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Did you know?

Fortune's list of most admired companies for 2002 lists General Electric number one and Southwest Airlines number two.

In This Issue

- True Wealth.
- Thanks Dean!!!
- The Functions of Business.

Services

- Strategic planning and facilitation
- Mergers and acquisitions
- Business valuations
- Business analysis
- Business plans
- Investments
- Investment strategies
- Financial planning
- Personnel assessments

By Gerald R. Chester, Ph. D.

True Wealth

Recently CNBC interviewed American-born Sir John Templeton, now 89 years old and a British citizen. Sir John has long been recognized as a leading investment advisor who helped to popularize global investing. In this interview, Sir John provided a definition of true wealth. True wealth, he said, is not money, but spiritual wealth. By spiritual wealth, I understand him to be talking about intangible assets such as values.

Recently, Mr. Clarke Williams, founder and chairman of CenturyTel, died at the age of 80. In a BusinessWire news story dated June 5th, CenturyTel's CEO, Mr. Glen Post, said "Mr. Williams spent his lifetime building a company that reflects his personal values," Post said. "His legacy is embodied in CenturyTel's unifying principles of fairness, honesty and integrity, com-

mitment to excellence, positive attitude, respect, faith and perseverance. These principles epitomized the way he lived his life and he expected every CenturyTel employee to embrace them, too..."

Just prior to the death of Mr. Williams, CNBC interviewed Mr. Post regarding CenturyTel's success over the past year in a very difficult telecom market. In fact, CenturyTel was touted by CNBC as being the leading telco from an investor's perspective.

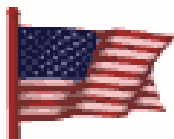
Could it be that the financial success enjoyed by CenturyTel is rooted in true riches? Could Mr. Williams's enduring values be the foundation and source out of which financial blessing came to CenturyTel? I think if Sir John were asked, he might say, with no uncertainty, —yes!!!

Thanks Dean!!!

Hopefully you noticed the new title block at the top of the page. Credit for this goes to Dean Stone a friend who took pity on me and created the new look. Dean captured my desire to provide gleanings that are a blessing to all. The dictionary provides two definitions for the term glean—to gather grain or other produce left by reapers, and to gather information or material bit by

bit. Both senses are true of what I am seeking to do. I have sought to be a good student of others who have researched the nature and characteristics of business. I have also sought to learn as I have worked with each client. Gleanings is the fruit of my study and practical experience working with dozens of companies over the years. I hope it blesses you.

The Functions of Business



Peter Drucker asserts that there are only two functions of business, marketing and innovation (**The Essential Drucker**, by Peter F. Drucker, HarperBusiness, 2001, pages 20-21). Marketing means developing a strategy for one's product and/or services that is so compelling that selling is superfluous. By marketing, Drucker means that business should be discovering the needs, realities and values of customers. Marketing is then the strategy for delivering compelling products and services that lineup with the needs, realities, and values of the customers. Many companies have developed products and services based on what the *company* wants to sell. Hence, most selling today is an effort to cajole customers to buy one's products and/or services. True marketing is so customer focused that the product or service offered by the company will sell itself. What companies offer such a value proposition? One great example of a company that has put Drucker's concept into action is Southwest Airlines. Southwest is perennially the low cost provider of air transportation services and the only airline that consistently makes a profit. Their marketing strategy is to compete with the automobile, which requires that they typically price their tickets below those of competing airlines. Because the value proposition of Southwest is so strong, they do not need to use travel agents, the traditional selling agents of the travel business, to sell their tickets. Tickets are bought over the phone and via the Internet. In fact, a growing percent of ticket sales are done through the Internet where the cost per ticket is pennies. At Southwest, marketing has turned selling into order taking, because the value proposition is so compelling. Why has this happened? Partial credit goes to Southwest for its clear strategic thinking and unwavering commitment to its plan. But part of the credit also goes to the other airlines who have adopted a posture of hubris that has blocked them from admitting that Southwest has a business model worth emulating.

Your comments and questions are invited!!!

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Since 1987, Dr. Gerald R. Chester has been providing business and financial advisory services to clients. After receiving his Ph.D. in physics, Gerald moved quickly from the research lab into management. From 1978 to 1985, he managed his family's business, which prospered while growing at an average annual rate of 20%. As a business and financial advisor, Gerald utilizes his rigorous technical education and hands-on management experience to serve his many clients with seasoned balanced judgment. His clients appreciate and value his experience and wisdom in both business and financial matters. Gerald's focus includes strategic planning, business analysis, business valuations, business plans, mergers and acquisitions, financial planning, investment strategies, investments, and personnel assessments. The Newsletter, *Gleanings*, is intended to provide a venue to share the insight and wisdom gained over the years working with dozens of businesses and organizations.

Gerald is a registered investment advisor.

