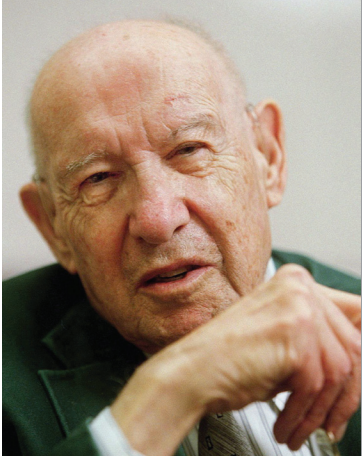


What Would Peter Drucker Do?

by Patrick Sweeney



Peter Drucker – arguably the most influential management thinker of the last century – was widely known for teaching that the best leaders ask the right questions. Following in his footsteps, two chief financial officers discuss how they apply Drucker’s techniques to solving their current business issues.

Peter Drucker, the management consultant and author widely credited with inventing the discipline of management, had an insatiable curiosity and an uncanny ability to ask questions that got to the heart of the matter. His messages focused on self-discovery, which he viewed as an introspective and creative journey required of every leader.

As Drucker frequently noted in his books, articles and lectures, the best leaders ask the right questions. And the right questions don’t change as often as the answers do. Leaders from author Jim Collins to legendary General Electric Corp. chief executive Jack Welch each said that a day they spent with Drucker was the most memorable day they’d ever had.

Welch recalled Drucker questioning him: “If you weren’t in this business today, would you invest the resources to enter it?” Delving into that with Drucker led Welch to issue his famous edict that each of GE’s businesses had to be number one or number two in its market or the manager would have to sell it or close it.

Winston Churchill described Drucker as a guiding light who makes us think. A question

as deceptively simple as, “Who is your customer?” when asked at the right time can cause an executive to reevaluate his or her strategy.

Born at the beginning of the last century, Drucker trained as a journalist, received his doctorate in public and international law, and taught at Claremont Graduate University, which was renamed in his honor in 1987. He became a highly sought-after consultant when his book *Concept of the Corporation* became an international best-seller. He subsequently authored 39 books.

Drucker emphasized two things—asking and listening. And though he passed away in 2005, his lessons and questions resonate still with corporate executives. Michael McLamb, executive vice president and chief financial officer of boating and yachting retailer MarineMax Inc., based in Clearwater, Fla., says that in his experience CFOs tend to lead by asking questions. He emphasizes, however, that while questioning is important, “You want to make sure your questions are asked in a way that is open, curious, and provokes exploration and keeps the ideas flowing.”

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He says that questioning “should foster creativity, not shoot it down.” McLamb says he often finds that “what may sound like a crazy idea can be tweaked so that a slight derivation of it can be a really good thing for the company. When people say ‘no’ to an idea too quickly, the entire room gets shut down. And the next time you are in a meeting, ideas are less likely to be offered and considered.”

McLamb also believes that CFOs, in general, ask more questions, “to make sure that we understand something completely and to make sure that the individual making the suggestion understands the ramifications and has thoroughly thought through what they are proposing.”

Bill Anderson, CFO of Boston-based diamond company Hearts On Fire, says that “to be an effective CFO, you’ve got to listen at least 50 percent of the time. It is important to understand everyone’s point of view.” The rest of the time, he says, the CFO should be asking questions. “To thrive in the business world requires the perspective of every key voice. Any business run strictly by finance would be stifled.” So, he adds, CFOs need to understand the different lenses that others peer through and try to help everyone arrive at the best solution – not the compromise solution, because the compromise is rarely the best solution.

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Questions that should be asked, says Anderson, include: “Which solution best meets the needs of the business opportunity?” “Are we still maintaining the integrity of the brand?” “Are we being financially responsible?” “Have we minimized the risks, and maximized the opportunity?”



CFO as Decision-makers

How do CFOs help other decision-makers at the executive table to consider the right questions? How can they promote debate about an idea, or an idea that might be derived from that idea? How can they question a half-baked idea while still encouraging innovation?

McLamb says his questioning “usually stems from an in-depth understanding of our company, as well as of our brand, our culture, our capabilities, our competition, the marketplace and our clients’ needs.” Then, he says, in weighing the pros and cons of an idea, his questions will focus on “understanding the implications of the idea for myself, as well as clarifying for others whether this is an idea that we want to put on the fast track or one that needs further refinement.”

Through questions, CFOs try to provide a solid understanding for themselves and everyone else of the core issues that need to be considered.

McLamb, who has been with MarineMax for 13 years, attributes his questioning approach to his background in public accounting, having been with Arthur Anderson nearly 10 years. “It was a great education to be involved with so many different types of clients and experiences. I learned an enormous amount from senior executives with differing philosophies, styles and cultures, who were making decisions that sometimes helped their companies grow and sometimes made mistakes that had to be quickly corrected.”

Beyond his education and experience, McLamb believes his questions are also keenly influenced by his predominantly thorough nature. The trajectory of his questions is the result of a need to understand the nuances, hidden concerns, and possible potential of a new idea. Through his questions, he says, he is also seeking to understand how a new idea could integrate with the company’s current offerings. “Sometimes literally just walking through a procedure can shed some light on how to improve or enhance an idea,” he adds.

“In our business, we carry premium brands of boats, and we have to be very disciplined about any new brands we bring on. One of our core philosophies is not to take on directly competitive products,” he says. So, he adds, “there is always questioning around making sure that a new brand would not, in any way, eat away at our market share for the other premium brands we carry.”

Especially during the economic downturn, he says, his company has had many manufacturers knocking on its doors. The process for a potential new brand is to “run the decision through our brand funnel to make sure it reflects the quality for which we’ve become known. Is it well supported by the manufacturer? Does it compete with one of our current brands? If it is in a gray area, how do we weigh our decision?” McLamb asks. Pausing, he adds, “At such junctures, it is important that the right questions are asked.”

Hearts On Fire’s Anderson says the last thing he wants to do is throw water on an idea that may have some merit. At the same time, “I have to ask some important questions to make sure that if we are going to run with a new idea and seize the moment that we have a clear understanding of what is needed to incorporate the idea into our game plan.” He adds, “have we thoroughly considered and weighed the risks? Are we set up to deliver?”

While he encourages input from others and is open to new ideas, Anderson also has a structured side, so he needs to know that all bases have been covered and all the details have been thought through before he agrees to move forward on new ideas.

One of the most important decisions Hearts On Fire has been weighing is entering the China market. As a fast-growing luxury market company, it has been preparing for the past seven years and is poised to start doing business in China this year, Anderson says. Seizing that opportunity took getting the right answers to many questions. It was clear, “that we needed to be in China. It was just a matter of how and when.”

In its nearly seven years in existence, the company opened six Hearts On Fire stores in Taiwan, during which time Anderson says, “we learned as much as we could about how to succeed in that region of the world.” The firm also opened a regional headquarters in Hong Kong.

By doing so, Anderson says senior management “has been able to answer many of the questions that were holding us back, so there are fewer unknowns. In China, diamonds are becoming even more precious than gold as a display and celebration of wealth. Now is the right time for us to seize this opportunity.”

He concedes going forward there will still be many questions, but “we are ready for them—because we have carefully prepared for and answered the fundamental questions.”

Anderson also encouraged Hearts On Fire’s Founder and CEO, Glenn Rothman, and President, Mark Israel, to consider other questions before entering China. Among those: “What will the business structure be?” “Do we have the resources to support that business structure?” “Will this focus take away from our other ventures?” “What are the border issues?” “Where will significant financial transactions take place?” “Do we sell into China or invest in our Chinese operations?” “How do we protect the integrity of our brand?”

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Asking the Right Questions

Generally, CFOs question ideas to probe further, to make sure that everything comes together so that they, and others in senior management roles, are assured of when is the right time to seize a new opportunity.

McLamb underscores that in addition to being thorough and curious, one of the most important characteristics a CFO needs is the ability and desire to collaborate—something, he says, that he's learned over the years. "The initial response of someone with a financial background is to be conservative and to respond with a dozen reasons not to pursue an opportunity. But as I grew into the position, I began to understand that there are many ideas that come along—and you've got to work those ideas and understand what's being proposed and look for a solution rather than look for a way to stop something."

In addition, he adds, "When there is a proposition on the table that can have a significant impact on the company, or certainly has a significant price tag, it is the CFO's role to really get comfortable with that idea. Should the idea be pursued? Or dropped?" Nine times out of ten, he says, by asking questions the group comes to a better conclusion.

Drucker encouraged his followers to ask questions, though to not look for answers the way they were taught in school. "Schools are

organized on the assumption that there is only one right way to learn and that it is the same way for everybody," he wrote in *Managing Oneself*. But, there is not one right answer. Life is not a multiple choice test. (It's more about filling in the blanks.)

Most importantly, Drucker writes, what is really most important is to ask the right questions at the right time. The right answers will follow. The best CFOs have come to know this intuitively.

A final thought from Drucker:
"Don't believe assumptions. Keep asking questions. And don't settle for anything less than the best possible answers." Any questions now?

Patrick Sweeney is president of Caliper, a talent management consulting firm entering its 50th year of helping companies hire and develop top performers.