

What Crisis Has Failed to Demand of the Manager

Submission for the Peter Drucker Challenge 2021: What Crisis Demands of the Manager

June 7, 2021

“I am Christian-conservative and anarchist in the sense that I more and more distrust power. For me the basic sin of mankind is the lust for power.”

- Peter Drucker

When you're first told about a suicide there's a queasy dissociation from your body where the words flash across the vast oceans of your neurons, indistinct like light reflecting through waves. It takes a moment until you're warm in your own skin again, now poisoned with knowledge and under public pressure to react. Sudden trauma - a pensive hesitation, and then a flood of impulses all at once. It's a lot like stubbing your toe in that way.

It's Newton's appropriated law of emotional motion: for every tragedy there is a proportional sense of weightlessness followed immediately by its opposite. COVID-19 has thrown its shadow across the global economy, leaving workers and their families destitute, homeless, or dead. In the US, 35% of low-income families have been forced to use subsistence programs like food stamps since the start of the pandemic, compared with an infuriatingly appropriate 1% among upper-income households. But coronavirus isn't a single event that can be dealt with, it's a fact of life: millions of employed families have been paused in a state of shock, waiting for government and business leaders to propose an escape plan.

Peter Drucker wasn't just a businessperson or manager - he was a self-described "conservative Christian anarchist" forced to flee Nazi Germany for his liberal views. As a man who read both Kirkegaard and Humboldt, Drucker often expressed his belief in an inherent evil to humanity which must be combated by the better angels of our nature in the form of business, which "is one of the very few institutions... that is not nationalistic in its worldview" and "unites [workers] in a common purpose". What approach would Peter Drucker, the man who thought of management as a necessary evil, the German expatriate skeptical of any proximity to power, handle the COVID-19 crisis?

Smart change is focused on where it has the most impact. Reducing executive pay might be an easy first step, while trimming unnecessary management roles in favor of investing in smarter remote work policies and introducing project management processes could set the stage for a more efficient future of decentralized "knowledge worker" labor. Companies could even hold local and global governments to account for their response to the pandemic, wielding the cudgel of influence on behalf of the many families in their care. Despite the legislative deadlock in the United States, companies like Costco and IKEA have taken it upon themselves to increase their offered minimum wage. The question is this: are these developments representative of the business leadership community in general? What do we see at the scale of the COVID crisis taken as a whole?

We, as business leaders, terminated a full third of low-income workers from their jobs, while we, the wealthier managers, have scrambled to preserve ourselves, managing only 14% reporting unemployment. Of those lucky few in disadvantaged economic positions who we did not fire (and make no mistake - we are answerable for those firings), 37% have been forced to accept a pay reduction. Wealthier managers, on the other hand, have figured out a way to protect their own earnings, with less than a third reporting any impact on remuneration at all. Assuming an average pay cut of 20%, if managers were to sacrifice pay at a rate equal to the teams they manage, the amount saved would exceed the revenue from every single low-income family reduction as a whole. Taken all together, if percentages were equal, upper-income households

would shoulder two-thirds of the financial burden - a burden they are far better equipped to handle than those on the precipice of poverty.

Here are four fun facts on low-income US households:

- In the best-case scenario, where a family earns exactly the maximum amount allowed to still qualify as low-income, a 20% pay reduction would put them one rusted 2000 Toyota Tundra away from the poverty line (based on current Kelly Blue Book values).
- Less than a quarter of affected families have funds to last *three months*.
- Of those low-income human beings terminated due to the pandemic, over half remain unemployed after *six months*.
- Save The Children estimates that the pandemic may drive 100 million children into poverty conditions, due mainly to lowering household incomes and the unequal impact on lower-income families.

Here is another very fun fact about high-income US households, on the other hand:

- Since the beginning of the pandemic, billionaires have increased their wealth by slightly more than 27%.
- Total wealth owned by billionaires is now at \$10.2 trillion, roughly one-eighth of the GDP of the entire world combined.

Is this the world we want to live in? Amazon workers are urinating in bottles, Uber is an overstuffed venture capital Ponzi rocket that will self-destruct if it doesn't reach its goals of monopolization, and a "businessman" with a dubious track record is elected to the highest office of the most militarily capable nation in history on the back of Lee Iacocca, the man who bestrode the narrow world with enough machismo to become world's first cult CEO. Whatever your opinion of contemporary politics, there's no doubt that the fetishization of power led directly to The Cult of the CEO™. The intersection of business and politics is directly to blame for our current crisis. Are our political institutions broken and culpable? Undoubtedly. But today we consider Drucker, who believed business could unite people against overreaching government authority, who saw managers as facilitators only, holding up democracy and its participants as the hero of the story, not its figureheads. Peter Drucker, the Hitler-hunted conservative Christian anarchist, did not engage in hero worship. What was at stake for him, in the management of people and processes, was life and death. And we of Earth have had enough death in the past twelve months.

Today's rant is about how business has succumbed, as power often does, to the lesser angels of our nature. The business world, which Drucker seemed to think of as some kind of Sixth Estate, should theoretically be united in holding the government to account on behalf of the citizens that form its "primary assets". Instead, the contagious shine of charismatic power has blinded us from seeing how *powerful* people have replaced *business* people. If global power were attainable through other, easier means, the disentanglement might not be necessary. Celebrities have always been capable of attaining power, and power shapeshifts.

Do not trust the self-declared corporate savior, says Peter Drucker. A golden idol is not a captain of industry. Do not trust the cult leader who weaponizes a majority by appealing to emotion, says the man driven from his home by literal Nazis. He says this from the grave to a business culture that now glorifies the bully, where men like Matthew McConaughey pound their chest in a cinematic cautionary tale that somehow feels more like a celebration. And these young wolves of Wall Street have grown up conflating business leadership with power. We've radicalized a generation of hard-selling, Spinal Tap wannabe "entrepreneurs" pushing a hustle fetish to insecure adult children on Instagram.

At the very least, we as business leaders have failed to take responsibility for our current crisis of uncertainty and poverty. At worst, we caused it directly. And what does uncertainty and poverty do? It reduces faith in government and in democracy. "In every social system that bases itself on the European tradition, the justification of power must be the central problem", writes Drucker in *The End of Economic Man*. And we sit here, we captains of industry, not realizing that the call is coming from *inside the house* - that those who would suffocate Drucker's definition of business, who would lead any cult of personality willing to have them, have wrested away control of business, installed their own ideology of success, and beat the unwilling into submission. We cannot believe that shareholders' profits, presented alongside massive layoffs, is a success. We cannot, or we are not a society worth saving.

And despite all of this, balance wants to return. Voter turnout is at an all-time high in the US. Corporations have taken proactive action on behalf of their employees, even when governments won't. The NBA invested \$190 million in the safety of their players and crew, resulting in *zero recorded COVID-19 cases* among protected teams and \$1.5 billion in revenue, all while encouraging productive discussion around police violence and the Black Lives Matter movement. Costco, IKEA, and others are raising the minimum wage beyond feckless federal mandates.

The nature of leadership eventually necessitates an internal struggle between authoritarianism and altruism, but never before have the authoritarians gained such an advantage over those that still believe in Peter Drucker's vision. Now is the time for servant leaders to rise up everywhere and protect the business asset that was most primary to Drucker: the employee. Leaders don't need to radicalize or pick a side - it's enough to walk in with an opinion and argue it until you know whether you believe it. And if you don't, fine. Say so. This isn't a battle - the only lose condition is ambivalence.

In summary - what does crisis demand of the manager?

Sacrifice.

Bibliography

1. Pew Research, Desilver, Drew (2020). "In past elections, U.S. trailed most developed countries in voter turnout":
<https://www.pewresearch.org/fact-tank/2020/11/03/in-past-elections-u-s-trailed-most-developed-countries-in-voter-turnout/>
2. "The End of Economic Man" Peter Drucker, 1939
3. Neate, Rupert (2020). The Guardian "Billionaires' wealth rises to \$10.2 trillion amid Covid crisis"
<https://www.theguardian.com/business/2020/oct/07/covid-19-crisis-boosts-the-fortunes-of-worlds-billionaires>
4. Hoefle, Manfred J. (2019). "Peter F. Drucker – Management Needs MORAL Values":
<https://www.managerism.org/initiative/purpose/19-schriften/index.php>
5. Erger, Johannes (1967). Der Kapp-Lüttwitz-Putsch: Ein Beitrag zur deutschen Innenpolitik 1919–20. Beiträge zur Geschichte des Parlamentarismus und der politischen Parteien
6. Drucker, Peter (1936). "The Jewish Question in Germany"
7. Pew Research, Horowitz, Juliana (2020). "1. Trends in income and wealth inequality":
<https://www.pewresearch.org/social-trends/2020/01/09/trends-in-income-and-wealth-inequality/>
8. Pew Research, Horowitz, Juliana (2020). "American Trends Panel methodology":
<https://www.pewresearch.org/social-trends/2020/01/09/methodology-27/>
9. Pew Research, Parker, Kim (2019). "Most Americans Say the Current Economy Is Helping the Rich, Hurting the Poor and Middle Class":
<https://www.pewresearch.org/social-trends/2019/12/11/most-americans-say-the-current-economy-is-helping-the-rich-hurting-the-poor-and-middle-class/>
10. Pew Research, Parker, Kim (2020). "Economic Fallout From COVID-19 Continues To Hit Lower-Income Americans the Hardest":
<https://www.pewresearch.org/social-trends/2020/09/24/economic-fallout-from-covid-19-continues-to-hit-lower-income-americans-the-hardest/>
11. Fast Company (2017). Peter Drucker Has Some Sage Advice For How Execs Should Respond To Charlottesville:
<https://www.fastcompany.com/40453187/peter-drucker-has-some-sage-advice-for-how-exec-s-should-respond-to-charlottesville>
12. Harvard Business Review, Kantrow, Eric (2009). Why Read Peter Drucker?:
<https://hbr.org/2009/11/why-read-peter-drucker>
13. The Sphere and Duties of Government. Translated from the German of Baron Wilhelm von Humboldt, by Joseph Coulthard, Jun. (London: John Chapman, 1854).
14. Weber, Winifred (2004) Peter F. Drucker - conservative-christian Anarchist:
<https://www.winfriedweber.com/post/peter-f-drucker-conservative-christian-anarchist>
15. Boyd, Stowe (2007) The Cult of the CEO Gene:
<https://medium.com/stowe-boyd/the-cult-of-the-ceo-gene-e895035a31d2>
16. "GDP by Country", World Bank via Worldometer, 2017:
<https://www.worldometers.info/gdp/gdp-by-country/>