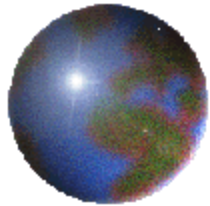




# ***First Global Drucker Forum***

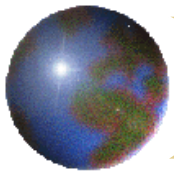


## **Is there a Transatlantic Divide? Reviewing Peter F. Drucker Thoughts on Ethics and Leadership of U.S. and European Managers**

**House of Industry  
Vienna, Austria  
November 19, 20 2009**

**Dr. Roland Bardy**  
Fachhochschule Worms

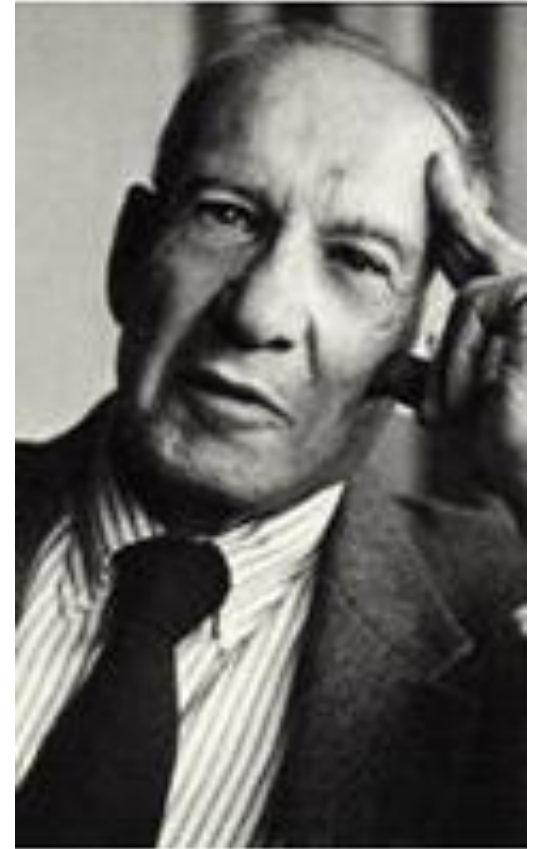
**Dr. Arthur Rubens**  
Florida Gulf Coast University

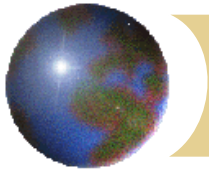


# Motivation

**Drucker has often been criticized for his pejorative interpretation of business ethics and the use of the term casuistry. But he was just the opposite.**

**Much of his writings on the behavior of managers and organizations pointed to discourse-ethics-universalism, away from casuistic particularism and towards Confucian ethics.**

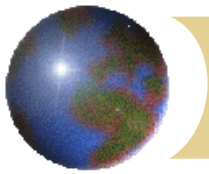




# Methodology

- ❖ Comparative Study
- ❖ Day-to-Day Perspectives of Ethics of U.S. and European Managers
- ❖ Presenting Drucker's position on those perspectives, showing that "Good Ethics" serves to ensure that entrepreneurial energies end up by serving society and not destroying it."

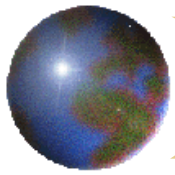




# What he said.....

- ✦ **Ethics**: ... "while there ever is a viable ethics of organization, it will have to adopt a concept which restricts ethics to individuals and lets the legal system handle the rights and objectives of collectives."  
(*The Changing World of the Executive, 1982*)
- ✦ **Punishment**: ... "all that is needed is to mete out stiff punishments to those – whether business executives or others – who yield to temptation."  
(*Management, Tasks, Responsibilities, and Practices, 1973*)
- ✦ **Law**: ... "the law and integrity are not the same"... "the law is needed whenever authority and responsibility have to be defined."  
(*The Landmarks of Tomorrow, 1959*)

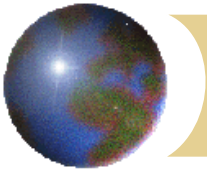




# Is there a Transatlantic Divide...

- “... while Europeans devote much effort on technology, their management practices are less developed than those of the Americans.”
- “... whereas English speakers identify entrepreneur-ship with the new, small business, the Germans identify it with power and property.” (Innovation and Entrepreneurship, 1985)
- “Germans promote people in their specialties and train them in decentralized units set up as separate companies.” ... “The French have their large companies often run by former government officials.” ... “from this, European executives develop a peculiar view on management issues which is different from how the U.S. CEOs’ approach” (Drucker with J.A. Maciarello, 2008)

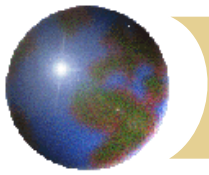




# Ethical Theories and Drucker

- ✦ **Utilitarianism**: ...“an action is good if it produces...the greatest amount of satisfaction for the greatest number of stakeholders affected by the action.” (*Jeremy Betham, (1748–1832)*)  
**“...the special purpose of an institution must be balanced with the common good (*Drucker with J.A. Maciarello, 2008*)**
- ✦ **Discourse Ethics**: ...“Only those norms can claim validity that could meet with the acceptance of all concerned in practical matters” (*Habermas, 1999*)  
**“.....business executives must make understandable to the laymen – the educated people who are outside of business and necessarily ignorant of it – what it is that business does.” (*Management for Results, 1964*)**

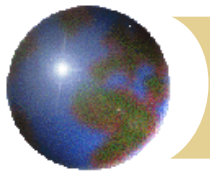




# Ethical Theories and Drucker

- ✿ *Aligning with John Rawls, Theory of Justice – The ethics of Distribution.* “Welfare of mankind requires control through a set of fair rules. Welfare can only be distributed justly if a society, by such fair rules, minimizes the effects of its members’ accidental circumstances – intelligence/physical strength/social status.”
- ✿ *Aligning with Popper/Von Hayek (Open Society/Just Conduct) rather than with Kant.*  
“Kant’s strive to establish manmade ethical absolutes might end in the complete denial of absolutes and, with it, in the complete denial of the possibility of a truly ethical position.” (*The Unfashionable Kirkegaard, 1949*)
- ✿ Drucker prefers the *personalist ethics* of Martin Buber over the impersonalism of the term “business ethics.”





# Differences/Uniformity of Business Ethics

## U.S. and Europe

### Differences

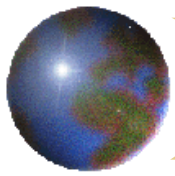
- ✦ Focus on Pub. Admin.
- ✦ Educational Sys/Curriculums
- ✦ Sensitivities of Stock Prices
- ✦ Corporate Governance
- ✦ Legal System
- ✦ Labor Law
- ✦ Consumer / Privacy Protection
- ✦ Workplace Protection
- ✦ Job Rotation
- ✦ Organizational Transformation (M & A and Spin Offs)
- ✦ GAAP: Rule Based  
IAS: Principle Based
- ✦ Energy Consumption

### Uniformity

- ✦ Human Rights
- ✦ Free Market
- ✦ Deregulation
- ✦ Child Labor
- ✦ OECD (Code for Multinationals)
- ✦ WTO
- ✦ GATT
- ✦ GATS
- ✦ TRIPS
- ✦ Responsibility Care
- ✦ Bribery
- ✦ Insider Trading
- ✦ Trust within Business Relations







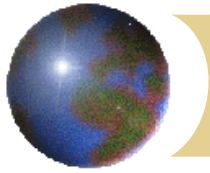
# Ethical Context of Business Relations

*Drucker confronted with mis(conduct) in U.S./Europe.....*

- ⊕ Corporate Governance and Leadership
- ⊕ Customer and Consumer Relations
- ⊕ Competitor Relations/Supplier Relations
- ⊕ Employees Relations/Government Relations

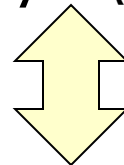
- ⊕ *How does the corporation, how do their officers treat its constituencies (customers, consumers, suppliers, service contractors, etc.)?*
- ⊕ *Are there differences in this between U.S. and Europe?*
- ⊕ *Does it matter that the central emphasis on ethics subjects tends to be individual actors in the U.S., whereas in Europe there is a more "pluralistic" view and hence more interest in institutions?*



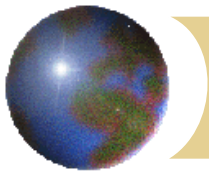


# Corporate Governance

- ✦ “Whenever an institution malfunctions as consistently as *boards of directors* have in nearly every major fiasco of the last forty or fifty years, it is futile to blame men. It is the institution that malfunctions”. (*The bored board, 1981*)
- ✦ *Shareholder interests* have to be “subordinated to the maintenance of the business as a wealth-producing, goods producing, job producing entity” ... The European (and Japanese) stakeholder model forces the institutional owners to support “a management regardless of short term results as long as the company performs to a business plan that is designed to maximize the enterprise’s wealth-producing capacity.” (*Managing for the future, 1992*)



Enron, Tyco, Worldcom, Siemens, VW, Daimler<sup>10</sup>

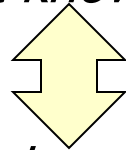


# Customer/Consumer Relations

## ✦ Prices/Quality:

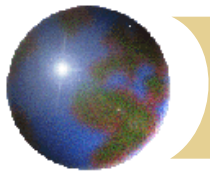
- ✦ “Prices should neither reap ‘premiums’ nor ‘what the market will bear’ ....” (*Managing in a Time of Great Change, 1995*);
- ✦ “Pricing should entail all quality considerations that bring value to the customer, such as „durability, freedom from breakdown, the maker’s standing, purity, etc. ” (*The Practice of Management, 1954*);
- ✦ “Creating utility” is foremost (*Innovation and Entrepreneurship, 1985*).

✦ Customer Research: was encouraged by Drucker early on (In *Concept of the Corporation*, he quotes the example of GM which used their dealership to channel market knowledge into the corporation (1946)



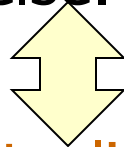
- ✦ *Market Research* in the EU is barred by overprotection of privacy
- ✦ In the U.S., *Comparative Advertising* is legal, but not in Europe
- ✦ *Bait and Switch* is illegal in the U.S., not legal in Europe
- ✦ *Deceptive pricing* by “no frills airlines” (U.S. and Europe)



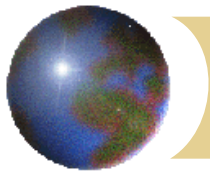


# Competitor Relations

- ✚ “Virtually all the concerns of business ethics...have to do with relationships of interdependence...The **Confucian** ethics of interdependence...demands equality of obligations”. (*The Changing World of the Executive, 1982*)
- ✚ **On Cartels:** “a *casuist* would agree that cartels are both *illegal and considered criminal*...But he would also argue that the GE executive who violated U.S. law had an ethical duty to do so under the higher law of social responsibility to safeguard employment ... But the casuist proposition of business ethics would end up in defending as ethical acts on the part of business executives that would be condemned if committed by anyone else.” (*Ibid.*)

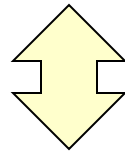


Negative advertising, stealing customers; predatory prices, sabotage; e.g., Pepsi vs. Coke; P&G Europe vs. Unilever



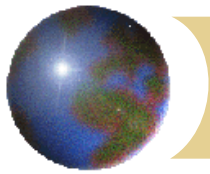
# Employee Relations

- ✦ It is “*people not employees*” (*The New Society*, 1950)
- ✦ .....it is about “*employing the whole man.*” (*The Practice of Management*, 1954)
- ✦ “What is now called *empowerment* is very similar to what I talked about more than 50 years ago...I argued that the new organization...would have to be the community in which the individual would find status and function.” (*Managing in a Time of Great Change*, 1974)
- ✦ “The ability of the organization to provide *useful work to individuals* is an important social responsibility.” (*Management*, 1974)



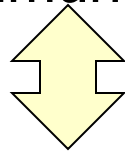
Drucker disliked the European practice of having employees and their representatives participate in corporate decision-making and he saw the downside of privacy protection: Performance monitoring may end up in being viewed as spying on the employees

**Examples:** LIDL, Deutsche Telekom/Germany; Boeing’s spying, etc



# Government Relations

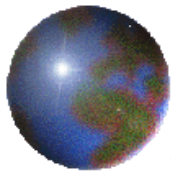
- ⊕ Business is “*not entitled to put itself in the place of government and ...use its economic power to impose its values on the community*” (*Management, Tasks, Responsibilities, Practice, 1973*)
- ⊕ Interchange between government and business should not end up in “*government by countervailing lobbyists*” (*Managing in a Time of Great Change, 1995*)
- ⊕ “The major lesson that we can learn from GM is that an institution...*is not an island* to itself. It has to balance the need for concentration and self-limitation with the concern for its environment and...its community.” (*New Epilogue to Concept of the Corporation, 1972*)



**Lobbying** in the U.S. is by *person-to-person contacts* (which may produce personal conflicts)

In Europe it is pursued through *collective action* of business affiliations (which may also put a person into a dual role in business and politics)

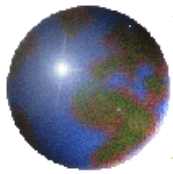




# Leadership...

- ❖ “Leadership is not by itself good or desirable - It is a means”... “ it is **thinking through the organization’s mission..**defining it, clearly and visibly.”
- ❖ “... is a **responsibility** rather than a rank and privilege.”  
(*Primum non nocere*)  
(*Managing for the Future, 1992*)
- ❖ “Management must be **accountable for performance and results** than for good intentions...performance and results go way beyond the financial bottom line.”  
(*Ibid.*)

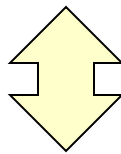




# Leadership.....



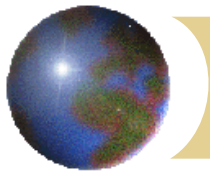
- ⊕ “Management’s public responsibility tends...to begin with the consideration of management as a *leading group in society*. But properly it should begin with management’s responsibility to the enterprise of which it is an organ.” (*Practice of Management, 1954*)
- ⊕ “Managers are doing harm knowingly and they *tend to cause social disruption* if they impose ‘golden fetters’ upon themselves.” (*Management, 1974*)



CEO Compensation, Accounting Scandals, etc.







# Conclusion

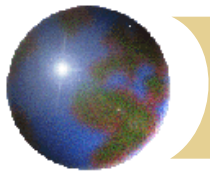
## ✦ Is there a divide?

Drucker saw that his concept of “corporations are social institutions” has a different meaning in the US and in Europe. The *divide* has evolved over time. Drucker foresaw this: “European practices, e.g. in privacy protection, will harm the linkages between ‘high-tech’, ‘middle-tech’, ‘low-tech’ and ‘no-tech’;” “... the European battle over co-determination is an ‘explosive issue’ which might even infest US corporations”.

## ✦ Ethics

Drucker’s ideas on ethics, as they are aligned to basic norms (of Confucianism, Discourse Ethics, Utilitarianism, of Buber, Popper, von Hayek, John Rawls,) apply to both the status of his time and of what we have now. Still: as the handling of the financial crisis shows, what is “moral” is seen differently here and there.





# Conclusion

## ✦ Government & Bureaucracy

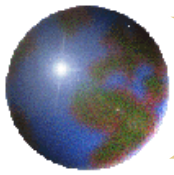
Drucker argued that businesses required “*stronger governments and stronger social institutions*” including more powerful unions, to keep them from forgetting social interests. (B.J. Feder, NY times, 2005)

Citing *Max Weber*, Drucker identified the “*function of bureaucracy as codifying its experiences and converting them into rules of behavior*” (Managing in the Next Society, 2002)

## ✦ Management

“ Management is what the Germans used to call a *Geisteswissenschaft* – though “moral science” is .. the better translation of that .. term than the modern ‘*social science*’. Indeed, the old fashioned term ‘*liberal art*’ may be the test term of all.” ( *The Frontiers of Management*, 1982)





# Lesson Learned...

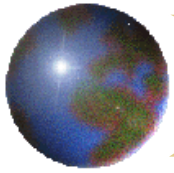
*“...Failure to ask the question virtually guarantees the wrong decision”*

*What Makes an Effective Executive, 2004*



**Peter F. Drucker**





# Questions





# ***First Global Drucker Forum***

***Vienna, Austria***



***THANK  
YOU!***

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