

Peter Drucker on Consulting

I would like to offer my deepest gratitude to Dr William Cohen for his kind invitation to write the prologue for his new book, for his friendship through the years, and for the honour of serving as a member of the board of the *California Institute of Advanced Management (CIAM)*. I would also like to acknowledge his unwavering entrepreneurial spirit, particularly in the face of the many challenges he overcame to found CIAM in 2011. I mention CIAM because this institution is based on the principles and values of Peter F. Drucker, which form the pillars of this book.

William Cohen, a friend and colleague of mine, was directly inspired by Peter Drucker. A member of the first generation of Drucker PhDs from the *Peter F. Drucker and Masatoshi Ito Graduate School of Management of Claremont Graduate University*, we learn a lot about Drucker through the eyes of Cohen.

Both of these men, William Cohen and Peter Drucker, have in common a powerful vision, energy, and drive, necessary qualities to make big things happen. Indeed, we are very fortunate to have the opportunity to continue Drucker's ideas and dreams, enabling them to grow and multiply on a larger scale. Through this book, Dr Cohen shares with us Drucker's ideology and philosophy. He honours and recalls Drucker's consulting principles, while remembering his achievements and recounting his anecdotes, which are readily applicable in both our business and personal lives. In the process, we learn the instruments and skills to empower organizations and companies to build the foundational pillars required to generate economic, social, and environmental value.

I am a great admirer of both men. Dr Cohen's work draws me closer to Drucker's extraordinary lessons and principles, which are so easy to read and understand but often so difficult to implement in our day-to-day lives. All of these principles have proved invaluable for the many people who have inspired young professionals for decades among companies all over the world.

But who is Peter Drucker? Many know him as "the man who invented management". Drucker directly influenced a remarkable number of leaders from a wide range of organizations across all sectors of

society, including General Electric, IBM, Intel, Procter & Gamble, Girl Scouts of the USA, The Salvation Army, [The American] Red Cross, and United Farm Workers, as well as several presidential administrations.

Throughout his work, Drucker called for a healthy balance between short-term needs and long-term sustainability; between profitability and other obligations; between the specific mission of individual organizations and the common good; and between freedom and responsibility. This book offers a practical application and explanation of the methodology that Drucker used in his work as a consultant to his clients.

It's all about learning from our mistakes—how to make things different—to get the desired results. When you want the right answer, you must learn to ask the right question. With his clients, Drucker asked direct questions about each of his client's responsibilities and problems (this was his *modus operandi*, he just asked questions). These questions led to additional questions, which eventually led the client to determine what needed to be done. Drucker then laid out options about how to accomplish this work, and got the client's agreement to proceed.

That's why he used to say, "keep doing what made you currently successful in the past, and you will eventually fail." Applied correctly, Drucker's genius will save you thousands of wasted hours and much frustration. In that way, you will create new ideas for success, and offer better advice to your clients, subordinates, bosses, and fellow executives to help them achieve success. In this book, you will find these principles, concepts, and experiences from hundreds of Drucker's clients, along with others who practise his principles.

Drucker viewed himself as a scientist who investigates human actions and environments. That's why he used to call his work-client relationships "laboratories". He offers a very different, unique perspective of what consulting should be, and those ideals and principles are reflected in this book, along with his work. His methodology is distinct from the conventional; that is what makes it really special and interesting to study, to understand, and to apply to new era enterprises. This book provides the tools that will enable readers to get more deeply in

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touch with Drucker's principles in a an easier didactic way, learning about how to conduct professional consulting for startups, small businesses, corporations, and non-profits.

Thanks to Dr Cohen's work, effort, and knowledge of Peter Drucker's life and philosophy, he not only allows us to gain a clearer view and understanding, but also keeps alive Drucker's dream—guiding us throughout his legacy.

“Without action, nothing gets done” – Peter Drucker.

Foreword

Dr Francisco Suarez Hernandez

Francisco Suárez Hernández is the vice president of corporate affairs of Coca Cola FEMSA. FEMSA is one of the largest corporations in Mexico, the largest beverage company in Latin America and the largest Coca Cola Bottling Company in the world.

Introduction

My Meeting Peter Drucker, the Father of Modern Management

By Philip Kotler

Though we met and I visited Drucker in his home and remained in contact with him and with Frances Hesselbein, I was not in on any of his consulting sessions in his home with Doris in Claremont. I do remember Peter stressing that the most important tool of inquiry is asking the right questions. Peter's Five Questions about a business are the best set of starting questions. In talking with Peter about the problems of some companies, he preferred taking a long term and strategic view of a company and how its business will or should respond to new demographic, technological, economic, social and political forces. He did not care to talk about a tactical problem facing a company. He was influenced by Schumpeter's concept of capitalism as "creative destruction". Peter saw all companies facing discontinuities (later called disruptions by Clayton Christensen) and he urged companies to imagine what discontinuities they might have to deal with.

I wrote up my personal experiences with Peter in Bill's earlier book, *Drucker on Marketing*, and it will be expanded when I publish *My Adventures in Marketing*. Bill thinks that my story says much about Drucker's character and values, certainly of primary importance for any consultant. Because of this and as a tribute to Peter, I have given Bill permission to include it in *Peter Drucker on Consulting*.

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It all started with a phone call. From the other end of the phone, I heard a man speaking in English with a German accent. As I listened carefully, he said, “This is Peter Drucker.” I was astonished and tried to keep calm. This was because I had closely read his books that are rich in insight and I had great respect for him although I never met him. A call from Peter Drucker meant more to me than if our US President called. He asked “Would you come to Claremont [in California] and talk with me about various things?” I hopped aboard the first airplane the following morning. It was in the second half of the 1980s.

Peter is not only the father of modern management. He also is a major pioneer in the discipline of modern marketing. For more than 40 years, Peter had been explaining to managers that the centre of the company was its customers. Everything in the company should revolve around meeting and satisfying the needs of its customers. Creating customer value is the purpose of marketing.

I was influenced by four questions that Peter posed to companies:

- What is the primary business of your company?
- Who is your customer?
- What does your customer find value in?
- What should you make your primary business?

Later, of course, he added a fifth, coming from initially “What are you going to do about it?” which became “What is your plan?”

Each time Peter came face to face with one of the CEOs of a company such as P&G or Intel, he asked these questions. And CEOs testified that they achieved many insights in trying to answer Peter’s questions. I put similar questions to many companies I consult.

Peter’s books and remarks are full of appropriate sayings about marketing and customers. I would like to mention some of them along with what they imply.

For example, he said: “the purpose of a business is to create a customer.” This statement was in direct opposition to the view of most

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managers in those days that the purpose of a business is to create profit. For Peter, this view of managers is an empty theory that lacks the important idea of how to create profit. It is to create customers. To create customers, a company has to provide higher value (benefits minus costs) than its competitors. The only source of profit is customers.

Peter also said: “Business has only two basic functions – innovation and marketing; all the rest are costs.” While being fully aware that all business functions are necessary and make a contribution, he singled out these two functions. Innovation means that companies cannot stand still when technologies and consumers’ tastes are changing. And marketing needs to be strong if customers are to learn about the product and to know its features and price and locations. A company cannot be successful if it is strong only in innovation or in marketing but not in both.

He also clarified the difference between marketing and sales. He stunned managers by saying that “the purpose of marketing is to make selling unnecessary”. He thought that it was important to understand customers’ needs deeply and create products that customers line up to buy without any sales prompting.

Peter criticized companies that first designed a product such as a car and only afterwards tried to decide who it is for and what to say about it. It makes more sense for the company to start with a full concept of the customer target and the product’s purpose and then design the car to meet and satisfy that customer target.

Back to Peter’s phone call and my flight to meet Peter Drucker in Claremont, California. Peter picked me up at the airport, and we went straight to Claremont Graduate University, where he taught. He was a professor of art as well as of management. The university gave Peter a private gallery where he stored his collection of Japanese folding screens and hanging scrolls.

Peter opened and unfolded one hanging scroll after another. Appreciating them, we talked about each work of art. The hours passed quickly. We discussed the fact that Japanese people have a different way to interpret and evaluate art. They like “sabi” a quiet quality that a work of art might have. They like “wabi” a feeling that the work of art had

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earned a history and experience. Japan's sense of beauty is quite different from Western standards. Peter and I then left the gallery and lunched at a nearby restaurant.

Peter then invited me to his home. I met Peter's wife Doris, who is trained as a physicist and who was a wonderful tennis player and then in her nineties. She greeted me with a smile. I was surprised by the modesty of their home. I was even more surprised to think that Peter had entertained top executives coming from many world-famous companies in their not-so-large living room. There was probably no need for Peter and Doris to show off.

On the evening of that day, Peter took me to a recording studio near his home. Peter was doing research on NPOs (nonprofit organizations) as I was. In the quiet recording studio, he asked me to speak about, how marketing can help leaders of nonprofit organizations improve their performance.

Peter's questions ranged over various topics and were stimulating. His questions about museums and orchestras provoked me to undertake more research into these cultural institutions. Peter summarized our Claremont discussion about nonprofit organizations in his book *Managing the Nonprofit Organization* published in 1990.

When the Peter F. Drucker Foundation for Nonprofit Management was established in 1990, I was invited to become a member of its advisory board. The foundation was set up to help NPOs learn from other NPOs and from managers and scholars to improve their NPO. I attended several annual meetings of the board and made presentations on how nonprofit organizations can develop exciting, creative solutions to social problems.

Peter and I exchanged letters from time to time. What impressed me was that Peter always wrote letters by hand. He used neither a typewriter nor a personal computer to do so. Of course, he may have used these appliances on other occasions, but he never used them for his private letters to me.

For a period, The Drucker Foundation operated under the name of the Leader to Leader Institute. More recently, Frances Hesselbein's board asked her to give the foundation her own name. I know that

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she did this under pressure. Peter was at first also unwilling to set up a foundation with his name and finally agreed on the condition that his name be removed some years later. His modest character showed itself in such gestures.

Each time I met with Peter, I was stimulated by his overwhelming knowledge of history and his prescient insights into the future. I cannot imagine how he acquired his vast knowledge in such a wide variety of fields.

I think of Peter as a rare Renaissance man who is one of the most remarkable persons that I have had the pleasure to know.

*From Philip Kotler, *My Adventures in Marketing* (unpublished)

About Philip Kotler

Philip Kotler is currently the S. C. Johnson Distinguished Professor of International Marketing at the Kellogg School of Management at Northwestern University. He is the author of over 58 marketing books, including *Marketing Management*, *Principles of Marketing*, *Kotler on Marketing: How to Create, Win, and Dominate Markets*, and *Marketing: From Products to Customers to the Human Spirit*.

Professor Kotler is the recipient of numerous awards including 23 honorary degrees and other honors. He was the first person to receive the “Leader in Marketing Thought” award from American Marketing Association. In a survey of 1,000 executives conducted in 25 countries about the Most Influential Business Writers/Management Gurus by *The Financial Times*, Kotler ranked fourth after Peter Drucker, Bill Gates, and Jack Welch.