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Business Classics:
The Effective Executive, A Review

By Mary Pat Campbell

I browse through Amazon.com, coming across the latest best-seller in the business section. Seeing the good reviews the book has garnered, I add it to my online shopping list to order later.

Then when I get back to the list a few months later, I find the book is heavily discounted, with multiple used booksellers trying to unload inventory at 90 percent off the cover price. The just-favorite is now replaced with the newest craze.

Many times these books are little more than a series of examples taken from recent history, without knowing how these particular businesses will end up in the long term. It's hard to tell whether the principles being touted really are long-lasting. If it was such a good idea, would these books be replaced so quickly?

However, there are certain books that have stood the test of time. Decades after they were written, they're still relevant. One often finds their ideas popping up in variants in other people's current best-sellers...but why not get back to the original source?

The obvious start to such a project is *The Effective Executive*, a book by management guru Peter Drucker. Drucker was a giant in the field, writing books over decades and being published in the *Wall Street Journal* up until a few years before his death in 2005 at the age of 95. I have the first edition, written in 1966. I picked it up at a library sale; the original owner's bookmark noted it was given in recognition of completing a management training course at IBM in 1973. My father took a similar course in 1982. I wouldn't be the least surprised if this book was still being handed out (or given a free download to Kindles!) in 2010.

The theme of the book is being effective in an executive position, and Drucker spells out what he means in the very first paragraph:

"To be effective is the job of the executive. 'To effect' and 'to execute' are, after all, near-synonyms.

Whether he works in a business or in a hospital, in a government agency or in a labor union, in a university or in the army, the executive is, first of all, expected to get the right things done. And this is simply that he is expected to be effective."

An aside in response to this paragraph: after a couple decades of being inured to "gender-neutral" writing in business books, it can be a bit jarring for the modern reader to see the ubiquitous "he" and "men". Given that I expected such a difference in language, I became used to this. But one can see why a newer edition might be preferred, if the difference in style and assumptions is too distracting.

Also, it's a bit easier to get ahold of the latest edition.

As is the case with most good business books, this classic is short and gets to the point quickly. In the first chapter, Drucker argues that effectiveness can be learned. He also argues that knowledge workers (yes, Drucker coined that term) are executives individually, even if they don't have the fancy title or direct reports. Drucker's description of knowledge work:

"Knowledge work is not defined by quantity. Neither is knowledge work defined by its costs. Knowledge work is defined by its results.
….
Throughout every one of our knowledge organizations, we have people who manage no one and yet are executives."

The key point is execution—making a decision of what needs to be done, and how it is to be done. The cubicle warrior trying to alter a spreadsheet so that it runs more efficiently and has better error controls is an executive in Drucker's definition, and can use his recommendations.

I find it interesting how prescient Drucker was in terms of seeing how the world of management was going away from the previous canonical model of manufacturing and operations (especially given his

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first major association in the business world was with General Motors) and towards knowledge work. On other items, he was a bit less prescient, as we will see.

***The Effective Executive* in a Nutshell:**

1. Know thy time
   a. Record
   b. Manage
   c. Consolidate
2. Focus on contribution; focus on results
3. Make strengths productive
   a. One's direct reports
   b. One's superiors
   c. One's self
4. First things first—do one thing at a time
5. Make effective decisions
   a. Identify the generic from the extraordinary
   b. Set boundary conditions
   c. Consider multiple alternatives
   d. Convert decision into action
   e. Test prior decisions with feedback, continuous improvement of process

The above outline provides the major themes of the book. In spelling these out, one is inclined to say "Oh, yes, but of course"; but Drucker outlines not just cases that exemplify his principles, but also those that contrast against them.

Let me pull out a few details that stood out for me. In the chapter on making strengths productive, Drucker covers the concept of the performance appraisal, the bane of many a corporate worker. After giving the broad outline of the process and his purpose, he contrasts it against the Japanese mode of management. He notes the promotion by pure seniority until at a certain level and age, and his disapproval of the structure that results (noting a "small number of people … do, in effect, everything of any importance whatever") but noting that Westerners could benefit from their practice of building on individual strengths. When one had lifetime employment in one company, you were stuck with the company and

they with you, so focusing on what people could not do was not helpful. Focusing on what they did well and could do was more useful for the organization run that way.

In the decision-making chapters, the examples get more interesting. In distinguishing generic from extraordinary situations, Drucker mentions an infamous blackout experienced in 1965, where engineers in New York City followed the generic rule of responding to a normal overload. However, it was an extraordinary situation, and the normal rules didn't help. Drucker noted that while a first catastrophe might indicate an extraordinary situation, chances were that these might be the first symptoms of a new generic problem. This certainly brings to mind the recent BP oil spill; it certainly wasn't the first oil spill in the Gulf of Mexico of large magnitude, but it was of a different nature than the ones that came before, and perhaps prior safety rules were no longer relevant.

What I found really interesting in the decision-making chapters were the decisions he had touted as good, where we now know how things turned out. Due to his own heavy involvement with these companies, Bell System and General Motors come up multiple times.

One item that was interesting was how Bell managed to maintain its monopoly and avoid nationalization. Drucker notes that in most other countries, the telephone systems were run by the government, not a private company. Two things an early leader, Theodore Vail, decided on:

1. Support efforts of regulation (which would also keep out competitors, but keep the government happy).

2. Create a large research and development division, which would do primary research that would give back to the community at large as well as make their own technology obsolete (prevents competitors from coming in and doing it for them).

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Of course, we know now that Bell (a.k.a. AT&T) was eventually broken into bits due to government monopoly-busting. The regulations and innovations helped them last only so long.

One of the more intriguing sections was on decision-making and the computer. Drucker notes that some thought computers would become the decision-makers, replacing middle management in operational decisions as well as taking over strategic decisions. Drucker did not agree: "Actually the computer will force executives to make, as true decisions, what are today mostly made as on-the-spot adaptations. It will convert a great many people who traditionally have reacted rather than acted into genuine executives and decision-makers."

One might say Drucker was being a bit optimistic. But he did understand that computers were powerful tools in being able to help people make generalized solutions, as opposed to trying to react to each situation as if it were new. He saw the potential of computers to make more and more employees executives, in that the computer could replace generic rules, and where true intelligence and decision-making was required, the human would step in. People could actually concentrate more and more on the crucial issues and not have to deal with frivolous ephemera.

Of course, Drucker did not predict the Blackberry, e-mail and out-of-control spreadsheets.

Even though we do fall short of Drucker's vision of optimal use of computers as decision-making and decision-implementing tools, his core principles as outlined are eternal. His final message is not only that these principles can be learned, but that they *must* be learned for someone to be truly effective. Most impressive to me was how Drucker saw (and named) the phenomenon of knowledge work, and its growing presence to dominance in the business world.

Even should we not get the fancy title or an office, these principles can help us be more effective at work, even almost a half-century after they were first published. ●