

**What Would Peter Drucker Recommend to
Increase European Competitiveness?**

**A presentation to the
Business Association of Portugal (AEP)
and
The Chamber of Commerce and Industry
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**By Professor Peter Starbuck
Invited as Chairman of the
Drucker Society London**

As a Briton, it is my privilege to talk to you as one of our oldest allies from centuries back.

My contribution is about the late Peter F. Drucker (1909-2005), The Father of Modern Management and how he would see the world that we are now in, and what observations and advice he would give to entrepreneurs, who are the dynamic personal force that creates prosperity for all our societies.

The best way we can throw some light on this enormous subject is to follow the pattern that he used to evolve his

ideas. This began with the foundation of his ideas, which was his:

Ethics: This demanded total honesty, self-responsibility and a responsibility to others not only around us but to all societies in the world.

This foundation of his ideas was his discovery, in his late teens, of our Christian God through the influence of the Danish philosopher Søren Aabye Kierkegaard, while living in Hamburg Germany

As his experience of life extended across the world, he accommodated other philosophies that also had an ethical belief in responsibility, self-respect and support for others. These included Chinese Confucianism and the Japanese beliefs in Zen and Shinto.

Having determined his Ethics, his next more extensive search ranged through Europe to find not a Utopian society but a **workable society**.

His problem, as he was now nearing twenty years of age as an Austrian in 1928, was that the options near home were not attractive – Russia had had its revolution, while most of

Europe was moving to the left or right, with the Nazis in Germany increasing in appeal and support.

Still searching, five years later in 1933 he moved to London and continued his intellectual journey of discoveries. His emphasis was still on society, as he considered the ideas of Edmund Burke in Britain, Alex de Tocqueville in France and many others.

After much reflection, he concluded that the USA had potentially the best conditions for a workable society as he was attracted to the ideas of their Founding Fathers, including Benjamin Franklin, Alexander Hamilton and Thomas Jefferson.

His criteria were that societies always had to be democratic, defend their citizens, and provide them with equal opportunities.

In 1937 he left London for America, having now married his German life-time wife, Doris, his intellectual soul-mate. By this time he had not only identified his **ethics** and his **workable society** but also the third part of his equation, which was **the best economic policy**.

Following his normal extensive and vigorous research, after considering the available theories he chose those of his fellow countryman Joseph Schumpeter; the promoter of **Innovation and the Entrepreneur**. Schumpeter identified that a vibrant free society was in the condition of continual innovation where the successful new products, service and ideas replaced the established, existing ones if they were more appropriate.

While many protectionists saw this as destructive he argued that this was a progressive evolution, which we now know by his term "*creative destruction*".

This we see about us today in abundance in social media, cloud computing, and robots that are all challenging and changing every aspect of our life patterns – including education, health diagnosis and care, artificial intelligence and the development of driverless transport.

However, it took a further ten years or so for Drucker to find out that there was a fourth part to his intellectual journey for life's purpose. This was that **management** was the life-giving force of society, as economics was only a collection of explanatory theories but essential to determine rational balanced fiscal and monetary policies.

In fact what Drucker defined was that: “***The manager*** is the *life-giving element in every business*” (which now means every organisation).

With these ten words he had blown the lid off bureaucracy, which brings us to the theme of the conference – the non-competitiveness of the European Union: facts, causes and solutions.

So where would Drucker have started?

He would have said that he never made forecasts, which was a lesson he learnt as a 20-year-old journalist in 1929 in Frankfurt, Germany, when he stated that the American Stock Market was thriving.

Within a few weeks came the Wall Street Crash - the investors lost their money, and he lost his job.

From then on he said we had to make predictions based on patterns and facts that were firmly established.

Consequently Drucker would not have been surprised by Britain’s Brexit. He had already observed, contrary to

prediction, that the United States of Europe, the EU, had produced so little growth across the board while unobserved China had come from nowhere.

Also, as a monitor of Konrad Adenauer and Ludwig Erhard, the politicians responsible for Germany's economic recovery after World War II through arranging an undervalued deutschmark, he would not have been surprised for the topic to surface again.

As within the last month President Trump has accused Germany of exploiting the euro, which he contended is undervalued within their economy. This was much to the annoyance of Angela Merkel.

Referring back to the EU's lack of competitive edge and its failing economic performance, Drucker's position, I believe, is that he would have identified the causes as related to his recorded principles as follows:

Always a supporter of democracy, he would have observed that we in the EU have unelected Presidents and Commissioners, the rule makers who are not politically accountable to the electorate. Also the judgments of the courts cannot be democratically overturned by national

parliaments, even if they are in conflict with the particular country's statutes.

Steadfastly an advocate of responsible allocation of public funds to produce high productivity to enhance the living standards of all, he would have been advising a review of why we have 50% of the EU budget allocated year in year out to the Common Agricultural Policy (CAP), supported by protectionist policies.

Of all of the EU problems, the area that he would have identified as the most abhorrent is the excessively high levels of unemployment amongst the young in so many countries. This is in stark contrast to his Ethics, Workable Society, Economics and Management responsibilities.

When asked for the solution, he would have possibly answered in two parts based upon what he described as some of the best advice he received from an old man when he was a junior.

This first advice is on statistics and it was this: Don't trust them unless you know the person who produced them.

Consequently, if he looked at the income EU budget, last year Germany was the top contributor with a 6 billion-plus euros payment. Greece was the highest recipient, taking out the same amount, with Poland just behind.

Still researching he would have looked at the undeclared Shadow or Black Economy as a percentage of national GDP in the EU. It ranges from 8% to 30% with a pattern of increases as one moves from North Europe to the East and the South.

He would also have seen a pattern the largest recipients of the EU budget are those with the highest Shadow Economy.

Remembering that Drucker was always an analyst of figures, he would also have observed that the continuous internal costs of the number of national civil servants employed in host countries to monitor the EU process is never added into the total cost equation.

At this point he would have stopped and waited for an answer from the Commissioners, asking: "Has anyone ever seen one?"

He might well have gone on to ask: “How can the Commissioners compile meaningful budgets using such conflicting figures?”

But let us not despair – as a rational optimist, Drucker’s answers would have been:

Cut out the waste and redirect your money in the EU budget effectively and help the young entrepreneurs work to turn things around.

As he once said: “Efficiency is doing things right; but effectiveness is the answer as it is doing the right things.”

Before I finish I have one more message of guidance from the master.

When in Drucker’s presence his father, a long time friend of Schumpeter, asked Schumpeter what he wanted to be remembered for, Schumpeter replied:

“You know Adolph, I have now reached the age where I know that being remembered for books and theories is not enough. One does not make a difference unless it is a difference in the lives of people.”

Drucker said: "One reason my father had gone to see Schumpeter was that it was known that he was very sick and would not live long. Schumpeter died five days after we had visited him."

"Secondly, that one should change as one gets older. It should change both with one's own maturity and with the changes in the world."

"Finally, one thing worth being remembered for is the difference one makes to the lives of people."

This is the message we need to take away and change what we do tomorrow.

Thank you for your time and attention!

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Other presenters at the conference were:

Dr Paulo Nunes de Almeida, President of the Portuguese Entrepreneurial Association

Jorge Vasconcellos e Sá, distinguished Tenured Professor from Portugal

Björn Weigel, entrepreneur and venture capitalist from Sweden

Muriel Bouchet, Senior Economist of Idea Foundation, Luxembourg Chamber of Commerce

Fredrik Erixon, President of the European Centre of International Economy in Brussels

Professor Luís Valente de Oliveira, AEP Foundation, conference organiser