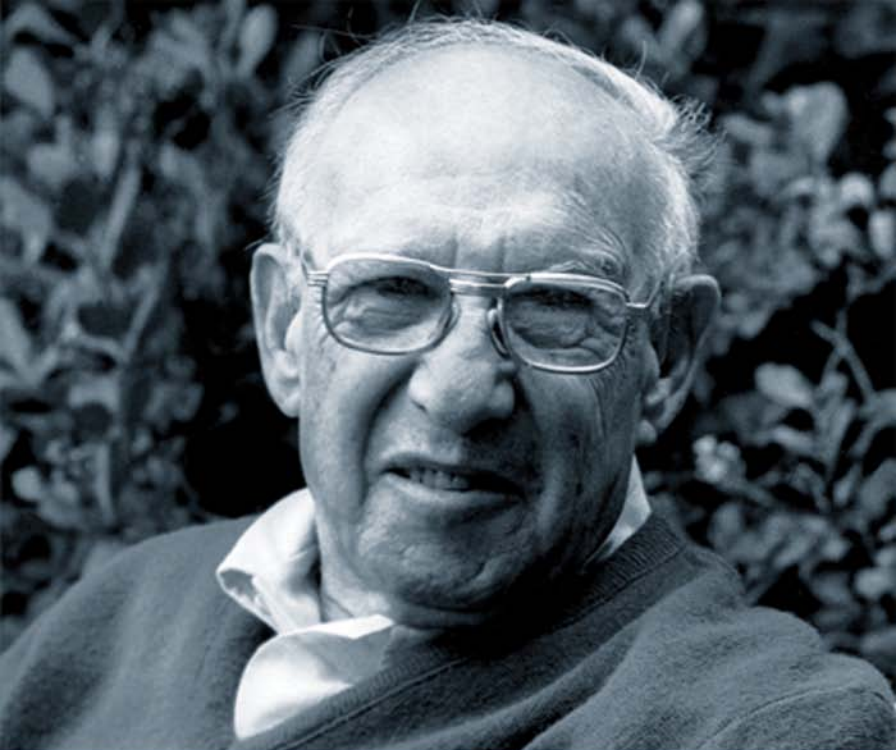




A CLASS WITH DRUCKER

THE LOST LESSONS OF THE
WORLD'S GREATEST
MANAGEMENT TEACHER

Drucker

WILLIAM A. COHEN, PhD



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A Class with Drucker

The Lost Lessons of the World's
Greatest Management Teacher

BY WILLIAM A. COHEN, PhD

AMACOM AMERICAN MANAGEMENT ASSOCIATION
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A C K N O W L E D G M E N T S A N D D E D I C A T I O N

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Most of all, Nurit Cohen, PhD, clinical psychologist. She can be my most severe critic, but is always my strongest supporter. She is also my wife and partner of forty years and without her this book would not have been written. It is dedicated to her with all my love and thanks for putting up with wars, which three times took my time and caused separation, frequent stubbornness and sometimes just downright stupidity.



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What Peter Drucker Wrote About Bill Cohen

“Dr. Cohen became my student at the Graduate Management Center of the Claremont Graduate School after he had already achieved signal success in two separate careers—as a military officer and a businessman. He soon established himself as both an outstanding student and an outstanding scholar—and, after attaining the PhD degree, soon thereafter as an outstanding and inspiring teacher. He has continued to produce books of true scholarship which, at the same time, have tremendous practical applications.... In fact, Bill Cohen is a true inspiration for all of us in Academe—and, above all, for students who need a true role model, a true exemplar of the very best they could and should aspire to.”

—Peter F. Drucker

F O R E W O R D

Bill Cohen was the first graduate of the world's first executive PhD program in management. That was in 1979 at the Peter F. Drucker and Masatoshi Ito Graduate School of Management at Claremont Graduate University. (Of course, it was just plain old Claremont Graduate School when Bill attended.) But he has never forgotten his alma mater or his professor and friend, Peter Drucker, a man who has meant so much to all of us. Bill has brought to life many of the lessons he learned from Drucker and made those insights accessible to those who weren't privileged to know Peter personally or sit in any of his classes.

Peter Drucker was many things to many people and to many organizations. He was, of course, considered the Father of Modern Management. He was a philosopher and an author and a profoundly thoughtful observer. He was a historian, and a father, and a husband, and an expert on Japanese art. Peter called himself a social ecologist, and he exercised courage in thought and prescription. Peter believed deeply that the human condition could be advanced by more effective management and more ethical leadership of every organization in every society—business, government, the nonprofit world, even the academy, where he resided most of his life. This is what he taught and wrote about, and Peter wrote some more than 30 books, many of them now classics. He inspired many others to pursue their own work. Think of Tom Peters (*In Search of Excellence*). Or Jim Collins (*Built to Last* and *Good to Great*), who says that either or both of his volumes could have been entitled simply: Peter was Right!

Peter's insights and friendship through mentoring and coaching helped to transform entire organizations. Think of GE under Jack Welch. Or the development of the megachurch in America under disciples such as Rick Warren. And, of course, Peter helped to inspire a whole generation of leaders in the nonprofit sector, whose role and importance and needs Peter was perhaps the first to identify and champion as worthy of management attention.

For all his distinctions and contributions, Peter was first and foremost a teacher. Fame never distracted him from his calling in the classroom, and his lectures were the stuff of legend: Seemingly unscripted, frequently unpredictable, and almost always provocative and original. The classroom was Peter's cathedral. And this is where he regularly practiced his craft of both instruction and learning. Classically trained, broad and deep in range and scope of intellect and knowledge, Peter held forth, almost as a secular prophet. And yet his ultimate humility and humanity was also demonstrated by his conviction that from his students he had much to learn from as well. Teaching was really a partnership for Peter, and an almost sacred trust between teacher and students, where knowledge was not only disseminated but also created. The classroom, then, was really Peter's first and last frontier of management, the ultimate knowledge-creating organization, a microcosm and laboratory for so many of his insights about human capital, purpose, objectives, innovation, and so much more.

Bill Cohen brings that laboratory of learning alive to those of us who didn't have the pleasure, privilege, or opportunity to sit at the feet of the master in Peter's classroom. One can feel the energy, the humor, the discipline, the interaction, the edge, the energy, the simplicity, and the relevance of Peter's practice of teaching.

There are many business schools named for wealthy donors. We are proud that we are named for a thinker, Peter Drucker. And we are also proud that our name includes an individual, Masatoshi Ito, who himself was a student of Peter's, and who put Peter's principles to practice by building a small apparel store in Japan into the second largest retailing organization in the world. We are working hard to preserve Peter's legacy of teaching and scholarship and fulfilling his commitment to training effective managers and ethical leaders.

Forgive me for doing a little bragging. We are training and educating our graduates not only to do well, but also to do good. We offer analytical rigor, and we also value intuition and reflection. We focus on skills and

core competencies, and we also challenge students to excel and to seek a unique contribution and authentic leadership. We equip our graduates for success and we encourage them to pursue significance, as well. We remind them constantly of Peter's penetrating question: What do you want to be remembered for? There is a "Drucker Difference," and that's what we teach.

A Class with Drucker comes at a time when a reflection on Peter's legacy is an important anchor as we move forward. We are in the midst of a worldwide search for a new Peter Drucker Professor of Management as a Liberal Art, as well as our first Doris Drucker Professor in Global Management. We are attracting distinguished Drucker Scholars and Drucker Fellows, and we are transforming Peter's archives into a living memorial called The Drucker Institute. Indeed, as I write these words, we are putting the finishing touches on invitations to the first Global Symposium of Drucker Societies from around the world, whose members will be meeting here in Claremont in just two months time.

I could go on and on about these and other initiatives. However, regardless of how much we do to follow in the direction in which Peter has pointed us, none of us will be able to replicate Peter's place in the classroom. But we can all take many cues from Bill Cohen's recollections contained in this useful new book and incorporate Peter's unique philosophies, which are universal and timeless.

CGU President Bob Klitgaard reminds us that at Drucker and this unique graduate university, we have the opportunity and the obligation to conduct "conversations that matter." It was in Peter's classroom that conversations that mattered took place—about topics ranging from ignorance (a virtue) to marketing to make selling unnecessary, from common knowledge (frequently wrong) to predicting the future (by creating it).

By recreating this conversation in the classroom, Bill Cohen has performed a marvelous service and has made a valuable contribution. One reads through Bill's narrative and one hears the voice of master teacher and devoted student, engaged in dialogue and conversation about things that mattered to them both—and continue to matter to us all.

Ira Jackson

Dean, Peter F. Drucker and Masatoshi Ito

Graduate School of Management

Claremont Graduate University

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I N T R O D U C T I O N

Peter Drucker was a true genius—an amazing individual who changed modern management forever. He wrote forty books and numerous articles. There are thousands of references to him and his work, hundreds of articles about him, and several books, too. Why then this book? Although so much has been written about Drucker, his consulting work, and his philosophies, little has been written about how or what he taught in the classroom.

Peter Drucker was my professor in probably the first executive PhD program in management in academic history. I was his student from 1975 to 1979, and the first graduate of this program at Claremont Graduate School, which today is known as the Peter F. Drucker and Masatoshi Ito Graduate School of Management and is part of Claremont Graduate University. This was a program to which Peter committed his life from the first class. Our relationship continued through the years until shortly before his death.

To say that I learned much from Peter Drucker would be a gross understatement. What he taught literally changed my life. When I met him I was a young struggling ex-Air Force officer only recently involved in business management, with no academic experience at all. Beginning with my graduation from Claremont's program, and following many of Peter's lessons that are contained in this book, I was re-commissioned in the Air Force Reserve and rose to the rank of major general. I entered academia and eventually became a full professor and a university president, even teaching several times at my alma mater as an adjunct professor. In fact, at one time when Peter was not teaching at Claremont in 1985, and I was, he allowed

me to use his office. I became an author and wrote books which were published in eighteen languages. Peter was generous enough to call my books “scholarly.” For all this, though he would deny it, I credit Peter Drucker.

A Class with Drucker contains my recollections of what it was like to be in a Drucker class as a Drucker student during this early period. I have used my notes, old papers, and other information to reconstruct some of his lectures and our conversations to give the reader the best picture possible of how things actually were. I have tried to come close to capturing his actual words, but in any case, I believe I achieved the spirit of what he said and how he said it. My aim is to put the reader in the classroom as if he were there with me at the time hearing Drucker and participating in every interaction I had with him.

I debated whether to re-read Peter’s books before writing this book. I decided not to do so in order not to corrupt my perception of what he taught at the time. I occasionally referred to my well-worn copy of *Management: Tasks, Responsibilities, Practices* to jog my memory about a particular lesson, as this was our only textbook when I was his student, and even this volume was not always helpful, since much of what Drucker taught in the classroom was not in his books, or had a somewhat different emphasis.

I didn’t want to stop with just what Peter taught, but what I did with his knowledge. Peter did not tell us how to do things. He frequently taught as he consulted, by asking questions. That showed us what to do and got us thinking how to do it ourselves. So, after explaining Peter’s lesson, I have tried to bridge this final gap by giving the reader my interpretation of what Peter meant and how I used and applied his teaching, and perhaps how the reader can as well.

The first chapter of the book tells much of my background at the time and how I came to be the first executive doctoral graduate of the “Father of Modern Management.” The second chapter sets the background of the Drucker classroom and explains how Peter taught. Chapters 3 through 19 cover a variety of Peter’s lessons, from “What Everyone Knows is Frequently Wrong” (Chapter 3) to “Drucker’s Principles of Development” (Chapter 19), and how to apply them.

Peter Drucker was a man not only of great ability and insight, but of great integrity. I have tried to be true to his story and my own as his student. At this point, Peter would have said, “Enough. If your book is worth anything, let’s get on with it.” I hope you agree that it is.

Bill Cohen—June, 2007

C H A P T E R O N E

How I Became the Student of the Father of Modern Management

*T*his book consists of wisdom that I learned in the classroom and in personal dialogue with Peter F. Drucker, arguably the greatest management thinker of our time. It also describes how I applied these insights which he so generously imparted. However, this first chapter is mostly about me and how I came to my relationship with Peter Drucker. The lessons themselves were received over a thirty-year period, from when I first met Peter Drucker in 1975 until his death in 2005. His management approach continues to be taught at the Peter F. Drucker and Masatoshi Ito Graduate School of Management at Claremont Graduate University. I know that it gave him a great deal of satisfaction and pleasure that his university would continue the legacy of his work both in spirit and practice.

My lessons from Peter ended on November 11th, 2005. It was then that I received a most unwelcome e-mail announcement from Claremont Graduate University regarding this man from whom I learned so much,

and who in so many ways changed my life. Peter F. Drucker, The “Father of Modern Management,” had died peacefully several hours earlier at age of 95, a couple of weeks before his 96th birthday.

While death at an advanced age does not come as a complete surprise, such an announcement cannot come without a profound sense of loss. This is because Peter was who he was and did the things he did, and because he made such major contributions to the lives and thinking of many generations of management practitioners, researchers, thinkers, and students. In my case, I felt this loss especially keenly because it was personal. Until not long prior to his death, I spoke with Peter by telephone often and saw him at least once a year. I was not a campus colleague, except twice when I taught at Claremont Graduate University as a part time adjunct professor. During one such period in the mid-1980's, Peter allowed me to use his office as my own.

Peter Drucker was both my friend and mentor. He was more than a former professor with whom I had studied for my doctorate some thirty years earlier. But I hasten to add that many, perhaps thousands of students and non-students alike felt the same about him. Peter had a gift of making everyone he came into contact with feel as if he or she were an especially close friend. And he seemed to remember and have special affection for his former students. Many maintained contact with him.

The lessons I learned from Peter were extraordinary and significant to my thinking and practice, not just of management, but of life. One of the highest honors I have ever received came as a result of my teaching a challenging course in strategy, planning, and decision-making to a group of doctoral students at CETYS University in Ensenada, Mexico in 2005. One student representing the group was generous enough to say, “As you have quoted and furthered the ideas of Peter Drucker, in the future, as we progress in our careers, we will quote you and further your ideas.”

How I First Heard About Peter Drucker

In 1973, I had returned from Israel after living and working there for three years. Previous to that, my background was totally in the military, I was even born into a military family. I knew little outside of the military, and less about business and how it was practiced. I did know something about management and how to direct research and development activities since I had done this work in the Air Force and in Israel. Moreover, on my

return to the U.S., I had become director of research and development for a company developing and manufacturing life support equipment, primarily for aviators and airplane passengers. This company was located in California, near Los Angeles. As a practicing manager, I decided that I had better learn something about business, so I committed to reading at least one business book every week.

I soon discovered Drucker. I read his classic works such as *Concept of the Corporation* and *The Effective Executive*. His book, *Management: Tasks, Responsibilities, Practices*, was published the same year as I began as an executive in industry, and I eagerly devoured the thick volume that I would later study as his student.

My First Drucker Lesson was Not from the Classroom

I received my first Drucker lesson before I even met Peter Drucker. As the senior manager heading up research and development, I attended the company's annual off-site sales conference. One of the items on the agenda was a discussion of a Drucker concept developed in *Management: Tasks, Responsibilities, Practices*. In this book Peter had written that "the first task of any business management was to decide what business it was in." I soon realized that it was not only a profound statement about business: it was true about every endeavor anyone might undertake in life.

Let me explain what I mean. I had at that point recently completed my first-ever job search. A few years later I became a headhunter. Both as a job seeker myself and as a facilitator in this field, I discovered that many job candidates fail to get hired by companies because they don't know what they want to do. They want "to keep their options open." Even some managers who have extensive experience in many industries make this mistake. They put together a very general resume which says that they have done many different things in many different areas and for different companies. They promote themselves as a "jack of all trades," able to do anything. Unfortunately, their resumes do not emphasize what "business" they are really in. This comes across as the second part of that old saying "... and master of none."

As a consequence, not infrequently, a job candidate with a lot less experience who makes it clear by the way his or her experience is presented that this is the one "business" that the person is really in, is the

one who lands the job. This happens even though the candidate's experience in the discipline is frequently far less than the one who tries to be everything to everybody.

The same is true when it comes to managing our time in order to achieve our goals, and Peter was a master time manager. Each of us has the same amount of time, 24 hours a day. But some fritter away and waste their time on work which has no bearing on what they would like to accomplish or where they would like to be one, five, or ten years in the future.

Once you decide on "your business," the non-essential work that you do becomes obvious. Maybe you are in the wrong job for where you want to be in ten years or for what you want to become. If that job is supporting you as you struggle to gain knowledge or in other ways work toward your "real" professional goal, you probably have to stick with it for the time being. But you are much less likely to reach your goal than someone who knows what "business" he or she is in and focuses on that to the exclusion of other activity non-essential to this goal.

This doesn't mean that you must avoid washing dishes or digging ditches to earn necessary money while you are preparing yourself in other ways to do what you really want. But it does mean that you need to decide what you want, and then stick to activities which support "your business" goals. From this first preliminary lesson I realized that this individual, Peter Drucker, had something to say which was very valuable indeed, and I applied it at once.

I Become Peter Drucker's Student

I was heading up research and development for a company, but I felt I had much to learn. On the technical side, I was well-supported by some first-rate engineers. However, some of the business concepts I was dealing with were unfamiliar. I had only a BS degree from West Point and an MBA, so I decided the best solution was to further my academic education in business.

At first I just wanted to take some additional courses. However, I soon decided that what I really needed was a higher level of business education. That meant a doctorate in business. I called two well-known universities in my geographical area. Representatives at both institutions said that if I wanted a doctorate, I had to quit my job and work on the doctorate full-time. They told me that there was no such thing as studying for a

doctorate without becoming a full-time student. This didn't sound right to me then, and I am even more convinced today that it is not right.

What happens in most cases is that full-time students are forced to teach or assist the full-time professors in order to support themselves. This amounts to a full-time job. They are paid a small fraction of what they earned previously or could earn outside of the academic environment. Arguably, they are exploited, to one extent or another, by the universities that accept them as doctoral students. I suppose those who do this rationalize that this is how would-be doctorate candidates “learn their trade.” Fortunately for me, this situation turned out not to be true at Drucker's university.

Seeing an advertisement in *The Wall Street Journal* by a university that claimed to offer doctoral degrees part-time for employed executives, I responded and was invited to meet the dean for an interview. Much to my surprise and disappointment, the “university” turned out to be a suite in a hotel. The “dean” told me that I could get a doctorate in any field I wanted, not just business but in engineering, psychology, or anything else. There were no courses. All I had to do was to write a “dissertation.” And of course pay several thousand dollars in tuition upfront.

“It has to be a real good dissertation,” the “dean” told me, “and it should take you about six months to complete.” The “dean” misread the look on my face and quickly added, “Of course, under special circumstances and if you work real hard, you can finish your dissertation and get your doctorate in a week.” I was aghast and terminated the interview.

On my return to my office, I immediately called the California State Board of Education. I was amazed to discover that this university was actually empowered by the State of California to grant these degrees. This was a type of school known as a “diploma mill.” It wasn't a real university at all. In those days, California educational laws were very loose, and these so-called “universities,” all non-accredited, flourished. Fortunately, California law was tightened considerably in the late 1980's and these phony universities have all but disappeared. Today, nonaccredited universities in California must be approved by the State, and in order to gain this approval they have to meet stringent standards, including site visitations. Soon after this incident, I received a printed advertisement at work promoting an MBA. In smaller letters at the bottom of the flyer were the words: “New PhD program for executives—call the dean's office.” It gave a telephone number. The university was called Claremont Graduate School.

Not being from the Los Angeles area, nor having much dealing with academia, I had never heard of this university, and I even suspected that it might just be another diploma mill. I called the telephone number and was soon connected with Dean Paul Albrecht. I didn't know Paul Albrecht when I called, but he was one of the leaders in higher education—an innovator who in many ways changed education as we know it.

Dean Albrecht told me that this new PhD for executives had just been approved by Claremont's president and its academic council, and that a limited number of students would be admitted to the first class in the fall of 1975. He told me that this was not a program for specialists or those who wanted to become professors to teach and do research. It was designed for executives who wanted to reach the top levels as practicing managers. Potential students wanting to get into the program had to be practicing managers with a certain minimum number of people reporting to them as evidence of their management background and potential for further promotion.

Albrecht questioned me extensively about my background and about the research and development organization which I headed. Finally, he said: "If you are interested, you seem to meet the basic requirements. Why don't you send me your curriculum vitae?" He had to explain to me that "a vita" was the academic way of saying "resume." I sent it. Several weeks later his secretary, Lois, called to set up an interview for me at Claremont.

After a week or so I was heading toward the small town of Claremont, California, about thirty miles due east from my home in Pasadena. I wondered whether I was to be disappointed again with another diploma mill. I was much relieved when I arrived at the university and I found it to be one of a consortium of educational institutions called "The Claremont Colleges." It looked real, but after my earlier experience, I was still somewhat suspicious of California schools.

I met Dean Albrecht and he explained what in academia we call "the theory construct" of his new doctoral program, the first class of which was just forming. It was based on an equally demanding MBA executive program begun several years earlier.

"Management is becoming more and more complex," he said. "Even an MBA is no longer sufficient. Our new program differs substantially from our regular PhD program. Our regular program requires a high degree of specialization. For example, if you wanted a PhD in finance, you must take mostly finance courses and pursue this one discipline in some depth. Then, of course, you must do research and write a dissertation in that discipline.

"In this new executive PhD program, you will still be required to do research and write a dissertation on a specific business topic. You must also meet the requirements for traditional research tools, such as taking a qualifying examination and a proficiency examination in two foreign languages. The difference is that your doctoral courses will not be in one area, but will cover all of the various disciplines of business and economics."

The requirement for two foreign languages was later changed to either one foreign language and one research tool, or two research tools. I understand that some years later the traditional requirement of mastery of a foreign language was finally dropped altogether.

"Also," the dean continued, "You will be required to take several courses from Peter Drucker, as his management concepts are the basis of the program."

The magical name, "Peter Drucker," grabbed my immediate attention. I could not believe that the number-one managerial thinker and writer in the country, and probably the world, was teaching at the very university at which I was interviewing, one I had even suspected might be a diploma mill. I didn't want to insult Dean Albrecht about my disbelief that this world famous professor could be at this university with which I had previously been totally unfamiliar. So, I asked, "Which 'Peter Drucker' is this?" I guess it was a rather inane question, but it was all I could think of to ask at the time to confirm that we were talking about the same individual.

"I believe there is only one Peter Drucker," Albrecht responded. I don't recall now if he was smiling or not when he said this to me. As Paul described himself, he was a "taciturn German." However, he was taciturn with a sense of humor. I recall thinking at the time that he seemed somewhat amused at my question. "Our new program has much to do with Drucker's ideas and way of thinking, and if you join us, you will be required to take several courses from him as a minimum," he repeated.

I decided right then that this was exactly what I wanted. I applied for Claremont's new program and was eventually accepted. A couple of months later I was in a class with nine other executive PhD students with perhaps the greatest management thinker of our time, teaming up with the man behind the program, Dean Paul Albrecht. It was the first class of the new program, limited to ten new executive doctoral students, and conducted in a lounge room at the university faculty club. The class was completely informal, with both Paul Albrecht and Peter Drucker leading the class in

discussing a number of important managerial issues of the day. I was off and running, learning Drucker lessons and wisdom first-hand.

The Oral Lessons and Lost Wisdom

Despite Peter Drucker's extensive writing in books and articles and edited collections of his works, some of his wisdom has probably never been published, and much has been published incompletely. The reasons are not difficult to understand. An author focuses on the subject matter of the topic at hand. Thus Drucker wrote on "The Concept of Management," *Management: Tasks, Responsibilities, Practices; Innovation and Entrepreneurship*; and more. But many important concepts are left out of the specific topics on which he writes. Moreover, much is probably imparted through voice intonations and gestures and in providing feedback, and his interaction with his students. What Drucker really wanted to emphasize is sometimes missing from any published material, even though Drucker was a master of the printed word.

Fortunately, while Drucker may have not have covered everything he wanted to get across through the single mode of communication of his writing, or even in the many oral interviews he did with journalists and business writers, he frequently elaborated more in his lectures and discussions with his students. The new doctoral program and its courses were developed by him and Paul Albrecht. Four years later in 1979, I was proud to be the very first graduate from that program.

Although Dean Albrecht applauded my advancement to become a senior military officer, at the time I wasn't even in the military, having resigned my commission when I accompanied my Israeli wife to Israel. However, though I eventually became a major general in the Air Force Reserve, I'm not certain that Paul was ever comfortable with the fact that, contrary to his intentions when founding this program, his very first graduate, the new manager with doctoral training, jumped ship and became an academic. (Even as I write this, I cannot help but remember how Drucker, in editing my writing, would have underlined the words "jumped ship" and boldly written: "Too glib!") It's a sad testimony to the fact that he was not a hundred percent successful in altering all of my bad habits.)

In any case, I think Peter was actually pleased that I became an academic, although some years later when, having some challenges in my academic career, I asked his advice, and complained to him, "You got me into this." He instantly retorted, "Don't blame it on me!"

During the period that I was his formal student from 1975 to 1979, Drucker and I developed a friendship that continued after my graduation and the award of my doctorate and lasted until his death. While I did not see him with the frequency of Mitch Albom in *Tuesdays with Morrie*, we did maintain contact, mostly by telephone, but also through my occasional visits and lunches in Claremont, California.

I do not mean to imply that I was the only former student that he mentored. Without a doubt there were many, and I am personal friends or am acquainted with a number of them. At a memorial for Peter several months after his death (it was actually a celebration of his life), the master of ceremonies said, referring to the TV show, *The Apprentice*: “We are all Peter’s apprentices.” She was absolutely accurate in her assessment.

However, Peter was not accessible to all. He was careful not to allow himself to be exploited. Not that he had an inflated sense of self-importance. Rather, he knew his time was valuable and limited. He was willing to give his time generously as an investment, but only if he thought that investment would have some value for the future, not to him personally, but to some higher cause. I’m told that he had a scrap of paper that he routinely returned to those making requests. On it were printed words to the effect that he did not honor requests for interviews, testimonials, or speeches, etc. Although, of course he did, if he was convinced that it would positively contribute in some way to society. I also heard from others, some high up in management, who wanted to see him, but were denied this opportunity.

I do not know what he saw in me, or for that matter, how I even got accepted into this new and experimental program. When I first met Peter I was a struggling young husband and practicing manager trying to support two small children. I had an extraordinarily poor business background for becoming a top business executive, the stated objective of the program. I stood far below most of my nine doctoral classmates in business accomplishments. Several of them were already presidents or vice presidents of large organizations (the term “CEO,” being not yet fully in vogue).

I had graduated from West Point, but with an academic average that put me toward the bottom of my class. I was once told that I had the lowest passing math average since George Armstrong Custer graduated in the class of June 1861. I had done well in the Air Force, and I had been accepted at the University of Chicago and earned an MBA. However, I suspect that the latter achievement was based more on my perceived potential than demonstrated academic brilliance.

Now thirty-five years of age, I had just returned to the U.S. after three years in Israel. And I was trying to establish myself as a serious business manager. Partially due to my aviation and research-and-development background, I managed to land a job as head of research and development in a company developing life support equipment for aircrew. That's when I entered Claremont's first experimental doctoral class for practicing executives.

I was not a top student in Claremont's program either—except in Drucker's classes. Yet, Peter saw something in me that maybe I didn't see in myself, and he gave me access and his attention when I asked for it, and even sometimes when I didn't. Later, he was kind enough to recommend one of my first books, despite being besieged for testimonials by others. He also recommended me for several important academic positions and later supported me for a major teaching and research award at my university.

Moreover, several years later, as I advanced in the Air Force Reserve and became a distinguished graduate from the Industrial College of the Armed Forces in Washington, D.C., Peter accepted an invitation to fly across the country to speak to these military students at my invitation, a request he was unable to honor only due to last-minute illness. This was truly unique because toward the end of his career, Peter would rarely go anywhere to speak requiring an overnight stay. Without a doubt, I was a very fortunate student of Drucker's. I miss him and greatly honor his wisdom and the lessons he taught me. I have tried in the past, and will continue to do everything I can in the future, to make good on his investment in me.

Much of Peter's oral wisdom from the classroom is both unique and important and is not really lost, for all of his many students from his classes have received it. Yet, even having lived an academic life as full as Peter did, only a tiny percentage of us would have the good fortune to have sat in his classrooms. This is unfortunate, for what he taught, much of which was far from intuitive, has saved me time and again in business and in life and has had a significant impact in whatever success I have achieved. For this it is well that Claremont Graduate University carries on his work.

In the next chapter, I'll have more to say about Peter and how he ran his classes. The remaining chapters cover the various lessons that I took from his instructions and how I used them.

C H A P T E R T W O

Drucker in the Classroom

At the time I was Peter's student, Albrecht Auditorium and the newer modern teaching facilities at Claremont did not exist. Drucker's classes were all in Harper Hall. Even then it was old, and used not only for business and management studies, but also for other subjects, such as for classes in religion and ancient languages.

Peter's classes were always conducted in the largest room available because most classes were taught to both masters and doctoral students simultaneously. The classroom usually held 50–60 table-student chairs, the kind used by students in classrooms all over the world. Drucker would arrive early and engage whichever students were interested in conversation before the formal class began. There were few women in any of these classes in those days, perhaps three or four in each class. Nevertheless, they have made their presence felt, and today these women are at the head of universities and companies or are successful entrepreneurs.

In all of the classes I took from Peter, he always used a single textbook. This was *Management: Tasks, Responsibilities, Practices*, an 839-page tome which he had written several years earlier, the one in which he had written the material about deciding what “business” you were in. I heard that in some classes he required no textbooks, only recommended a couple of books that he had written. That’s right, recommended. He did not require them, or any textbooks, in these classes.

Anyway, in the courses I took his *Management: Tasks, Responsibilities, Practices* was required. It is still in print and selling well today. It’s an outstanding book. Moreover, this is a regular book, not a textbook in the usual sense of the word, a fact that was much appreciated by Drucker’s students. I think the book sold for about \$20 in those days. This was expensive for a book, but regular textbooks thirty years ago were priced at more than twice that. So my one-time cost of \$20 or so meant a savings of more and more money in every course I took with him.

Saving money on books, however, was definitely not the reason he had such a large following. You took the first couple of courses from him because of his reputation and maybe because it was required. Thereafter, you signed up for Drucker because there was great value in what he had to say.

But, back to his “textbook.” Most professors tend to try to cram an entire textbook into whatever time period over which the course is conducted. Drucker’s syllabus always covered reasonable amounts of the book, to digest. He felt that books needed to be “mastered,” not simply skimmed with a host of facts and a few techniques committed to memory. So, he did not try to assign the entire eight-hundred-plus pages over one seven-week “module.” The idea was to focus on one section and to master that.

Frankly, my own experience is that few actual textbooks are ever completely read by students, and certainly not “mastered.” I don’t exclude the several textbooks of which I am the author. There is simply too much material for the ten-to-sixteen weeks over which a course is usually taught at most universities. Moreover, the classes in the executive program at Claremont were taught in seven-week modules because we had to take more courses than the regular doctoral students.

If an author attempted to write a textbook which could be read and understood in the time available, it probably would fail in the marketplace. This is because it is the professors who make the decision as to which textbook is adopted. Students might like it, but most professors would view a 200- or even a 300-page textbook as lacking substance.

Most professors would definitely turn their noses up at a professional book like Drucker's, even if it met their length requirements, because it was not academic. And his idea of concentrating on one section per course would be equally frowned upon. However, to me, the value of Peter's classic book is immeasurable.

Drucker the Rebel

Drucker was a man of great courage in his thinking, writing, and in his teaching, and not only in his unorthodox use of the same book for many courses. As a result, though he made unequaled contributions to management thinking in the 20th and 21st centuries, he was frequently ignored, and shockingly, even ridiculed by some fellow academics. Much of this was pure jealousy, but it has a basis in the type of research an academic is expected to do and how he is supposed to disseminate the results of his research.

Peter frequently said, "The corporation is my laboratory." He meant that he observed what was going on in a company or companies, analyzed what happened, and drew relevant conclusions which he published in a way that could be understood and put to use by management practitioners. Most academics didn't buy that. To them, there is only one kind of research: scientific research based on mostly quantitative methods. This research is disseminated by publishing in "the scientific journals" of business, not by books or practitioner-read journals like *The Harvard Business Review* or *The Wall Street Journal*. Moreover, these "scientific" articles are not written for practitioners, but for fellow academics. Drucker was an academic, but he wrote for practitioners, and he wrote to be understood. Many academics didn't like it and resented his success.

I didn't realize the prejudice in the academic community against Drucker until I began to interview for an academic position. When some professors with whom I interviewed learned that I had studied under Drucker, they let loose with a variety of snide comments. I remember one senior professor at a mid-level university telling me, "If Drucker were interviewing for a job here, we *might* be willing to offer him a junior level position." This comment originated from a professor who had contributed little, if anything, to management thinking and development. I could barely control my anger, and it must have been noticeable. I did not receive an offer from that particular university. Well-known business

author Tom Peters once wrote: “Drucker effectively by-passed the intellectual establishment. So it’s not surprising that they hated his guts.”¹

In November 1984, when Peter turned 75, *The Los Angeles Times* did a special report devoted entirely to him and his accomplishments. They asked a few well-known academic writers, including Rosabeth Moss Kanter from the Harvard Business School and Warren Bennis from the University of Southern California, what they had learned from Peter Drucker and what they thought that he had contributed to the management discipline. As I recall, this list included Tom Peters, who while not an academic, had co-authored the mega-best seller, *In Search of Excellence*. All wrote short pieces extolling Peter’s accomplishments and wishing him a Happy Birthday.

However, one writer used this public forum for praising Drucker to show his disdain instead. This was a professor who had authored a best-selling book a few years earlier which set off what became a well-known management fad, but he was basically an academic researcher in the traditional sense. His contribution to this special *Los Angeles Times* tribute was something to the effect that he really couldn’t comment as he had never read Drucker, since Drucker, he said, didn’t publish in scientific journals.

Peter really didn’t care. Those kinds of criticisms never bothered him. He went on his own way as an academic rebel and made major contributions which frequently challenged conventional wisdom, were not based on quantitative studies, and significantly changed management and how it was practiced.

Drucker invariably did what he thought was right. For example, each of his courses required several short papers. Though he might have sixty students, he graded every single paper himself. He never once used a teaching assistant to grade for him. I might have “Too glib,” or “Now I am more confused than ever,” scribbled across a paper, which I had thought was pretty good. However, if this happened, it was written by Drucker himself, and not some graduate assistant who was assigned to help him grade papers. Except in 2003–2005, when I taught at an online university whose official policy it was to have graduate assistants and subordinate professors grade all except doctoral papers, I did my own grading. And since my students have also complained about being unable to decipher my comments, I may have acquired this habit from Peter. First of all, I always thought it was right, but also I thought, “If Peter Drucker can do it, so can I.”

Class Begins

Everyone knew when Drucker was ready to begin. He always wore a jacket and tie. The jacket would come off. He would roll his sleeves up. Then, the tie would come off or be loosened and he would begin.

The first day of class, he would offer to autograph his book for anyone who wanted. “You’ll probably get more money for it autographed when you sell it,” he often quipped. This was a joke. I suppose it happened, but I never knew of a student to sell Drucker’s book.

I wasn’t comfortable taking the time to have him autograph the book until the second class I had with him. I was still a bit uncomfortable. “What do you want me to write, Bill?” he asked. My discomfort in interacting with famous people, coupled with an abominable sense of humor, frequently appears out of nowhere in such situations and leads me astray. And so, middle-aged smartass that I was, I answered, “Just write: ‘To Bill Cohen, to whom I owe everything.’” He didn’t pause but wrote something. For a moment, I wondered whether he had actually followed my irreverent request. Alas, he wrote only “To Bill Cohen, with best regards, Peter F. Drucker.”

Peter’s *modus operandi* in teaching was straight out of his birthplace, Vienna, Austria, from where he had fled the Nazis: He lectured. As to the subject, we rarely knew what to expect, even for a first class of the term. Peter did not waste a lot of explaining what the class would be about and doing class introductions. Syllabi were typically distributed when we signed up for the course, but not by him.

Peter did not rely on notes for his lectures, either. He would begin speaking on a topic he considered important that applied to the class subject matter. He would continue unless interrupted by a question or he decided to ask a question of his own. As his thoughts unfurled, depending on the events or the weather, his lectures might go anywhere. They frequently went off in unexpected directions, and yielded valuable lessons like unearthed diamonds. These gems might surprise and delight, or could even bore his students on the rare occasions that the topic he selected was perceived as less interesting.

In answering a question he might go off in an unexpected direction which seemingly had nothing to do with the question asked. Before you knew it, he was giving a lecture within a lecture. You might think that this was due to some sort of professorial absentmindedness. However, if you stayed with him, and sometimes it took as long as an hour, he would sud-

denly conclude and you would realize that everything tied together. He felt that you needed all this additional information to understand his answer.

Peter was not a captivating speaker by his style or manner of speech. In fact, his Viennese accent sometimes detracted from his style, but his content was always right on the money. If you stayed engaged you would learn a lot and you would receive invaluable wisdom you could gain nowhere else.

Sometimes he would get stuck. He couldn't remember an individual's name, a company, or perhaps where he was going to go with his lecture. Most speakers or instructors in this predicament just go somewhere else with their presentation. Not Peter, his eyes would roll up as if trying to find the information in a file—in many ways I guess he was—then invariably he would find it and say exactly what he had intended. He never failed to find what he was looking for in his “mind file.” It must have been a great filing system. I'm kind of sorry I never asked about it, since it was so clearly effective.

Another sign of his independence was that he did not always go by the clock. He completed his lectures when he was done, not when the clock said it was time. However, when it came to the break for dinner, he was always on time. So, I knew that he knew what he was doing, and controlling his time. However, classes were supposed to end at 10:00 PM. (Note I said PM not AM—these were all evening classes). This didn't always happen. Early on, I was in a class that went to 11:00 PM and I stayed until the end. But after this, I walked out of his classes that went this late. I'll have more to say on my walking out on Peter and its consequences in a later chapter.

Drucker the Man

I think it important for you, the reader, to understand Peter Drucker, the man, and what people thought about him. He was a complex human being. Ethnically Jewish, he was raised a Protestant.² From Doris Drucker I learned that Peter's father received an award from the Austrian emperor for his services while an official in the Austrian government.

Peter was an academic, but he never did what many, if not most, academics considered acceptable academic research. Professor James O'Toole at the University of Southern California noted that he would never have attained tenure in most top-tiered universities.³ And, as I mentioned, I encountered

anti-Drucker bias when I sought my first job in academia. Yet no one had a greater influence on management and how it was practiced. About 1999, I was present for the acceptance speech of a senior professor for a major research award at a national academic conference. Peter was not present. I'm not certain that he even had ever attended an academic conference. In the speech, this top-ranked academic researcher mentioned the one individual who most influenced his research. That individual was Peter F. Drucker.

Finally, I want to quote a particular laudatory, but insightful paragraph about Peter. He would not have wanted me to do so. He was always impatient and dismissive with accolades, no matter their source. Were he reviewing this chapter, or listening to me as I read it out loud, he would have interrupted me at this point and said: "That's enough—get on with the lessons if you think you have something worthwhile sharing." Sorry, Peter. This one's mine. The following is quoted verbatim from his memorial celebration. I do not know who wrote it, but it is inaccurate only in its understatement of his stature.

"Peter Drucker was a man of great intellect, vision, humor, and curiosity. Outside of his expertise in journalism and management, he was an avid collector and scholar of Japanese art. In his younger days he would ski, fish, and ice skate with his son. He loved classical music, hiking with his family, and reading—history, Charles Dickens, and Jane Austen.

"Peter Drucker was a renaissance man. He has left his mark on those who knew him personally, studied with him, benefited from his counsel, or simply admired him from afar.⁴"

Learning from Drucker

I took copious notes of everything Drucker said. I know that many others did the same. These were not important for my grade as he gave no exams. His grades were based solely on the papers that you were required to write for his classes. I thought that I would use these notes for my qualifying exams at the end of my coursework. This turned out not to be the case.

Qualifying exams, sometimes called "comprehensive exams," are given at the end of a doctoral student's coursework, and usually prior to his beginning the research for his dissertation. The idea is for the student to demonstrate his knowledge from everything previously studied. The exams are graded by the professors who taught the courses. And it is most definitely

not a “rubber stamp.” It is a screener for those seeking the title of “doctor.” In the executive program, we took a wide variety of courses. This made it a little tougher, because we had to study more than a single discipline. In my case, I had five or six different professors grading my exams. We were advised to call each professor and ask what textbooks we should review.

Every professor I called recommended textbooks in addition to those we had used in class. That is, every professor except Peter. When I asked him what textbooks I should review, he answered, “None. Don’t review anything. You already know everything you need to know to pass my exam. Don’t study or review anything.” Inasmuch as I knew my preparation for the other professors was going to cost me more than a hundred dollars in books and several weeks of cramming, I was happy to follow his instructions. Of course, when he evaluated my paper answering the questions he posed, he kept his word and gave me a high pass.

Nevertheless, my notes were important because they were extremely valuable for their content. It is from these notes and my memories of his classroom teaching, as well as our conversations out of class as a student and as “a Drucker apprentice” later on, that many of the lessons in this book come. I not only applied them, but I taught them as well. They are in every book I have written and in every lecture I have given, and in most actions I have taken as a manager.

Like many others, I owe much of whatever success I have achieved in my life and career to Peter Drucker and his wisdom. They were invaluable to me in my careers as an Air Force officer, an academic, an academic administrator, a writer, and an entrepreneur. I believe Drucker’s lessons will continue to prove invaluable to tens of thousands of others in the future, whether from his books, the writings and teaching of his “apprentices” like me, or his work still being taught at Claremont and elsewhere.

I have presented these lessons pretty much as I received them, and I tried to describe the situations in which they occurred as accurately as my memory recalls the circumstances. I have tried to give you the flavor of the time, not only to help you to understand Peter’s lessons and my thinking about them, but also to put you, so far as is possible, in his classroom.

Peter never began teaching any point without ensuring that you had the necessary facts to understand what followed. You now have the background and facts you need, so let’s begin.

C H A P T E R T H R E E

What Everybody Knows Is Frequently Wrong

My first class with Peter Drucker met in the fall of 1975. I didn't know what to expect. Drucker was a world-famous celebrity. I was a young man with limited business experience. Needless to say, I was more than a little intimidated with the thought of dealing with this prominent professor face-to-face.

I was actually taking two courses with Peter that first term. The other class had yet to meet. It was to meet Wednesday night in the faculty club, and Peter and the dean, Paul Albrecht, were teamed as instructors. It was open only to the ten students in the new doctoral program for practicing executives.

However, this was Monday night, and the class was entitled "Module 300: The Management Process." This particular course, and even the course numbering system then used, no longer exists. Peter taught it by himself. There were no other professors, and no graduate students assisting

him. The class was open to both master's students and the ten doctoral students and was taught over a seven-week period. In the Claremont system, there were three semesters a year with two seven-week modules in every semester. This allowed students to take a variety of courses.

In later years, Drucker classes met in Albrecht Auditorium, and other ultramodern complexes built long after my own graduation. However, since the larger and more modern facilities didn't exist then, Module 300 met in probably the largest room available on campus in Harper Hall. It held fifty or sixty of the old-style seats for students with a table top that folded over your lap to allow notetaking.

I arrived early. About half of the class was already there. I didn't know anyone. We were all working professionals, and there were no orientation programs for new graduate students in those days. However, I discovered that many of these students weren't new to Claremont, and had taken classes with Drucker previously.

"What's he like?" I asked. "Oh, Peter's fine, you'll like him" seemed to be the most common reply. I noticed that just about everyone called him "Peter" not "Drucker" or "Professor Drucker." I discovered that this was his preferred form of address. He seemed to dislike any form of honorific or deferential treatment. I don't want to describe him as modest, but rather I would say that he considered himself beyond any special behavior and thought that this sort of thing was a waste of time. This does not mean to imply that he was timid in any way or encouraged disrespect. I never saw anyone ever treat Peter with disrespect, and he absolutely was not bashful about correcting any student.

After several minutes Peter strode confidently into the classroom. He was in good humor and engaged several students in conversation who apparently had been his students previously. He was of medium height, wore glasses, and was balding. He was energetic and appeared to be in excellent health. He had a copy of a thick book under one arm. As the time for the class to begin approached, he removed his jacket and held a copy of *Management: Tasks, Responsibilities, and Practices* aloft with one hand. "This is your textbook," he said with a heavy Viennese accent. "Anyone wanting me to autograph it, please line up over here to the right side of the classroom near the window."

There was a scrambling as maybe fifteen or sixteen students formed a line to get the coveted autograph. I did not. I didn't know what to make of this action at the time. Somehow it rubbed me the wrong way. I guess I

thought it egotistical. The rest of the students continued their conversations while the autographing took place for another ten minutes or so. Then Peter went to the front of the classroom and began to lecture without reference to notes or his book.

The Story of the Two Vice Presidents

Peter began with a story about a company he had observed. As the president of the company grew older, he knew that he should begin thinking about succession. Fortunately, he had two vice presidents, both equally outstanding, and of the right age, and each with a record of outstanding prior accomplishments with this firm. He increased the responsibility of both subordinate executives and gave them each the new title of executive vice president. He called them in together and announced that he intended to retire in five years and that one of them would be named to succeed him as president.

Both men thanked the president for the opportunity. The president had confidence that he had picked the right candidates. Although both were ambitious, he knew that both would put the company before themselves in whatever they undertook. He knew that either would make an excellent replacement.

Over the five years of their apprenticeship a differing pattern began to emerge from each of the prospective presidents-to-be. Although both men did well in every task given them and were equally successful in accomplishing their assignments, the process each followed was quite different. One would be given a task by the president. He would request the information needed and would ask when the job was to be accomplished. He would go off, gather his subordinates together, and would invariably present the president with a completed job well done days, weeks, or months later. Unless he needed some specific information or permission to do something a little out of the usual process, he would do this without ever bothering the old president.

The other executive vice president took an entirely different approach. Given a project by the president, he too would organize his subordinates to complete it successfully. However, there was a big difference. The first candidate worked independently and didn't bother the president with the details of what he was doing unless specific help was needed. However, the second candidate met periodically with the president to discuss the

project and frequently requested additional meetings, continually seeking the president's advice.

"Now," asked Drucker, "When the president retired, which candidate did he pick to succeed him, the executive who was always successful without bothering him or taking his time, or the one who continually seemed to seek his help and approval?"

Many hands shot up, including my own. Drucker called on several students. Each stated his opinion that the president picked the executive who was able to succeed on his own without having to report back until the job was done unless there was a specific problem. This was my opinion too. Our thinking was that the new president would need to operate on his own and would not have the old president's counsel to fall back on.

Peter asked for a show of hands as to how many agreed that the president selected the executive who demonstrated that he was able to operate independently and without the president's ongoing approval. A large majority agreed with the students Peter had previously called on. Only a few thought that the second executive who constantly bothered the former president had been the one selected.

Peter stated the results: "Most of you are wrong. The former president selected the candidate who continually consulted with him." The class was in an uproar. This went against everything we knew about management and leadership. Everyone knew that the candidate who demonstrated that he could make decisions on his own should and would be selected.

Drucker's Lesson: Question Your Assumptions

"What everybody 'knows' is frequently wrong," Peter continued. "We are dealing with human beings. Most top managers want to feel that their policies and legacies will be continued. The constant contact and interaction with the second manager gave the president that confidence.

"Both executives were outstanding, but while the president felt that he knew and understood the executive who maintained contact, he was less certain about the other executive and he was less invested in his success. After picking candidates based on accomplishment, he went with his gut instinct, a perfectly correct way in which to make such an important decision after considering all the facts. Unless the president's preferred style was to let those who reported to him operate independently, the first executive should have tried to adapt his preferred method to what his

boss preferred, even though ‘everyone knows’ that continual consultation with a higher manager is less desirable.”

Drucker was right, and I should have known better. I was in the process of losing the confidence of my then boss by behaving exactly like the executive who operated independently. That in itself is an important lesson, but the idea that what everyone knows is frequently wrong proved even more important to me, and I think many other of Drucker’s students. Over the next few years, I heard Peter say this quite a few times.

Maybe through repetition I finally began to think more deeply about what the words really meant. This seemingly simple and self-contradicting statement is amazingly true and immensely valuable, and not only in business. What Drucker wanted to emphasize was that we must always question our assumptions no matter from where they originate. This is especially true regarding anything that a majority of people “know” or assume without questioning. This “knowledge” should always be suspect and needs to be examined much more closely. In a surprisingly high percentage of cases, the information “known to be true” will turn out to be false or inaccurate, if not generally, then in a specific instance. This can lead to extremely poor, even disastrous management decisions.

Things Once “Known to Be True” Are Now Known to Be False

Of course there are many old “truisms” once thought by everyone to be true which we laugh at today. “The world is flat.” “The earth is the center of the universe.” The ancient Greeks knew that everything was made up of only four elements: earth, air, fire, and water. Of course, in modern times we learned that they were mistaken. When I took chemistry in high school, I learned that a Periodic Table of Elements had been formulated by a fellow named Mendeleev and that it had been established that there were exactly 93 elements, no more, no less. We got an “A” if we could name them all. Today, there are 102 elements—or so “everybody knows.”

Questions Raised by 100 Percent Agreement

Interestingly, Drucker’s lesson goes back over the millennia. In ancient Israel, the highest court was called the Sanhedrin. It corresponded roughly to the U.S. Supreme Court today, although it had a lot more power. The Sanhedrin tried the most important cases, and it had the power to exact

capital punishment. In this high court, there were no prosecuting or defense attorneys and no appeals. The Sanhedrin court consisted only of judges. Some historians say 71 judges, others 23. The actual number is unimportant to some factual points.

The judges could examine the defendant, the accusers, and any witnesses either side brought before it. To exonerate a defendant required a majority of one, while to find him guilty required a majority of two. But perhaps the most interesting aspect of this ancient Jewish legal body was that if all judges found the accused guilty of a capital crime, he or she was allowed to go free! This was because the ancient Hebrews were convinced that there is a defense to be argued for every individual accused, regardless of the gravity of the crime and the persuasiveness of the evidence. If not a single judge thought that the defendant's case had merit, then it was clear that no matter how heinous the crime, something was wrong in the situation and it was likely that the accused was innocent. In other words, when every judge "knew" something to be "true," it probably wasn't.

In modern times, the impact of mass agreement on an issue has been addressed and confirmed in psychological research. In one experiment, subjects were asked to rate the attractiveness of individuals depicted in selections of photographs. However, there was only one real subject and the results were rigged. Unknown to the subject, the other participants were part of the scientist's team of experimenters. These participants were to agree about the most attractive individual depicted in any particular set of photographs at random. It was found that the subject could usually be influenced to agree with any photograph that the group selected, regardless of merit. This experiment demonstrates the influence of social proof, while it confirms one reason why Drucker's theory that what everyone knows is frequently wrong is correct. Accepting what everybody knows without any examination will often result in faulty decisions.

The Tylenol Case

Is Drucker's wisdom valid or important in business? Back in 1982 someone laced a popular over-the-counter drug with cyanide. A few who bought the poisoned product died. This led to an almost instantaneous nationwide panic. One hospital received 700 queries from people suspecting they had been poisoned with the tainted product. People in cities across the country were admitted to hospitals on suspicion of cyanide poisoning. The Food

and Drug Administration (FDA) investigated 270 incidents of suspected product tampering. While some of the product had been tampered with as some sort of a sick joke, in most cases this was pure hysteria with no basis at all in fact. This panic in itself demonstrates part of Peter's thesis, but there is more that is critical to business decision-makers.

At that time, the product, Tylenol, was almost thirty years old. Over the years, it had built up a well-deserved trust with consumers. Nevertheless, sales of the product plummeted overnight and Johnson & Johnson, the product's maker, launched a recall and stopped all sales. The company advised consumers not to buy or use the product until further notice.

Virtually everyone predicted the demise of the product. One well-known advertising guru was quoted in *The New York Times*: "I don't think they can ever sell another product under that name. . . . There may be an advertising person who thinks he can solve this [crisis] and if they find him, I want to hire him, because then I want him to turn our water cooler into a wine cooler."¹

Tylenol once dominated the market. Everyone knew that those days were gone for good. An article in *The Wall Street Journal* commented sadly that the product was dead and could not be resurrected; any other notion was an executive's pipedream. A survey of "the-man-in-the-street" found almost no one that would buy the product regardless of what the company did to guarantee its safety or promote its sale.

Despite what everyone knew, Johnson & Johnson retained the product Tylenol and its now famous brand name, which had become infamous through no fault of the product or its maker. Johnson & Johnson launched one of the most effective public relations campaigns for a product in commercial history. As a result, sales began a steady climb only a few months after the poisonings, returning Tylenol to its previous position as the number one analgesic controlling 35 percent of a two-billion-dollar market.

Where would Johnson & Johnson have been today had this established brand, built through thirty years of advertising, performance, and reliability, been allowed to disappear? How much would it have cost Johnson & Johnson to attempt to introduce and build an entirely new brand to replace Tylenol? Could this have even been accomplished? We'll never know. Nor do we know whether Peter Drucker was called in to consult with Johnson & Johnson.

What we do know is that Johnson & Johnson did the right thing when this tragedy struck and then took the right actions to reintroduce the

Tylenol product successfully. These actions today are studied in business schools as an almost perfect example of a successful public relations strategy and execution in the face of a crisis. However the basis of this was that Johnson & Johnson executives, knowingly or not, decided, “What everyone knows is frequently wrong.” They went against what all the experts and even the consumers “knew” and went on to resurrect Tylenol to be even more successful than it was previously.

Analyzing Assumptions

How can this Drucker wisdom be applied in business? There is no question that applying this lesson requires critical analysis, because while “what everyone knows is frequently wrong” may be true, sometimes “what everyone knows” is actually true. So the problem is in how to know when common knowledge is true and when it is not. The first thing we need to understand is that what everyone knows, or so-called common knowledge, is simply an assumption.

An assumption is any belief, idea, hunch, or thought that you, a group of people, or any internal or external experts have about a subject. These assumptions are crucial because we use our assumptions to guide our actions and decision-making. This is sometimes complicated by the fact that frequently these assumptions are implicit and unstated. Decision making can be disastrous if we accept assumptions as fact without analysis. In the previous example, Tylenol would have been dropped as a product and Johnson & Johnson would have lost millions of dollars in revenue, plus it would have had to spend further millions of dollars to develop and market a replacement product.

So how can you analyze an assumption? The following steps will help:

Look at the Source’s Reliability. The first step in analyzing an assumption is to look at the source’s reliability. Reliability refers to consistency in measurement over time. Many years ago, I was involved in the selection of one of two designs for a new aircraft from two different companies. The companies were The Boeing Aircraft Company and McDonnell Douglas Aircraft Company. (Those who know this industry also know that the former company eventually acquired the latter, but this has nothing to do with our story.) Both companies proposed modifying one of their standard airline designs which was already in production and in use. Periodically we would meet with each aircraft company’s design team individually to

assess progress on each company's proposals, acceptance of which would be worth hundreds of millions of dollars to the winning contractor.

On one occasion we discussed ways in which we might lower the cost of each aircraft. The McDonnell Douglas manager stated, "You can save \$10 million for each aircraft produced if you will allow us to deviate on the size of the escape hatch by two inches. That would be the standard size of the hatch on our DC-9 airliners. They successfully passed all FAA tests with no problems." I promised to look into his request, since it could save a lot of money.

Find the Ultimate Source. In this case, the initial source was the engineer who had put this requirement into the package listing design specifications that we had sent to the two aircraft manufacturers. However, frequently, you need to conduct a process I call "peeling the onion," because the initial source isn't the end of the story. What we are looking for usually lies inside one, maybe more layers that we need to peel away to get to the center—the ultimate source.

As soon as I could, I contacted the engineer responsible for the aircraft specification that McDonnell-Douglas wanted waived. "We can't do it," he told me. "This requirement comes directly from our aircraft design handbook with specifications that we must use for all new transport type aircraft." This means that the source had a sub-source. The sub-source was the design handbook. Not only did it produce a predictable and repeatable result, but "everybody knew" that these dimensions were the correct ones for the escape hatch and that we were required to use them.

Suppose Johnson & Johnson had investigated the sources for those who said that the demise of Tylenol was irreversible. These sources were the advertising and business experts who wrote for the business journals. They were usually right on the money in their judgments regarding advertising and how poor publicity could ruin a product's reputation. They were reliable sources based on past history.

Is the Source Valid? Both reliability and validity are concepts that come from testing. The validity of a test tells us how well the test measures what it is supposed to measure. It is a judgment based on evidence about the appropriateness of inferences drawn from test scores. But we're not looking at test scores here, we're looking at assumptions. So where did this particular specification in the aircraft design handbook come from? Knowing

that source could help me decide whether this particular specification was valid for the aircraft we now wanted to build.

So, I peeled the onion again. I knew that every specification in the aircraft design handbook was referenced as to where it came from and what it was based on. I asked the engineer to do the necessary research to find out what tests this particular design specification was based on. Surprise, surprise, this specification was based on an aircraft test done with propeller-driven aircraft almost thirty years earlier. That aircraft traveled at about 120 miles per hour. The aircraft we were working on traveled at about 500 miles per hour.

Obviously, in this instance, the design specification was not valid. We turned it over to one of our aeronautical designers. He advised us to forget what everyone knew (the design handbook) and that the two inches would make no difference at the air speeds we were anticipating for an emergency bailout. We took his advice.

In the same way, the Johnson & Johnson decision makers probably evaluated the sources advising them to drop Tylenol and find something else. They probably asked what the success rate was for a product that was reintroduced in this way and under similar circumstance. That would have been peeling the onion. They probably discovered that there wasn't much of a data base to go on because no one had even attempted something like this before. They had taken the high road all the way, and felt that despite what everybody knew, it was worthwhile trying. The results, as they say, are history.

Drucker's wisdom reminds me of Roger Bannister's stunning achievement. Bannister, an Englishman and a medical doctor, broke a record in running once thought to be impossible. This was the famous "four-minute mile." No one had ever run a mile in four minutes. The world record of 4:01.4, had been set in 1945 by Sweden's Gunder Haegg. The experts knew that it could not be done, and some said it was dangerous for an athlete to even attempt. Today, the fastest mile record is 3 minutes, 43.13 seconds. Some high school runners even break the 4-minute mile. However, the fact is that when Bannister achieved this on May 6th of 1954, many, if not most, knew that it was an impossible dream. He was knighted for his achievement.

I was in high school at the time and I remember a radio interview with an doctor of kinesiology shortly before Bannister broke the record.

He stated that the human body just wasn't built to run this fast and that it couldn't be done. He predicted that Bannister would never succeed. Bannister knew better. What most "knew" was wrong, and Bannister understood this.

Drucker Lesson Summary

What everyone knows is frequently wrong. It is wrong because people make one or more erroneous assumptions and then everybody else buys in. To use this wisdom effectively, a decision maker needs to look at the source and determine its reliability and validity. Usually this involves "peeling the onion" to get to the very core source.

C H A P T E R F O U R

Self-Confidence Must Be Built Step-by-Step

One warm day in the Drucker classroom he passed on a lesson which was not explicit. This was unlike Peter, who was usually very explicit in both his writing and his speaking. I was a little out of sorts at the time that he gave us this wisdom; and consequently, I missed some of the preamble to his lesson, which might have made the lesson he taught more obvious to me.

At the time I was working at McDonnell Douglas Astronautics Company in Huntington Beach, California, in charge of advanced technology marketing. That was about fifty miles down the road, southwest of Claremont, and it usually took me about an hour to drive to class. My main car in those days was a lime-green Plymouth Arrow. Because it was small, it reminded me of the sports cars that I craved but could not afford with a wife and two young boys to support. I tried to convince people that it looked something like a Porsche. It didn't.



Documents

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The Arrow didn't have a tape system, and so I would take a portable tape player with me, put it on the passenger seat, and run it from there. It was not stereo, but that didn't matter because I listened mostly to tapes on business or self improvement. I thought I could use a little of both, especially the latter. Unfortunately, the tape in my recorder kept sticking. I would take it out and pound it against my right leg, reinsert it, and turn the player on again. It would play for a short time, and then stick again. I was getting more and more frustrated and my leg was getting sore.

If that weren't enough, I ran into a traffic jam on the freeway and I arrived at Claremont late for class. Then I couldn't find a parking place close to Harper Hall. I finally found something, but it was several blocks away. I tentatively stuck my head in the classroom to see if I could sneak in unobserved. Not a chance. Drucker was already sans jacket, sleeves rolled up, tie loosened, and lecturing. I usually sat right up front, but being late, all the front row seats were taken. I nodded to Peter and found something at the back of the room. At that precise moment, I heard one of my classmates ask, "So, Dr. Drucker, how did you happen to become a management consultant?"

By then, I had learned that Peter didn't care for titles. He liked to be called "Peter." My impression was that he especially didn't like the title "doctor." I don't know why that was. In addition to his many honorary doctorates, he had a doctorate in International Law from the University of Frankfurt. He told us that he had selected law because it was the easiest doctorate to obtain. Whether this was true or not, I don't know. It was equally unclear what Peter thought of management consultants, although, of course, he was reputed to be the world's preeminent consultant in the management field.

There are a lot of books published on management consulting today. In fact, I wrote one (*How To Make It Big as a Consultant*, AMACOM, 1985, 1991, 2001). However, this was not always so. In the 1970's, management consulting was just becoming popular in the business community and there was a great deal of interest in the subject. There was a considerable mystique about what management consultants did and how they operated. Peter had consulted for some of the largest corporations in the world, including General Motors. His project with General Motors, actually a study, was the basis of his book, *Concept of the Corporation*, which helped to establish him as the foremost thinker in the field of management. So whatever Peter was lecturing on that led to this question, the question was probably honestly, if somewhat brashly, asked by my classmate. In any case,

I eased into the empty classroom seat I had located and listened closely to hear what kind of response such an impudent question would elicit.

How Peter Became a Management Consultant

Surprisingly, there was no rebuke, and Peter answered right to the point and with no side commentary regarding my classmate's brazenness in asking the question. He said that his experience with management consulting started just prior to the U.S. entry into World War II. With a doctoral degree, he was mobilized for the war effort in a civilian capacity and ordered to report to a certain army colonel. Peter was told that he was to serve as a "management consultant." Drucker said that he had no idea what a management consultant was. He checked a dictionary, but couldn't find the term. He said he went to the library and the bookstore. "Today," he told us, "you will find shelves of titles on management. In those days, there was almost nothing. The few books didn't include the term, much less explain it." He asked several colleagues and had no better luck. They didn't know, either.

On the appointed time and date, Drucker proceeded to the colonel's office, wondering exactly what he was getting in to. A receptionist asked him to wait, and then an unsmiling sergeant came to escort him to the colonel. This must have been a little intimidating for a young immigrant who not too many years earlier had fled from the military dictatorship of Nazi Germany, where almost all party members wore one sort of uniform or another.

Peter was led into the office by yet another stern-faced assistant. The colonel glanced at Peter's orders and invited him to be seated. He asked Peter to tell him about himself and questioned him at some length about his background and education. But though they seemed to talk on and on, Drucker did not learn what the colonel's office was responsible for, nor was he given any understanding as to what he would be doing for the colonel as a "management consultant." It seemed as if they were talking round and round, to no purpose.

Drucker was more than a little uncomfortable in dealing with the colonel. He hoped that he would soon get to the point and explain exactly what kind of work he would be involved in. He was growing increasingly frustrated. Finally, Peter could take it no longer. "Please, sir, can you tell me what a management consultant does?" he asked respectfully.

Drucker told the class that the colonel glared at him for what seemed like a long time and then responded: “Young man, don’t be impertinent.” “By which,” Drucker told us, “I knew that he didn’t know what a management consultant did, either.”

Peter knew that someone who did know what was expected of a management consultant had made this assignment. Having lived in England and read Arthur Conan Doyle’s Sherlock Holmes stories, Drucker knew what a “consulting detective” did. With that knowledge, and the insight that the colonel did not know anything about management consulting, Drucker asked direct questions about the colonel’s responsibilities and problems. Peter then laid out some options about what should be done and the work, he, Drucker should do. The colonel was interested and clearly relieved. He accepted Peter’s proposals in their entirety. This proved to be Drucker’s first successful consulting engagement. So, Peter Drucker was not only the Father of Modern Management; he may have been the father of modern management consulting as well.

Moreover, if you consider the fact that Drucker’s writing career was built on his consulting practice, and that during sixty-five active years of consulting, Drucker consulted for some of the world’s largest corporations and nonprofit organizations—including the governments of the U.S., Canada, and Japan, this meeting with the colonel was clearly a pivotal point in his career. Therefore, though the lesson was not explicit as to what we were supposed to learn, and Drucker said no more on this subject, this story and its hidden lesson is of some value and significance.

Where Did Drucker Get His Self-Confidence?

I pondered Drucker’s story for quite some time afterwards. Usually Peter was quite unambiguous in disseminating his knowledge. He would state his proposition clearly, and then give examples to support his thesis. On occasion, the order was reversed—the story came first, followed by his thesis. But the lesson or lessons were always explicit. This time his lesson was not immediately apparent and the inherent wisdom was hidden.

I could imagine the young Peter Drucker, a new immigrant to the United States in time of approaching war, and not only born in what had become part of the potential enemy’s country, but actually in Austria.

Therefore he was born in the same country as Adolf Hitler, the Nazi dictator himself. How did he find the courage to question a senior officer of the army of his new country, and his new boss? Even more surprising was that when he realized that even his boss-to-be didn't know the duties of a management consultant, he had the confidence to make recommendations to a much older and more experienced man based on his flimsy knowledge about a fictional 19th century detective.

Most new immigrants at that time and under similar circumstances would have said nothing and taken pains not to challenge or question the colonel in any way. Drucker hadn't been in the U.S. long enough to become a U.S. citizen. Non-citizen Jews were denied U.S. asylum just prior to World War II, and some of whom who probably had equivalent credentials to Drucker at that time were sent back to Germany, where they wound up in concentration camps. Years earlier, Drucker had written an anti-Nazi tract which had been banned by the Nazis. Although he had lived in England for several years, to have been returned to Germany or his native Austria would have been a sure death sentence. Under these circumstances, and from Drucker's lack of full knowledge of either the power of an army colonel or his personality, to challenge him seems almost foolhardy. Where did such self-confidence come from?

Of course, Drucker's character and personality had no small bearing on this. Drucker possessed unusual strength of character and great integrity when I came to know him, and probably had possessed this trait at the time of the incident. Character and personality are basically fixed in childhood. However, I never knew Peter to talk about himself or brag about his achievements, and certainly never to make claim to unusual traits not possessed by others.

I never heard Drucker tell a story that did not have an important lesson for his listeners, even in answer to a question which might have been asked merely to satisfy idle curiosity. Drucker never told stories to no purpose. He taught and gave lessons. He never wasted anyone's time, especially his own or that of his students. A lesson implies that there is something to learn. If Peter intended a lesson in the story about meeting the colonel, it was more subtle. In searching for a lesson in this case, I decided to research Drucker's background and experience before the incident he described had occurred.

Searching for the Source of Drucker's Self-Confidence

What struck me regarding Drucker's background was the wide variety of different experiences he had had and the range of tasks he had successfully accomplished by the age of 30. His family were government employees. Even today, Doris Drucker has a document signed by Kaiser Franz Joseph awarding Peter an order for his services. Visitors to his home in Austria included famous economists with whom he was encouraged to engage in dialogue even while still in his teens. The family vacationed with others similarly accomplished in their academic or professional pursuits. Drucker himself stated, "That was actually my education."¹

Drucker's father wanted him to immediately enroll in a university. Instead, after completing the equivalent of what we call high school (but in the Europe of that day, this was in many ways equivalent to what was taught in the U.S. in the first years of college), he left for Hamburg, Germany. At the age of 18, and on his own initiative, he started and completed a one-year merchant apprenticeship with an established trading company. This was his grounding in business.

My thought was that he must have identified with the theoretical economics he had discussed with his family's visitors and done this with a definite purpose in mind. Shortly after completing his apprenticeship, he left for Frankfurt. Clearly, he did not intend to continue the work for which he had apprenticed. The fact that he completed this year-long apprenticeship, yet immediately moved on, speaks volumes about what must have been his principles of self development, of which I will have more to say in the last chapter.

In Frankfurt, Drucker began to write a number of articles on economics as a freelancer. As a result, he was hired by a well-known Frankfurt newspaper as a journalist. Gaining an interest in politics, he attended meetings of a conservative political party in Germany. At the same time he started and completed his doctorate in law at the University of Frankfurt.²

Leaving Germany immediately after the Nazi takeover in 1933, Drucker found refuge in England. Here, he obtained work first for an insurance company as a security analyst, and later as an economist with a private bank. He also wrote his first book, *The End of Economic Man*, which analyzed the rise of Nazism in Germany and was reviewed favorably by none other than future British Prime Minister, Winston Churchill. In 1937, he immigrated to the United States, and again he became a freelance