Peter Drucker and the Denial of Business Ethics

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ABSTRACT. This paper speculates upon the reasons for Peter Drucker’s ongoing and vigorous denial of the relevance of business ethics. It contemplates whether Drucker consciously, or even perhaps sub-consciously, associates the aims of business ethics with the aims of those associated with the Arbeitsfreude movement in Germany prior to the outbreak of the second world war. If this is the case the paper questions whether Drucker’s distaste for some of the more notorious outcomes of that movement in Germany are reflected in his hostility to business ethics. Drucker’s reflections regarding the social responsibilities of business are discussed, as are the limitations which he imposes upon such corporate social responsibility. Drucker’s distinction between societal ethics and individual ethics are also discussed.

Introduction

Amongst both business faculty and practising managers, Peter F. Drucker has literally become a legend in his own time as a major shaper of today’s management thought. This is due to the series of books which Drucker has written on the practise of management. Indeed Drucker has claimed that it was these books which established management as a discipline (Drucker, 1986).

However, Drucker has also written a series of books on the structure of our society, and in the process, has established himself as a leading social writer. All of Drucker’s books display his deep preoccupation with morality. Throughout, we witness a Kantian Bias which overrides any possible utilitarian calculus. This, for instance, manifests itself in Drucker’s denial of profit maximisation as a goal for business (Drucker, 1973) and paradoxically his simultaneous denial of business ethics making any sense (Drucker, 1973).

Such a paradox perhaps might be resolved by contemplating Drucker’s political philosophy. If this was one which sought for society strong intermediary institutions between the individual and the state, then his managerial work might be seen as only the means to that end, and thus that paradox might be explained. In other words, the managerial theories he professed, would serve to juxtapose the business corporation as that intermediary institution which would eventually dominate a society of organisations. This particular end, then might entail certain costs such as the denial of the relevance of business ethics.

Initial speculation

Initially this end seemed quite plausible. My reason for thinking this was Drucker’s first book entitled, Friedrich J. Stahl; Conservative Philosophy and Historical Continuity (Mohr, 1933), which Drucker discussed in his autobiography, The Adventures of a Bystander (Harper, 1979). Stahl, he wrote, sought to build a new political structure by making the existing intermediary institutions in Prussia subrogate their powers, to their responsibility to the state, whilst maintaining their own basic values. He presumes that society was thus able to synthesise the freedom of those
institutions with their responsibilities to the larger community (Freyberg, 1970).

This to me seemed remarkably similar to Drucker’s enterprise. Drucker was clearly attempting to do what Stahl attempted, except that the intermediary institution he would utilise to create such a political structure, would be the business corporation. Here, the corporation would need to assume responsibilities to the state which would override any profit objectives and in turn the fulfilment of such responsibilities would negate the relevance of business ethics as “the public responsibilities of management . . . (would) . . . furnish the ethic of management” (1955, p. 455).

Drucker has over the years consistently described himself as a political conservative and as such, suspicious of capitalism (1955, 1986, 1996). This would explain his aversion to business ethics given his perception that it “encourages the whistle blower” (1982, p. 252), as such a practise would weaken intermediary institutions such as the business. However, it would not explain his ongoing aversion to business ethics itself. More, I thus felt, was needed to explain his attitude than merely viewing it as an attempt to emulate Stahl.

Drucker has been accused of “self contradiction” (The Economist, October 1, 1994; p. 81) but has been most consistent in his opposition to business ethics. He insisted years ago that business ethics was not needed (1973), later that it was mere hostility to business (1982), and more recently that business ethics was irrelevant (1993). And indeed years earlier, speculated that “ethical formulae . . . failed to provide a basis for human existence in modernity” (1949, p. 54), and that “the ethical position . . . becomes pure sentimentalism – the position of those who believe that evil can be abolished and harmony established by good intentions” (1949, p. 55)

Drucker’s objection to “sentiment” is of interest since whilst Drucker might have opposed business ethics, he does not and never has opposed the idea that business has a social responsibility. Drucker is sympathetic to Friedman’s profit maximisation position believing, “that business should stick to its business, that is, to the economic sphere, is not a denial of responsibility. It is indeed the only consistent position in a free society” (1973, p. 348). He concludes that ultimately such an argument is “futile” (1993, p. 101) because the business has social power which is going to translate into social responsibility. Drucker does however, highlight the limits to such social responsibility. These limits, in the spirit of Friedman, are economic as “to do something out of social responsibility which is economically irrational and untenable is therefore never responsible. It is sentimental” (1973, p. 345). Good intentions don’t count.

Furthermore, there are additional limitations to such corporate social responsibility, namely that “to assume social responsibility . . . always means to claim authority” (1973, p. 347). Yet this must be restricted “to areas in which management can legitimately claim authority” (1955, p. 462) so that business activity continues to exist in an autonomous sphere. Drucker after all, once witnessed the alternate, where businessmen sought to use their “business positions to dominate government and politics . . . (doing) immeasurable damage . . . and (being) largely responsible for Hitler’s eventual triumph” (1993, p. 103).

Given this background, one can understand Drucker’s objection to business ethics which he believes has “become politicised (by) considering social responsibility an ethical absolute” (1982, p. 241). Business, Drucker, has always insisted is “not entitled to put itself in the place of government. And . . . to use its economic power to impose its values on the community” (1973, p. 350).

Drucker with his desire for “economic activity (which) constitutes a discrete and separate sphere (and is) autonomous” (1981, p. 6), is thus going to be offended by business ethics which he believes has a political agenda dictating its ethical preferences. One might ask whether if business ethics had not in his view become “politicised”, would this remove his objections. The evidence available renders the possibility of this highly unlikely.