



## The Humanistic Assessment of the Directive Action

### Management as a Liberal Art: How to Make Management Socially Relevant Again

Jenny Darroch, November 2018

#### Management as a Liberal Art

I am the Dean of the Peter F. Drucker and Masatoshi Ito Graduate School of Management, a School that was named after Peter Drucker, a faculty member and colleague, who held the Marie Rankin Clarke Professorship of Social Science and Management from 1971 to 2002. Given the breadth and scope of his writing, and the impact his work had on management, Drucker was named the “creator and inventor of modern management.” The Drucker School is also named after Masatoshi Ito, the owner, founder, and honorary chairman of Ito-Yokado, the second largest retailer in the world. The Ito-Yokado Group includes more than 10,000 7-Eleven stores in Japan and 5,800 in North America. Ito frequently sought advice from Drucker and he admired Ito for being an outstanding entrepreneur and business builder.

Peter Drucker was a prolific writer who wrote numerous articles and 39 major books. His books were very practice-based. For example, *The Concept of the Corporation* (1945) was based on an 18-month study of the management practices at General Motors, and *The Practice of Management* (1954) was the first book that taught people how to manage. Drucker’s consulting informed his research. His list of clients included well-known Fortune-100 organizations, along with many other corporations, government agencies, and non-profits. In his consulting work, Drucker was known as being very results-oriented.

While Drucker’s work covered management practice in general, what is central to this paper is that Drucker saw management as a liberal art, that is, a context within which the liberal arts are practices. We also see management as a liberal art and this view influences who the School recruits into the program, who it hires as faculty, how it develops and delivers curriculum, and how it adds value for students and alumni.

In this paper, I will first explain how we see management and the role of managers before focusing on what needs fixing, and therefore measured. I will then advocate for the need to focus on the human condition, not just that of employees and customers, but also society at large.

**First, what is the goal of management?** We believe that the goal of management is to run organizations effectively. We also believe that well-run organizations are central to a functioning society.



Drucker was a proponent of functioning societies because a functioning society provides individuals with social status and purpose. He became interested in management because he realized people spend so long at work. He realized that managers have a responsibility to create and maintain healthy organizations in which people can find meaning and purpose. This means a functioning society requires sustainable organizations, in all sectors of society, run by ethical and responsible managers, who pay attention to what they do *to* society and *for* society.

### **What then should managers pay attention to?**

At the heart of Drucker's work was a focus on the human condition. Because he was a humanist, Drucker believed that managers should:

- Get things done through people.
- Concern themselves with people.
- Understand human nature.
- Be concerned with questions of efficiency and profitability **and** larger, more philosophical questions of morality, spirituality, emotional well-being and dignity.
- Emphasize personal, subjective, individual experiences.
- Provide people with status, function and a sense of community and purpose.
- Allow people to initiate and participate in decision making.
- Have faith in human potential and human capacity for self-direction and appropriate behavior.
- Understand cultural or communal values and morals.
- Legitimize managerial authority by adhering to shared values.

### **Do all managers focus on the human condition?**

We believe that one of the challenges facing managers today is the intense focus on maximizing shareholder wealth, where this is the sole measure of organizational success. We also believe that when organizations, especially large organizations, use only numbers to make decisions; the human component is lost.

When the balance tips away from people and towards numbers, managers are treated more as hired hands. That is, managers are hired into unfamiliar companies, and who then run them through the strict application of financial controls, portfolio concepts and market driven strategies. We believe that one consequence of this is that professional managers become responsible only to themselves, lacking a greater moral, social or ethical obligation to society or to the organizations that employ them.

As you would expect, this perspective has filtered down to Business Schools and is reflected in curriculum where students are also taught to maximize shareholder wealth and that maximizing shareholder wealth is the sole measure of organizational success.



Business Schools are also under pressure to provide specific employment related training to enable students to better leverage the job market upon graduation. We don't disagree with this as students are rightly concerned about the return on investment from their education (in the USA, an MBA can cost as much as US\$130,000); and the average debt from undergraduate is just over US\$39,400).

But too much emphasis on maximizing shareholder wealth can result in Business Schools that train functionaries, that is, people who are highly specialized in the use of analytical techniques, with no sense of their broader responsibility to greater society (we refer to this as an overemphasis on rigor and an underemphasize on relevance).

We also think this is one reason why the management profession has no social relevance; why management has lost its earlier connection to human values and dimensions.

### **So, how do we fix this?**

At the Drucker School we believe it is important to return to the liberal arts to make management socially relevant again. But what do we mean by the liberal arts. Put another way, what are some of the hallmarks of a liberal arts education?

The liberal arts are seen as the bastion of virtue and morality and embrace the fundamentals of knowledge, self-knowledge, wisdom and leadership. Because of this, a liberal arts education combines the humanities, sciences, math and art and instills values, develops character or good citizens, and nurtures other skills such as critical thinking and analysis. It emphasizes the cultivation of beliefs, behaviors and opinions thought to be of high moral quality (good and right) in a given civilization. And a liberal arts education encourages students to answer higher moral questions of life.

Therefore, what should a student of the liberal arts be able to do? A student of the liberal arts should be able to lead society by example. He or she should know and respect agreed upon standards of behavior. Thus, a liberal arts education should train citizens who:

- Instill standards of conduct and character.
- Demonstrate knowledge and mastery of texts.
- Have respect for societal values and standards.
- Appreciate knowledge and truth.

While the liberal arts embrace practice and application, a liberal arts education should not be concerned with technical details or training students for specific careers. Rather, the liberal arts



focus on exercising memory, sharpening understanding, rectifying judgment and feeling moral and developing students who have a greater understanding of the human condition.

### **What then is management as a liberal art?**

Management as a liberal art is simply the context within which liberal arts are practiced. It involves the pragmatic use of knowledge and reminds us that management is a human activity, not just an activity focusing on technology and data. To practice management as a liberal art means:

- To apply the wisdom and moral lessons of the liberal arts to everyday questions of work, school and society.
- To draw upon all the knowledge and insights of the humanities and social sciences ... as well as the physical sciences, and focus this knowledge on effectiveness and results
- And to develop shared codes of conduct and beliefs within an organization.
- At its heart, management as a liberal art deals with questions of the human condition.

At the Drucker School, we based our curriculum on five pillars that we believe captures Drucker's teaching and embraces management as a liberal art.

*1. A belief in the importance of a functioning society:* A functioning society requires sustainable organizations across all sectors, which are run by ethical and responsible managers who pay attention to what they do *to* society and *for* society. Two of Drucker's books form the cornerstone of his foundational work on a functioning society. The first, *The End of Economic Man: A Study of the New Totalitarianism* (1937), "examined the spiritual and social origins of fascism." It was followed by *The Future of Industrial Man* (1940), in which Drucker presented his social vision for a post-World War II world. Drucker became interested in business primarily because of his interest in the important contributions of healthy organizations to a functioning society.

*2. A focus on people:* Drucker firmly believed that management is a liberal art. That is, a context within which the liberal arts are practiced. Central to this philosophy is the view that management is a human activity. Drucker firmly believed in human potential and human capacity and always felt that effective managers got things done through people. Because work provides many people with social status and a sense of community, Drucker reminded managers that their responsibility extends beyond simply providing people with an income.

Drucker also took a human-centered approach to the way in which he viewed customers. He famously said that customers determine what the business is, what it produces, and ultimately whether the business will prosper, because customers buy what they consider of value. Understanding customers' realities and what customers value is "what marketing is all about."



3. *A focus on performance:* Managers are responsible for running healthy, sustainable organizations. Managers are measured by results and, therefore, are accountable for those results. Drucker also believed that accountability for results needs to penetrate down through the layers of the organization as much as possible.

The issue of striking a balance also influenced Drucker's writing on performance. He understood that making people more productive had to be balanced against ensuring that work provides people with social status and meaning. Similarly, Drucker also wrote about the need to balance continuity and change and highlighted the obligation managers have to face the future and to see "a future that has already happened." Managers need to be able to examine complex, ambiguous issues, anticipate and meet the challenges of change and renewal, and to see things both as they are and as they can be.

4. *A focus on self-management:* A responsible worker should be able to drive him or herself, to set high standards of performance, and then control, measure, and guide his or her own performance. But first, effective managers must skillfully handle their own thoughts, emotions, and actions. Put another way, internal readiness precedes external effectiveness.

5. *A practice-based, transdisciplinary, and lifelong approach to learning:* Drucker valued lifelong learning because he believed that managers need to keep abreast of change. But Drucker once famously said, "Don't tell me you had a wonderful meeting with me. Tell me what you are going to do on Monday that's different." What this means is that as we learn, we need to pay attention to "The Monday Morning Difference."

### **More specifically, what does our curriculum look like?**

Our students expect and do receive functional training, marketable skills, career services, access to an alumni network, quality faculty, a long-term relationship with the School after graduation. But at the Drucker School, we integrate a liberal arts philosophy into all that we do. For example, we have just redesigned the MBA to include 4 x 2-unit courses.

- Finding Clarity (2 units): *From the syllabus:*

This course will teach you the intellectual and emotional skills needed to be productive and happy in your job -- and in your career, as it progresses from one job to the next. These skills include: how to identify jobs and organizations in which you are likely to flourish, how to avoid recruiting traps and traps that await you in any new job, how to gain credibility in the organization, and how to boost your job performance, job satisfaction, happiness at work, and professional growth.



- Drucker Philosophy: *From the syllabus:*

This course focuses on the life work and key principles of Peter F. Drucker – from leading self, organizations and businesses, and to the broader functioning of society itself.

- Leadership practicum. *From the syllabus:*

“Management can be taught, but leadership must be learned.” This quotation from Warren Bennis reflects the current state of the play in leadership development. We believe that there are skills, habits, insights, and attitudes you can bring to this lifelong process that can enhance (or also hinder) your ability to develop leadership. The aim of this course is to teach you those that can help you.

First, the course emphasizes the leadership essential, self-awareness. Second, the course will teach you how to learn from experience. Finally, through the exercises discussed above, you will be exposed to the competencies that define effective leadership.

- Career Strategy Practicum: *From the syllabus:*

Drucker famously said “Management is neither an art nor a science. It is a practice.” Creating a career, as well, is a life-long practice that is unique for every individual, one that allows you to develop your career pathway over time as you explore alternatives; gain, and reflect on, a variety of experiences; and invent (and re-invent) your work identity.

Throughout the class, you will simultaneously research, analyze, and reflect on knowledge of the *field* (e.g. industries, organizations, and jobs) with knowledge of *yourself* so that your career choices are based on both a strong understanding of reality and who you really are...not who you think you should be. You will identify and deeply reflect on your career aspirations, strengths, career anchors, values, and meaning in light of the changing global career landscape (including future of work trends and new management paradigms) in order to anticipate your job-fit within present and future scenarios. You will interact with leaders and managers that are working in jobs of interest to you through conversations, informational interviews, and a personally-designed, semester-long field engagement project that will move you forward along our Drucker Visionary Leadership pathway.



### **What does this mean to managers today?**

So far, I have focused on management, the liberal arts and what management as a liberal art means. I also indicated some of the changes we have made at the Drucker School to ensure we train a future generation of leaders who pay attention to what they do *to* and *for* society.

Before I go on, let's pause to remind ourselves what Drucker considers to be the foundations of effective leadership. An effective leader:

1. Develops a vision and define clearly the organization's mission.
2. Sets goals and priorities that help the organization achieve its mission. In so doing, the leader will fit resources to organizational needs and make things happen. He or she will often need to compromise, but comprise while holding fast to his/her standards and the mission of the organization. As Drucker said, "The leader's first task is to be the trumpet that sounds a clear sound" (Drucker 2008, p289) so that the core mission provides guidance about what to do and what not to do.
3. Demonstrates a tremendous amount of courage. He or she views leadership as a responsibility, not an outcome of rank and privilege. This means, strong leaders also accept blame and take full responsibility for outcomes. He or she will also accept the loneliness that often comes with the role.
4. Surrounds oneself with strong partners and subordinates, and will not be threatened by their abilities, confidence, and great performances but instead celebrate and promote them. "An effective leader knows that the ultimate task of leadership is to create human energies and human vision" (Drucker 2008, p290).
5. Demonstrates integrity in order to earn trust. Drucker believed integrity is an *absolute* requirement for anyone promoted to management. (Drucker 2008, p280). Drucker felt that without trust there can be no leadership and without trust, there will be no followers.

### **If we embrace Drucker's views then how should we measure performance?**

Drucker said that "management cannot create leaders. It can only create the conditions under which potential leadership qualities become effective; or it can stifle potential leadership" (Drucker 2008, p288). Let's make a bold assumption that management does create the right conditions under which leadership qualities become effective. How then are leaders measured?

Earlier, I noted the pressure on managers to maximize shareholder wealth, and suggested that for many organizations maximizing shareholder wealth was the sole measure of organizational



success. I completely agree with Drucker when he said that managers are responsible for their “contribution that materially affects the capacity of the organization to perform and to obtain results” (Drucker 2006, p5) and for the results of the enterprise (Drucker 2008, p5). But recall, I also noted that when organizations, especially large organizations, use only numbers to make decisions, the human component is lost.

If we agree that a focus on the human component is essential and if we believe that:

- “The purpose of an organization is to enable ordinary human beings to do extraordinary things” (Drucker 2008, p280); or
- Leaders determine what results are important for the organization and therefore decide where to concentrate activities for future success; or
- Leaders determine what must be appraised and judged so as to protect the organization from failure and ensure meaningful results.
- When managers do the right things then results such as maximizing shareholder value follow.

Then we should be asking what are the right things? That is, what else should we focus on?

The Drucker Institute in Claremont, for example, recently launched the Drucker Index to measure the effectiveness of organizations, that is, organization that do the right things well. In their work, organizational effectiveness is indicated by five dimensions: Customer Satisfaction (with a weighting of 18%); Employee Engagement and Development (20%); Innovation (20%); Social Responsibility (23%); and Financial Strength (19%). A total of 37 measures are used to develop the Index. If we look at financial strength, for example, a variety of measures are used in addition to returns to shareholders. Financial strength is indicated by: share of market, Five-Year Average Total Shareholder Return, Operating Return on Invested Capital, Return on Assets, Return on Common Equity, Earnings for Common Shareholders and Economic Spread. One other important point is that the Drucker Index includes a number of measures to reflect the human condition - for example, measures of customer satisfaction and employee engagement and development.

While the Drucker Index is attempting to move the conversation away from maximizing shareholder value to a range of other measures, it seems that executive compensation packages in the United States is still tied to quarterly earnings. When I was doing research for this article, I found that since the 1990s, CEO compensation in the US has outpaced corporate profits, economic growth and the average compensation of all workers. Between 1980 and 2004, CEO compensation grew 8.5% year, compared to corporate profit growth of 2.9%/year and per capita income growth of 3.1%. By 2006 CEOs made 400 times more than average



workers—a gap 20 times bigger than it was in 1965. One study reported that higher pay fails to promote better performance. Instead, it “undermines the intrinsic motivation of executives, inhibits their learning, leads them to ignore other stakeholders, and discourages them from considering the long-term effects of their decisions on stakeholders” Another study found that highly paid executives are more likely to behave cynically and therefore show tendencies of unethical performance.

What is clear then is focusing solely on maximizing shareholder wealth is insufficient. I also believe that maximizing shareholder wealth undermines the notion of a functioning society.

Recall my earlier comments about what a functioning society is: a functioning society provides individuals with social status and purpose. What then is a manager’s contribution to a functioning society? We know that a manager needs to focus on creating and maintaining healthy organizations in which people can find meaning and purpose. There is renewed interest in this given the changing nature of work. In a recent article by [McKinsey & Co](#), the authors agreed that people who find meaning at work are happier, more productive and more engaged. The authors suggest:

1. Reduce anonymity by encouraging employees to connect with customers
2. Help people grasp the impact of their work – again by bringing customers in to meet employees and share their best and worst experiences
3. Recognize and reward good work – when sharing the good work, be sure to also identify its impact
4. Connect work to a higher meaning – show employees how the work they do supports the organization’s overall purpose.

What is interesting to me is that these four suggestions are intended to give employees a sense of meaning and purpose but they will also do the same for customers.

In addition to helping employees (and customers) find meaning and purpose, what other groups within society also need to find meaning and purpose and how can organizations help?

To address this question, I will focus my talk on young college graduates but I could equally paint a picture for other groups where there is evidence of unequal opportunities: high school graduates, people who can’t afford to go to college, those aged 55+, women, people who suffer from mental health conditions, the homeless, refugees, those who have been incarcerated, African Americans, Native Americans, etc. The point is, that the list is long of groups who feel they are unable to fully contribute to the society of which they are part and for some, this fuels a sense of hopelessness, a lack of purpose, a lack of meaning. As I continue with my focus on



young college graduates, I will use data from the USA but I know that similar data likely also applies to Spain.

In the USA 35.6% of all 18-24 year olds are in college. If we look at the 25-29 year-old age group: 64.31% have some college education, 44.08% completed an Associates and/or Bachelor's degree and 24.4% completed a Bachelor's degree. A further 7.6% went on to get a Masters' degree.

While education levels are increasing (and of course, as I mentioned before, so too is student debt), unemployment seems quite low at the moment (3.6% for recent undergraduates and 3.9% for the total population but 7.5% if you are a black College graduate (although not everyone registers for unemployment in the USA)). But there is something else going on that this data does not show and that is underemployment.

It turns out that 41.5% of recent college graduates are underemployed, that is working in jobs that typically do not require a college degree<sup>1</sup>. Worse still, 34% of *all* college graduates aged 22-65 are underemployed. What this means is that if you start out underemployed, the chances are you will likely remain underemployed.

Why so much underemployment? One reason is that 61% of entry level jobs require 3 or more years' experience!

In addition to underemployment, wages have remained somewhat constant. After adjusting for inflation, someone with a Bachelor's degree now earns US\$42,000 a year, down from \$46,292 just before the Great Recession and \$43,814 in 1990.

What has changed, however, is the Salary: Debt ratio. In 1992-3, a graduate earned US\$24,200 and average debt was \$11,751. This gave a Salary: Debt ratio of around 2:1 but now the same ratio is more like 1:1.

And so, we have a bunch of young debt-ridden college graduates, many of whom who are also underemployed. Not only do we have underemployment but we also have more students who feel compelled to go on to get a Master's degree (and incur more debt) in order to enhance their job prospects. Some have said that a college degree has become the new high school diploma. (I believe that eventually a Master's degree will become the new Bachelor's degree).

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<sup>1</sup> A job is classified as a college job if 50 percent or more of the people working in that job indicate that at least a bachelor's degree is necessary; otherwise, the job is classified as a non-college job.



What does all of this mean? Well, we end up with a group of young people aged 22-27 who started college filled with hope and aspiration (after all that is the promise of education) and end up feeling shut out of society, unable to fully launch as adults and flourish independently. As leaders of organizations, is this what we want? Aren't we meant to leave the world in better shape than that which we inherited? What can be done?

Managers need to step up and instead of focusing solely on maximizing shareholder wealth by increasing revenue and driving down costs (e.g., by pursuing productivity gains or reducing headcount), they need to think of how they can provide purpose and meaning to the next generation of young people by creating opportunities for young people to get work experience, enter training programs, be mentored and the like. Different measures are needed.

(As an aside, if you do decide to offer internships, please pay the intern. Over half of all internships in the USA are unpaid and this means those without financial means can't get any work experience. It also means the unpaid intern is likely taking a job away from, for example, a recent graduate. I view unpaid internships as the antithesis of what I am supporting because they help to maximize shareholder value by taking a job away from a paid employee).

**To conclude**, the Drucker School sits within the Claremont Colleges, a liberal arts consortium of colleges that focuses on virtue and morality and embraces the fundamentals of knowledge, self-knowledge, wisdom and leadership while setting you up for every future success. At the Drucker School, we believe management is a liberal art, or a context within which the liberal arts are practiced. We believe there are five practices of management that can be used to maximize human potential for the common good. A focus on:

- Integrity and values
- People and their development
- Strengths and opportunities
- Performance and results
- Self-management.

At our core, we seek to treat people with dignity and respect and we want people to flourish and find meaning and purpose. I accept that measuring an organization's contribution to a functioning society is difficult. Maximizing shareholder wealth isn't the measure we need. The Drucker Index does a great job of identifying effective organizations that do the right things well. I suggest that organizations also need to find projects that address ways to include groups that feel marginalized from society so that organizations can contribute to the development of many people by helping them find their strengths and benefit from opportunities. That is, organizations need to initiate bold and innovative plans to provide opportunities that open the



door to society. We all have a responsibility to ask what we do *to* and *for* society if we truly want to have an impact on the way in which society functions.

## **Bibliography**

The work on management as a liberal art draws heavily from Joe Maciariello and Karen Linkletter's book "Drucker's Lost Art of Management" (McGraw-Hill, 2011).

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