

## ARTICLE REPRINT

### **Back To Basics With Peter Drucker**

I can almost see Professor Peter Drucker, widely acknowledged as the creator and inventor of modern management, gazing out his office window at Claremont Graduate University and pondering the widespread economic malaise that has affected nearly every industry and company worldwide.

For me, Peter Drucker's genius was not only the original thinking he recorded in timeless writings, but his ability to remind managers of the obvious – those truths that stand directly in front of us and that we sometimes forget or fail to see in the rush of our busy daily lives.

In this time of unprecedented volatility and economic decline, Professor Drucker would undoubtedly counsel senior executives to get back to the basics of business management. Getting back to basics might include:

- 1) Answering the question, “What is our business?”
- 2) Focusing intensely on the customer
- 3) Leading change instead of trying to manage change
- 4) Developing talent

#### **What is our business?**

One of the most difficult questions for senior managers to answer is “What is our business?” Getting the right answer to this question is not only crucial for the new business, it is equally critical for the business that hopes to continue operations over the long term.

Not long ago the CEO of a major media company said in an interview that his executives could not clearly articulate exactly what business their company was in. As strange as this sounded, he continued to explain that it is one of the most difficult questions executives must answer about their businesses.

A business may start with the right answer to this question, and can become a successful enterprise in executing a strategy that exploits a correct answer. Continually pondering the question, however, even in times of great success, can lead to even greater success and growth.

Take Apple Computer, for example. Steve Jobs, the company's CEO, guided the development of a niche computer manufacturer that provided consistent profits to shareholders over many years. So why, just a short time ago, did he change the name of the company from Apple Computer to simply *Apple*?"

Steve Jobs knew that his customers sang the praises of Apple computers to anyone who would listen and were fiercely loyal to the company and its products. Apple manufactured and delivered computers, but the company's customers bought much more than a box filled with semiconductor chips and circuit boards.

Apple's CEO has known for a long time that the question, "What is our business?" must be asked not from his perspective, but from the perspective of the company's customers.

Steve Jobs realized that Apple's business was providing its customers with way-cool, simple, elegant and reliable devices that looked great, stood out from the crowd, and were acknowledged by everyone, including competitors, as leading-edge products in their respective categories.

Mr. Jobs also clearly understood what Professor Drucker meant when he said, "the product of a business is a satisfied customer." Steve Jobs took this a step further and decided that if a satisfied customer was good, an evangelical, almost fanatical and loyal customer was even better!

Because he knew what his customers wanted from Apple today and tomorrow, he began introducing new products like the iPod and now the iPhone. Like the Mac, these new products are way-cool, simple, elegant and reliable devices that look great, stand out from the crowd, and are acknowledged by everyone, including competitors, as leading-edge products in their markets. Apple customers want all this and more – they want to be members of an exclusive club, aloof from the crowded PC user marketplace.

Apple continues to innovate, to provide its customers with what they want, at a price they are willing to pay, and that keeps them excited, loyal and anxious to march into the future with the company. Professor Drucker would be pleased to see that Steve Jobs can clearly articulate Apple's answer to the difficult question, "What is our business?"

### **Focus Intensely On The Customer**

The professor would remind us all that it is the customer that provides the foundation on which every business is built. Creating customers is the primary task of business. "To satisfy the customer," advises Drucker "is the mission and purpose of every business."

Drucker would advise senior executives to talk directly to customers, and to talk to them as often as practical. Instead of relying on the assessments of the marketing folks, Drucker would admonish senior leaders to leave the insulation and isolation of their offices and to visit regularly with customers.

He would advise executives to learn first-hand how customers view the company. What do they think of the company's products and services? How well do the products or services satisfy customer wants, and what might be done to provide even greater satisfaction? What other products and services excite the company's customers? What do customers want today and what might they want from the company tomorrow?

If the company CEO doesn't ask these questions everyday, or doesn't demand from his immediate subordinates answers to these questions each day, who in the organization will ask the questions?

### **Lead Change**

Professor Drucker would also advise senior managers to stop attempting to manage change, and to *lead change* instead. This period of economic upheaval requires change leaders – executives who see change as an opportunity and who keep their organizations prepared for continual disruption in their markets.

He would suggest that executives emphasize situation analysis, the component of the strategic planning process that reveals changes in markets and customers, technological development, competition and relevant governmental policies. Situation analysis must become a high-priority agenda item at monthly board meetings.

Effective leaders today will prepare their organizations for constant change and keep the enterprise battle-ready for an uncertain future. They will lead their organizations with confidence, and they will encourage an entrepreneurial spirit that produces continuous innovation. Great leaders know that it is innovation that keeps a business alive and gives it a fighting chance for a future.

### **Develop Talent**

Professor Drucker viewed people not as a business cost, but as assets. He clearly saw the development of people as one of the most important tasks of management, and he saw the growing importance of knowledge workers in the modern economy. "It is certain that the emergence of the knowledge worker," he noted, "will bring about fundamental changes in the very structure and nature of the economic system."

He encouraged managers to tell these workers that their contributions are valued. He further advised managers to encourage the participation of knowledge workers in decisions where their expertise is important. Finally, he exhorted managers to make the knowledge workers feel like owners.

Today, with operational efficiency at a premium, and fierce competition for knowledge workers expected to increase once the economy begins to improve, developing people and avoiding a talent drain should be strategic priorities for executives.

## Back To Basics

Peter Drucker might well advise business leaders today to put aside their balance sheets, even for just a few moments, and to get back to the basics of managing the modern enterprise for turbulent times.

Based on his core teachings, he would suggest that now is the precise time for senior executives to ask what truly is their business - from the customer's perspective - to focus intensely on their customers, to stop trying to manage change and to instead lead change, and to develop the company's talent to survive today, and to prosper in a better tomorrow.

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