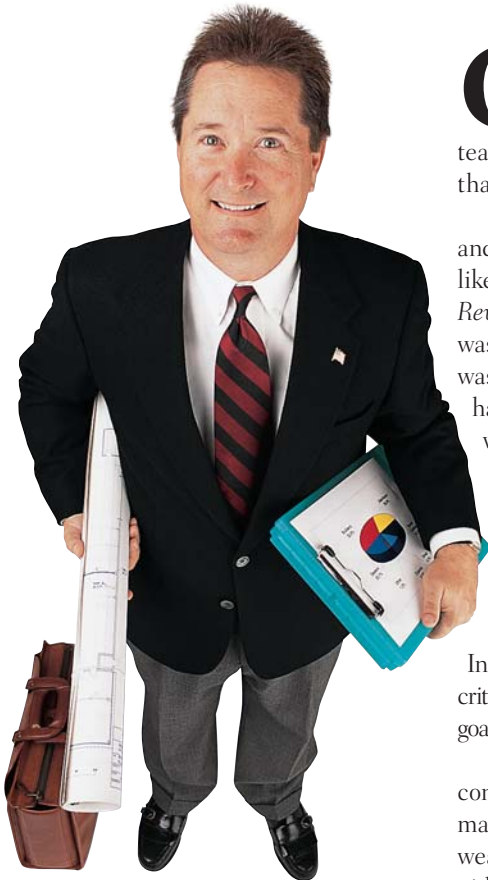


# Remembering Peter Drucker's ideas

The management expert's writings provide insightful discussions of the tasks and decisions faced by great managers.

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**G**ood advice is simple, easy to understand and timeless. The late Peter Drucker's teachings on management perfectly fit that definition.

Drucker, who authored 39 books and countless articles for publications like the prestigious *Harvard Business Review*, prided himself on prose that was easy to read and grasp. His counsel was so brilliantly obvious that much has passed into the conventional wisdom of consultants, teachers and managers around the world.

Simple advice does not mean, however, that its implementation is easy. On the contrary, Drucker consistently warned that good management was hard, important work. In fact, he considered sound management critical to the betterment of humankind, a goal worthy of our best efforts.

Drucker made multiple contributions to the craft of management. An interested reader will wear out a highlighter pen marking pithy, quotable phrases in one of Drucker's many books or articles. Here are a few examples and our interpretations of his sage advice.

## Defining purpose

"There is only one valid definition of business purpose: to create a customer."

Only a customer creates jobs. Because its purpose is to create and sustain a customer, a business only has two basic functions: marketing and innovation. To obtain economic results, a company must offer something of real value to a customer. The required value could be the physical product, service or an accompanying attribute. "It is always somebody outside who decides whether the efforts of a business become economic results or so much waste and

## Peter Drucker

**W**ith the passing of Peter Drucker last November, students and practitioners of management lost the father of their craft. Born in 1909 in Austria, he earned a degree in law but wandered in his early years among banking, consulting, and journalism, a career path that expanded his experience. Fleeing Nazi Germany in the 1930s, Drucker landed a teaching job in the United States. His early writings caught the attention of General Motors, who invited him to study and document their business. The resulting 1943 book, *The Concept of the Corporation*, was largely ignored by GM, but Japanese motor car

scrap.” That somebody is a customer.

Drucker suggested that marketing starts out with the customer. You must ask, “What does the customer want to buy?” That’s a different approach than asking what do you want to sell.

To find and retain customers Drucker also recommended that you “*study non-customers.*” Every business serves only a small part of its potential market. More importantly, some of those non-customers may be old customers that no longer do business with your company. You need to understand why. They may be buying the products that you offer from an altogether different form of distribution channel. Such a finding may indicate a critical structural shift in your product’s value chain.

### The value of setting objectives

*“Work, to yield results, has to be thought through and done with direction, method and purpose.”*

Drucker was the father of management by objectives. He preached the importance of setting clear long-term objectives, translating the long-term into more immediate goals and allowing employees to work out ways to achieve those goals. The responsibility for that planning is one of management’s key roles.

But planning without follow-up

is unproductive. *“Plans are only good intentions unless they immediately degenerate into hard work.”* Action is the catalyst that turns the best-laid plans into results. Only by planning your work and working your plan can you take control over today and create time to plan for tomorrow.

One other important part of a plan is its effective communication

to the workforce. Drucker liked such communication to be very, very simple. *“An organization’s mission statement should fit on a T-shirt.”*

### Concentrating resources

*“There is surely nothing quite so useless as doing with great efficiency what should not be done at all.”* Drucker  
*continued*

## 1909-2005

**companies took its teachings to heart. His career as a management adviser was off on a remarkable 62-year run.**

**When he started writing about management, libraries contained few books on the subject. Now management has become a well-entrenched discipline worthy of PhD programs at great universities and the subject of hundreds of books and seminars every year. Drucker’s teachings have outlasted most of yesterday’s so-called business gurus, whose books few, if any, finished reading. Quite simply, Drucker was the first and foremost management thinker of our lifetimes.**

emphasized the importance of Pareto's Law — 10 percent of events account for 90 percent of all results. In the marketplace, a handful of customers generate the bulk of revenues, a small number of products yield the lion's share of volume, and so on. More

importantly, 90 percent of costs are caused by 10 percent of the activities, many of which are unproductive. Managers, therefore, must concentrate the organization's efforts on the smallest number of products, product lines, services, customers, markets, etc.

that will produce the largest amount of revenues. Thus, identifying: (1) the elements that produce significant results and (2) the best ways to concentrate on them are management's most critical responsibilities.

To do so you must recognize that *"every product and activity of a business begins to obsolesce as soon as it is started."* Therefore, you must put every element of your business — product, customer and process — on trial for its life on a regular basis. Ask the question: If you were not in this product, market or process already, would you consider going into it now? If the answer is no, figure out how to get out and fast. Resources at your command are simply too scarce to waste on unproductive elements. *"The manager must be prepared to take the most painful step of all — deciding on those products, staff activities or cost areas that breed clutter rather than opportunity or results."*

### Focus on the right activities

Put simply, you must focus on the activities in which excellence produces the most extraordinary business results. To do so, you must abandon everything that does not optimally allocate your resources, organize for continuous improvement of your critical elements and exploit your successes.

Jack Welch, who drove the successful restructuring of General Electric in the 1980s and 1990s, put this part of Drucker's philosophy to work. He abandoned every business in which GE was not first or second in its market.

Like Welch, thousands of managers over the past 60 years have relied on Drucker's wisdom to guide their decision making.

**Bottom Line:** Add a Drucker anthology to your reading list, visit his writings regularly and think about what he says. As Drucker once said, *"No book will make a wise man out of a donkey or a genius out of an incompetent."* But what his writings provide are insightful discussions of the tasks and decisions that must become a way of life for great managers. ▲