PERSONNEL NOTEBOOK
For Your Most Important Resource — The Human Resource
Prepared By:

Human Resource Associates

TIMELESS ADVICE FROM DRUCKER

Part III

In our previous two issues on this subject we reviewed the life and counsel of management icon Peter Drucker. So far we have included his advice to managers and business people on such subjects as:

- Management
- Leadership
- Profits
- Nonprofits
- Performance
- Feedback
- Shrinking Workforce
- Communications
- Compensation
- Family Businesses
- Social Responsibility

Here in part three is our final visit with Drucker, and we will see what he has to say on the following subjects.

Qualities of a Leader

"Leadership is the lifting of a man's vision to higher sights."

The leader who focuses on himself is going to mislead. The three most charismatic leaders of the 20th century inflicted more suffering on the human race than almost any trio in history: Hitler, Stalin, and Mao Tse-tung. What matters is not the leader's charisma because leadership is not just having a magnetic personality — that can just as well be demagoguery. It is not making friends and influencing people — that is just flattery. Leadership is the lifting of someone's vision to higher sights.

The groundwork for that kind of leadership is a management that every day confirms strict principles of conduct and responsibility, high standards of performance, and respect for the individual and his work.

The Four Competencies of a Leader

"Keep your eye on the task, not on yourself. The task matters and you are the servant."

All leaders should possess the following four competencies:

1. **Listener:** The willingness, ability, and self-discipline to concentrate on hearing what is being said. Listening

is not a skill; it is a discipline, and anybody can do it. All you have to do is keep your mouth shut and focus on what is being said.
2. **Communicator:** The willingness to convey feeling or thoughts in a way that is clearly understood. This requires infinite patience.
3. **Responsibility:** The willingness to say, “This doesn’t work as well as it should. Let’s take it back and reengineer it.”
4. **Focus:** The willingness to understand how unimportant you are in comparison to the task. Leaders subordinate themselves to the task.

A Scorecard for Executives

“The executive is measured differently from the manager. It’s not about management performance; it’s about business performance.”

Most of any organization’s success today is because of the performance of its management in years past. So, preparations for the future must a part of the accountabilities of today’s executive.

- **Performance in the use of capital:** Measure the return on investment against the return *expected* on the investment.
- **Strategy versus performance:** Was the right strategy determined? Did it produce the expected results? Were the best tactics enacted in support of that strategy?
- **Performance in people decisions:** Look for honest and accurate setting of goals and the measurement of the performance on those goals.
- **Performance in succession results:** Has the executive selected, developed, and prepared people for the expected and unexpected future openings.
- **Performance in innovation:** Has there been research and discovery of the trends, risks, and opportunities the organization must make for future survival and success?

Making People Decisions — Which People!

“If we didn’t spend four hours on placing a man and placing him right, we’d spend four hundred hours on cleaning up after our mistake.”

In most organizations, executives and managers are making immediate decisions on finance, production, and strategy but spending much more time on seemingly lesser decisions about people selection and people assignments. According to Drucker, that’s as it should be. Decisions about who to hire and who to assign are the most crucial decision an organization will make. If a company places the right people in the right places it will achieve the performance it wants.

Managing for the Short Term and Long Term

“There is a school of economics that erroneously implies that meeting the short-term goals is all that matters because they believe that the long-term goals will then take care of themselves.”

At some point each business must determine whether it is managing for the short or the long term. Most financial analysts believe that business can do both simultaneously. Successful business people know better. Of course everyone has to produce short-term results and produce them on time, but there will always be conflicts, requiring decisions between these two values. Some companies will bite the bullet and choose the long-term solution while others will

decide for the short-term results. This is not a disagreement between schools of economic thought, but more so, it is a decision about how these managers see the purpose of the company.

The Decision on Succession

"The most critical people decision, and the one hardest to undo, is the (issue of) succession to the top."

Every such decision is difficult because it's *always* a gamble. The only *test* of performance in the top position is *performance* in the top position. And there is very little preparation for it.

What not to do is pretty simple. Don't select a carbon copy of the outgoing CEO. When the outgoing CEO says, "I like Mary. She's just like me 30 years ago," that's a carbon copy and carbon copies are always weak.

Also be a little weary of the faithful assistant who for 16 years has been at the boss's side anticipating his or her every wish but has never made a decision alone. As a rule, people who are willing and able to make decisions just don't stay in the assistant role very long.

Drucker also says to stay away from the heir apparent, the anointed prince. In most cases that's someone who has managed to avoid being in the line of fire and has never been in a position where performance is essential and is measured, and where mistakes will show.

How then should the important decision of succession to the top be made? Look closely at the assignment; analyze the accountabilities. In this job, in this organization, what is going to be the biggest challenge over the next few years? Then look at the people and their performance. Match the need to the proven performance.

Benchmarking for Competitiveness

"Benchmarking assumes that being at least as good as the leader is a prerequisite to being competitive."

Benchmarking is a tool that helps a firm determine whether or not it is nationally or globally competitive. It takes the position that what one company can do another company can always do as well. "Best Performers" among competitors can be found in any industry. Organizations that do not use benchmarking may not know the full capabilities of the very products and services they offer or of the people they work with. Companies must try to meet those high standards or accept lower performance.

Five Rules for Successful Alliances

"Joint ventures and alliances tend to get into serious trouble when they succeed."

The failure rate of alliances is about the same as those of any start-up business. But alliances often fail even when they succeed because it often becomes apparent that the goals and objectives of the partners are not compatible. The problems can be anticipated and largely prevented if, before the alliance is completely formed, all parties follow these five rules:

1. Think through their individual objectives and the objectives of the "child."
2. Assure a complete understanding and agreement on just how the joint venture will be run.

3. Give careful consideration to who will manage the alliance.
4. Make special provisions in each organization to accommodate and manage the joint enterprise. Ideally, this would be entrusted to one senior executive.
5. Establish a process to resolve disagreements. The best way is to agree on an arbiter who is known and respected by all sides and whose decisions will be accepted as final.

Six Rules for Successful Acquisitions

"Acquisitions should be successful but few, in fact, are."

Acquisitions often fail because of disregard for the well-known and well-tested rules for successful acquisitions. The reasons for the predominance of failures are always the same:

1. The successful acquisition must be based on business strategy not financial strategy.
2. The successful acquisition must be based on what the acquirer contributes to the acquisition.
3. The two entities must share some common feature before the acquisition, such as products, markets, marketing, technology, or core competencies.
4. The acquirer must respect the business, products, customers, and values of the acquired company.
5. The acquirer must be prepared to provide top management to the acquired business within a fairly short period; no more than a year.
6. The successful acquisition must rapidly create visible opportunities for advancement for both the people in the acquiring business and the people in the acquired business.

Turbulent Times Ahead

"In turbulent times the first task of management is to make sure of the institution's capacity to survive a blow."

Turbulence by definition is irregular, nonlinear, and erratic. But its underlying causes can be analyzed, predicted, and managed. Be as involved in and as close as you need to be in your industry. Keep up with what's going on. Look for potential changes. Be curious and keep a sharp eye out for developing trends that could affect your organization.

Global changes can mean local changes. Be aware that you will not likely be the same company five years from now. Prepare for changes, especially those very sudden ones.

Bill Cook
Human Resource Associates
E-mail: hrahtl@consulthra.com