



# The Silent Revolution: Peter Drucker's Voice Still Resonates

*By Elizabeth Haas Edersheim*



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The industrial revolution was thunderous.  
You could hear the factories and trains;  
you could see cities transforming;  
you could even smell the changes in the  
smoky air. The industrial age is over.

The industrial revolution created 150 years of incredible progress in material comforts, as well as in scientific learnings and life spans. In the post-industrial age, the disciplines of reason, logic, and science were applied to every problem, from designing and producing computer chips to unpacking the structure of DNA.

Business has undergone a silent revolution. We no longer hear the hum of machinery. We can't look out our windows and see the catalysts for the opportunities that will change the way we and our children do business, get educated, and live our daily lives. The silent revolution is built with human assets. It's all about knowledge, information, and collaborative connections—the powerful new tools driving our future don't announce themselves with the clanking and sputtering of 19th century mills and factories, or the sprawling parking lots of 20th century malls.

But the impact of this silent revolution is far from quiet. The role of management at every level is amplified. We are navigating a new world that—far from being flat—is interconnected on every level. Distance often isn't important when services can arrive online in milliseconds; time has a new meaning when hours and minutes have become antiquated ways of measuring progress.

Consider this: 150 years ago, the largest manufacturer in the world employed 300 people. As I write this, Google is 8 years old, and it employs more than 6,000 people—and that number is growing by the hour. And Google doesn't manufacture or produce anything, at least by standards we used to use to measure businesses.

Or consider this: For most of our history, countries were the economic engines—they controlled the means of production and distribution. No longer. In 2005, 56 of the world's hundred largest economic entities are companies; only 44 are countries. Management's rapid ascension from an unacknowledged concept to a vital component of a working society is a compelling story. This story and the challenges are just beginning.

## NEW CHALLENGES FOR MANAGEMENT

Too many companies still use models that fit the Industrial age better than today's times. Stepping up to today's challenges means rethinking the most basic elements of management strategy and business conventions from the beginning to the end of the value-chain:

## Illustrations of Upended Business Conventions

	Historic Meaning	Meaning Since the Silent Revolution
<b>Management</b>	Command and control layers of supervisors	Knowledge-enriched self-managers all of whom influence the value chain
<b>Commodity</b>	Undifferentiated components or materials sold solely on price (as determined by the intersection of supply and demand)	A pejorative—treating the customer, the employee, the supplier and other partners, and knowledge as if they don't matter and are easily replaceable/interchangeable
<b>Middleman</b>	A section of conduit along the supply chain that facilitates the movement of product from the supplier to the customer (typically holding inventory)	A multitude of collaborative connections (e.g., a filter or interpreter that provides access via customer knowledge/expertise and an ability to direct the customer)
<b>Purpose Of Strategy</b>	To win or protect share from your competitors with sustainable competitive advantages	To define and fill new opportunities, or white spaces, to fit your growing capabilities and services, and to control the right of way customer by customer
<b>Role Of Top Management</b>	To protect and acquire assets in order to maintain or own a bigger piece of today's pie	To question assumed givens and create and invest in a new innovative theory of the business that is in concert with white space opportunities and that motivates and invigorates the internal organization and the external collaborators

## 21st CENTURY STRATEGY

Management's journey through this upended world is all about strategy in its most sophisticated form. In this journey, Peter F. Drucker remains the invaluable guide and compass. His forward-looking ideas on meaningful strategy resonate in the silent revolution. And Drucker has surprising ideas, even about what he considered "strategy." It is not about competing for a larger slice of pie. Rather, strategy is a recipe for creating an entirely new pie to fill a new white space. And during that creation, the recipe is constantly tested and refined.

Meg Whitman and E-Bay have a strategy that is different than that of any company born before 1995. E-Bay began by creating a marketplace, rather than by producing or handling or even servicing goods. They added a bank, Paypal. Then they added a communication device, Skype. Everything but the production of goods. As it happens, Microsoft tried this strategy but couldn't do it because of monopoly restrictions. But someone else will do it on a grand scale—and we should all be looking for the next E-Bay.

For the first time in history we are not captive to our history. There is no longer such a thing as business as usual. We have to imagine our future and act on it now by investing our best resources in our vision of tomorrow. That's Peter Drucker's notion of real strategy and sustainability.

Pierre Omidyar, founder of E-bay, began the company with a need and an imagination. The need came from a very personal mission. His fiancée collected Pez containers, so he wanted access to every available bit of Pez memorabilia. He imagined: an online person-to-person trading community where people of similar tastes could buy and sell collectables. That way, he could solve his Christmas-gift problem creatively. In 2005, 10 years after the company's birth, revenue exceeded \$4.5 billion. It went from a few Pez fanatics to over 180 million registered users, growing at 35% a year.

# Successful execution means bringing together the best resources for serving that white space, investing in your resources, and measuring and managing for results all the time.

And imagination is not limited to brand new ventures. When A.G. Lafley stepped in as chairman of P&G, he imagined a company that cared about the customer. The company's much-vaunted feminine care line, he argued, was neither feminine nor caring. He turned the focus on the customer, and eliminated many time-trusted traditions such as keeping all R&D internal. Jim Collins, author of *Good to Great*, noted that an outsider never could have turned P&G around as well or as fast as A.G. did. A.G. looked outside and imagined from the inside. That is the path to a 21st century strategy.

Still, imagination that weds the outside with the inside to define new opportunities for tomorrow, or white spaces, is only the first step. As Drucker constantly said, successful execution means bringing together the best resources for serving that white space, investing in your resources, and measuring and managing for results all the time.

The founders of ZipCar, Robin Chase and Antje Danielson noticed that the price and difficulty of parking hindered car ownership in cities. Rather than tinkering with the model of a car dealership, they defined a white space, an alternative to car ownership, a vehicle and parking spots painless for individuals to share. Their mission is to “transform urban transportation” by making car-sharing a mainstream service in America. And they figured the more cars they take off the road, the more good they will do.

The critical resources they pulled together included outfitting the cars with wireless technology so that the “key” or zipcard used would work for each temporary owner on every vehicle. Zipcar developed its own online wireless vehicle reservation and tracking systems that make the transaction almost effortless. They continued to invest to make it faster and smarter. Zipcar also went outside and used GE’s capital and leasing capabilities, while harnessing trend-shaping college communities for outreach programs.

Chase and Danielson measure their results beyond length of relationship and frequency of use. Over 30% of their customers no longer own their own car or have stopped their plans to purchase their own car. At the same time, they have attracted floods of input and ideas for how to improve and expand their service from customers, investors, officials, and almost everyone who drives. Zipcar has learned to listen when someone says, ‘Wouldn’t it be great if you did this?’” Definitely Drucker.

Drucker’s interrogative and practical approach still cuts to the quick of what really matters for an effective strategy.

Sue Lehmann saw a different kind of white space—a need for youth to be heard. The solution: creating opportunities to express themselves via an online community. Sue had spent much of her life helping foundations get started and transition to sustainable institutions, from Teach for America to New Visions for New York City’s Schools. She often saw frustration in youth’s inability to be heard.

She met with Pierre Omidyar, E-bay’s founder, and together, 4 years ago, launched YouthNOISE. YouthNOISE is an online community of young people (age 16 to 22)—from all over the world—working together to make noise about things they don’t like, take action on issues that matter to them, and make a difference in the lives of young people everywhere. Kids in Asia designed and operated the YouthNoise website. Worldwide, over 25,000 kids a day visit and share thoughts, as well as create and join causes on the site. The site provides toolkits for youth to create and serve a cause such as fighting AIDs with safe sex, supporting a hunger strike at Purdue University, highlighting the environmental damage of SUVs. YouthNOISE measures its performance by the number of youth causes successfully completed as defined by its founder. Definitely Drucker.

Drucker’s interrogative and practical approach still cuts to the quick of what really matters for an effective strategy. If anything has changed with the silent revolution, it’s the urgency and frequency with which management must ask and give full consideration to answers to the following:

- What unmet outside customer needs can and should my business meet and what results should I expect?
- What business innovations will meet these needs and/or create new needs and what must I let go of so that I can properly invest resources for tomorrow?
- What are the core capabilities that my organization brings to our value proposition and how do we design our front room to provide those capabilities, e.g., the right people, the right organization, the right tools and support?

- How do I best leverage other's front rooms for those non-critical activities that are part of my value-chain? How can I best collaborate with and integrate the inside to deliver true value to customers?
- How do I make sure that I am making decisions only about the few things that really require me to be the decision-maker, all other necessary decisions are properly delegated, and all decision-making is disciplined and becomes action, not just policy?

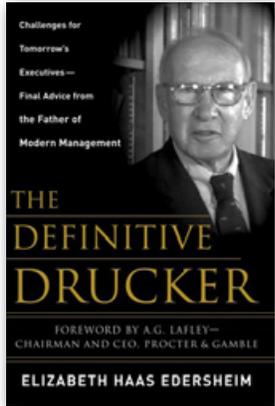
Addressing these questions and delivering those answers is strategy and the competitive edge.

When managers can be second-guessed by colleagues half a world away, they need to remember these three words: **Confidence is critical.** The best route to confidence is to continually challenge yourself.

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Amid all the change we see in companies, what hasn't changed is the genius of Peter F. Drucker's counsel to management. What matters is asking, observing, imagining tomorrow, and taking time to invest in people that can help you create that image. It is designing and building our future, while being pragmatic and ethical.

Definitely Drucker.



## BUY THE BOOK

For more details or to buy a copy of Elizabeth Haas Edersheim's *The Definitive Drucker*, [click here](#).

## ABOUT THE AUTHOR

Elizabeth Haas Edersheim is a strategic consultant who works both with Fortune 500 companies and private equity investors. Prior to founding her own firm, New York Consulting Partners, Edersheim was one of the first female partners at McKinsey & Company. Her previous book, *McKinsey's Marvin Bower*, illustrates the business life and ideals of the founder of McKinsey, her mentor, who was a close friend and peer of Dr. Drucker. Aside from her numerous publications, Dr. Haas Edersheim has provided expert testimony to the U. S. Congress on Industrial Networking and Industrial Manufacturing policy. She holds a Ph.D. in Operations Research and Industrial Engineering from the Massachusetts Institute of Technology.

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