

Peter Drucker's philosophy in China

Abstract

Purpose: This is the centenary of Peter Drucker's birth. This paper is to memorize Dr. Drucker and make full use of his legacy to build better China.

Approach: Based on related materials and Chinese current conditions, relationship between Dr. Drucker and China are discussed; Dr. Drucker's influences in the past are analyzed; and his future impacts on China society are expected

Findings: Dr. Drucker's thoughts have made big influences in Chinese business and management education circles and will have profound impacts on Chinese government agencies, enterprises, and nonprofit organizations.

Value: This paper analyzes the influences that Peter Drucker's philosophy had and will have on China.

Key words: Peter Drucker, China, value

Paper type: General review

1 Introduction

Dr. Peter F. Drucker made outstanding contributions to the world. Widely acknowledged to be "the father of modern management," Peter Drucker turned modern management theory into a serious discipline. He created nearly every facet of its application, including empowerment, decentralization, and privatization, and coined the terms "management by objectives" and "knowledge workers." Dr. Drucker cared not just about how businesses manage their resources, but also how private and public organizations operate ethically and morally within the society. He respected the values of education, businesses' accountability and personal responsibility to society. Dr. Drucker's true legacy is his insistence on this value system, and its effect on individual lives business, and society.

In the past 60 years, his writings, lectures and consulting works had established a treasure base of management that is a source of inexhaustible inspirations and methods for managers and entrepreneurs from all over the world including China. His 39 books, written over 60 years and translated into more than 30 languages, delivered his philosophy to newly promoted managers just out of the office cubicle. Most of his books had been published in Chinese and were well known by Chinese business and academic circles. His philosophy of management has been, is being and will bring big change in Chinese society. On the centenary of Drucker's birth, it is important that we review his influences in the past and expect impacts in future on Chinese society.

The second section of this paper discusses the relationship between Dr. Drucker and China. Then, Dr. Drucker's influences in the past are presented. In the forth section, his future impacts on China society are expected.

2 Dr. Drucker and China

China is a developing country that has been and is undergoing dramatic changes from traditional planning economy into modern market economy. The changes are unprecedented because of the external and internal conditions. During the changing process, modern managerial philosophies are urgently needed by Chinese entrepreneurs and managers as the guide to go through the complex environment. Dr. Drucker's thought can meet part of the need.

Dr. Drucker is well known by Chinese managers and academia. 364,000 Chinese web pages that are about Peter Drucker will be shown if searched by Google. There are 382 books in Chinese that are about Dr. Drucker are on sale by the most popular Chinese online bookshop (www.dangdang.com). 13,500 research papers (in Chinese) from the Google Scholar are about Dr. Drucker.

In China, many entrepreneurs talks about "management by objectives", "knowledge workers", and "innovation system" proposed by Dr. Drucker. Some of them regard Dr. Drucker's thought as direction of the lighthouse. Dr. Drucker was ranked the 3rd of top 12 managerial masters who had made biggest influence on Chinese enterprises in the past 30 years. In the past few years, devotees have created 14 Drucker academies in Beijing, Shanghai, Xi'an, and other Chinese cities. Their curriculum draws extensively on Drucker's writings; so thousands of

students can quickly grasp the management essentials needed for China's booming economy. Since 2006, Peter F. Drucker Management Forum in China had been held 3 sessions annually.

He cared about Chinese reform very much. Dr. Drucker visited China in 1980s and made training program for Chinese entrepreneurs. His Chinese students have been the backbone of China's new generation of management science. His books have made substantial impacts on the whole the generation of entrepreneurs after the reform and opening up of China. He told his student, Professor Zhao from Nanjing University, that Chinese economy and society must have changed a lot after over 20 years' reform and many aspects were worthy to study and he would like to visit China again if possible. From 1999 to 2005, in order to promote the development of Chinese economy and society, Dr. Drucker spent a lot time to help Mr. Shao to establish Beijing BrightChina School of Management that is committed to initiate the essential ideology of Peter F. Drucker.

Dr. Drucker expressed his concerns on Chinese managers in his opening statement for Beijing Guanghai School of Management. China cannot rely on managers imported, even if the introduction is only an expedient measure, and the number introduced cannot large enough. China should rely on the managers of their own culture since they are deeply rooted in Chinese culture and be familiar with and understand their own countries and peoples. Only the people in China can build China.

Dr. Drucker noted, "A developing country can easily import technology, it can easily import capital. But technology and capital are simply tools. They only become effective if properly used by competent and effective management. The creation of such a pool of managerial talent is both China's greatest need and China's greatest opportunity."

3 Past influences in china

3.1 Dr. Drucker's influences in business circle

Dr. Drucker was ranked the 3rd of top 12 managerial masters who had made biggest influence on Chinese enterprises in the past 30 years (Wang, 2009). Since his works were introduced in China in 1980s, many entrepreneurs and managers have absorbed nutrients from them. Some of them regard Dr. Drucker's thought as the direction of the lighthouse.

Mr. Zhang Ruimin, CEO of Haier Group, is one of them. He expressed his admiration for Dr. Drucker in many occasions. Haier is the world's fourth largest white goods manufacturer and its global turnover was US \$ 18 billion. In 2006, for the fourth consecutive year, Haier was ranked first in terms of overall leadership among Mainland Chinese companies in the Wall Street Journal Asia's annual survey of Asia's 200 Most Admired Companies. In March 2008, the *Financial Times* once again added Haier to its list of Top 10 Chinese Global Brand Names with survey respondents ranking Haier number one in terms of product quality, trust, innovation, management, and branding. In May 2008, Haier ranked 13th on Forbes' Reputation Institute Global 200 list. Without the guidance by Dr. Drucker's thought, we cannot imagine Haier's achievements.

When Zhang Ruimin started Haier in 1980s, he was a fan of Dr. Drucker and tried his best to collect Drucker's writings. The first Dr. Drucker's book that he read was *The Effective Executive*. He was deeply attracted by the book after his first glance. Zhang said, "Because the book does not have obscure, esoteric theories that are difficult to understand, and it presents fresh ideas from real-life cases. Like one of my colleagues, Dr. Drucker gave me new ideas from different angles that I never thought." He added, "Reading his book is a kind of enjoyment, because there is often a sense of insight. For *The Effective Executive*, I read many times. For every time I read, I can find something new. Especially when I was confused by market competition and globalization, I can find new revelations from his books."

On the basis of Haier's practice and Dr. Drucker's thought, he created a new working method –OEC (Overall, Everyday, Everyone, Control, and Clear). Every task is decomposed as subtasks. Each subtask and its objective are assigned to a certain employee. Before off work everyday, every employee is assessed in accordance with the objectives. The result of the assessment has direct impacts on rewards and punishments. Therefore, the objectives, daily assessments and incentives form a closed-loop of optimization. In 1988, as a small factory, Haier defeated many large competitors and won the China's first gold medal of refrigerator. Mr. Zhang said, "Thanks to the

working method of OEC, and more thanks to Dr. Drucker, we won the gold medal.”

Mr. Li Dongsheng, chairman of the board and president of TCL Corporation, learnt a lot from Dr. Drucker. Established in 1981, TCL Corporation is a global leader and technology innovator in consumer electronics, mobile communications and home appliances. TCL employs more than 50,000 people in over 80 operations, including 18 R&D centers, 20 manufacturing bases, and more than 40 sales offices around the world. With 2008 global sales of USD 5.63 billion, TCL is one of the world's leading producers of flat panel TVs, DVD players, air conditioners, and GSM, CDMA mobile phones. By the end of 2008, the brand value of TCL had exceeded USD 5.95 billion, rising from 60th in 1995 to the No. 1 TV brand in China today. The overall strategy of TCL is strengthening foundation and continuously innovating. “Strengthening foundation” refers to managing the basics better to improve organizational efficiency and capacity. “Continuously innovating” means upgrading technological processes and operation management to a new level which meets the requirements of globalization.

Mr. Li said, “Dr Drucker’s thought represents the accumulation of modern management philosophies since the Western industrial revolution and is the foundation and driving force of modern society. It is necessary for Chinese entrepreneurs to study Dr Drucker’s management philosophy to make their businesses competitive in the global market.”

3.2 Dr. Drucker’s influences in Chinese management education and research

Dr. Drucker was concerned about Chinese management education and research very much. Apart from writing prefaces for publications of his books in Chinese and supervising students from China, Dr. Drucker helped to establish the Peter F. Drucker Academy in China.

After visiting and studying many of the top universities worldwide, Mr. Ming Lo Shao concluded that China needed a non-traditional institute. Then, he visited the 90-year-old Peter Drucker in 1999. With Drucker’s encouragement, the BrightChina Management Institute was launched. In 2006, the institute was re-named the Peter F. Drucker Academy. The academy trains about 5,000 students per year. The curriculum focuses on management, incorporating the best management tools and including only Drucker-based material with an emphasis on social responsibility. As a non-profit institution, the academy donates all its profits to promoting Drucker’s legacy across China. In 2007, the academy donated Drucker archives named “Window to Drucker” to 8 universities, launched free Drucker seminars for 2,200 students, and helped student set up Drucker Societies.

Represented by Professor Zhao Shuming and Professor Na Guoyi, Dr. Drucker’s students have played important roles in management studies in China. Professor Zhao is the dean of Business School of Nanjing University. We now may find his findings, conclusions and proposals in his monograph *Research on Human Resource Management* (China Remin University Press, 2001) and the 60-plus papers and articles published in the top journals. In 2006, he obtained the 1st prize of “the outstanding achievement” of the humanities and social sciences research of Chinese universities”, awarded by the Ministry of Education, which is one of the two awards in the management science in China. Professor Na has published many papers and books to spread Dr. Drucker’s philosophy.

4 Future impacts

China is changing and faces many challenges. The Chinese society, whatever the government agencies, enterprises, nonprofit organizations and communities, need well educated executives with good values. Although Dr. Drucker passed away, he is the man of the moment in China.

4.1 Impacts on Business circle

Dr. Drucker urged managers to set clear objectives, to value employees and customers, and to define their mission as more than just making a profit. When Drucker wrote about leadership, he said that integrity must come first (Klein S. 2000), Dr. Drucker held that "free enterprise cannot be justified as being good for business; it can be justified only as being good for society." And he wasn't against making money. "Actually," he wrote, "a company can make a social contribution only if it is highly profitable." Dr. Drucker helped instruct countless executives, on

how to do just that. He preached the essentials of sound management: marketing and innovation, financial planning, the effective deployment of human and physical resources, and much more (Na G, 2004).

These are what Chinese executives badly need. Chinese enterprises are known for horrific industrial assault on the environment, abuse of quality, and exploitation of labor. Some people in China see 'making profit' and 'being ethical' as mutually exclusive. If executives better understood the responsibility of management, the vast majority of enterprises in China would be socially responsible. The real issue is the need to instill in China's factory owners and managers the fundamental idea that the only way to sustain a business is to make sure that they cultivate a sense of social responsibility. The rapidity with which China's economy is expanding makes it especially important that Drucker-like thinking be woven into the fabric of everyday life there. Imparting Drucker's thought to a new generation of Chinese is a good place to start.

4.2 Impacts on Government agencies

In general, all levels of Chinese government play a dominant role in the society since the government controls key resources. In 2007, the proportion of fiscal revenue in GDP was more than 20%. China is a developing country; the development requires a large amount of funds. In fact, due to managerial reasons, much money were wasted in unproductive expenditure by the government agencies. In this context, Dr Drucker's work of service agencies in the performance has provided China with useful insight.

Compared with the industrial and commercial enterprises, the performance of the government agencies is poorer. Dr Drucker concluded that the real reason lied in the different way of income. For the industrial and commercial enterprises, they have to provide something that a customer needs and is willing to purchase to get income. However, the income of government agencies is normally provided by budget allocations. That is to say, their income has nothing to do with what they have done.

The real reason is to service the way income is different from, industrial and commercial enterprises to provide them only when a customer needs and is willing to use the purchasing power of the exchange of things to get income. The service is normally provided by budget allocations, which means that they are not taxpayers or customers as a result of that they provide results or achievements to get their income, this income source and they have done nothing to do.

Dr Drucker knew how to improve the performance of government agencies and provided some measures to fulfil it. it is necessary to determine what the agency is and what the agency shall be. We shall compare and analyze the different definitions and define the functions and mission of a government agencies as well as drawing some clear objectives. Then, we shall think about what they should focus on to realize the objectives. Further, measures of success must be provided. Based on feedback, we have to use these to measure the efforts.

It is the same for the executives of the government agencies and nonprofit organizations (Wang, 2008). The social responsibilities for organizations to be charged with the people and things concerning employee, customers, environment and other things relevant To fulfill the social responsibilities, they must focus on their main tasks and mission in the first place, furthermore, have to turn social needs into the chances for their achievement in the second and key place. Organizations shall be established based on responsibilities emphasized by Drucker in order to solve radically the inherent issues. Dr. Drucker's theory of social responsibilities to organizations could be used for reference to construct the government agencies and nonprofit organizations based on their responsibilities.

In short, Dr. Drucker's theory will have profound impacts on Chinese society.

5 Summaries

Dr. Drucker visited China in 1980s and cared about China's reform and development. Many Chinese entrepreneurs and managers treasured his thoughts. Some of them regarded them as the direction of lighthouse. Dr. Dr. Drucker helped establish management academy to cultivate Chinese executives with modern management philosophy. Although he passed away, he is still the man of the moment in China because of his thoughts. The changing China needs his value system. Not only the business circle, but also the government agencies, nonprofit organizations and communities even all the society will benefit from Dr. Drucker's philosophy.

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