that he discounted the need for principles, only that if there is little moral foundation within the individual to begin with, reliance on principles can result in subjective interpretation[6]. He believed that contemporary philosophical analysis of ethics had been loosely derived from rational absolutes determined by the secular society of the eighteenth century, which focused on society, and not on the individual (Flaherty, 2002, pp. 265-8).

A modern day Aristotle and business moralist

Drucker recognized the moral responsibility that business executives have in the performance of their duties in that their decisions shape the economy, society and the lives of people within the corporation (Drucker, 1954). Business leaders, he believed, should focus on multiple communities of others, all of who have a stake and an interest in the decisions that are made in the name of the corporation. As such, managers have moral responsibilities that go beyond the fiduciary responsibilities of the business relationship. The work of the manager, with its far-reaching impacts on the person and society, requires that managers demand that every action and decision be rooted n the bedrock of principles of courage, integrity, vision and responsibility (p. 378). A degree of self-interest is a necessary and driving force of the free-market system, and it need not be subjugated to the well being of all; it should coexist with it.

This requires something more of the manager. Drucker (1954) advised managers to "assume responsibility for the public good, that he subordinate his actions to an ethical standard of conduct, and that he restrain his self-interest and his authority wherever their exercise would infringe on the commonweal and on the freedom of the individual" (p. 382). Read in its totality, Drucker's view of the discipline of management, with its emphasis on personal moral character, meaning and purpose, and a community orientation, reflects the basic tenets of Aristotle's virtue ethics theory.

Drucker's management philosophy: a reassembly of Aristotelian moral philosophy

A careful reading of Drucker's works reveals that there is much in his management philosophy that is analogous with Aristotle's moral philosophy as delineated in the *Nicomachean Ethics* (Aristotle, 1962), and to some degree with his political philosophy as delineated in the *Politics* (Aristotle, 1908). I do not intend to suggest that Aristotle would endorse the views of Drucker, or that Drucker would approve of the associations implied in this writing. An attempt will be made, nonetheless, to make connections to

Aristotelian concepts and suggest that there are parallels worth examining in Drucker's view of business and managerial conduct. Fundamental elements of their teachings, seen in common, include the concepts of community, the idea of purpose (what Aristotle called a *telos*), and the importance of character, in creating a good life for oneself and others.

The idea and importance of community as the place in which one derives identity, a sense of self and purpose, is a foundational theme of both Aristotle's ethics and Drucker's management philosophy. In the *Politics*, Aristotle wrote that no individual can exist without the city-state for "man is by nature a political animal" (Aristotle, 1908, p. 1253a 3). And in the *Nicomachean Ethics*, he noted that man cannot exist without a community of others. In fact we need to be in the company of others to become a fully functioning human being, no one can live in isolation, one must live in the polis, the community, in relation to others "since [humankind] is by nature a social and political being"(Aristotle, 1962, p. 1097b)[7].

In his first publication in the field of business, *The Concept of the Corporation*, Drucker (1946) wrote that the business organization was the "new community," the representative social institution, which in secular society, replaced the church. It was here that a person's economic stability, social justice, and personal needs for status and function would be fulfilled. A total of 28 years later, he further articulated that, for most people, community was increasingly to be found at work, as was meaning and purpose. Business, he wrote, would have to "hold themselves accountable for the quality of life and make fulfillment of basic social values, beliefs and purposes a major objective of their continuing normal activities . . . " (Drucker, 1973, pp. 34-5).

The Aristotelian philosophy and Drucker's theory of management also share a common vision regarding the idea of purpose or end, a *telos*. For Aristotle, humankind had a *telo*s of eudemonia, to live the good life, in fact, the best life possible, which was achievable through the practice of virtue. Drucker did not use the classical word as did Aristotle, nor does the idea of *telos* have exactly the same meaning in Drucker's management philosophy. Be that as it may, Drucker advised that business managers should have a comprehensive vision of ends, of which there are three – economic, societal and individual. The task of the manager, the effective manager, Drucker asserted, always takes these three ends (*tele*) into account in every decision and action. There is no similarity, inherent or implied, between the tripartite ends identified by Drucker and Aristotle's differentiation among economic, political and ethical spheres or the hierarchy he wrote about in the *Politics*. If such comparison is to be studied, that is a topic for another study. For this study we need note only that Drucker emphasized the importance of character for the manager seeking to accomplish business-oriented goals. Drucker prioritized integrity of character as the wellspring of managerial effectiveness and success. The connection between managerial effectiveness and integrity of character will be discussed later but, briefly, integrity implies that the manager can be counted on to think things through, to act consistently according to a high standard of principles, and to choose consistently the right course of action to achieve results that are good for the community, for all who might be affected by the action.

It seems reasonable to conclude that both Aristotle and Drucker would agree that managers have a responsibility to consider the well being of others. And further, that honoring this responsibility must certainly emanate from the manager's good

character. Business ethics philosopher Robert C. Solomon has the same view. In "Corporate roles, personal virtues," he wrote "The Aristotelean [*sic*] approach to business ethics rather begins with the idea that it is individual virtue and integrity that count . . ." and along with that all other aspects of good corporate behaviour and social policy will follow (Solomon, 1992, p. 322). The touchstone of Drucker's management philosophy is that character and integrity are what count. Character is the determining factor in whether a manager will be effective and achieve success at all levels: societal, organizational, and individual. For Drucker, it means that managers must act in a morally appropriate way. They must in fact be persons of moral character in order to manage well, to have a vision of where their strategies take the company, and make a contribution to the public good.

These fundamental Aristotelian themes will be discussed as Druckerian management themes in the following section.

Community

The idea of community is a central theme in Aristotle's moral philosophy and also in Drucker's management philosophy. Community is a term often used in moral theory but not clearly defined. Robert Bellah *et al.*, authors of "Habits of the heart" (1985), noted that it is a term used very loosely by people of modern times. According to Bellah *et al.* (1985), "community is a group of people who are socially interdependent, who participate together in discussion and decision making, and who share certain practices that both define the community and are nurtured by it" (p. 333). In business, the term "organization" denotes the corresponding concept of people working together for a specific purpose to achieve common objectives. Drucker's use of the term community is consistent with the definition provided by Bellah, which reflects Aristotle's notion of the *polis*, or city-state.

Central to Drucker's philosophy of management is the idea that the business corporation is a human and social organization, not just an economic institution. Nearly 60 years ago, when Drucker (1946) wrote *The Concept of the Corporation*, he believed that the organization would be the "new community", the place where the individual, through work as an employee, would find status and function, as well as meet his economic needs. Drucker's belief that it was in the business corporation (the micro society of human and social activity) where the individual would find community and self-fulfillment, matches Aristotle's notion about the social and political nature of human beings (Aristotle, 1962, 1094a26-27; Aristotle, 1908 pp. 1252-1253a40), and the role of the city-state in one's achieving self-fulfillment. Like Aristotle, who assigned a significant degree of responsibility to the city-state to be organized for the achievement of the good of the individual (Aristotle, 1962, 1094a26-27), Drucker believed that the business corporation had responsibility for providing the means for societal improvement and fulfillment of personal aspirations and beliefs of the American people (Drucker, 1946, p. 117).

In the early 1940s, when Drucker served as consultant to General Motors, the business corporation was fast becoming the representative institution of society. In Drucker's view, it was the primary shaper of the American citizen's quality of life and the institution through which one could fulfill one's basic human and social values. According to Drucker, the business corporation was increasingly being seen as "the institution which set the standard for the way of life and the mode of living of our

citizens; which leads, molds, and directs; which determines our perspective on our own society; around which crystallize our social problems and to which we look for their solution" (Drucker, 1946, p. 19).

Over the years, Drucker (1942), realized that this did not, and likely would not, happen. The "plant community," which he predicted would emerge as the place where workers would be given opportunities for responsibility and self-control, where they would gain status and function, failed to materialize as he had hoped and discussed, first in *The Future of Industrial Man* (1942), and later in *The Concept of the Corporation* (1946). In fact, in 1993 Drucker admitted in his book *Post-capitalist Society* that the concept of the "plant community", as he envisioned it, had never really taken root in industrial America (Drucker, 1993, p. 174). Despite the fact that industrial America did successfully provide a satisfactory level of economic well-being for the emerging middle-class, Drucker faulted management with their failure to create community; something very much needed especially by people who live in large, sprawling cities and suburbs. Management, perhaps because they feared that their power and authority would be threatened, failed to instill sense of belonging in their employees. Nor did management cultivate a "spirit of corporate allegiance and loyalty, ensure reasonable job security, recognize human dignity, [or] integrate individual effort into common achievement" (Drucker, 1946, pp. 154-66; 1954, pp. 296-9, 309-11; Flaherty, 2002, p. 61).

The idea and sense of community that Drucker had hoped to find in industrial America when he studied the GM Corporation never fully materialized. A relatively brief occurrence of community seemed to be enjoyed during the full-employment, economic boom of the 1960s through the 1980s, but unfortunately it has faded in contemporary society. In the past 20 years, technological advancement in the manufacturing and service industries has greatly changed the work environment and resulted in a loss of jobs, and the loss of community. Today, corporate globalization, the rising trend in corporate downsizing, the increasing disparity between executive pay and lower level employees continues to threaten any degree of community that Drucker had proposed would be realized through work in the large business organization.

Even through his later years, Drucker (1999) continued to show awareness that technological innovation and economic influences, particularly of the late twentieth and early twenty-first centuries, would cause major changes in the business "community" and society in general. For example, US domestic business community is threatened with the significant loss of jobs for US workers to emerging economies such as China, India and South Korea. Additionally, the US society of organizations is becoming increasingly pluralistic. In *The New Pluralism* (1999), Drucker noted that US society is spinning its own web of destruction because it is "splintering into a myriad institutions, each more or less autonomous, each requiring its own leadership and management, each having its own specific task" (Drucker, 1999).

Ultimately, according to Drucker, community will not be sustainable, as each institution becomes increasingly focused solely on its own specific task, to the neglect of the common good. This is in stark contrast to the statement and hope that Drucker had for the business community 50 years ago. In *The Practice of Management* (1954), Drucker noted that the direction of capitalism was indeed taking a positive turn from that described by the seventeenth century English physician and satirist, Bernard de

Mandeville (1670-1733), and experienced by European society through the nineteenth and early twentieth century. Mandeville, as noted by Drucker (1954, p. 391-2) claimed that the character of the capitalist system was based on selfishness and greed. At the time Drucker believed that capitalism was alive and well, at least in America. Drucker's perspective on capitalism was that it operated on the more positive principle of the public good:

> ... today it has become possible if not commonplace in this country to assert the opposite principle that the business enterprise must be so managed as to make the public good become the private good of the enterprise ... That more and more our managements claim it to be their responsibility to realize this new principle in their daily actions is our best hope for the future of our country and society, and perhaps for the future of Western society altogether (Drucker, 1954, p. 392).

The recent spate of corporate scandals and corrupt behaviour of many top-level US executives, starting with the Enron scandal in 2001, must surely have been disappointing to Drucker, who had much higher hopes for corporate America and a higher opinion of the people who hold positions of power and responsibility.

If Drucker were alive today (he passed away of natural causes November 11, 2005), he might remind business leaders of a direction he advised several years ago–to avoid the fate of their predecessors, they would have to learn to create community:

> If our modern pluralistic society is to escape the same fate, the leaders of all institutions will have to learn to be leaders beyond the walls. They will have to learn that it is not enough for them to lead their own institutions...they will also have to learn to become leaders in the community. In fact they will have to learn to create community. This goes way beyond what is understood as social responsibility. Social responsibility is usually defined as doing no harm to others in the pursuit of one's own interest or of one's own task. The new pluralism requires what might be called civic responsibility: giving to the community in the pursuit of one's own interest or of one's own task (Drucker, 1999).

According to Drucker, in order for leaders to rebuild a sense of community they would have to recommit resources to that end, and have a different mind-set. A mind-set that is more accepting of the different values of other institutions and a dedication to the common good (Drucker, 1999). Drucker had made a similar statement 45 years earlier, in *The Practice of Management*:

> ... what is most important is that management realize that it must consider the impact of every business policy and business action on society. It has to consider whether the action is likely to promote the public good, to advance the basic beliefs of our society, to contribute to its stability, strength and harmony [italics added for emphasis] (Drucker, 1954, p. 388).

The attention Drucker gave to an ultimate end, the public good, as a key responsibility of management had significant ramifications for the manager. For the individual manager, it creates and implies certain responsibilities to organize and manage human resources so that, in addition to achieving the organization's economic performance goals, the broader interests of society are also served.

The *telos* of management

Aristotle's and Drucker's respective philosophies both hold that activities undertaken are done so for some purpose, some end, an ultimate goal. Aristotle's identification of a *telos* helps us to understand human nature better and also the nature of social and

political institutions (Wogaman, 1993, p. 19). Drucker's identification of a *telos* of management helps us to understand the nature and purpose of the business institution as a moral concern better.

Aristotle's notion of the human *telos* (good) included both individual and corporative dimensions. Wogaman reminded us that "The understanding of [the] ultimate end or good is the key to understanding every institution or practice, just as it is the key to understanding human life itself" (Wogaman, 1993, p. 19). According to Aristotle, the good of the individual and the good of the state are the same. The *telos* of the state, however, is "the greater and more perfect" since when the city-state attains the good, all benefit (Aristotle, 1962, 1094b5-10).

Consistent with the teleological perspective of Aristotelian ethics, that there exists a *telos* for everybody and everything, the knowledge of which would serve as a target for action, Drucker's management philosophy asserts that managers should be mindful of a *telos*, some end or purpose towards which all actions and decisions are directed and for which they are undertaken. That *telos*, that vision of ends, Drucker said, is something greater than, yet constitutive of, the commonly accepted end of profit-making and wealth creation.

Drucker (1946), first articulated his vision of managerial ends in *The Concept of the Corporation*, and did not lose sight of it when he wrote *The Practice of Management* in 1954, or 20 years after that when he wrote *Management: Tasks, Responsibilities, Practices* in 1973. In fact, it is safe to say that Drucker never changed his thinking on this important moral aspect of business. As an overriding principle of business purpose and conduct, Drucker maintained that the fundamental ethical purpose of the business corporation, as the "representative social institution", was to contribute to the functioning of a free and better society (Drucker, 1946, pp. 24-9)[8].

His analysis of the GM Corporation as the representative example of the US's large corporation and social institution was conducted on three levels which enabled him to gain an understanding of the work of the manager as an aggregate of duties and responsibilities. This tripartite analysis led him to conclude that managers must be aware that the three levels are coordinated and equal in weight and importance. None of them has priority over the others. Nevertheless, though equal, the three levels are not independent. Failure to solve problems on one level leads automatically and inescapably to collapse of the entire structure, however brilliant the achievement on the other levels might be. In an industrial society, where the corporation is the representative social institution, it is equally important and equally essential that the corporation be organized in such a way that it is able to function and to survive as an institution, that society can realize its basic promises and beliefs, and that society is able to function and to survive (Drucker, 1946, p. 26).

Like Aristotle, who believed that there must be congruity between the good of the state and the good of the individual, Drucker believed that there must be harmony between corporate interests and society (Drucker, 1946, pp. 26-7; Drucker, 1954, p. 392). He proposed a threefold set of responsibilities, which, according to him, management must always take into account: economic, societal and individual ends.

Economic ends. With respect to economic ends, Drucker understood the necessity of profit to the survival of the company. Though the Aristotelian prejudice against profit (at least excessive profit) still exists today, and big business is often castigated for it, Drucker insisted that profits were an important and necessary part of doing business

and fulfilling the corporate mission. In fact, he related corporate profitability to the company's mission and to the company's ability to make a continuing contribution to society (Drucker, 1954, pp. 37, 47, 74-94).

Though he would have liked to see companies curtail excessive profit making, his pragmatic nature enabled him to understand its role and importance in ensuring its perpetuity. He saw this early in his consulting career with General Motors. In *The Concept of the Corporation* (1946), Drucker noted "that 'Production for profit' is the principle of rationality and efficiency on which the corporation must base itself" for it must make a profit to survive. He also knew that it was the profit principle that assured consumers ultimately would get what they wanted (1946, p. 190). So, contrary to the negative position that Aristotle might take with respect to the making of economic profit in today's business corporation, Drucker confirmed it as necessary aspect of business – for profits enabled management to continue to serve the good of society. If Aristotle had been alive to debate Drucker on this stance, Drucker might have responded "The demand that some criterion other than profitability be used as the yardstick and determinant of economic actions and results, rests on a misunderstanding of the nature of the economic process" (1946, p. 191).

Societal ends. In addition to achieving economic ends for the good of the corporation and society, Drucker believed that the business organization's equally important responsibility was to make a contribution to society. On this, Drucker and Aristotle held a similar point of view. In the *Nicomachean Ethics*, Aristotle noted that the good belongs to the state, for the good of the state determines and defines the standard of life for citizens. As well, the end of the state was the good for its citizens (Aristotle, 1962, p. 1094b1-12). This implied that each citizen of the city-state had a duty to make a contribution to the community, for betterment of the common good. Comparatively, Drucker regarded the good of society, the public good, as an essential priority of business. All businesses, public and private, are "an organ of society and serve a social function" (Drucker, 1954, p. 381). The business organization, Drucker believed (as Aristotle did regarding the city-state), "should be so organized as to fulfill automatically its social obligations in the very act of seeking its own best self-interest (Drucker, 1946, p. 27).

According to Drucker, it was in the business organization's best interest to make the interest of the common good its own. As the representative social institution, the business enterprise will be most successful when it simultaneously conducts business in ways that do not undermine the social beliefs and harmony that must necessarily co-exist between society and the business enterprise. Business organizations exist to serve the needs of society, and, in fact, according to Drucker, it is the responsibility of management to make the interests of the public good the enterprise's own self interest; doing so results in a reciprocal exchange of success and satisfaction of goals.

The social responsibility of the business enterprise is, first and foremost, to operate at a profit (an adequate profit) and maintain its wealth-creating and wealth-producing capacity so that it can continue to contribute to the betterment of society. Business contributes to the betterment of society by providing opportunities for employment (through which a person finds status, dignity, meaning) and material goods and services that meet the needs of society. To some degree, business organizations have succeeded in achieving this end in that, materially at least, most of society's needs are being met. However, Drucker described the social obligations of the business enterprise

in terms of its ability to make a contribution to society and enable individuals to realize the basic beliefs and promises of US society. Unfortunately, according to Drucker, the business organization failed to provide the organizational structure (with respect to leadership, job design and worker participation, policies, and internal procedures) in which individual hopes and aspirations for equality, justice, personal fulfillment and status would be realized.

Drucker believed that managers, the people entrusted to carry out the responsibilities of the business corporation, must take this responsibility seriously and with the interests of the public in mind. Managers, he alleged, must subordinate their own interests to the interests of the commonweal and concentrate on fulfilling their responsibilities to society – promoting the public good, advancing the basic beliefs of society, contributing to society's stability, strength and harmony (Drucker, 1954, p. 388). Responsibility to the public must underlie everything management does, every decision, every action.

Individual ends. In *The Concept of the Corporation* (1946), Drucker wrote that it would be in the business sector primarily that the American people would find opportunities for work through which they would realize status and function, dignity, and self-fulfillment. It was the business enterprise that had, in fact, become the representative social institution, the institution that set standards for the US way of life. Drucker's assertion that it was in and through the business institution that individuals would find personal fulfillment and meaning, the "good life" correlates with Aristotle's belief that it was in the city-state that one could live the good life (*eudaimonia*). Drucker noted:

> Fundamentally, American political philosophy stands on the Christian basis of the uniqueness of the individual. From this follows [the] promise of justice, or as we usually phrase it, of equal opportunities. From it also follows [the] promise of individual fulfillment, of the "good life," or, in a perhaps more precise formulation, the promise of status and function as an individual (Drucker, 1946, p. 119).

By the time that Drucker wrote *The Practice of Management*, he had developed further the belief that business had a responsibility to create an environment in which human development and personal fulfillment could be realized. It was the manager's responsibility, first to recognize the employee as a person, a "complex subject" and "moral and social creature" to make this happen (Drucker, 1954, p. 263). To the manager he also assigned responsibility to create an organizational structure in which the employee would be able to perform tasks effectively and productively, and where the work was suitable and challenging, and contributed to the growth and development of the person (1954, pp. 14, 266).

Drucker believed that management owed it to the workers to create a positive work environment where motivation is created, and to organize work so that employee strengths could be developed (Drucker, 1954, pp. 264-6). Drucker (1954) provided a case history of work structures and human resource management practices at IBM, which capitalized on these concepts. IBM employed many unskilled workers to work the production line of precision instruments. Using the principles of scientific management to streamline mass-production of their calculating, computing and office machinery, company management had reduced a highly technical production process to a series of relatively simple tasks[9]. Yet each job "is designed so as always to contain a challenge to judgment, and an opportunity to influence the speed and rhythm of his work"

(Drucker, 1954, p. 257). Instead of reducing the worker to mindless automaton, which would deny them a sense of meaning and purpose, Drucker noted that each worker had been given a "real chance to influence the course of events . . . and increased the worker pride in the job he is doing . . . " (Drucker, 1954, p. 258).

Contrast this with Alejo Jose G. Sison's account (2003) of airline screeners working in US airports pre-and post-September 11, 2001. Airline screeners, he wrote, receive little training, low wages and minimal or no benefits. They work long, tiresome shifts and conduct mindless, boring searches for weapons and explosives in an endless procession of passengers' baggage. They must contend with irate passengers pulled to the side for a body search and bear the verbal abuse levied at them. Sison wrote that it is no wonder these screeners find it "preferable to just let people and bags pass in order to avoid a confrontation" (Sison, 2003, p. 2). Drucker would likely be appalled that workers in airline baggage screening were not given the training necessary to do their job, nor the opportunity to feel pride in their work, or to feel powerful. Managers, he would claim, in this situation failed to create the organizational structure that would create a work environment where personal fulfillment or development could be achieved. Instead they were treated as insignificant automatons, even though their job responsibilities are quite immense.

The focus and attention that Drucker gave to the ends that management must be attentive to promote individual flourishing are reminiscent of Aristotle's notion of the role and importance of the *telos*. "Would it not better equip us, like archers who have a target to aim at, to hit the proper mark? If so, we must try to comprehend in outline at least what this good is . . . " Aristotle wrote many years ago (Aristotle, 1962, p. 1904a, 24-5). Drucker may have used different words and presented them to a different forum, but his notion that management had a tripartite *telos* that includes economic, societal, and individual goods, is certainly consistent with the Aristotelian philosophy. If Aristotle were alive today, perhaps it would be he who would have said, "The enterprise must be able to give [people] a vision and sense of mission. It must be able to satisfy their desire for a meaningful contribution to their community and society. It must, in other words, embrace public responsibility of a high order . . . [The] business enterprise must be so managed as to make the public good become the private good of the enterprise" (Drucker, 1954, pp. 383, 392).

Character

Both Aristotle and Drucker underscored the concept of character in their respective theories. Aristotle maintained the idea that good character is essential for living a good life and Drucker asserted that integrity of character is the essential quality for managerial success. With respect to their thinking on the concept of character, to some extent the similarities stop at this point, for Aristotle's moral theory is extensively developed, and Drucker's is not.

Aristotle identified a list of traits and qualities that, at least in his time and culture, were considered constitutive of good character (Hardie, 1980, p. 119). For example, the virtues of justice, self-control, courage and practical wisdom were considered the cardinal virtues, the virtues necessary for all other virtues to be known and developed. Aristotle's virtuous individual was the one who cultivated these virtues and exercised them at the right time, in the right situation, as a person of practical wisdom would

(Aristotle, 1962, 1106b35-9) and was thus considered to be a person of good character, and disposed to perform noble actions (Aristotle, 1962, 1099b30).

In all the years that he worked with business leaders, Drucker never was able to "discover a uniform profile of leadership traits," yet insisted that character was the essential quality for being a good manager (Flaherty, 2002, p. 277). Here is where there is a shortcoming in Drucker's management philosophy, for he did not elaborate on what he meant by character but left his audience to draw their own conclusions. And to draw any such conclusion, one must read Drucker's work quite extensively before one can infer some of the qualities that Drucker suggested are constitutive of a good manager. On the positive side, Drucker employed Aristotle's concept of character more fully in the concrete practices of management, by making clear the connection between character and managerial success, while Aristotle was less clear, did not illustrate his theory with many concrete examples, and so remains more abstract.

For example, if one reads *The Practice of Management* (1954), one would learn that Drucker's (1954) manager is someone who exercises power and authority with prudence and consistency (pp. 140-2); that he or she has the foresight to develop the skills and abilities of employees, sets high standards and expects that they will be achieved; focuses on people's strengths yet can clearly grasp the limitations of the employee (1954, p. 157). The reader also learns that the manager demands exacting workmanship of self and others, sets high standards, and is more concerned with questions as to "what is right" rather than "who is right" (1954, p. 349). All of these stand out as important managerial qualities that Drucker has chosen to clarify; and, important as these qualities may be as distinctive aspects of the effective manager's character, they are nothing if they are not enduring, stable, and consistently manifested.

It is, therefore, integrity of character that is the most important quality when it comes to managerial effectiveness; more important even than ability, technical skill or intelligence (1954, p. 348). A major difference in Drucker's (1954) notion of character compared to Aristotle's is that Drucker maintained that integrity of character is not something one can acquire; "... if he does not bring it to the job, he will never have it" (p. 157). Aristotle's teaching of virtue and character in the *Nicomachean Ethics* is quite the opposite. Aristotle taught that, though the virtues are not implanted in us by nature, we have the ability to cultivate them (Aristotle, 1962, 1103a24-5) through practice (1962, 1103a31); through the influence of others (1962, 1103b20-5); and by knowingly choosing to act rightly because it is the right thing to do (1962, 1105a30-4).

Character and integrity play as important a role in Drucker's concept of effective management as virtue does in Aristotle's concept of personal excellence and the good life. Similar to the way Aristotle's theory of virtue ethics centres on moral character and how a good character can help one reach the *telos* of living a good life, as a responsible member of society, Drucker's ideas about management locate integrity of character as the wellspring of good management, effective management. For example, when the US Department of Transportation initiated changes in the organizational structure and environment in the airline industry, leading to improvements in pay, authority and responsibility for directors and baggage handlers, they showed that they were more concerned with doing what is right. In creating a work environment conducive to personal achievement and appropriate recognition of the employee, they provided the opportunity for employees to do their jobs better, reach fulfillment, and

participate as responsible members of society (Sison, 2003, p. 21). Drucker's best manager embodies both the rational and irrational nature of his humanity at its best. In character, the manager is a person who has self-control, practical wisdom, is responsible, honest and fair, shows respect for others, is outwardly directed rather than self-oriented, and has a commitment to contribution and the development of self and others (Drucker, 1966, pp. 52-70; Flaherty, 2002, pp. 69-70).

According to Drucker, however, among all other criteria, among all other qualities that a manager may have, integrity of character is the one absolute quality that a manager must possess. It is this quality that will enhance the manager's ability to lead, direct and motivate others. It is the quality that, in the short and the long run, determines the success of the business enterprise. And it is on the success of the business enterprise that human needs, and freedoms, depend (Drucker, 1946). Integrity of character, consistency and control in the use and application of positive qualities of character (moral virtues) is impossible, however, without the virtue of practical wisdom, which integrates and directs the different aspects of character. This virtue, practical wisdom, has a very important role and function in Drucker's management philosophy.

Conclusion

Today's business environment, worldwide, is facing billion dollar government bailouts of failing financial institutions, business leadership characterized by a prevailing preoccupation and concern with how much one has, or can get for one's self, and little concern for the well-being of others. Business leaders make decisions and put into play strategies that do not work, and still expect to get their million-dollar bonuses, while the average employee faces a bleak future, economic disadvantage, and a lost sense of self and purpose because of those decisions.

A new paradigm of management is needed – one that is less bottom-line oriented and more 'other-oriented'. Business ethicists and scholars have suggested a return to virtue and propose Aristotelian ethics as a model for modern-day business leaders. Unfortunately, the models of virtue ethics now being advocated by philosophers and business ethicists are not likely to be enthusiastically embraced by the lay businessperson. Their resistance could be attributed to the fact that the virtue ethic theories proposed remain too abstract, pedagogical, and conceptual. Also, we cannot expect to change the adult person's character just by providing a case for virtue.

Proposed is a secularly based model of business ethics that incorporates the pragmatic principles of business management as Peter F. Drucker saw it with the principles of a virtue ethic. This paper has attempted to synthesize the management philosophy of Drucker with the moral philosophy of Aristotle and suggests that Drucker's management theory is the embodiment of the Aristotelian virtue ethic. In providing a virtue-based moral framework for management grounded in a concern for character, communal wellbeing, and ultimate purpose, Drucker's Aristotelian-style of business management provides a viable, virtue-based management theory that contemporary managers should be able to embrace.

It is not just an admonition from the ivory-tower that managers today should perhaps revisit and take note of Drucker's teachings about the importance of conducting business for the good of all, the community. Equally important is that managers set their minds to being the best sort of person they can be by incorporating

moral and ethical principles such as those proposed by Drucker. It matters that managers today strive for excellence of character. It matters because, as Drucker said many years ago in *The Practice of Management*, our heritage, our society and our way of life, depend on the survival of our business enterprise – the representative social institution.

Notes

1. Drucker addressed the changing patterns in business growth in an interview with Harris (1993). Drucker noted that businesses used to grow as a result of the traditional hard work and effort of the owner and employees, or through acquisition. Contemporary practices to facilitate growth in business, practices that Drucker found highly circumspect, include "all kinds of dangerous liaisons and joint ventures, which, by the way, very few people understand". This sentiment is increasingly being felt by observers (and victims) of the corporate scene. Hammonds, senior editor of Fast Company wrote "Perhaps we understand now. Or we're starting to. The corporate CEO is not the epic hero we once imagined. Now we know: He was never as smart or as right as, well, together as we had hoped … What's different is the sandbox that today's CEOs play in. The sand started shifting in 1993, the year that professional managers took on investors – and lost". Further discussion of this can be found in Hammonds (2002, pp. 82, 86).

2. See MacIntyre (1984) for his discussion on the state of disorder in contemporary society and the necessity of having a central focus and historical tradition from which to construct a cohesive modern theory of morality. More recently, Hunter discussed the theme MacIntyre proposed twenty years ago about the importance of a moral community and tradition of belief in shaping moral character. "Without a coherent moral philosophy, rooted in social institutions and reflected in a community shared narrative, moral codes can only deteriorate into arbitrary personal preferences whose only sanction is the emotional weight of subjective experience … A morality conceptualized without basic links to a living creed and a lived community means that the morality they espouse entails few if any psychic costs; it lacks, in any case, the social and spiritual sanctions that can make morality 'binding on our conscience and behavior'" (Hunter, 2000, pp. 200-1).

3. Drucker's examination of the GMC Corporation as the representative social institution followed the structure of the social and political analysis in which he was trained. In Concept of the Corporation (Drucker, 1946) he described this approach as including: an analysis of the institution as an autonomous institution; the internal environment of the corporation; and the corporation in society, i.e. the relationship between corporate purpose and social function.

4. Hoffman and Moore (1982) addressed Drucker (1981), a controversial article in which he argued that business ethics is not relevant to business at all, but merely a form of casuistry. Also see Schwartz (1998, pp. 1685-92).

5. Because Drucker's work is so extensive and highly admired, many researchers tend to "take out of context snippets from his writings" and misconstrue what he was actually saying. Or, as Alan M. Kantrow noted, Drucker's avid followers often "reduce the complexity of his thought to a handful of canonical ideas that, in their doctrinaire simplicity, do violence to the original" Kantrow (1980, pp. 75-6).

6. Drucker, in fact, believed that morality must be a principle of action of all management practices. See Kantrow (1980, p. 77), for discussion on moral principles, integrity of character and their impact on creating a proper spirit in management and organizations. See also, Drucker (1954, pp. 146-47).

7. See Aristotle (1962, 1099b25-1100a10). This passage contains Aristotle's view of the connection between the attainment of happiness and the role of the city-state in assisting humankind therein.

8. In more recent publications, Drucker still considered the business organization's responsibility to society a primary issue. He also had not recanted his belief that the organization's first responsibility is to make a profit, although he believed that an isolated focus on profit-making causes management to make decisions that are not ethical.

9. Scientific management includes the body of classical managerial principles developed by early twentieth century management consultants such as Frederick Taylor, Frank and Lillian Gilbreth, and Henry Gantt. Their approaches focused on developing performance standards and procedures for individual tasks based on systematic observation. Scientific management principles have led to improvements in productivity, working conditions and improved living standards globally. Critics of scientific management however, claim the approach reduces workers to dehumanized automatons. Drucker considered the impacts and effects of work place changes as well as work design on employees even in more contemporary settings where increasingly workers are employed in temporary or contract assignments. According to Drucker managers need to maintain a concern for employee well being even when outsourcing is used. See Drucker (2002).

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