

THE PURPOSE OF BUSINESS

Adam Smith, father of modern economic theory, believed that the purpose of a business was to make money. Peter Drucker, long considered to be the foremost thinker on management, wrote in his book, *The Practice of Management*, that the purpose of business was to create customers. How could two profound thinkers differ so much in their view of business? Granted, Drucker did acknowledge profit as a test of a company's viability and an essential condition for a company's continued existence. Frankly, both of these thinkers' definitions leave me hungry.

If profit is the only motive, life is simple but not necessarily better. If I exist only for customers, where is my payoff? I like my definition better: *The purpose of a business is to create value*. For whom, you ask? You tell me. Value for the customer? Yes. Value for the owners and shareholders? Yes. Value for the larger community in which the company functions? Yes. Value for employees and other stakeholders? Yes. Implicit in all of these affirmative responses is equity, and equity is a powerful motivator.

If you begin a task with a simple objective, to create something of value, that seems to cover all bases. If it is valuable to the customer and not for you, it is not really something of value. If it is valuable to you, but no one else is willing to pay for it, it probably is not that valuable to you. Imagine what could happen if you began every project—and making a sales call is a project—with this attitude: "Let's create something of value here today." You and the customer would benefit.

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