

A Critical Look at HR What did we learn from Drucker?



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I first became acquainted with Drucker's work in the early 1980s when I was introduced to his phenomenal concept 'Management by Objectives' as a tool for creating an annual Business Plan. At that time, I was a junior staff member in the Personnel Department working at one of the leading hotels in Riyadh, Saudi Arabia that were managed by a Swiss Management Company called GUSTAR. Later, I simply followed the path and became a fan-addicted to his philosophy in managing the most costly; scarcity and complex resource an organization can ever have – Human Resources.

No one can ignore the significant impact of the late Drucker on contemporary organizations, on mental thoughts, or even on working practices. He was named the 'Father of Modern Management,' not only because of his writing on people, performance, management, but also because he inspired many management practitioners to think critically and follow his thoughts.

Drucker insisted on five major practices for Effective Executives, commencing from time management, setting of priorities, making people decisions, disposing of unproductive activities and ended with making effective decisions. That is why it is no wonder that the majority of renowned executives were able to adopt his lessons and models to the way they work. He was the most influential management thinker; he inspired the world with his wisdoms.

One of the greatest contributions Drucker made was his extreme conviction about Human Resources capabilities to move the organizations forward from where they are to where they want be. He made explicit – in his 1955 book, 'The Practice of Management,' when he identified employees as a specific resource – a 'human resource'. Drucker, with no doubt, has enlightened many of other management thinkers and probably those who take care of Human Resources Management.

Despite the infinite controversial arguments,





Human Resources Management became a core function and strategic partner in many today's organizations. Their impact to the bottom line is clearly seen and can be measured.

From HR perspectives, Drucker taught us about the fine art of the current HR strategies and practices. He drew our attention to various concepts in handling our human capital. His clear vision manifested a new HR picture of the future. Moreover, he provided noteworthy suggestions to elevate the practices of Human Resources Management.

We are now witnessing a serious focus on HR practitioners and senior HR executives' roles in their organization. Today's HR business world international awards are given to those contributing to the uplifting of HR practices and programs within their institutions. However, the lack of oversight from HR practitioners on Drucker contributions in the field of human capital and the practices is a real depression.

The following are few lessons that Drucker taught us:

Lesson 1: Recruitment & Retention 'Talent Management'

With the increase in competition, locally, regionally and globally, organizations must

become more adaptable, flexible, responsive, and customer-centred in order to succeed. Within the change in environment, HR function has evolved significantly and rapidly. Human Resources Management is simply an ART. It is a process of having people and organizations come together so that the goals of each are met. This is mainly what we call 'Psychological Contract' according to organizational behaviour. Subsequently, the role of HR executives is also shifting progressively away from being a protector and policymaker to the role of being a strategic partner and change

In the history of ancient China, Sun Tzu – the legendary military philosopher – pinpointed in his book *'The Art of War,'* the important aspect of having the properly trained soldiers and commanders to be able to win in a battlefield. Similarly in any organization, only the skilled, trained and educated staff members can make the difference.

agent. HR executives are the new corporate champions. For today's organizations, the name of the game is people and how we manage them.

One of the new themes that emerged in the HR arena and evoked a high degree of discussions among HR practitioners is 'Talent Management'. The War for Talents has intensified; it's a war that will never end!

In the history of ancient China, Sun Tzu – the legendary military philosopher – pinpointed in his book *'The Art of War,'* the important aspect of having the properly trained soldiers and commanders to be able to win in a battlefield. Similarly in any organization, only the skilled, trained and educated staff members can make the difference.

Many companies are now realizing the advantages of a diverse workplace to be able to compete. There is a necessity to employ diverse talent in order to understand the various niches of the market. Over the past few decades, recruiting those of the right calibre has become more important than before. Drucker wrote that the knowledge workers of 1959 "...who worked with their minds rather than their hands", became constitutive strategic assets of the organization.

HR practitioners and senior executives are facing fierce and increased global competition when it comes to hiring skilled employees that are able to move the organization forward. This became one of the most pressing topics in roundtable discussions, conferences and articles

in professional HR magazines during the last decades. For many companies, it really means that people are the prime source of competitive advantage.

HR practices to acquire talented people have moved away and far from old traditional approaches. We are nowadays using (1) specialized firms called Executive Search; despite their astronomical costs, (2) psychometric tests to ensure the right characteristics in place, (3) creative recruitment campaigns, (4) an employment branding; both in an internal and external image so that the company becomes a must have in any respectable resume; and, (5) having educational cooperation agreements with institutions in order to hire the best graduate students. Such sorts of practices were not previously known to HR.

Organizations that do not put their emphasis on attracting and retaining talent may find themselves in terrible situations, because their competitors could have the opportunity to outplay them in the strategic employment of their human resources.

As Peter F. Drucker said, *"The ability to make good decisions regarding people is one of the last reliable sources of competitive advantage since very few competitors are good at it."*

Lesson 2: Training & Continuing Education

"Success in business requires training and discipline and hard work. But if you're not



frightened by these things, the opportunities are just as great today as they ever were” - David Rockefeller

Training is normally defined as the process of teaching, learning new skills and even enhancing current skills. The majority of the training efforts at the workplace is either tactical or operational ‘On-Job-Training’ and sometimes it is a blend of both. This approach has changed!

For organizations, training became an integral part of the employee’s responsibilities in order to enable him/her to achieve the vision, mission and organizational goals. In 1995, Jeffrey Pfeffer, in his book “Competitive Advantage through People,” stated that – if competitive advantage has to be achieved by people, then the skills of those people are critical. This means that training has to be an ongoing process and not just an event from time-to-time.

In ‘Managing for the Future’, Peter Drucker stated that a manager’s job is to make the strengths of his people effective and their weaknesses irrelevant. Moreover, his writings about the responsibilities of organizations’ management for setting the company’s direction and making training available to its people have strongly contributed to the understandings of the training function role within the organization. Drucker insisted on training people in every position by their organizations as a key determinant of success, and he understood that talented people are the essential ingredient of every successful company to be able to compete for survival.

Furthermore, he identified the rise of knowledge workers in the seventies. He added that knowledge workers are interested in personal achievement and responsibility and expecting continuous learning and training. Therefore, it comes with no surprises, that we have witnessed major paradigm shifting in HR arena, particularly in employee training and development function.

The principle behind ‘Management by Objectives’ is to create empowered employees who have clarity of the roles and responsibilities expected from them, understand their objectives to be achieved and thus help in the achievement of organizational and personal goals as well.

Many organizations have moved forward from the ancient role of training into a more strategic one in order to strengthen and elevate the skills of their employees. The traditional training is diminishing.

In Management Challenges for the 21st Century, Drucker mentioned that the most valuable asset institution will be its knowledge workers and their productivity. To this end, the training function has moved from being a rigid system to a corporate university approach in order to provide varieties of learning and training opportunities to employees. The corporate university is a strategic weapon designed to assist the organization in achieving its goals by conducting activities that foster individual and organizational learning and knowledge.

Lesson 3: Competitive Advantage & Employee Engagement

“It is neither the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change” – Charles Darwin.

Organizations used to compete through varieties of sources, such as finance, technology, product, service.....etc, but such traditional sources of competitive advantage have become obsolete. With the increasing rise of both modern economy and knowledge workers during recent years, the survival of every successful business will depend on the performance of its knowledge worker. Only the human capital is the most crucial factor in the competition arena.

In the Essential Drucker book, he once more, affirmed the important role of HR saying, “A business enterprise has only one true resource: people. It succeeds by making human resources productive. It accomplishes its goals through work”. Thus, human capital evidently is a major; if not the only source for competitive advantage. As stated by Drucker, “Employees—the people who do the work—need to be treated as assets, as the critical resource in the organization”.

Therefore, and despite all factors that are involved in an organization’s productivity, it clearly appears that only People hold supremacy to create turning points and important changes to the survival of an organization and they are critical elements for competitive advantage.

HR has the mandate to create and promote positive, prominent and coherence working culture that will permit people to be involved in all aspects of the organization. It was Drucker who instigated and provided an objective and well informed perspectives on varieties of HR issues. Talent has become the key differentiator



for organizations for leveraging competitive advantage.

However, some of HR practitioners don't get it yet! Ask yourself, when was the last time we had a dialogue with a colleague in which shared development feedback is exchanged?

Engagement is a newly introduced business term, but Drucker, when talking about leadership advocated the necessity of HR to develop a responsible workforce and encourage its engagement to make collective contributions to the established objectives. He advised that successful enterprises should create the conditions to allow their employees to do their best work. Engaged employees are difficult to imitate and are usually unique to an organization. Employee engagement is the key to the retention of talent.

The HR function clearly has a key role to play in enabling and sustaining the cultural transformation of an organization that leads to these types of behaviours.

The essence of employee engagement is to establish a positive working environment where employees are free and longing to contribute more in ways that significantly and favourably impact the goals of the organization. It can be seen as a combination of commitment to the organization and its values plus a willingness to help out colleagues. It goes beyond job satisfaction

and is not simply motivation. Creating a work environment in which employees are productive is essential for the growth and development of any organization. Employee productivity usually centres around two major areas of focus: personal motivation and the work environment that includes infrastructural facilities.

In light of the above, employee engagement programs became one of the major programs within the HR function. Drucker said that in order to do this, the manager must create what he called "a responsible worker". Examples of engagement programs include: communications activities, reward schemes, and team building activities. Engagement is certainly critical to the success of the enterprise. Yet, for many HR practitioners, employee engagement remains a trivial goal instead of a core driver of market supremacy. The challenge for HR is to come up with innovative HR practices which will make employee engagement activities more interesting and also help us in achieving the objective of retaining people.

"People are like electricity, of no use unless switched on." Peter Drucker

Lesson 4: Performance Management

In 1954, in his book 'The Practice of Management,' Drucker introduced a new philosophy of management named 'Management

by Objectives – MBO's'. He wrote *"What the business enterprise needs is a principle of management that will give full scope to individual strength and responsibility, and at the same time give common direction of vision and effort, establish team work, and harmonize the goals of the individual with the commonweal. The only principle that can do this is management by objectives and self-control... But management by objectives and self-control may legitimately be called a "philosophy" of management.*

In spite of the debate on the MBO's philosophy, it has become widely adopted and well-accepted in organizations and evolved especially in the human resources area of performance appraisal and feedback. It has become a prominent system and a vehicle for motivation, evaluation and control for many organizations regardless of their nature of business and size. MBO's system is a philosophy or even a way of living. It encourages and inspires teamwork and coordination. Drucker believes in people and their abilities.

There are numerous of employee appraisal systems around the globe. However, when it comes to paying for performance and rewarding achievements, we find that many of those systems that incorporate MBO's are able to critically measure what has been achieved. MBO's is included in human resources management textbooks to this day.

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MBO's provide a comparatively objective base for performance evaluations. While no performance evaluation system is without disadvantages or even difficulties, the MBO's system approach very clearly seeks to link evaluation to performance and later to rewards.

Such a system leads to other many happy endings such as participation, higher levels of job satisfaction, reduced turnover and absenteeism, helps in gaining acceptance of decisions, and improves communication and understanding.

In the heart of MBO's Drucker stated, *"Any business enterprise must build a true team and weld individual efforts into a common effort. Each member of the enterprise contributes something different, but they must all contribute towards a common goal. Business performance therefore requires that each job be directed towards the objectives of the whole business. And in particular each manager's job must be focused on the success of the whole"*.

Conclusion

It has been said that human capital is a fundamental resource of any organization and employees are the core corporate assets which are integral to an organization's success. Thus, it becomes inevitable for an organization to attract and retain an efficient workforce by using innovative tool for binding employees to the organization. Furthermore, for organizations to stay competitive they need to be committed to the value of investing in their human capital to ensure their competitiveness and future success.

Therefore, HR executives should view Drucker works as an opportunity to enhance their strategic presence in their organizations, and also to be aware of global trends and interpret these for best practice HR, in their specific context.

Our ability as senior HR executives to interpret trends and translate these into factors impacting people, is crucial to our role in providing input into the strategic objectives of the business.

Human Resource professionals have to give input to the business strategy by bringing the people factors, strengths, competitive advantages and constraints to the meeting table. It has been widely stated that a business's competitive advantage depends on the capacity of its people – but it is our role as HR practitioners to ensure that our human resources are organized and enabled to achieve the business strategic objectives.

Finally, such shifts in Human Resources Management and the contemporary thoughts wouldn't have happened without the shaded light of Drucker on these areas. He paved a path for effectiveness and provided us with recommendations for better thinking on our human capital; a new agenda is placed.

In closing, all credits that we owe definitely belong to the genius brain of the man who invented management and foresaw tomorrow, the late Peter Drucker. Thank you Drucker.

This article provides perspectives on the contributions of Peter Drucker to current Human Resources practices. The real challenge for HR in organizations is to be able to comply with the challenges they are facing in the era of globalization and stiff competition.

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