

Peter Drucker's Contributions to Management:

Peter Ferdinand Drucker (1909-2005) was an Austrian-born, American management thinker, professor, and author.

He also spent part of his life in England and attended a lecture by John Maynard Keynes. Afterwards he said, "I suddenly realized that Keynes and all the brilliant economic students in the room were interested in the behaviour of commodities while I was interested in the behaviour of people."

In 1943, Peter Drucker began his own consulting business which allowed him to work with companies like IBM and Procter & Gamble. He realized that the two most important things for a business to achieve were innovation and marketing.

Drucker taught that management is a liberal art and is about much more than productivity. To be an effective manager you must understand things like psychology, science, religion, and the other things that go into that subject.

Drucker observed that often managers would try to take charge of everything. This was usually out of a desire for control or the belief that they were the only person who could accomplish a task correctly. Because of this, he advocated strongly for the decentralization of management. He taught that managers needed to delegate tasks to empower their employees.

Throughout his career, Peter Drucker wrote 39 books where he coined several terms which are still used today. "Knowledge worker" is one of the many terms coined by Peter Drucker. A knowledge worker is someone whose job involves handling or using information. He was one of the first people to foresee our society's shift to a knowledge society.

In his 1954 book "The Practice of Management", Peter Drucker coined the term "management by objectives" or MBO. MBO compares the performance of employees to the typical standards required for that position. The belief behind MBO is that if employees help determine the standards, they will have more incentive to fulfill them. While he was working on this book, he realised he was laying down the foundations of a new discipline. This book led to people hailing him as the 'father of management'.

Drucker had a decorated career and was awarded with numerous awards and honours. Some of these are mentioned below:

- Godkin Lecturer at Harvard University
- Presidential Medal of Freedom
- Honorary Member of the National Academy of Public Administration

"Management is a multi-purpose organ that manages business and manages managers and manages workers and work." This management definition was given by Peter F. Drucker in his book, *The Practice of Management*.

Drucker's contributions to management:

1.Nature of management:

Drucker opposed bureaucratic management and was in favour of creative management. According to him, the aim of management should be to innovate. This could be done in the form of combining old and new ideas, developing new ideas, or encouraging others to innovate.

2.Management functions:

According to Drucker, management is the key organ of any organisation. In his opinion, management is performed through a series of tasks. A manager has to perform several functions such as setting of objectives, increasing productivity, organising and managing social impacts and responsibilities, and motivating employees. Drucker gave importance to the objective function and specified the divisions where clear objective is necessary. These are innovation, productivity, market standing, financial resources, profitability, managerial performance and development, employee performance, and social responsibility.

3.Organisation structure:

According to Drucker, there are three characteristics of an effective organisation structure as explained below:

- The institution must be structured to achieve maximum performance;
- It should contain least possible number of managerial levels;
- It must be responsible for the testing and training of future managers.

There are three aspects in organising that are undermentioned:

- Activity analysis explains the work that has to be done, what kind of work needs to be done, and what importance needs to be given to the work.
- Decision analysis determines or decides at which level a decision can be made.
- Relation analysis assists in defining the organisational structure.

4. Decentralisation

A common theme across much of Drucker's enormous body of work was his firmly held belief that managers should delegate tasks in order to empower employees, the decentralisation of management. As he saw it, many business leaders would attempt to take on all responsibilities as a display of power or to maintain a level of control, with the suggestion that they were the only ones capable to undertake those responsibilities. In his ground-breaking 1946 book, 'Concept of the Corporation', Drucker stated decentralization was a good thing as it created smaller teams where people would feel that they could make an important contribution. His suggestion to achieve this was to move businesses away from having one central office toward having several more independent, smaller ones.

5.Management by objectives (MBO):

This is considered to be one of the most important contributions made by Drucker to the field of management. Management by objectives (MBO) is a management approach where equilibrium is required to be achieved between the objectives of employees and the objectives of an organisation. There are certain conditions that must be met to make MBO management a success. Take a look at these conditions here:

- The objectives are set after discussions between the managers and employees;
- The set objectives are quantitative and qualitative in nature;
- Daily feedback must be given to the employees with regards to their performance;
- Employees with high performance must be rewarded;
- The guiding principle should be growth and development.

According to Peter Drucker, management by objectives can be employed by following five steps as explained below:

- **Define organizational objectives:** Setting organisational objectives is the first step in initiating management by objectives. These objectives should be in line with the organisation's vision and mission statement.
- **Inform the employees about the organizational objectives:** According to MBO, the objectives must be informed to the employees at all levels. This enables the employees to understand their roles and responsibilities. Communication is another important aspect in this step. High performing employees should be given positive feedback, which is reinforced in the form of rewards.
- **Involve the employees in determining the objectives:** Involving the employees in the decision-making process helps them in understanding why certain things are expected of them. This increases the commitment and the motivation of employees.
- **Monitoring the objectives:** The objectives need to be measured on a regular basis to ensure that the work is being done keeping the objectives in mind. The detection of problems must be done in advance so that the problem could be prevented or easily sorted. In MBO management, each objectives has sub-objectives and so on. The managers must motivate and encourage the employees to complete the sub-objectives.
- **Evaluation and Feedback:** This is an important aspect of management by objectives. A comprehensive evaluation system must be in place. Employees must be given honest feedback, and high performance needs to be rewarded.

6.SMART Method

Following on from MBO, Drucker suggested the SMART method as means of checking the validity of a planned objective. The first known mention of this principle was in a 1981 issue of the 'Management Review' by George T. Doran. However, it was Peter Drucker who recommended that managers who are implementing MBO goals use this handy mnemonic as the criteria to verify that those objectives are specific in their aim, measurable in order to track progress, assignable to a specific person, realistic in their attainability, and time-related to confirm when its completion should be expected by.

7.Knowledge worker

In his 1959 book, 'The Landmarks of Tomorrow', Drucker suggested "the most valuable asset of a 21st-century institution, whether business or non-business, will be its knowledge workers and their productivity". More of a term than a theory, knowledge workers are workers whose value is found in their expertise, such as architects, software engineers, lawyers, and those who engage in problem-solving or creative thinking. Whereas in the 20th century organisations focused on the productivity of manual work, Drucker anticipated that in the future (from 1959, remember) knowledge work would become increasingly vital with a focus on handling and using information. He believed that by understanding the needs of the knowledge worker, managers can implement leadership practices that are both consistent and lasting.

8.Organisational Changes:

According to Peter F. Drucker, swift technological development will result in speedy changes in the society. He expresses concern about the effect of these rapid changes on human life. He says that these changes can be counteracted by developing dynamic organisations that are adept at absorbing change.

The aforementioned contributions are also considered to be the principles of management as described by Drucker.

Peter Drucker's management principles are extremely important in today's time. Hence, his teachings are a part of the curriculum at Toronto School of Management (TSOM).

Peter's Drucker's 5 Most Important Questions:

One of the biggest ways Peter Drucker was able to contribute to business and management was by teaching organizations how to best allocate their energy and resources. His book, "The 5 Most Important Questions You Will Ever Ask About Your Organization", outlined five important questions every executive should ask about their business.

- **What is your mission?**

Every business needs an effective and concise mission statement. Your mission statement doesn't explain what you do but rather *why* you do what you do. Your mission statement should be the driving force behind the actions of you and everyone in your company.

- **Who is your customer?**

Peter Drucker understood that many businesses didn't even really know who it was they were serving. You must find out who your customer is and then organize all of your efforts toward meeting their needs and bringing them value.

- **What does your customer value?**

This question is perhaps the most important of all five questions. The key is that it can only truly be answered by your customer themselves. You must know what your customer wants and needs.

- **What are your results?**

Drucker stated that you must be able to measure your results in both qualitative and quantitative terms. You must not only know what your results are but you must have a standard for evaluating them as well.

- **What is your plan?**

In order to reach your goal, you must have a plan for how to get there. According to Peter Drucker, your plan should include your mission statement, action steps, and a way to evaluate your results. If you can't summarize those points then you don't have a plan to achieve your goals.

Reference:

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