Drucker’s Theory in the Insurance Business

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This session was presented in Japanese.

Peter F. Drucker (1909–2005) was a management consultant and sociologist, born in Austria. He is known as the “father of management” and has influenced the world of business and many business owners around the world. He had an extensive professional career and wrote many books.

I was fortunate to learn the teachings of Drucker, and I chose to pursue his theory, which helped me grow to where I am today, although I was just average when I got started. Today I want to share with you which of Drucker’s teachings influenced me and how I adopted them in my day-to-day activities of selling insurance.

Drucker said, “The purpose of business is to create a customer.” Business is a process of converting resources, called knowledge, into economic value in the market. The business must offer a product to a third party who has the option not to buy or to want to convert assets to have it.

The purpose of business is not to make a profit, but to create customers. Too many business owners misunderstand this and think that the purpose of business is to make a profit. Profit is the cost for the business to continue and a condition. It was painful to be reminded that my job was to create new customers.

The difference between strong performers and poor performers is not the difference in talent. The difference is whether you have a few habits of good attitude and basic methods or not.

This encouraged me to believe that even an average person like myself can perform because all it takes is a few, not many, good habits, and not a complicated application of methods, but basic methods. I felt I could learn those habits—not many habits, but just a few basic habits. It gave me confidence.

According to Drucker, every organization needs to perform in three major areas. They are: “direct results,” “building of values,” and “developing people for tomorrow.” If the organization fails to perform in all of these areas, the organization will “decay and die.”

Before learning his theory, I thought business was all about sales results and profit. But there were three more important areas. He said an organization will decay and die if these three areas are not present. I had an uneasy feeling when I came across this teaching. Ever since, I constantly ask myself, “What is the direct performance, the creation of value, and the development of people? And what must I do to accomplish them?” Asking these questions changed my attitude and how I plan my day.

In his book, The Effective Executive, Drucker lists five essential habits of the mind necessary to be an effective executive. They are:

1. Know thy time
2. Focus on contribution
3. Making strength productive
4. First things first
5. Effective decision-making

These are the only five habits we need to learn, and they seem reasonably accomplishable.

According to Drucker, “Effective executives do not start with their tasks. They start with their time.” Before learning Drucker’s theory, my goal was to fill my planner with appointments. It was almost a disadvantage not to have a planner full of appointments. But I learned that we need to
have a generous amount of time to get a good job done. For a car, time is gas. Without gas, your car will not move no matter how expensive the car may have been.

Analyze how you spend your time. If you want to be well organized, you need to know how much time you have to dedicate to an important job. That is “Know thy time.” Without time management, you never know how you spend your time and, therefore, cannot plan on how to spend your time. For a two-week period, I classified my time into 23 categories to understand how I actually spend my time. The result was amazing. It was completely different from what I thought. This was an inspiring surprise. So, I say to you, know thy time.

You must be constantly watching yourself to confirm that unproductive jobs are not encroaching on your other time. Time must be managed constantly. You must continuously keep a record of your time and organize your work regularly. To stay on track I keep a log of my time regularly to monitor how I spend my time.

According to Drucker, “The effective executive makes strength productive.” Man can overcome his weakness only by developing his strengths. Do you know your strengths? I asked the question of people I trust. You may want to ask the question of those you respect and trust.

Drucker said, “If there is any one ‘secret’ of effectiveness, it is concentration. Effective executives do first things first and they do one thing at a time.” Concentration means to start by identifying what is most important. The courage you need is to make the decision from the time and work perspective.

My concentration used to be the opposite. I wanted to get many things done at the same time and ended up with many things unfinished. The reason I was able to concentrate on business owner market was just this.

Those who succeed get rid of the old behavior before starting a new activity. Disposing of old behavior is extremely difficult. What I learned from discontinuing an old habit was that I should have made the decision sooner. All it takes is determination and courage.

Drucker said, “Because the purpose of business is to create a customer, the business enterprise has two—and only two—basic functions: marketing and innovation.” Only marketing and innovation will bring results.

Marketing must start with the need of customers. What do customers want to buy? Providing something that the customers feel has value is marketing. Customers will spend their money to have it and will have a sense of satisfaction.

Only marketing and innovation bring results. This inspired me to learn more about marketing and innovation. I started to think about my marketing strategies. What is innovation? I started to plan around these ideas.

**Takatsuka’s version of Key Strategies (4+1 Strategy)**

| Step 1 | Proactively listen and learn |
| Step 2 | Execute |
| Step 3 | Perform |
| Step 4 | Expand |

My goal is to become the key person for key persons. Feedback in every step is also important.

In May 1943 Peter Drucker gave a lecture at Bennington College (where he was a professor) entitled “Soren Kierkegaard: Or, How is Human Existence Possible?” Here is an excerpt:

The 19th century made every effort to strip death of its individual, unique and qualitative aspect. It made death an incident in vital statistics, measurable quantitatively, predictable according to the actuarial laws of probability. It tried to get around death by organizing away its consequences. This is the meaning of life insurance which promises to take the consequences out of death. Life insurance is perhaps the most representative institution of 19th century metaphysics; for its promise to “spread the risks” shows most clearly the nature of this attempt to make of death an incident in human life, instead of its termination.

People converted death to a biological state with numerical value. A group of people tried to solve the problem of death by restructuring the comprehensive outcome of events brought by death. This is life insurance. In other words, a promise to solve the problem that death may initiate. Life insurance is probably the most right-wing structure invented in the nineteenth century because the promise to diversify risk has converted the end of one’s life to a beginning of a new event, and clearly tried to teach the essence of the truth.

Drucker’s theory may sound a little difficult. But the reality is, you can break it down into manageable behaviors to execute, and it will help you grow one step at a time. Before you realize it, your efforts will generate results. We are fortunate to be in this intelligent business. I am hoping that one day our job will be a dream job for many children.