

PETER DRUCKER'S CONCEPTION OF THE NEW MANAGEMENT PARADIGM

UDC 005.1

Elenko Zachariev

"D. A. Tsenov" Academy of Economics - Svishtov, Bulgaria

Abstract. *We would like to say that we are far away from thinking that the conception of the new paradigm of management would be automatically transferred to Bulgaria without the concepts of reality being carefully analyzed, rated and adopted with a suitable formulation, according to specific and particular features and needs of the organizations and the whole national economy. At the same time the examined new horizons and requirements of the management would activate ideas and would suggest models, which would be applied by the Bulgarian managers with a creative thinking and non-standard acts. Only in this way they could introduce the taken from "outside" new paradigm of management and could meet the challenges of the 21st century. These challenges are connected with the technological revolution and global market economy, with the transformation of the economic and competitive landscape.*

In terms of the rapid changes in the world political and economic systems the challenges which management faces are of a wide range. Undoubtedly, this is a fundamental problem which solution lies beyond the power of every researcher. Definitely, this cannot be said about Peter Drucker (born 1909) who once again demonstrated a sense of the most important challenges which management faces at present.

In his book "Management Challenges for the 21st Century" he draws and gives reason for the conceptual structure of his new paradigm, analyzing the conceptions about the reality of management that the majority of scientists, mainly writers and practitioners, have formed since his theory began to be studied seriously (management as a science started being recognized as such in the thirties of the 20th century). From the point of view of both theory and practice the studied idea speaks of its weight despite the author's claim that it doesn't give ready pieces of advice and recommendations since he pursues another objective – to make question arise and to give an impetus to speculations. This is probably due to the fact that scientific discoveries in the field of management must be checked for a long time. They are the ones that make them either impressive for a very short time, then make them pointless or confirm them - thus making them last in theory and practice.

Peter Drucker is one of the most outstanding and leading¹ theoreticians in the field of management, consultant in economic management, professor in sociology at the Claremont Graduate School, and author of more than 30 books. The "green fibre" that distinguishes him among others in his long scientific, consultant and teaching practice, is that after what he has done, the most important thing is his influence on a number of generations in the management science who following him or challenging him ensure its development.

In order to understand the core of the problem, first the importance of the principal concepts of reality intrinsic to a given science and defining its focus, i.e. paradigms, must be clarified. From this point of view, the paradigm of any social science and particularly of management is based on **the main ideas of reality**. The system of those concepts is more important to management than paradigms are to natural science. Natural sciences, as P. Drucker wrote, "study the behaviour of objects, which surround us. But social sciences, like management, study **people's behavior and human institutions**. Therefore, practitioners will aim to coordinate their reactions and behavior with the concepts of reality of the respective science. Still more important is the fact that the reality on which natural sciences are based, the natural world and its laws do not change (or their changes are commensurable with eternity and in no case with ages or decades). Social reality does not have at its disposal similar "natural laws". The subject of study is changing constantly. And that means, that ideas which were just yesterday, can literally become groundless in a moment, and what is more – wrong".

An example in this relation is one of the first (and the least ordinary according to P. Drucker) management specialists - Mary Parker Follet (1868-1933) who was in particular connected with the development of the "Human relations" School. Namely, Miss Follet was the one who defined management as "securing work performance with the help of other individuals, whose main purpose is **reaching integrated unity** [1]. She made no difference between the management of a business organization and that of a non-profit organization and spoke about management of organizations, leaning on the same principles. She worked out a philosophy with a special attention towards human relationships in management and redefined basic ideas [2, pp. 26-28] like power, authority (she thought it's better to use the phrase "authority with" rather than "authority over"), conflict and integration. Her ideas of reality don't correspond to the dominant conceptions in science at that time and she became "nobody" even before she died and her works were not mentioned for 25 years. But now, some of her ideas about society, people and management are much closer to reality than the ones that were used and are used to a great extent nowadays by the people in management. For example these are the ideas of integration, that find application in the modern methods of settling the conflicts.

¹ The leading theoreticians in management come from different scientific fields. Frederick Taylor (1856-1915) was an engineer. Elton Mayo (1880-1949) – a psychologist and sociologist. Mary Follet (1868-1933) – a politologist, pedagogist, consultant and sociologist, Henry Fayol (1841-1925) and Chester Bernard (1886-1961) – practising managers. Herbert Simon (born 1916) - an economist and statistician was the first management theoretician who won Nobel Prize in the field of economy in 1978. His book "Administrative behaviour" is classic. This is a book, he says, about organisation observers and organisation designers. In his opinion the computer has a strong potential and it will make a revolution similar to that of the steam engine. Simon predicts that computers will reveal the mystery of the human brain. See (1).

To give proof of his scientific ideas P. Drucker worked out a descriptive analysis of the two dominant trends of reality supported by scientists, mainly writers and practitioners in the 30s of the 20th century, - one is based on management **science**, while the other refers to management **practice**.

The **first trend** is connected with the conceptions that management - that's **business** management; and there is or there should be – only one right **organization structure**; and there is or there should be only **one** right way of **managing people (staff)**.

P. Drucker undoubtedly argues that **management doesn't mean only business management**, just as medicine doesn't mean only obstetrics. In fact the idea of identifying them is so rooted that it's taken for granted by most people in management and out of management. The beginning was set by the few early management researchers beginning with Frederic Winslow Taylor (1856-1915) and ending with Chester Bernard (1886-1916). They considered that "business management is only a subdivision of the common management and basically it isn't different from the management of any other organization, just as a dog breed isn't different from the others [3, pp. 19-21]".

It's quite interesting that the beginning of the real **practical** application of management theory isn't in business organizations but in governmental and non-profit organizations. Taylor was the first one that used the word "management" and "manager" in their contemporary meaning [3, p. 20]. On his business card was written: "management consultant" and he explained that in his striving to impress his clients with his radically new suggestion towards them he deliberately chose to use those new and unusual words. In his report to the Congress of the USA in 1912 Taylor as a "perfect example" of "a scientific management" specified not a business organization, but a non-profit organization – the clinic "Meyo". Right after this report the concept "management" advanced in the American society.

The negative attitude towards business and the contempt towards business officials, born by the Great Depression, put a sign of equality between management and business management. As late as the 50's the fashion changed and the word "business" become "decent" – to a great extent due to the **business** management success in the USA during the Second World War. Very soon the term "business management" became a symbol of "political correctness". And since then management both in social conscience and in academic world has been identified mainly with "business management" [4, pp. 15-19].

A mistake lasting for a half-century, Drucker underlines, now being corrected, but with the reservation that the finding out of the differences is basically in terminology that's accepted by organizations, which have a practical rather than principle character. Here comes the first conclusion from the concepts – **management is the concrete and distinctive body of every organization**.

Regarding the **conception** – there is or there should be – only one right organization structure, after a detailed analysis P. Drucker proves that it's groundless and wrong. His confidence comes from the fact that the organization is not an absolute quantity. It should be treated as an **instrument (means)** due to which people can benefit from the joint human activity. As such, the structure of an organization corresponds to concrete tasks, concrete condition and concrete time. This may be the reason that seeking for the only right organization is continuing today, despite the fact that the content of this understanding is changing all the time.

As far as the existence of definite "principles" for an organization is concerned, we mustn't forget that they do not point out what **we must do**. In other words, they are not predetermined, they only hint what wouldn't be effective. They do not even say what kind of organization is optimal for every concrete case. And exactly because of this, he points out, it is time to start learning about the advantages and the limits of the different organizational structures. What tasks are the most inappropriate, for a definite type of organization? What tasks are the most appropriate, for a definite type of organization? And when, in the process of carrying out one task, we must change the type of organization. His conclusion is that instead of looking for the only right organization, management must learn to seek, to develop, to examine the **organization, which corresponds to the task** [3, pp. 19-26]).

About the **third conception** - there is – or there should be – only one right way for managing people P. Drucker is definite that "nowhere in the management are the traditional basic notions so deeply rooted as in the sphere of managing staff". This is "the most frozen model of thinking" in comparison with whichever other sphere of management, which is in a great contradiction with reality [3, p. 34].

Today, P. Drucker emphasizes, the different groups of workers should be treated as "partners" and partnership excepts "government", because it presupposes participant's equality. Furthermore "managing people looks like a marketing activity". And in the marketing nobody begins with the question "what do we want?". We have to begin with the question "what does the other side want?", "What are its values?" and here neither "theory X", nor "theory Y" is appropriate, and neither is whichever other theory for staff management.

Like the productivity of manual labour on which the conception for managing people a hundred years ago lay an emphasis at the time of Frederic Taylor and his followers (Frank and Lillian Gilbert and Henry Gant), now the productivity of the people of mental labour is on its way to become a kernel of the contemporary people management conception. So besides everything else completely different approaches and models towards the workers in the organizations and their labour will be necessary. And namely: **Nobody "rules" people. The task is that people have to be managed. The goal is to benefit from the concrete advantages and knowledge of every person.**

This means that every attempt to preserve the traditional arrangement, according to which the capital is the main resource and the financier is the boss, and at the same time to motivate the highly qualified workers of knowledge to be satisfied and inclined to work on as clerks only by giving them premiums and options for buying stocks at favourable prices, is bound to fail. Still, if it succeeds at all it can work only until the newly arising industries are lucky to have market success, as is the case with Internet companies at the moment. The behaviour of the next more important industries will probably be like those of the traditional industries i.e. their growth will be slow, painful and difficult.

The key to keeping the main role in the economy and the technologies, which rise is forthcoming, will probably be the social status of the highly qualified scientific and engineering experts and their values being accepted by the society. Therefore from subordinate workers we'll have to make them partners with equal rights in management and from employees, no matter how well paid - in partners with their due social recognition and social power [4]. The achievement of this requires that it should be understood that rivalry becomes cooperation and partnership when we find the communicative nature and

realize our role as pretenders, helping each other in overcoming it. The aim is **to find the balance between the management and partnership just now when we most need to work together** [5, pp. 16-19]. Their staying in the role of traditional "employees" and treating them as such would be the same as the attitude of old England toward its technologists who were treated like craftsmen and will probably have the same results.

The second trend is related to concepts like: technologies, markets and ultimate consumers are **taken for granted**; The scales of management are **legally** determined; management is characterized with the inner focus and the economy defined by national borders is "natural ecological environment" of an organization and management.

With his inherent scientific insight P. Drucker defends the thesis, that traditional concepts of **technologies, markets and ultimate customers are taken for granted** (these ideas date from the first days of the industrial revolution and to a great extent they have conditioned the rise of modern business and of the whole economy nowadays) and they not only have a character of limitations, but are becoming meaningless. The best example of proving this thesis is the pharmaceutical industry, which is increasingly dependent on the modern technologies in genetics, microbiology, molecular biology, medical electronics, etc. - in other words on technologies radically different from these on which research in pharmacology was traditionally based.

Nobody can say what the new industries and institutions will be. Nobody in the 20s of the 16th century expected and foresaw the secular literature and the theatre. Nobody in the 20s of 19th century expected and foresaw the electromagnetic telegraph, public healthcare and photography.

What is very likely, if not nearly certain is that in the next 20 years new industries will arise. At the same time it is nearly certain that only few of them will arise from information technologies, computers, data processing or Internet. All historic precedents point to this. And this refers to the new industries, which arise very rapidly. Biotechnology is already here and so is fishing.

Of course, these are only predictions, made on the presumption that the information revolution will develop like the previous technological "revolutions" in the last 500 years, i.e. after the printing revolution of Guttenberg around 1445. The presumption is that the information revolution will be like the industrial revolution from the end of the 18th and the beginning of the 19th century. As a matter of fact during its first fifty years the information revolution is going off just like this.

Therefore management should be based on the concept that no technology is fixed as a fact for one industry (the modern technologies are not developing in parallel, they are constantly crossing each other); but just the opposite, they are all of a primary importance for each industry, influencing it respectively. By analogy they cannot be treated as a starting point for management any more, the familiar market and the familiar ultimate consumers of production or services. The starting point is defined by what the consumers accept as value. From this point of view the practical question for Drucker is that **"The basis of the contemporary management's activity should become the value accepted by consumers and their decisions regarding the allocation of their incomes. Just from this notion nowadays politics and management strategy have to begin** [3, pp. 50-51]"

The idea, that **management's dimensions are determined by law** was and still is one of the most popular. Two reasons are usually mentioned: **"The first one** comes out from

the management's link with the individual organization, i.e. juridical subject - whether a business corporation, a hospital or a university, etc. which determines the management's juridical range. **The second one** is associated with the traditional conception, which has imposed the opinion that power and control underlie in management.

According to P. Drucker the new opinion, on which management will be based as a discipline and practice in the future, is predetermining its sphere of activity that **shouldn't be limited by law. Management has to be operative, to cover the whole process. It has to lay an emphasis on results and effectiveness in all stages of economic chain** [3, p. 57]. For the business sphere it means, generally or completely, that management should cover the whole enterprising activity - **"a strict analysis of the investment, the result and its value."** Of course, there is no place for guesses, it requires a strict planning and a systematic realization [1, p. 5].

The still dominating opinion about management in science that **its range is politically restricted** is taken for granted by most of the practising managers. It's a consequence of the traditional understanding for multi-nationality – the economic reality is in harmony with the political reality.

At present the range of management no longer coincides with the national boundaries, which function will remain and strengthen in the future but as restrictions. In fact they are already at discordance. Exactly this circumstance gives us reasons to think that the new vector in management's development - its range, should be determined operatively, and not politically. In other words **"the management's practice, not only in the commercial sphere, will be increasingly determined according to the companies' interests and not to the country's political ones** [3, p. 57]". An example in this relation is the electronic trade which reflective geography eliminates the factor distance. There is only one economy and only one market. One of the consequences of this factor is that each company must compulsory become competitive on a global scale because competition is no longer local – indeed it has no borders. Besides, each company must become transnational in relation to the way in which it is run. At the same time, the conventional multinational company may turn out to be an anachronism as in electronic trade there are no evidently differentiated geographical districts. Of course, where to produce, where to sell and how to sell will always remain important business decisions. But in 20 more years they may no longer determine what a company does, how it does it and where it does it [4].

All conventional concepts lead to one conclusion – **"the organization's inner processes are priority of management"**. This conception, P. Drucker says, explains the otherwise completely incomprehensible distinction between management and entrepreneurship. This is a distinction, which is in fact absolutely pointless [1, p. 5]. Indeed every undertaking whether its aim is economic or non-profit and which is not renovated or committed to entrepreneurship would hardly last long [3, p. 46].

Unquestionably management and entrepreneurship are two different aspects of one and the same process. An entrepreneur who does not know how to manage is doomed to fail. So is management, which does not seek renovation. Undoubtedly each organization, which acts as if management and entrepreneurship are two different things, let alone incompatible, risks to become an outsider quite soon.

The traditional idea that an organization's inner processes are priority of management means that it is related to **efforts** not only to **expenditures**. If originally this understanding meant something or at least was explicable, now its extension is no longer valid.

The emphasis of management – P. Drucker says, must fall on **the results and achievements** of the organization, which is in unison with its functions and nature. Precisely looked the concrete function of management is to organize the capacity of the organization in order **to achieve results beyond it** [3, p. 62].

The creators and followers of the new main concepts of the theory of management and management practice (the main schools in the theory of management are "Classical", "Human Relations" and "Organizational Behaviour") believed that they would find the key to the most effective achieving of the organization's goals. The later experiments and practice show that most of the "right" answers to the basic questions from the sphere of management are right only to some extent or applicable in a limited number of situations. Anyway, each of these concepts has a considerable contribution to the management's development, even the most modern organizations use definite conceptions and methods, created by them. Their ideas converge in matters of theory and practice. Elements from both tendencies may be used in the practical management of an organization. **In this case it is important to evaluate the evolution character of the management thought and to make it clear that concepts, successful in a certain situation and time, are not always successful in others.**

Exactly from this point of view originates the main contribution of Peter Drucker - a contribution not only to the idea of the logical sequence at the stage of forming the new management's paradigm, but also in forming its concrete content. It can be introduced in the following way.

At **the first stage** is the new concept, which is the basis of the new paradigm, on which should be based the management's discipline and practice. **"Management exists for the sake of institution's results in reality. It has to define what kind of results have to be achieved and to mobilize organization's resources for achieving them. Due to this body the institution, be it a firm, a church, a university or an asylum for women–victims of violence, has the opportunity to achieve the planned results** [3, p. 48, p. 64].

At **the second stage** is the insight that the basis of the contemporary society, economy and human relations is not technology, information or productivity. **"The basis is the ruled organization as a social establishment, which aim is to achieve results** [3, p. 64]". And management is the special instrument, the particular function, and the specific device, thanks to which the organizations succeed in achieving their results.

At **the third stage** is the **final** entirely new management paradigm: **"Management's priorities and obligations are connected with everything that reflects on institution's activity and its results, whether they are inside or outside, controlled by the institution, or out of its range** [3, p. 48]".

All that, by our opinion, is logical and essential, but having in mind that life and time are too complex and the effective actions are too contextual, it's natural to ask ourselves the question: "Are there any risks which would have negative influence on the successful development of the discipline and management practice, during the new millenium?" Without pretending to be thorough we will try at least to point some of them.

First, this is the danger of conservatism prevailing when examining the scientific opportunities to change the main ideas in the theory of modern management. In the real science (the good fundamentals of the real science still are striving, imagination, experi-

menting) - the development of the new capacities comes during the time of the long cycle of the theoretical actions and practical understanding.

Actually, **"The fear that something might look 'not good' is one of the biggest enemies of the development of science** [5, p. 20]". We must understand that there are things, which we don't know and pay attention to things, which we are not good enough at. But in most corporations, **ignoring is a sign of weakness and temporary incompetence is ordinary evil** [5, p. 20]. How could it be possible for a child to learn to walk if it was afraid of falling down and of looking stupid? Namely this is what happens in schools, making us feel stupid when we make mistakes and which continues in the organizations, which classify our preferences on the base of management - according to the objectivity. As an answer Kofman and Senge point that, **many of us develop defence, which becomes our second nature - working out of our problems in isolation, we always show our best face to the society and we never say "I don't know** [5, pp. 20-21]". The price, which we pay, is huge. Actually, we become masters of what Kris Argiris called "qualified incompetence" - the skill to hide ourselves from the danger and pain coming with studying, but also the remaining incompetence and the blindness of our incompetence.

Second, there is a danger of binding in time combined with our continuing to persist in introducing new treatments and instruments in management practice right when a new view to the functioning of the organization is necessary - a view, which would ensure them the chance to prosper in a world of mutual dependence and change [5, p. 21].

The stage of development of competition also reinforces our painful concentration on insignificant short-term effects. **We always think in terms of war and sports anomalies, when we interpret the challenges of management.** We need "to beat the competition", "to overcome the resistance to our new program", "to demand concessions of 'the Union'" or "to conquer this new market". We have a metaphorical tunnel point of view. We rarely think that the process of development of leaders may be more parental than competitive. And we also rarely think how the development of a new culture may be a civil campaign rather than a military one.

Obsessed by competition we often find ourselves competing with many people who we need to collaborate with. Members of the management team compete with each other to show who is right, who knows more, who is more explicit or convincing. Subdivisions compete with each other even when they have to collaborate and to exchange their knowledge. A team of designer's leaders compete with each other to show who is the best manager even when this means hiding all the problems for which every one will pay in the end.

Maybe the **best possible solution** is to cope with the main dysfunction in our institutions – breaking, competition and counteraction. For hundreds of years this product of evidence of human success has been deeply rooted in the struggle between the physical world and the development of social-industrial culture. Kofman and Senge firmly stated that breaking, competition and counteraction are not problems, which must be solved, but they are frozen models of thinking that must be destroyed. The solution is a new way of "thinking, feeling and existence, that means " a culture of systems". Partial thinking becomes systematical "when we rediscover "the memory of the whole" realizing that the whole in fact precedes the parts.

Thus, the task of management would be easier to a certain extent. In this way it will make the companies and their strategies flexible: a special attention will be paid to the development of human capital, to the reception, distribution and using of knowledge

within the whole organizations, but also to forming a new global thinking in the managers. In the future the changes of knowledge, habits and ideas and not the sale of assets and reduction of the employment will be the main ways for the reaction of the companies and the organization to the challenge of the outer world [6, pp. 98-99]. Precisely viewed the demand to the management and manager is mainly for flexibility, development of human capital, including on the basis of a new non-standard thinking and new technology, including artificial intellect, using a great number of qualifications and variants for career promotion, creating, distribution and using of knowledge, development of key competencies in the context of foreseeing.

*
* *

In conclusion we would like to say that we are far away from thinking that the conception of the new paradigm of management would be automatically transferred to Bulgaria without the concepts of reality being carefully analyzed, rated and adopted with a suitable formulation, according to specific and particular features and needs of the organizations and the whole national economy. At the same time the examined new horizons and requirements of the management would activate ideas and would suggest models, which would be applied by the Bulgarian managers with a creative thinking and non-standard acts. Only in this way they could introduce the taken from "outside" new paradigm of management and could meet the challenges of the 21st century. These challenges are connected with the technological revolution and global market economy, with the transformation of the economic and competitive landscape.

REFERENCES

1. Parkinson, N. S., Rustoumgy, M.K., S. A. Sapr "Great ideas in management".
2. Jankulov, Zabunoff, "Management", 1997.
3. Drucker, P., "Management challenges for 21 century, Classic and style".
4. Drucker, P., *Beyond the Information Revolution*, The Atlantic Monthly group, Vol. 284/4., October, Boston 1999.
5. Kofman, F., Senge, M. P., *The Heart of Learning Organizations*, Learning Organizations, Portland, Oregon, 1995.
6. Supian, W., *Works Sphere in USA: New tendencies 21 century*, International Journal Management problem theory and practical, 2001.

PETER DRUCKER-OVA KONCEPCIJA NOVE PARADIGME MENADŽMENTA

Elenko Zachariev

U ovom radu zelimo da prikazemo da smo daleko od mišljenja da će koncepcija nove paradigme menadžmenta automatski biti prihvaćena u Bugarskoj bez pažljivog analiziranja koncepta realnosti i usvajanja odgovarajuće formulacije, u zavisnosti od specifičnih i posebnih potreba organizacija i celokupne nacionalne ekonomije. U isto vreme, novi zahtevi menadžmenta podstaknuće nove ideje i sugerisaće nove modele koji će biti primenjeni sa kreativnim razmišljanjem i nestandardnim aktivnostima. Jedino tako će moći biti predstavljena preuzeta "izvan" nova paradigma menadžmenta i odgovoriti izazovima 21. veka. Ti izazovi su povezani sa tehnološkom revolucijom i globalnom tržišnom ekonomijom.