

**Decision making in a time of
crisis: Drucker's
recommendations**

Abstract

Purpose – This paper focuses on Drucker’s approach to decision making in a time of crisis.

Design/Methodology/Approach - A review of Drucker’s work over the last half century, identified Drucker’s four basic concerns in crisis decision making.

Findings – Those four key areas are: 1) Planned *abandonment* (yesterday’s activities); 2) *analyzing the client*: who’s the client?; what is value for him[1]; where is her [1]?; and which of his needs are not satisfied?; 3) redefining the *business mission*; and 4) taking advantage that one’s company *back-office* is another’s *front office*.

Originality/Value – Crisis are testing times when decision making makes the difference between organizational decay and coming stronger out of the crisis.

Keywords – Decision making crisis; planned abandonment; client analysis; business definition; and outsourcing/subcontracting.

Paper type – Conceptual

1. Introduction

We are presently undergoing the greatest crisis since the great depression: every day new companies fail, more jobs are lost, and governments are forced to intervene.

Drucker always saw crisis as great opportunities. Indeed, he went a step further, stating that there are no risks, only opportunities (Drucker, 1973).

Much in the same sense as the Chinese do not have a word for crisis, and so when they want to convey the concept of crisis, they write two symbols: one for risk and the other for opportunity.



Indeed, doing nothing (or not enough) in a time of crisis may sink companies. But a crisis is also a time when – precisely because of the perceived risk – **all stakeholders** (employees, suppliers, shareholders, the government) are more willing to do what in other circumstances they would resist to. And to go the extra mile. There lies the opportunity. Thus change and even crisis, can become opportunities (Drucker, 1986).

In order to transform the risk into an opportunity, Drucker stresses the importance of decision making in four areas: the first related to *past*. The second focused on the *present*. The third on the *future*. And the fourth evolving around how a company should *(re)organize itself*.

2. The first decision: managing the past

Drucker would start by asking:

“If we were to decide now, would we still enter the businesses we are in today? And if not, what are we going to do about it?” (Drucker, 1992 and 1999).

Such a question has to do with withdrawal from some business areas in order to concentrate (or enter into) others. In Drucker’s words: “The first step in a growth strategy is to decide what to divest.” (Drucker, 1992).

The example of Intel

When Andy Grove assumed control of Intel in 1986, it was losing 173 million dollars a year.

Faced with that crisis, Grove asked himself the question: “if the board had not picked me from the ranks, but someone from outside, what would that person do?” (Tedlow, 2006)

And the answer came straight: he/she would get out of the **PC memories**, where the Japanese were over competitive in price. And move to... where demand was growing, the Japanese were still absent and Intel could create an (almost) irreversible first move advantage: **microprocessors**.

So Grove shunned away from building a larger factory (as many insisted). Because, either the Japanese would still dominate in price, or Intel would end up in a dog fight over a negative spiral of prices.

The path was clear: to avoid competing in a negative sum game of a product which had become a “**commodity**” (memories) and to move into a “**specialty**” (microprocessors) that Intel was extremely capable of supplying well and with an ever growing demand.

Notice that the question had been in the air for years. And that meanwhile Intel hesitated, it was losing money, year after year. But, when finally the decision of withdrawal was made and Intel embraced heartily that strategic shift, in a few years its sales grew 51% to 1.9 billion dollars; profits achieved a record of 248 million dollars; and market capitalization augmented from less than two billion to 3.3 billion dollars.

Another example ...

There is this company... which was in the discount market and losing money year after year. So when it went into chapter eleven, it asked itself a very simple question: in which department was it making money?

And the answer was, not in furniture, not in hardware, neither in home textiles, nor in gardening, and so on, but in ... toys.

So the company restructured, dropped all other products, decided to concentrate in toys and became a huge success. **The name? Toy’s R Us.**

A few years later Wal-Mart – with its huge economies of scale – decided to enter the (low end of the) toys market and became a direct competitor.

What did Toy’s R Us do? It simply shifted to Babies’ R Us, specializing in clothes and room furniture for babies[2], where it did very well and until its success attracted a swarm of competitors.

Again, what did the company do? Fight an exhausting price war? No, it performed another withdrawal and soon after it sold to KKR.

The value of these three withdrawals? First: from the discount market to toys. Second: from toys to babies (clothes and furniture). And finally third: away from this market?: six billion and six hundred dollars, was the price paid by KKR.

The decision when to withdraw

Military strategists have for long known that “those who defend all, defend nothing”(Marshall Foch), but the question is when/where to withdraw.

The basic point is that one does not need to be losing money in order to be advisable to perform a withdrawal.

Because, even when making money an organization will have an opportunity cost in holding on to its underperforming yesterday activities, in Drucker’s (1973) words.

So, what are the criteria to divest?

Three different criteria have been advanced.

First, according to the well known BCG matrix, dog (low growth, low market share – not necessarily with losses) should be discontinued to invest in question marks (low share, high growth businesses); in order to build market share (with lower prices, higher promotion, improved product versions); and thus transform the business into stars (high share, high growth); under the certainty that in due time the business will mature and thus becoming a cash cow (high share, low growth) – see figure 1.

Insert figure 1

Jack Welch at the helm of General Electric (Welch, 2001), followed Drucker’s advise to abandon all businesses which were not number one or number two (in terms of market share). The reason being that share leaders can generally command such high premium prices (due to greater visibility, besides image), as well as reap other advantages such as larger control of the distribution channels, higher resources for price and promotion wars, etc., that their advantage creates a perpetual self-reinforcing cycle. Success becomes a self fulfilling prophecy, with nothing succeeding as success.

The third rule to withdraw is based on Aaker’s (1988) examination matrix (figure 2), and where all businesses falling in the “boot” area (low end corner) should be disinvested. Since they are undercompetitive and fall into underattractive market segments, or either or.

In any case, the opportunity cost of maintaining them is great. Because “strategy is to apply scarce resources to greatest opportunities”(Drucker, 2002).

Insert figure 2

A contingency theory

Given these three rules, which should be followed?

One must first recognize that the sternest of all three rules is to divest all businesses which are not number one or two in their markets.

Then the evaluation matrix is generally stringer than the BCG matrix since it forces 1/3 of the company's business units to be placed in the lower line, where their only chance of avoiding divestiture is if they fall under the first column (that is, they have a clear competitive edge over competition).

So, the criteria of divesting all businesses, except those which are number one or two, should only be used when:

1st – there is both stability in the past (in the terms of market share rankings) and no perspective that that will change in the future, (due to technological changes, regulatory alterations, etc.); and

2nd - between the market shares of the numbers one and two businesses, on one hand, and that of the competitors, on the other, there are great differences (Drucker, 1973).

That is, the case of cell one in figure 3.

If however, only the first condition applies, but not the second (that is, if market share differences are small), then, it is better to use a “softer” criteria, namely that of the BCG matrix (cell two in figure 3).

Insert figure 3

In the case that there is neither past nor forecasted market share stability, then it is more prudent to use the evaluation matrix method of Aaker (1988), which is a more thorough (figure 2) method of analysis (cells three and four in figure 3).

In any case, divestiture is an option that should be analysed periodically, every two years at least, by every company (Drucker, 1980).

So, it is not only something to be dealt with in times of heavy losses, but as part of a growth strategy. Indeed, to decide what to divest should be the first step in any growth strategy.

But most specially in times of crisis, to analyze what to discontinue is exceedingly important (Drucker 1995 and 1999). Because resources are scarcer (credit, profits, etc.). Resistance to change (from within) lower. And the consequences of doing nothing (in terms of results) greater. In any case, planned abandonment regards abandoning the past in favour of both the present and the future.

Let us now turn to analyse sequentially each of these: the present and the future.

3. Managing the present: the client analysis

The purpose of a business is to create a client (Drucker, 1954).

There follows the question on how best to use our present client base? And that requires defining four elements (Drucker, 1973)

First: **Who** is our client?

Second: **Where** is our client?

Third: What is **value** for our client?

Fourth: Which **needs** of its needs **are not presently satisfied**?

These four elements are fundamental in sharpening an organization's competitiveness. Not only because it is easier to sell new products and satisfy new needs to existing clients, than to new ones. But also because by defining precisely who (and where) our client is, we stress all those (clients) outside the organization's present scope and which constitute potential opportunities.

Thus, when well answered, these four elements (of who, where, what's value and which needs are not satisfied) create both focus and opportunities. Since the latter go to the core of the company's operations.

Who is our client?

The question is seldom obvious and must be addressed with great care.

To start with, one must distinguish between client, consumer and customer. The first decides. The second uses. The third pays. Sometimes they are the same. Other times they are not (Drucker, 1973).

Tour operators are only one of the several types of clients in the tourism market. Companies (for events, conferences, etc.), families (direct reservations), businessmen passing by, etc. are other types. Tour operators decide and pay, and so they are both the client and the direct customer. But not the consumer. So if hotels and resorts focus exclusively on the consumers' satisfaction, they will never guarantee repeated purchases and brand loyalty. Because they are missing both the client and the customer: the tour operator.

Then clients can be defined in several ways. In industrial goods, clients vary in terms of size of the corporation; its industry; technology; ownership (private, multinational, central state administration, regional, local, ONG, cooperatives; and so on). And in consumer markets clients also differ in terms of:

- Age;
- Sex;
- Ethnic background;
- Political orientation;

- Lifestyles;
- And finally also social classes and the phase of lifecycle can be used.

In any case, by defining in precise terms who's presently buying from it, an organization force's itself to see the obvious. That is, who is outside its present sales scope and therefore constitute potential opportunities.

The university of Phoenix has 110 university campus geographically spread targeting working adults and offering evening and nights courses. It does not focus in young students.

Montepio, is a major Iberian bank. When it recognized that 80% of its turnover was coming from older families of social classes C₁, C₂ and D, it decided to launch both a marketing campaign and new products to attract younger customers, but in the same social classes (C₁, C₂ and D), for synergistic reasons.

Where is our client?

By that question is meant two things. First, where is he in geographical terms? And second, which points of sale/distribution, does he usually frequent?

Bancaja is a regional Spanish bank, just sixth in size and only with a dominant position around Valencia, in the southeast of Spain. So, what is a regional bank like this, doing in Shanghai? And Bombay? And what is the criteria, the link between other distinct locations as Dominican Republic, Ecuador, Turkey, Morocco, China and India? What is going on?

The answer is that many industrial companies around Valencia region are subcontracting ever more; some to China and India; other opt for Morocco and Turkey; and others still focus on the Ecuador and the Dominican Republic.

The fact that the regional Spanish companies have suppliers there, in those locations, constitute an opportunity for Bancaja: Spanish firms like to pay in 60/90 days; but suppliers do not like to wait so long and in any case they do not have a long enough relation with the Spanish companies to feel confident with these delays in payments.

So Bancaja jumps in. It pays immediately to supplier. Receives from the Spanish company 60/90 days later. And in between charges interests (and fees). And everybody is happy.

But then within the location variables, besides the geographical dimension, there are also the distribution channels.

When Pepsi Cola decided to focus on kids, it knew that they could not be found in supermarkets, but rather in small mom and pop grocery shops.

So it installed vending machines there and adapted its advertising with the adequate slogan (twice as much for a nickel) and proper radio spots.

L'eggs (the leading US hose manufacturer) answered to the question of where was its customer, by saying that mid class (B, C₁,C₂) and middle aged housewives could be found in supermarkets. So it created special displays by the cash register where it put its products, instead of using other traditional retail outlets.

What is value for our client?

In the industry of cloth cleaning detergents, most promotion campaigns stress: cleanness; and whiteness. *Tide* whitens clothes. *Cheer* leaves clothes whiter than white. *Bold* goes as far as to make them brilliant. And so on.

Faced with this, how did Unilever promote its *Surf* brand? As also leaving clothes whiter? Or more brilliant?

No. Unilever simply observed housewives taking clothes out of the washing machines and then noticed something totally unexpected, as most housewives did not even look at the clothes. But they almost always smelled the clothes, to see if the clothes smelled, fresh, new.

This constatation led Unilever to include a chemical component in its Surf brand, making it possess a unique characteristic, and which made Surf different from all other competitors: clothes smelled much and better. The housewives loved. Sales boomed and the market share of Surf skyrocket.

Toyota forklift trucks division in Japan. It came to the conclusion that, deep down, value for client, more than price, endurance, flexibility etc., was simply... the ability to work nonstop.

Because the opportunity cost of having a forklift truck stopped, in terms of workers hours wasted as well, as the halting of other machines, which could not get their work done, was very high.

So, Toyota came out with this service guarantee policy: Toyota guaranteed that it could dispatch a service car to any part of Japan within two hours.

And since then, Toyota's market share of this service hungry industry, has not stopped climbing. That was helped by the fact that at start competition could not easily match that level of service because of high fixed costs; and later when some competitors did match, Toyota already had first move advantage.

Which of our clients' needs are not satisfied?

Gerber uses this second question constantly both to 1) define its portfolio of products and then 2) to introduce small changes in each of them.

Since Gerber defined its business as babies (*babies are our business*), it has been broadening its portfolio offering to everything babies need, including:

- Toilet products (diapers, lotions, talcum powder, etc.)

- Hygiene items (soap, shampoos);
- Food and clothes;
- Toys; and
- Even insurance sold to the parents of newborns;
- Etc.

But then Gerber also continuously perform *small changes* in its products based on mothers input through the toll free line. For instance, mothers would call again and again to ask what to do with the (food) left overs.

Geber saw this as an opportunity to making smaller pots. It called the new model first foods and did not even have to decrease price proportionally. First foods was hailed as a great advance in markets.

In Synthesis

The power of the questions (Drucker, 1999) (which is value for our client; which of its needs are not satisfied; who is our client?; and where is he/she?) is fourfold:

- 1) Increased focus and client loyalty (fidelization);
- 2) New opportunities (new things for our company to do, even if they are not new to the entire market);
- 3) Real market innovations, that is, things totally new for the market;
- 4) And a new marketing, both in promotion and distribution.

4. Managing the future: What is our business and what should it be? Are we doing today what will allow us to have success tomorrow? (Drucker, 1973)

The answer is provided by a sentence, which must indicate our company's mission, its *raison d'être*, how it makes a living. That is, a short, simple phrase, capturing the essence of the position of the company in the market, such as *leisure is our business* (Yamaha); *toilet products* (Johnson & Johnson); *babies are our business* (Gerber); *foot comfort in the US* (Scholl); *boats in France* (Beneteau); and so on.

Regardless of how one defines a company's mission one must always distinguish between *divisional* level and *corporate* level missions.

Defining business at divisional level

At divisional level, a business/mission definition should incorporate four elements: 1) the product; 2) the need; 3) the (type of) client; and 4) the location.

The importance of including the **need** to be satisfied, besides the product serving that need, is illustrated by when Peter Drucker visited a company manufacturing glass bottles.

As the complete board of directors awaited him, Drucker entered, sat and asked calmly: "Well, gentlemen, what is your business?"

The answer came from the chairman of the board: "Mr. Drucker, our business is to make glass bottles".

Drucker then refuted, “I don’t agree. Your business is to make containers. That is the need. And this need can be satisfied by making glass or plastic bottles, cardboard or aluminum cartons or still cartons in other metals.

For the time being you have opted to satisfy the need for containers exclusively in the form of glass bottles. Which is fine. But by defining your business by the need, besides the product, you will keep a larger range of opportunities in mind (the manufacture of other types of containers); and you will also be constantly aware of the choice offered by your competitors (the manufacturers of other types of containers). So you have to enlarge your vision: both in terms of opportunities and competitors”.

In other words, a company’s business concerns also the need it sets out to satisfy and not only the product (Ansoff, 1967) it uses to satisfy this need.

Then, another important element in business definition is the indication of the type of **client** (Hanan, 1974)

In fact, since the needs in terms of hardware and software vary according to the client, large companies in the information technology sector have frequently opted to have a divisional organization chart *per client group*, distinguishing between households, professionals, small companies, research centers and medium and large institutions.

Still, within the latter, computer companies occasionally have specialized divisions in government and public administration, finance, retail, teaching, hotels and industry. For example, Tandy opted to focus its computers on three kinds of clients all having special needs: the professional, the small company and the domestic user. On the other hand, Cray Computers focuses on research centers.

Logica serves large institutions, through specialized internal divisions: public sector; finance; transportation industry; tourism; and so on. Other companies in the industry specialize in other types of clients.

Finally, there is a last dimension which is important to include in the definition of the mission: the **location** (Vasconcellos e Sá, 1999). Because, again a change in this dimension can cause an alteration in: the *competitors*, the *characteristics* the product must have, the *marketing* and the *opportunities* the company encounters.

The location and within it the geographical dimension, has been traditionally used by Japanese companies temporarily to avoid a certain type of competitor and choose the moment in which it will confront them. For example, when Japanese car manufacturers decided to venture into Europe they started by focusing in Finland and Switzerland at the beginning of the 1960s, then at the end of that decade on Benelux (Belgium, the Netherlands and Luxembourg) and Scandinavia. At the beginning of the 1970s they started focusing on Great Britain and only at the end of that decade did they venture strongly into France and Germany. They started their activity and little by little entered into Europe through the countries where the national car industry was nonexistent or weak.

So, the business definition of a company's division must contain the four elements of the 1) **product** plus 2) the **need** plus the 3) **client** plus the 4) **location**. These constitute the four sides of a strategic square which defines the boundaries within which the division develops its activities.

Thus, for example, Scholl's shoe division mission, is the manufacture of 1) shoes with emphasis on 2) comfort for 3) all social classes in 4) the United States.

Gerber has a division manufacturing 1) toys for 2) entertainment of 3) babies in 4) the whole world.

Timex?: 1) Low price 2) watches for 3) lower social classes 4) worldwide.

Beneteau?: 1) boats for 2) professional 3) fishermen in 4) France.

Holiday Inn?: 1) motels for 2) travelers of social classes B and C to 3) stay overnight in 4) the United States.

Rolex?: 1) watches which are 2) jewelry and status symbols for 3) the upper class 4) the whole world over.

Defining the business at corporate level

What we are looking for is what is common across our whole company, the common thread, the *element(s) that all divisions have in common can and should be used to define the business at corporate level.*

For instance, in the case of a company that serves several types of clients in distinct locations with various types of products from plastic bottles, to metal cans, to cardboards, what is common, shared among all divisions is 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, they can be added to the sentence, as long as it does not become too cumbersome.

Getting back to the example of Gerber, it makes toys, lotions, handkerchiefs, talcum powder, food, etc. and in several locations: USA, Europe, etc. So, since Geber has different locations, products and (of course) needs (from entertainment, to hygiene, to health, to feeding), what is left common is the consumer. and thus its corporate mission: *Babies are our business*.

Beneteau however, is a French company whose clients vary from fishermen, to professional sportsmen, to millionaires, to middle class. And so, does the need: work, competition, status and leisure, respectively. Therefore the common thread must be ground in the product: *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. Thus Vendome says: *we are in the luxury business*.

In short, a corporate mission should be defined by using the common element (Drucker, 1973) among all company divisions, be it the product (toilet products for Johnson & Johnson), the need (financial information for Bloomberg), etc..

Corporate mission and synergy

If one asks: how does the business definition illustrate the degree of synergy present at corporation level? The answer is straightforward: synergy is maximum when across all company divisions three of the four elements (*the product or/and the client or/and the need or/and the location*) are common. And decrease when just two or one are shared by all divisions.

And then, the *department* where synergy occurs depends upon what is kept constant (Vasconcellos e Sá, 1999).

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

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

And when what is common is *location*, 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.).

Finally, in the case that there is not one, not even a few, products and clients and needs and location common across a company, 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.

And so, the greater the number of these sub-missions, the more diverse the company is and therefore the lower its overall level of synergy.

In any case, the **advantage** of both (corporate and division missions) is 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 (Drucker, 1964); thus creating the future, which is the best way to predict it (Drucker, 1992).

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, 1973).

As such, defining the business/mission is not a task to be delegated, but that must be assumed by the leader. The first task of the leader is defining an organization mission clearly and visibly: to be the trumpet that sounds a clear sound.

5. Managing a company's vertical dimension (its internal organization):

While the first three Drucker's tenets respect the spread of a company's presence in the market (how large its portfolio should be), the 4th tenet, here, regards an organization's vertical, not horizontal axis: how the company should organize itself: what should be done internally? And what should be outsourced, subcontracted?

And for such a purpose the basic question is: since our back office is the front office of the other companies, how will we take advantage of that fact? (Drucker, 2002).

Well done outsourcing can bring four advantages: lower total costs; change from fixed into variable costs; higher quality (since what's subcontracted is the core business of the subcontractees); and finally it frees the subcontractor to focus on what is its core and create value to its customer. There are less distractions.

What is (and is not) new in subcontracting?

While subcontracting has been around for long, what's new is its intensity across the board in terms of number and type of organizations, the sort and destiny of functions subcontracted (Drucker 1980 and 1992).

The reason

There has been for long recognized that both vertical integration and outsourcing carry advantages: in the case of the former: lower transaction costs (time and effort), transportation and handling costs, brand image transfers and lower critical contingences (risk of underperformance by the subcontractor); and in the case of the latter: greater flexibility, know-how, economies of scale and experience (Drucker, 1993).

What has been happening is that in recent times the advantages of the latter have increased at the cost of the former due to both McLuhan's (1962) global village that is, trade liberalization in top of deregulation and global/homogeneous markets and the technological revolution (McLuhan, 1962; Dearnley and Feather, 2001). That is, faster, better and easier communications, transport and information.

So, the balance shifted towards greater outsourcing with functions spread across the world the so called transnational competition (Drucker, 1973 and 1980) and creating a new type of organization, called the transnational confederation (Drucker, 1992): a much smaller firm where control is technology and design based, not financial and the internal emphasis is on marketing, not manufacturing.

In this transnational confederation[3], all accessory/secondary functions (catering, hygiene, security, maintenancy, etc.) are totally outsourced, as most of the support departments such as accounting, information systems, human resources, etc.

The latter is the realm of business processing outsourcing one of the fastest growing industries in the world at an annual rate of 7% (Business Insights, 2008). Every task which is routine, repetitive, or can be transformed into so by technology, will be

released while maintaining internal, the exceptional, and of course, the decision making and control (Drucker, 1980).

Finally, in the main chain value (logistic, manufacturing, transport and marketing), the trend is towards subcontracting all logistics (to former transportation companies like Luis Simões and messenger services like UPS (Friedman, 2005), which have reinvented themselves as global logistic providers; outsourcing in marketing everything which is labor intensive (such as in-bound and out-bound call centers and other tasks such as expenditures control and incentive mapping of the sales force); and in manufacturing outsourcing all functions which are not the company's core competence and so can be released to others, freeing the organization to focus on the functions where it creates value for its clients (Drucker, 1992).

The reasons for vertical disintegration can vary: sometimes they are scale and experience effects, as happens with civil constructors releasing metal, wood and other operations to specialists. Other times it is the legal system which incentivate US footwear manufacturers to outsource dyeing, leather treatment and other polluting tasks to countries with laxer laws such as Brazil. Then of course, there are other reasons including raw materials, the climate, labour costs, the know-how, and so on (Drucker, 1968).

The implications

The main implications of transnational competition are twofold.

First, it makes size less relevant since smaller companies can now subcontract the operations where scale is important to larger players (and maintain internal those tasks where scale effects are small and market the product as always); or decide to become a specialized manufacturer concentrated solely on the low economies scale operations and so move upstream in the production chain: from a former total product manufacturer to now a parts/components supplier.

In any case, *“except for those believers in miracles, to become transnational, is the only rational strategy for any company striving for leadership in global markets”*(Drucker, 1980).

6. Conclusion

Charles Darwin noted that *“it is not the stronger or the larger who survive, but those more able to adapt”*.

So adaptation is key, specially in a crisis, when it is in fact more needed. And paradoxically also easier, since the instinct for survival decreases internal resistances.

And Drucker clearly indicated the path to follow in adapting an organization to its environment.

First, Drucker stressed the need to pretermite **yesterday's** activities in favour of tomorrow tasks. Planned abandonment is the key answer: if we were to decide now,

would we still enter the businesses we are in today? The reason being that to defend the past is a greater risk, than creating the future (Drucker 1992 and 1999).

Then the **present** must be also managed. Given that the purpose of a business is to create a client, who is he/she? Where is he/she? What's value and which of his/her needs are not satisfied, are four key questions, which must be addressed. (Drucker 1954 and 1973).

Third, the **future** dimension must also be tackled by addressing the question of what is and should be our business. Both at divisional and corporate level (Drucker 1973 and 1995).

And finally, there is the **internal** vector to any company, respecting to the tasks which 1) should be outsourced and 2) which will remain performed internally. Be they accessory (catering, security, etc.), support (accounting, finance, etc.), or main chain activities (manufacturing, marketing, etc.) (Drucker, 1999).

If in normal times these four questions must be periodically addressed, in times of crisis the pressure for action is even greater. As in ancient greek, *krisis* means time for decision, in a crisis the time for action is now. Because time, in crisis, transforms problems into emergencies.

And that is a special responsibility of top management simply because "*the spirit of an organization is created from the top. And so if it decays, it does so because the top rots. As the proverb has it: trees die from the top.*" (Drucker, 1973).

Notes:

1. In this paper whenever written him or her, please read him and her.
2. In those geographical areas, however, where Wal-Mart was not present, such as large parts of Europe, Toy's R Us saw no need to withdraw from the toys market and so its stores were divided in two areas: toys (R Us) and babies (R Us).
3. "The global economy and the nation-state", Peter F. Drucker, *Foreign Affairs*, 75th anniversary edition.

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