When management guru Peter Drucker penned his autobiography in 1979, he gave it a characteristically modest title: *Adventures of a Bystander*. Yet Drucker, who continued to survive — and thrive — for over two decades after the release of his memoirs, could never be called a bystander in any sense of the word.

A remarkable number of his ideas and theories, developed over the course of an unparalleled 39-book career, have been widely adopted by corporations, governments and charities worldwide. Indeed, many consider Peter Drucker to be the most important business thinker of the last century.

Those who are familiar with the total body of Drucker's work will agree that many of his writings are as fresh and relevant today as when first written. His prescient insights foreshadowed many contemporary works, which often borrowed and expanded upon Drucker's earlier ideas. Obviously, the illustrative examples and language used in these later books is generally more up to date, but the principal insights are often the same.

That's the neat thing about fundamental truths: they're timeless.

For more than half a century, Peter Drucker favored the editors of Harvard Business Review (HBR) with many of his best articles. He published 40 of them in all. Classic Drucker assembles 15 of his greatest contributions — the cream of the crop — and then ties them all together with a thoughtful introduction by HBR editor, Thomas A. Stewart.

Summarizing all 15 articles from this compendium would be a near impossible task. This *is* Classic Drucker, after all, and each contribution is clearly deserving of its own individual appreciation. Attempting a catchall summary would be a bit silly. So instead, let's zero in on those key articles that go right to the heart of business effectiveness.

**The Effective Decision**

Over the years, literally thousands of articles have been written on the subjects of management, strategy and leadership. But for no apparent reason, very few thinkers have bothered to consider the subject of Decision Making, particularly at the executive level. Drucker saw this as a crucial shortcoming in business literature, which he addressed by penning a now famous HBR article called "The Effective Decision."

In this article, Drucker set out to dispel the myth that the most effective decision
makers are the ones who can think fast and manipulate a large number of variables in their heads. Instead, Drucker maintained the best decision makers are the ones who make as few decisions as possible. They concentrate on what is important, and focus on impact.

In addition to focusing only on the important, Drucker argues that effective decision-makers should attempt to follow a systematic six-step process, described as follows:

1. The first step involves **classifying the problem**.

    Drucker believes that any problem can be categorized into one of three groups. If it gets put into the wrong grouping at the start, the entire response may be off-target.

    The first group is the generic problem. Generic problems happen every single day, and can usually be handled by creating — or enforcing — standard rules and policies.

    The second group is an apparently unique problem. It's a problem that's never been seen before, but when it appears, the decision-maker has to ask herself: "is this truly a unique event, or only the first manifestation of a new type of generic problem?" If it falls into the latter category, then again, standard rules and procedures should apply.

    The third group is the truly unique problem that occurs one time only. It's a real exception. Truly unique events are very rare and have to be treated individually. These events do not call for a new rule, or policy, or principle. Drucker cites the Cuban Missile Crisis as a classic example. One great triumph of President Kennedy during that time, he says, was his understanding that he was dealing with a very exceptional occurrence, which required a new way of thinking about the problem.

2. Next comes **defining the problem**. After classifying whether the problem is generic or unique, it is important to define the problem as narrowly as possible.

    According to Drucker, there is only one safeguard against becoming the prisoner of a problem that is defined either too narrowly or too broadly — before you go any further with the process, check your definition again and again against all the observable facts and throw it out if it fails to encompass even a single one of them.

3. After the problem has been clearly defined, we need to **set the boundary conditions**. In other words, what are the minimum goals, or conditions, our decision has to achieve? How will we know when we've succeeded?

    Crucial mistakes can happen here. A decision that satisfies the wrong boundary conditions is just as bad as one that wrongly defines the problem,
says Drucker.

4. Following that comes **deciding what is right**. If the boundary conditions (or goals) are not clearly understood, a decision-maker cannot distinguish between right and wrong.

Even when the boundary conditions are fully understood, at the end of the day, a decision-maker may come to realize that some of the boundary conditions are in fact mutually incompatible. This is an unfortunate turn of events, because finding a compromise is often the best way to address a problem … but not always. This is where judgment clearly comes into play. We’re reminded of an old saying: “Half a loaf is better than having no bread, but half a baby is worse than no baby at all.”

5. Next comes **building action into the decision** in order to effectively carry it out.

While establishing your goals, or boundary conditions, may be the most mentally challenging aspect of the whole decision-making process, converting the decision into action is easily the most time-consuming step. Yet a decision will not become effective unless it is someone’s work assignment and responsibility. Until that assignment is made, your decision is nothing more than a good intention.

According to Drucker, converting a decision into action also involves answering the all-important question: Who has to know of this decision? This question is too often overlooked — with dire results. To illustrate the importance of this question, Drucker recites an example that has since become legend amongst operational researchers:

A major manufacturer of industrial equipment decided several years ago to discontinue one of its models that had for years been standard equipment on its long line of machine tools. It was decided to sell the model to present owners of the old equipment for another three years as a replacement, and then to stop making and selling it. Orders for that particular model had been declining for a good many years. But they shot up immediately as customers realized that it would no longer be available. However, no one had ever asked "Who needs to know of this decision?"

Consequently, nobody informed the purchasing clerk who was responsible for buying the parts from which the obsolete model was being assembled. His instructions had been to buy parts in a given ratio to current sales — and his instructions remained unchanged. Thus, when the time finally came to stop production, the company had stockpiled enough parts for another 8 to 10 years of production, parts that had to be written down at a considerable loss.

6. Lastly comes **testing the validity of the decision** against the actual course of events. Information feedback and monitoring has to be built into the system in order to compare your decision to the results achieved. Even the most
effective decision will eventually become obsolete, says Drucker, and a new one will then be required. Effective executives stay ahead of the game by soliciting continuous feedback.

Drucker concludes this piece with the following observation: "Decision making may be only one of the many tasks of an executive. But making important decisions is THE main executive task." The truly great executives understand the importance of using a systematic process to do this.

**How to Make People Decisions**

Building on the lessons learned in the previous article on the executive decision-making process, Classic Drucker also offers a treatise on making human resources decisions.

"Executives spend more time on making people decisions than on anything else," writes Drucker. "And they should. No other decisions are as long lasting in their consequences, or so difficult to unmake."

According to Drucker, there are only a few important steps to be followed in making effective promotion and staffing decisions:

1. Think through the assignment. For example, if you are an executive tasked with hiring a new sales manager, you must first figure out what the heart of the assignment is. Is it to recruit and train new salespeople? Or is it to open up new markets, or to increase sales in your existing market. Each of these is a different assignment and probably requires a different type of person to properly execute.

2. Look at a number of potentially qualified people. When hiring senior staff, Drucker argues that three to five candidates is an ideal range.

3. Focus on strengths. "In the hiring process, effective executives do not start out by looking at weaknesses," says Drucker. "You can only build performance based on strengths." If a candidate has the key strengths you are looking for to handle a particular assignment, then the rest of the organization can cover the weaknesses.

4. Check references — talk to at least three or four former bosses or colleagues.

5. Make sure the appointee understands the job. After a new hire has been on the job for a couple months, Drucker says it is incumbent upon the executive to call that person into his or her office and say: "You have been on the job for awhile now. Tell me what you have to do to be a success in your new job. Go away and think about it for a bit, and come back to me with something in writing and we'll review it together."

Executives who do not make the effort up front to get their people decisions right do more than risk poor performance, warns Drucker. They risk losing respect.
Managing for Business Effectiveness

In this important chapter, Drucker explains how effective management requires precise analysis, rigorous allocation of resources, and timely decision-making. This article won the McKinsey Award for the best Harvard Business Review article published in 1963.

Drucker begins by asking his readers: "What is the first duty — and the continuing responsibility — of the business manager?" The answer: "To strive for the best possible economic results from the resources currently employed or available." Everything else managers may be expected to do, or may want to do, must rest on a foundation of sound economic performance and profitable results.

It comes as no surprise then, that managers tend to spend much, if not all, of their time on the problems of short-run economic performance. They concern themselves with costs and pricing, with scheduling and selling, with quality control and customer service, with purchasing and training. This is the subject matter of 90 out of any 100 books in the business library, and 90 out of any 100 reports and studies produced within businesses.

Despite all this attention, in Drucker's experience, most of the managers he ever spoke with were not terribly satisfied with their own performance in this area. They wanted to know how to better focus their energies on what's truly important, and understand what really drives results.

According to Drucker, in almost all human endeavors, approximately 20% of the inputs account for 90% of all results. For instance, it has been proven that, in the marketplace, a handful of customers out of many thousands produce the bulk of the orders. Similarly, in a laboratory, a handful of workers create all the important innovations, as a rule.

With this in mind, becoming an effective manager requires that you concentrate your efforts on the smallest number of products, product lines, services, customers, markets, distribution channels and so on which will produce the largest amount of revenue.

Effective management also requires that staff efforts be concentrated on the very few activities that are capable of producing truly significant business results — with as little staff work and staff effort as possible spent on the others. Similarly, effective cost control requires a similar concentration of work and efforts on those very few areas where improvement in cost performance will have significant impact on business performance and results — that is, on those areas where a relatively minor increase in efficiency will produce a major increase in economic effectiveness.

Lastly, managers must always allocate resources, especially high-grade human resources, to activities that provide opportunities for high economic results.
Drucker writes: "Even if this means that there are no productive resources left for a lot of things it would be nice to do, it is better to abandon those [things], and not to fritter away your high-potential resources. … This sometimes calls for painful decisions, and risky ones. But after all, that's what managers are paid for."

**What Makes an Effective Executive**

Now that we know what constitutes an effective manager in the eyes of Peter Drucker, let's conclude this overview by considering what makes a truly effective executive. Effectiveness is a discipline and like every discipline, it can be learned and must be earned.

According to Drucker, an effective executive does not always need to be a charismatic leader in the traditional sense of the word. He points out that some of the best business and non-profit CEOs he has worked with over his 65-year consulting career were not stereotypical leaders. They ranged from extroverted to nearly reclusive, from easygoing to controlling, from generous to parsimonious. What made them all effective is that they followed the same basic practices:

1. They asked: "What needs to be done?"
2. They then asked; "What is right for the enterprise?"
3. They developed action plans.
4. They took responsibility for decisions and communicating.
5. They were focused on opportunities rather than problems.
6. They ran productive meetings.
7. And they thought and said "we" rather than "I."

In Drucker's view, the first two practices provide a CEO with the knowledge he or she needs most. The next four helps them convert this knowledge into effective action, for knowledge is useless until it has been translated into deeds. The last practice ensures that the whole organization feels responsible, accountable and part of the team.

"Effective executives know that they have authority only because they have the trust of the organization," writes Drucker. "This means they must think of the needs and opportunities of the organization before they think of their own."

Drucker concludes this article with the following admonition: "Listen first, speak last."

**Conclusion**

Peter Drucker has written a huge number of books — and countless journal articles — on issues of leadership and business management. Amazingly, right up until the time of his passing in 2005, Drucker was still cranking out little nuggets of wisdom to help busy managers and executives understand how to better operate their businesses over the short and long-term.
Just as it is nearly impossible to imagine how one man could have been so prolific with his writing for so long — and with such great impact — it is also difficult to fathom how today's overworked business professionals could possibly have the time to read all of Drucker's work. That's where Classic Drucker fits in. It may be second best to reading everything, but it's certainly a great start.

As we've seen, the objectives of Classic Drucker are essentially twofold: The first is to give readers an appreciation of the historical legacy of Drucker's work. For those academic-minded folks among us, this is no doubt a worthy cause.

But the book's second, and most important objective is to demonstrate the value and importance of Drucker's writing today. As Thomas Stewart points out in his introductory remarks: "Drucker did more than break the sod for a new field of management knowledge: He planted in it ideas that are as fruitful today as they ever were."

Each year, by stumbling across old editions of HBR, or by picking up new books like Classic Drucker, the next generation of managers is discovering the important and immediate relevance in articles Drucker wrote before they were even born. The enduring relevance of his work speaks volumes about the clear focus, the broad vision and the practical wisdom that was Peter F. Drucker.