

Was Peter Drucker wrong?

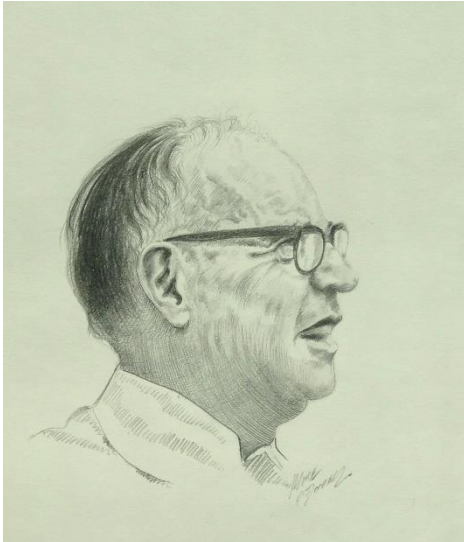


Illustration of Peter Drucker by © Mike O'Donnell

Drucker was one of the great thinkers about business, management, and society of the twentieth century. He is widely considered as one of the main founders of management as a professional practice and discipline.

We would do well to pay attention when Drucker says something consistently throughout his long life of thinking and writing about business.

Drucker always emphasised that the purpose of a business was customers.

What then does it say about CEOs, Top Management Teams, and Boards of Directors of companies who outsource large and important aspects of their purpose as business, *i.e.*, creating and attending to *their* customers, to others pursuing *their* own interests?

Are they saying, in effect, Drucker was wrong in what he said about the purpose of a business?

Because his words are simple, plain, and could slip by easily, it is worth reviewing what he says a few times:

“To know what a business is we have to start with its *purpose*. Its purpose must lie outside of the business itself. In fact, it must lie in society, since business enterprise is an organ of society. **There is only one valid definition of business purpose: to create a customer.**

It is the customer who determines what a business is. It is the customer alone whose willingness to pay for a good or for a service converts economic resources into wealth, things into goods.... What the customer thinks he or she is buying, what he or she considers value, is decisive - it determines what a business is, what it produces, and whether it will prosper.

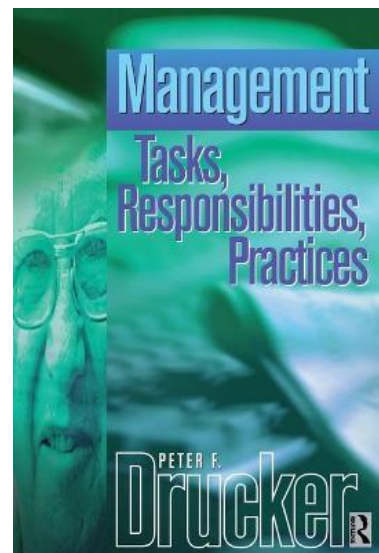
Customers are the foundation of a business and keep it in existence. They alone give employment. To supply the wants and needs of a customer, society entrusts wealth-producing resources to the business enterprise.”

It’s hard to disagree with that idea, is it not?

So what is going on when CEOs send *their* customers to others for minding?

Are other interests than the business at play - perhaps the quiet life, an inability for the job, or a lack of understanding? As Drucker illustrated the problem, using engineers as his example, outsourcing of customers may be due to a competence issue for companies in relating with customers:

“What the business thinks it produces is not a first importance - especially not to the



future of the business and to its success. The typical engineering definition of quality is something that is hard to do, is complicated, and costs a lot of money! But that isn't quality; its incompetence.”

If the CEOs first and foremost responsibility is not customers, *every day*, what is it? Hence, Boards of Directors could usefully ask of themselves, what they are doing when they not only allow and endorse such displacement of the core business function by the Executive and may, indeed, be even encouraging it? What kind of ‘leadership’ is this exemplifying??

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Source: Peter F. Drucker. *Management*. An abridged and revised version of *Management: Tasks, Responsibilities, Practises*. Pan Books, London, 1979, pages 56-57.

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