

**DRUCKER ON CARVING SUCCESS OUT  
OF THE CRISIS: THE THIRD QUESTION  
PETER DRUCKER WOULD HAVE ASKED  
YOU**



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**Note:** We celebrate this year the **100th birthday** of Peter Drucker.

Vasconcellos is a former Drucker student (at MBA and PhD level) and then he went with his endorsement to obtain a PhD at Columbia University.

During his professional life, Vasconcellos was distinguished with Peter Drucker's support, who endorsed some of his books.

This is the **fifth** of a series of articles on what would Drucker recommend to help emerge **stronger from** the present economic crisis.

The previous article started analyzing the third question that Drucker would have asked us to help us emerge stronger from the present economic crisis: *What is our **business** and what should it be?*

Or put in a slightly different way: *Are we doing today what will allow us to be successful tomorrow?*

Such a question must be addressed at *divisional* and *corporate* levels.

As discussed last month, the business, the mission, **at the division level** must be defined by a sentence that contains four elements: 1) the *product* (offered), 2) the *need* (served), 3) the (type of) *client*, and 4) the *location* (used).

For example, Dr. Scholl's foot powder division's mission is 1) the manufacture of lotions for 2) feet comfort, serving 3) all social classes in 4) the USA.

For Cunard Steamship, business is 1) boats acting as 2) floating hotels and recreational resorts for 3) the middle class of the 4) USA.

And so on.

Each company division has its own mission, which differs from those of other divisions, by one or more of **four** elements: a different *product* or/and *need* or/and *client* or/and *location*.

But then, there is also the need to define the mission at **corporate level** (for the whole company). And so, the question is: How to go about that? Which criteria to use?

### **Defining the business at corporate level**

**The first option** is the obvious one. To add all divisional mission statements into a single sentence, that refers to all products, all needs, all types of clients, and all locations.

Such a definition would be complete, but very long, thus making it extremely difficult to grasp the essence of the company's business: its core.

By focusing on the trees we would be losing sight of the forest. The whole would be hidden by the detail.

In a corporate business definition, more is less and less is more. As French mathematician and philosophy Blaise Pascal (and Mark Twain, and Oscar Wilde, and others) once wrote in a letter, "I apologize for the length of the letter, but I did not have enough time to make it shorter."

Remember, we are looking for a sentence that enables all employees to grasp what holds the company together, what they have in common, and the final goal shared by all, regardless of how different their day-to-day activities are.

**So, let's take a step back for a minute.** Our company's divisions may differ in their products, needs, clients, or/and locations, but they might have some of these elements in common, too. And what we are looking for is what is common across our whole company: the common thread. So the answer comes simple enough: the *element(s) that all divisions have in common should be used to define the business at corporate level.*

Take a company that serves several types of clients in distinct locations with various types of products from plastic bottles, to metal cans, to cardboard or corrugated containers. What is common, shared among all divisions? The need: packaging. Thus, the corporate mission statement: *packaging is our business.* And then, if there are just a few types of clients and locations served, we should add them to the sentence, as long as it does not become too cumbersome.

Gerber is an international company that makes toys, lotions, handkerchiefs, talcum powder, food, etc. So it has different locations, products, and (of course) needs (from entertainment, to hygiene, to health, to feeding). So what's common? The consumer. Thus the corporate mission: *Babies are our business.*

Beneteau is a French boatbuilder whose clients vary from fishermen, to professional sportsmen, to millionaires, to middle class consumers. And so, does the need: work, competition, status and leisure, respectively. Where is the common thread? In the product. Thus: *boats in France are our business.*

The brands of the French company Vendome include jewelry (Cartier), men's products (Alfred Dunhill), pens (Montblanc), watches (Piaget and Baume & Mercier), ties (Sulka) and others. What is common across the board? Yes, you are right. Vendome says: *We are in the luxury business.*

In short, a corporate mission should be defined by using the common element among all company divisions, be it the product (healthcare products for Johnson & Johnson), the need (financial information for Bloomberg) or – to stress the timelessness of defining the mission – the client (the American farmer for Sears Roebuck at the beginning of the last century).

The latter example stresses the timelessness of defining a company's mission, as further described by Drucker:

*“In the early 20th century Sears realized that the American farmer represented a separate and specific market. Separate because of his isolation, which made existing channels of distribution virtually inaccessible to him; distinct because of his specific needs, which, in important respects, were different from those of the city consumer. While the farmer's purchasing power was individually low, it represented tremendous, almost untapped, buying potential in the aggregate.*

*To reach the farmer, a new distribution channel had to be created. Merchandising had to be produced to answer his needs and wants. It had to be brought to him at low price, and with a guarantee of regular supply. He had to be given a warranty of reliability and honesty on the part of the supplier, since his physical isolation made it impossible for him to inspect merchandise before delivery or to obtain redress if cheated.”*

## Stressing five aspects

Consider the following **five aspects** in developing the corporate mission statement.

**First**, what if company divisions share **more than one** common element?

Well, we should use them all. Put them all in the mission statement, even when there is not a single product, client, or need shared by all divisions, but two or three that encompass all divisions. As long as they are few (products, clients, etc.) so that the sentence can be short enough to allow the underlying company's core of unity to be grasped.

So Saab's corporate mission is to be an *above-average quality car manufacturer for the middle and upper middle classes (social classes A and B) in the USA and Europe.*

And Caja de Madrid, one of Iberia's largest banks has the mission of offering *banking for financial services in Iberia for the working classes and lower middle class (social classes C<sub>1</sub>, C<sub>2</sub>, and D; thus excluding social classes A, B, and E) from just married on (excluding singles, but including all later life cycles until retirees).*

But then (**second**) we may ask: How does the business definition illustrate the degree of **synergy** present at the corporation level?

The answer is straightforward: synergy is at its maximum when three of the four elements (*the product or/and the client or/and the need or/and the location*) are common across all company divisions, and decrease when just one or two are shared by all divisions.

**Third**, the *department* in which synergy occurs, depends upon what is kept constant.

When it is the *need* or (the type of) *client* which is common and constant among divisions, then synergy exists in the *marketing* department: in the distribution channels, sales force advertising, and sales promotion.

When the *product* is common, synergy occurs in the *production* department.

And when *location* is the common element, then synergy occurs in the *human resources department* (same labor laws, etc.), *accounting* (same standards, etc.), and *finance* (shared contacts with the financial institutions, etc.).

**Fourth**, the mission must be periodically **reevaluated**. With time, old markets become less attractive, new opportunities arise and technology changes.

Casio introduced a product (watches) to satisfy a need (low cost time information). It then started adding functions to its watches: a calculator, databank, GPS, compass, altimeter, digital camera, audio player; everything technology allowed. So its business changed from *wrist watches* to *wrist technology*.

**Finally**, what if there is not one, not even a few, products and clients and needs and location common across a company? **None. Nothing.**

Then, there is no global company mission, and the corporation is a *conglomerate*. At best it will have several corporate sub-missions, each encompassing several divisions. The greater the number of these sub-missions, the more diverse the company is and therefore the lower its overall level of synergy.

**Defining** the business **at divisional level** is done through a sentence using the 1) *product* + 2) *client* + 3) *need* + 4) *location*.

And at the **corporate level** through a sentence centered in the common element(s) across all divisions, be it product, the need, etc.

The **advantage** of both (corporate and division missions) are the same, and each reinforces the other. We provide everyone in the organization with a common understanding of the path, thus moving all towards concentration of efforts and performance.

Stones well linked make a house, apart they are a ruin. Or, as ancient Greek mathematician Archimedes put it: “*Give me a place to stand, and I will move the earth.*”

But for that, managers must convert the organization mission statements (both at corporate and divisional level) into **specifics**: “*Only specific mission statements tell the rank and file what they need to contribute for the organization to reach its objectives*” (Drucker).

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**Next month:** Drucker’s **fourth** question: Since our *back office* is the *front office* of other companies, how will we take advantage of that fact?

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