



Peter F. Drucker: Considered and Reconsidered -

don't have to tell you that the late Peter F. Drucker is still one of the most revered names in management circles.

Shortly, those of us who studied with him directly, and the business school named in his honor at Claremont Graduate University, will celebrate his centennial, the 100th anniversary of his birth.

This presents an opportunity to refresh some of his most profound insights as well as to reappraise and reconsider certain areas in which people have misunderstood his concepts, or have simply taken them too far.

I have a personal stake in getting the record right, having filled much of my Advanced Executive MBA degree program with his classes, as well as having benefited from numerous chats I had with him on Saturday afternoons while shuttling him home from campus.

Moreover, as a fellow consultant, the fact that he took it upon himself to introduce me to his consulting clients, will always stand as a cherished and most appreciated gesture.

Perhaps one of the most important contributions Drucker made was in making the creation of customers and customer satisfaction central foci of management.

Repeatedly, he'd ask a crucial question, which I'll share with you.

“What Is Value to Your Customers?”

Whenever my classmates and I would boast about our products, our technologies, our specialized experience, or say anything at all self-serving, he'd swiftly bring us back to reality by noting: “All of that is fine, but what is value to your customers?” In other words, it didn't matter if we believed we beat the pants off our competitors by having more branches

in more places. If we couldn't argue convincingly to the internationally famous Father of Modern Management that our customers agreed with us, those branches, no matter how sparkling and expensive, were of no consequence whatsoever.

In fact, by focusing at all on our own opinions, instead of actively monitoring and measuring our customers', we err in two ways. We waste time and resources looking inward, which is decadent; and we insulate ourselves more and more from the only people who really matter in business – customers – who pay our bills and provide opportunities.

Value isn't always obvious, Drucker would point out.

We may think we're providing one satisfaction when the customer is really deriving another satisfaction, one that's more significant to him.

Take a modern gym, such as Bally's or 24-Hour Fitness.

Their generally accepted purpose, if you ask most of the people who work there, is to “get people into shape.” Certainly, many people buy memberships for that stated purpose.

But lots of people sign up for lots of other reasons.

For some, it's a social outlet; for others, it's a sanctuary where they can set their own pace, relax, and escape the demands of family and co-workers.

For a few, it's a chance to preen, to show off their abs or biceps or whatever the muscle du jour happens to be.

If you observe most members, they're in no rush to move from station to station. They linger, and their heartbeats seldom seem to reach that magical aerobic level when calories happily burn away.

**“To survive and to thrive,
must we become more than we are
or more than we have been to the customer?”**





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If they're pushed by the staff or by other patrons to work harder or faster, they rebel, if only silently.

They want to get into shape in their own way, which of course isn't always technically feasible, but many folks con themselves into thinking that they're progressing. Their victory is walking through the gym's door, not in becoming an Adonis.

To run a financially successful gym, one would have to accept these

customers and make it possible for them to maintain their illusions, because these illusions are satisfactions to them.

Illusions constitute "value," in the Druckerian sense.

He was fond of telling us how his young niece requested a special gift for her birthday, which provided no functional utility at the time – her first brassiere. Instead of dismissing this request, he understood it as a desire to feel more grown up, and he honored

her wish, giving her a truly valued gift, and great joy.

Not only do we have to ask the all-important value question. We need to continuously re-ask it, if we hope to keep pace with our clientele and keep them coming back.

Realities change, sometimes suddenly. GM's biggest SUV looks very different when the price of gasoline spikes. Bally's has to stay on top of trends, and offer Pilates or yoga classes, depending upon what seems to be in demand.

It can't say, "We've always run dance classes, and that's it!"

Being guided by customer sensibilities can be very scary to some businesspeople. It requires us to challenge tradition and preconceptions, to open up, to ask questions, and to renounce authoritarianism.

We need to be willing to really understand the viewpoints of others, and to cater to them, to serve them the way they want to be served.

We need to be prepared to abandon our favorite products, the ones that have defined us and nurtured us, when the hint arises that they no longer deliver value to the customer.

That's tough, and that is part of the legacy of Peter Drucker.

As former GE CEO Jack Welch noted, Professor Drucker had a knack for asking the right question, usually a deceptively simple one, that could add tremendous clarity and value to one's business.

The "value" question is right there at the top of the list.

But there's another Drucker question that has been misunderstood, misapplied, and exaggerated. We'll turn to that now.

“What Business Are You Really In?”

I was having a coffee at a Starbucks in Ventura, California when my gaze fixed on the otherwise bland brown truck UPS parked at the curb. A moment later, with some surprise, I noticed its slogan, painted prominently near the wheel well: “Synchronizing the World of Commerce.”

Wow, that's a lofty mission, isn't it? It sounds as if this one corporation is laying claim to being the world's timekeeper and taskmaster, all at once.

Later that afternoon, I was tooling down the freeway when I noticed a slogan on yet another shipping company's truck, this time on a large tractor-trailer rig. Its mission: “Helping the world to keep its promises.”

What ever happened to simply being in the delivery business? Isn't that the “value” that people's customers are buying?

Lofty mission statements aren't new, of course. This is what “visionaries” in companies do, I suppose, at countless resort retreats. They fill flip-charts with brainstormed slogans that will conquer customers and energize their troops.

Much of this modern obsession with defining, but especially with re-defining the mission of one's business, is traceable to Peter F. Drucker, who famously asked: “What business are you in?”

He pointed out that America's railroads were relegated to sinking revenues and profits, and had been outpaced by upstarts: by trucking companies and by airlines. Drucker attributed the decline to failing to properly define one's mission.

Instead of saying “We're in the railroad business,” they should have redefined themselves as being in the “transportation” field. Had they done this, they might have adapted faster, or even have led the field onto highways and into the air, instead of reluctantly chasing it.

Moving to a higher level of abstraction might have served a positive purpose for railroads, just as Honda's decision to define itself in the human

“mobility” business encapsulates its very prominent existing and future role in manufacturing cars, motorcycles, jet aircraft, off-road vehicles, robotics, and walking devices to assist the injured and infirm.

But when the leap in abstraction is stratospheric, it becomes comical. “Keeping promises” might be a mission that Hallmark could tout with a straight face, but making this the slogan of a transport firm is nothing less than ludicrous.

A better question might be: “To survive and to thrive, must we become more than we are or more than we have been to the customer?”

The unexpected and non-trendy reply, somewhat like that favorite phrase repeated in high school yearbook dedications, could be: “Never change. Stay exactly as you are.”

Had Coca-Cola gone this route they wouldn't have altered their time-tested secret formula, only to face massive protests, requiring a return to “Classic Coke.” Ford might have kept

its T-Birds and Mercury Cougars lithe and sleek – and above all, kept them selling – instead of making them big and bulky.

What is value to the customer? Perhaps it is defining your business in a way that makes sense, something that resonates with customers instead of with internal visionaries and sloganeers. **N**

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