

## *The Lords of Strategy*

by Walter Kiechel III

### Notes on Sources (and a few corrections)

Preface: Three Common Beliefs to Be Discarded

vii: “The *Financial Times* would say of him...” Christopher Lorenz. “Legend behind the cash cow.” *Financial Times*, July 27, 1992.

viii: “But fewer than 4 percent...” The number comes from customer research done by Harvard Business Publishing, originally at the behest of then chief executive Linda Doyle

x: “those little shitboxes”: Recounted to me at the time by a Ford executive

xi: The Menand quotation is from Louis Menand. *The Metaphysical Club: A Story of Ideas in America*. (New York. Farrar, Straus and Giroux. Paperback edition, 2002.) From the Preface, page xi.

### Chapter 1: Strategy as a Case to Be Cracked

3: “The title that...” Andrew S. Grove *Only the Paranoid Survive: How to Exploit the Crisis Points That Challenge Every Company*. (New York. Doubleday. 1996.)

3: “Big league strategy consultants like Orit Gadiesh still describe their greatest intellectual thrill as “cracking the case’...” Here, as in the rest of the book, unless a written source is cited the reader should assume that the quotation comes from an interview with the source conducted by the author. All the interviews were recorded.

7. The first mention of a book that will figure large in our story...Thomas J. Peters and Robert H. Waterman Jr. *In Search of Excellence: Lessons from America’s Best-Run Companies*. (New York. Harper & Row. 1982.)

12: “The market for business books blasted off... and now marshals eight thousand new titles a year...” Bowker, the leading source of bibliographic statistics, keeps track.

12. “The number of MBA degrees...” The numbers come from the National Center for Education Statistics of the U.S. Department of Education, and include all master’s degrees in business.

## Chapter 2: Bruce Henderson Defines the Subject

13. “according to the firm’s official history of its early years...” Boston Consulting Group. “The First Ten Years—Remembered, or How BCG Became a Group.” (Oct. 1973.) Page 1.

14. “He was laid off after nine months, part of a cutback that Henderson later recalled...” This and much of what follows in the next few pages was taken from a lecture, “Thinking About Business,” that Henderson gave at Vanderbilt University in 1985, as part of the Owen Lecture Series. Blessedly for posterity it was videotaped, even if the exact date wasn’t recorded.

17. “As the first speaker at the 1992 memorial service would say of him...” See “A Service in Memory of Bruce Doolin Henderson.” (The Memorial Church. Harvard University. Dec. 11, 1992.)

18. “Alan Zakon...describes his first conversation with the man...” From the program recounting Henderson’s memorial service.

21. “Indeed, the first essay was a pared-down version of a 1963 article...” Seymour Tilles. “How to Evaluate Corporate Strategy.” *Harvard Business Review*. (July-August, 1963.)

22. “In the introduction to a 1984 collection...” Bruce D. Henderson. *Henderson on Corporate Strategy*. (Cambridge, Massachusetts. Abt Books. 1979.) In the Preface, page xi. (In the text I mistakenly describe this as a 1984 collection. The quote is also referred to in Carl W. Stern and George Stalk Jr. eds. *Perspectives on Strategy from The Boston Consulting Group*. (New York. John Wiley & Sons. 1984.)

24. “For the killer account of the shortcomings of strategy readers should consult...” Henry Mintzberg. *The Rise and Fall of Strategic Planning*. (London. FT Prentice Hall. 1994.)

25. “Harvard’s Pankaj Ghemawat notes...” in Pankaj Ghemawat et al. *Strategy and the Business Landscape*. (2<sup>nd</sup> ed. Upper Saddle River, New Jersey. Pearson Prentice Hall. 2006.) Page 3. He’s referring to Chester Barnard, *The Functions of the Executive* (1938. Reprint Cambridge, Mass. Harvard University Press, 1968.)

25. “In 1950, *Fortune*’s John McDonald...” John D. McDonald. *Strategy in Poker, Business, and War*. (New York. W.W. Norton. 1950. Reissued as a paperback by Norton in 1996.)
25. “In 1962, historian Alfred D. Chandler Jr. published...” Alfred D. Chandler Jr. *Strategy and Structure: Chapters in the history of the American industrial enterprise*. (1962. Anchor Books edition. Garden City, New York. 1966.) The definition of strategy is from page 16.
25. “The book would become the classic...” Alfred P. Sloan Jr. (edited by John McDonald with Catharine Stevens). *My Years with General Motors*. (1963. Anchor Books edition. Garden City, New York. 1972.)
25. “If Chandler’s definition was baggy and capacious, the notions introduced by Igor Ansoff...” H. Igor Ansoff. *Corporate Strategy: An Analytic Approach to Business Policy for Growth and Expansion*. (New York. McGraw-Hill. 1965.)
26. “Writing twenty years after the fact, Peter Drucker said...” Peter F. Drucker. *Managing for Results*. (1964. Harper Business paperback edition. New York. 1993.) In the Preface, page vii.
27. “The same holds true...” Peter F. Drucker *The Practice of Management*. (1954. Harper Business paperback edition. New York. 1993.)
- 28-30. “In his textbook *Strategy and the Business Landscape*, Ghemawat sketches a history ...” The discussion that follows and the quotations are drawn from pages 2 and 3 of Ghemawat’s textbook.
- 29-30. “They ‘are becoming the interchangeable of our society,’ Whyte observed...” William H. Whyte Jr. *The Organization Man*. (New York. Simon and Schuster. 1956.) Pages 394-95.

### Chapter 3: The Experience Curve Delivers a Shock

32. “Literature there was...” Winifred B. Hirschmann. “Profit from the Learning Curve.” *Harvard Business Review*. (Jan.-Feb. 1964). The different names cited on page 34 are listed on page 128 of Hirschmann’s article.
35. “Look up ‘competition’ in the indexes...” In *Managing for Results*, see pages 233 and 234; in *Strategy and Structure*, pages 569-570; in *Corporate Strategy*, page 239.
36. “As Nitin Nohria, Davis Dyer, and Frederick Dalzell point out...” Nitin Nohria, Davis Dyer, Frederick Dalzell. *Changing Fortunes: Remaking the Industrial Corporation*. (New York. John

Wiley & Sons. 2002.) Their figures for the growth rate of the U.S. economy and manufacturing's share of gross domestic product are on page 38.

36. "My own preference for demonstrating the trend..." Mine may be a crankily conservative interpretation of the historical record. Others cite the Bureau of Labor Statistics data showing manufacturing employment as a percentage of all non-farm employment peaking around 39 percent toward the end of 1943.

36. "As Norhria and his colleagues point out..." Edward S. Mason. *The Corporation in Modern Society*. (Cambridge, Mass. Harvard University Press. 1959.) John Kenneth Galbraith. *The New Industrial State*. (Boston. Houghton Mifflin. 1967.) The quotation in the next sentence—"a mighty and largely uninhibited force..."—is from page 41 of *Changing Fortunes* and is the authors' description of the conclusion reached by the contributors to Mason's book. It isn't drawn from Galbraith, for which mistake I apologize.

37. "Nohria, Dyer, and Dalzell calculate..." See page 4 of their book.

41. "When asked in 2005 whether..." All the Kirby quotes on this page and those that follow are drawn from an interview published on the Texas Instruments website, at <http://www.ti.com/corp/docs/kilbyctr/interview>.

42. "In a 1965 *Electronics Magazine* piece..." Gordon E. Moore "Cramming more components onto integrated circuits" *Electronics*. (April 19, 1965) The magazine's name is in fact just *Electronics*.

43. "As reported in *Electronics* magazine at the time..." This quotation, from *Electronics* (July 3, 1972), can be found on the Vintage Calculators Web Museum site at [http://www.vintagecalculators.com/html/ti\\_cal-tech](http://www.vintagecalculators.com/html/ti_cal-tech).

45. "A 1985 *Harvard Business Review* article..." Pankaj Ghemawat. "Building Strategy on the Experience Curve." *Harvard Business Review*. (March-April, 1985.)

#### Chapter 4: Loading the Matrix

48. "BCG's official account of the year 1970..." Boston Consulting Group. "The First Ten Years Remembered." Page 10.

49. “In BCG’s own contemporaneous account...” Boston Consulting Group. “The First Ten Years Remembered.” Page 8.
51. “his visit culminating in a book...” James C. Abegglen. *The Japanese Factory*. (New York. Free Press. 1960.)
51. “and publishing a *Perspectives* piece...” “What Makes Japan Grow?” Collected in the previously cited *Henderson on Corporate Strategy*. Page 172.
52. “the first sentence of the entry for 1971...” Boston Consulting Group. “The First Ten Years Remembered.” Page 11.
53. “Or as Henderson put it in a 1972 *Perspectives* essay...” Bruce D. Henderson. “More Debt or None?” Collected in the previously cited *Perspectives on Corporate Strategy*. Page 29.
53. “Henderson would build on this thinking...” Bruce D. Henderson. “Cash Traps.” Collected in *Perspectives on Corporate Strategy*. Page 196.
54. “What Franco Modigliani and Merton Miller had argued...” Franco Modigliani, M. H. Miller. “The Cost of Capital, Corporation Finance and the Theory of Investment.” *American Economic Review*. (June, 1958.)
54. “The leading finance textbook of the time...” Or that was the way the consultants remembered it, right down to the specific language of the quotation. My subsequent attempts to locate that particular language in the book they were talking about—Pearson Hunt. *Basic Business Finance, Text & Cases*. (Homewood, Ill. Irwin. 1966.)—have proved unavailing. I clearly should not have used the quotation, even without attributing it to a specific book, without independently verifying it.
59. “As HBS Professor Clayton Christensen has observed...” Clayton M. Christensen. “Competitive Advantage: Whence It Came, and Where It Went.” (Working Paper. Division of Research. Harvard Business School. Oct., 1997.) Page 5.
69. “In 1979, Phillippe Haspeslagh...” All citations and quotations are from Phillippe Haspeslagh. “Portfolio Planning: Uses and Limits.” *Harvard Business Review*. (Jan.-Feb., 1982.)
71. “the *Wall Street Journal* crediting him...” E.S. Browning, Jane J. Kim. “Turnaround Ace Saved American Standard With Back-to-Basics Strategy.” *Wall Street Journal*. Oct. 28, 2006.
72. “In 1976, Bruce Henderson would write...” Bruce D. Henderson. “The Rule of Three and Four.” Collected in *Perspectives on Corporate Strategy*. Page 31.

## Chapter 5: What Bill Bain Wanted

78. “Inspired by the work of Robert Ardrey and others...” Robert J. Ardrey. *The Territorial Imperative: A Personal Inquiry Into the Animal Origins of Property and Nations*. (New York, Atheneum, 1966.) In his *Perspectives* piece “Organization”—collected in *Henderson on Corporate Strategy*, page 47—Henderson says “We can learn from human history and from biological comparisons. The apostles are Lorenz, Morris, and Ardrey.” That would be Konrad Lorenz, author of *On Aggression* (1966) and Desmond Morris, author of *The Naked Ape* (1967).

87. “Subsequent press accounts described Gill...” Mark Maremont. “Blind Ambition.” *Business Week*. (Oct.23, 1995.)

89. “U.S. production accounted for well over 50 percent of the world total...” Recently published research indicates that while the percentage for 1947 is correct, the share I quoted for 1960 was way low. In 1970, the U.S. still accounted for a bit over 20 percent of world production. See Robert P. Rogers, *An Economic History of the American Steel Industry* (New York, Routledge, 2009) page 121. I regret the original error.

## Chapter 6: Waking Up McKinsey

96. “Wise heads like Dartmouth’s James Brian Quinn...” For the most complete articulation of his ideas see James Brian Quinn, *Intelligent Enterprise: A Knowledge and Service Based Paradigm for Industry* (New York, Free Press, 1992).

97. “When the consultancy was founded in 1926...” Anyone interested in the early history of McKinsey and of the consulting industry in general should consult Christopher D. McKenna, *The World’s Newest Profession: Management Consulting in the Twentieth Century* (Cambridge, Cambridge University Press, 2006).

102. “The brief history on McKinsey’s Web site describes...”

<http://www.mckinsey.com/aboutus/wherewestarted/1970s.asp>

106. “Even the closest thing the firm has...” John Stuckey. “Perspectives on Strategy.” (McKinsey Staff Paper. No. 62. April, 2005.)

106. “In 1978, Gluck and two members of the Superteam published...” Frederick W. Gluck, Stephen P. Kaufman, A. Steven Walleck. “The Evolution of Strategic Management.” (McKinsey Staff Paper. Oct., 1978.) The quotations on the following five pages are all from the paper, though not, of course, the ascent-of-man gloss on its contents.

112. “In 1979, Daniel asked Gluck to ‘formulate a program...’” The description of Daniel’s charge to Gluck and all the subsequent quotations are from Gluck’s memo to Daniel dated Sep. 24, 1979.

113. “Within five years, they had turned out twenty-three...” Robert Garda. “Strategic Market Segmentation.” (McKinsey Staff Paper. No. 7. 1979.) Carter Bales, P.C. Chatterjee, Don Gogel, Anupam Puri. “Competitive Cost Analysis.” (McKinsey Staff Paper. No. 9. 1980.) Richard de Ney. “The Experience Curve as a Strategy Tool.” (McKinsey Staff Paper. No. 11. 1980.)

#### Chapter 7: Michael Porter Encounters the Surreal

118. “Roland ‘Chris’ Christensen, a legendary classroom teacher who wrote barely a word, and certainly not a book...” Here I exaggerated slightly for effect, but not misleadingly, I think. Prof. Christensen did indeed publish *Teaching and The Case Method*, co-authored with Abby J. Hansen, in 1987—I’m proud to have an autographed copy in my library—but everyone I talked with familiar with the production of the book describes it as mostly an act of dictation and assembly. He also published *Management Succession in Small and Growing Enterprises* in 1979, a 200-page work. Even Christensen’s admirers, and they’re legion, concede that almost all his energy was devoted to classroom teaching, something he did brilliantly.

118. “Published in 1971, *The Concept of Corporate Strategy...*” Kenneth R. Andrews. *The Concept of Corporate Strategy*. (Homewood, Ill. Dow Jones-Irwin. 1971.)

119. “For Andrews, ‘corporate strategy is...’” *The Concept of Corporate Strategy*. Page 28.

124. “but also, as Pankaj Ghemawat points out...” In his invaluable article “Competition and Business Strategy in Historical Perspective.” *Business History Review*. (Spring 2002.) Page 53.

125. “His overall premise, as later captured in the first sentence of the first chapter of his 1980 book...” Michael E. Porter. *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. (New York. Free Press. 1980.) Page 3.

130. “With the new course he had also, as he put it in a 2002 interview...” Nicholas Argyres, Anita M. McGahan. “An Interview with Michael Porter.” *Academy of Management Executive*. (May, 2002.) Page 45.

131. “the only possible rival for that crown would be Porter’s next book, *Competitive Advantage...*” Michael E. Porter. *Competitive Advantage: Creating and Sustaining Superior Performance*. (New York. Free Press. 1985.)

132. “In a 2002 interview...” See the previously cited “An Interview with Michael Porter.” Page 44.

132. “A company that is ‘stuck in the middle,’ as he puts it...” *Competitive Strategy*. Page 41.

133. “what the late Sy Tilles of BCG would describe to Pankaj Ghemawat as ‘powerful oversimplifications’...” As Ghemawat notes, Tilles was recounting how Henderson described them. See the previously cited “Competition and Business Strategy in Historical Perspective.” Page 45.

134. Porter’s 1979 *Harvard Business Review* piece...” Michael E. Porter. “How Competitive Forces Shape Strategy.” *Harvard Business Review*. (March-April, 1979).

134. “In 1981, shortly after the publication of Porter’s book...” The articles were “The Decline of the Experience Curve” (*Fortune*, Oct. 5, 1981), “Three (or Four, or More) Ways to Win” (Oct. 19, 1981), “Oh Where , Oh Where Has My Little Dog Gone? Or My Cash Cow? Or My Star?” (Nov. 2, 1981), and “Playing the Global Game” (Nov. 16, 1981). I was the author of all four.

134. “Six years late, in 1987, *Fortune* would put the by-then-celebrated professor on its cover...” “New Debate About the Harvard Business School” (*Fortune*, Nov. 9, 1987)—again one of mine. The cover caption read, in part, “Michael Porter...Superstar.”

136. “In his commanding history of business schools...” Rakesh Khurana. *From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfilled Promise of Management as a Profession*. (Princeton. Princeton University Press. 2007.) See pages 273, 280-281, 308-309.

Chapter 8: The Human Stain



139. “The first chronologically dates from Peter Drucker’s 1946 book...” Peter F. Drucker. *Concept of the Corporation*. (1946. Transaction Publishers paperback edition. New Brunswick. 1993.)
139. “In the preface to the 1993 edition...” The quotation in this and those in subsequent sentences are all from *Concept of the Corporation*., page ix.
141. “To page through Peters’s 1971 copy of March and Simon’s book...” James G. March and Herbert A. Simon. *Organizations*. (New York. John Wiley. 1958.)
- 141.”Tom Peters was born in Baltimore in 1942...” Quotations on his early life are drawn from Stuart Crainer’s *Corporate Man to Corporate Skunk: The Tom Peters Phenomenon* (Oxford. Capstone Publishing. 1997.)—“a bit of a Prussian” from page 79, “a talker who raised a talker” from page 80, “combining probabilistic time distributions...” from page 82, and “completely and hopelessly fascinated...” from page 91.
144. “articles in *Business Week*...” Peters was credited as author of the four-page article in *Business Week*, “Putting Excellence Into Management,” (July 21, 1980).
145. Figure 8-1, McKinsey’s 7-S framework: The graphic reproduced is from a 1988 edition of *In Search of Excellence*, this for permission reasons. It’s the same framework that appeared in the original 1982 edition.
146. “The new aim, he argued in a prescient memo...” The memo is entitled, tellingly, “My View of the Status of the Organization Project (or, Strategy Is Not Enough),” Oct., 1978. The long quotation beginning “we were essentially prescriptive...” is from its first page.
147. “As if to confirm the point...” John A. Byrne. “Oops. Who’s excellent now?” *Business Week*. (Nov. 5, 1984.)
148. “The first paragraph of the first chapter...” *In Search of Excellence*. Page 3.
148. “(Or, as Jack Welch approximated the point more pungently...” Jack Welch with Suzy Welch. *Winning*. (New York. Harper Collins. 2005.) Page 165.
149. “It is in this sense that Waterman...” Interview by William C. Bogner. “Robert H. Waterman, Jr., on being smart and lucky.” *Academy of Management Executive*. (2002. Vol. 16, No.1.)

149. “In the spring of 1984, the *California Management Review*...” Richard T. Pascale. “Perspectives on Strategy: The Real Story Behind Honda’s Success.” *California Management Review*. (Spring, 1984.)
150. “The first publication of the framework to receive much notice...” Richard T. Pascale and Anthony G. Athos. *The Art of Japanese Management: Applications for American Executives*. (New York. Simon & Schuster. 1981.)
150. “Pascale began his article...” “Perspectives on Strategy.” Page 47.
151. “First, Pascale quoted a 1975 report...” “Perspectives on Strategy.” Page 48.
152. “The fundamental contribution of BCG...” “Perspectives on Strategy.” Page 51.
152. “You had to begin by understanding...” Pascale’s recounting of what the Honda executives recalled begins on page 51 of his article and proceeds through page 57.
155. “In 1996, twelve years after the publication of the original article...” Henry Mintzberg, Richard T. Pascale, Michael Goold, Richard P. Rumelt. “The ‘Honda Effect’ Revisited.” *California Management Review*. (Summer, 1996.)
155. “In his introduction, Mintzberg praises the original...” “The ‘Honda Effect’ Revisited.” Page 78.
155. “In his follow-on piece, Pascale modestly confesses...” “The ‘Honda Effect’ Revisited.” Page 112.
156. “In his follow-on piece of the package, Richard Rumelt...” “The ‘Honda Effect’ Revisited.” Page 109.
156. “Most readers’ familiarity with at least some of the following names...” Jim Collins. *Good to Great: Why Some Companies Make the Leap...and Others Don’t*. (New York. HarperCollins. 2001.) Jim Collins and Jerry I. Porras. *Built to Last: Successful Habits of Visionary Companies*. (New York. HarperCollins. 1994.) Charles B. Handy. *The Age of Unreason*. (New York. Random House reprint edition. 1989.) Gary Hamel and C.K. Prahalad. *Competing for the Future*. (Boston. Harvard Business School Press. 1994.) Rosabeth Moss Kanter. *The Change Masters: Innovation & Entrepreneurship in the American Corporation*. (New York. Simon & Schuster. 1984.) Rosabeth Moss Kanter. *When Giants Learn to Dance*. (New York. Simon & Schuster. 1989.) John Kotter. *Leading Change*. (Boston. Harvard Business School Press. 1996.)

## Chapter 9: The Paradigm That Failed?

159. “The concept of the paradigm was originally enunciated...” Thomas S. Kuhn. *The Structure of Scientific Revolutions*. (Chicago. University of Chicago Press. 1962.)

162. “In a 1993 *Academy of Management Review* article...” Jeffrey Pfeffer. “Barriers to the Advance of Organizational Science: Paradigm Development As a Dependent Variable.” *Academy of Management Review*. (Vol. 18. No. 4. 1993.)

162. “Organizational studies displayed...” “Barriers to the Advance of Organizational Science.” Page 607.

162. “a field that was ‘more fragmented...’” “Barriers to the Advance of Organizational Science.” Page 608.

162. “In some sense, Pfeffer argued, people in the area wanted it that way...” “Barriers to the Advance of Organizational Science.” Page 613.

162. “He cited a recent special issue...” “Barriers to the Advance of Organizational Science.” Page 615.

162. “In his history of management education...” The previously cited *From Higher Aims to Hired Hands*.

163. “In his book, Khurana has another quote from Jeffrey Pfeffer...” *From Higher Aims to Hired Hands*. Page 314.

164. “You’ll look in vain for any mention of it in...” Tom Peters and Nancy Austin. *A Passion for Excellence: The Leadership Difference*. (New York. Random House. 1985.) Tom Peters. *Thriving on Chaos: Handbook for a Management Revolution*. (New York. Knopf. 1987.)

164. “It does reappear in *Liberation Management...*” Tom Peters. *Liberation Management: Necessary Disorganization for the Nanosecond Nineties*. (New York. Knopf. 1992.) Pages 190. 197-198.

164. “In Bob Waterman’s next book...” Robert H. Waterman, Jr. *The Renewal Factor: How the Best Get and Keep the Competitive Edge*. (New York. Bantam. 1987.) See pages 55-64.

164. “In *Surfing the Edge of Chaos...*” Richard T. Pascale, Mark Millemann, Linda Gioja. *Surfing the Edge of Chaos: The Laws of Nature and the New Laws of Business*. (New York. Crown paperback edition. 2000.) Pages 23, 96.

164. “But in 1996, when the *California Management Review*...” “The ‘Honda Effect’ Revisited.” Page 113.
165. “Probably that, as first proclaimed in *Business Week*...” In the previously cited “Oops. Who’s excellent now?”
165. “With a touch of superiority, he notes that...” *Surfing the Edge of Chaos*. Page 23.
165. “He then goes on in his own book...” *Surfing on the Edge of Chaos*. Beginning on page 7.
165. “Scholars such as Charles Tilly...” See, for example, Charles Tilly. *Why? What happens when people give reasons...and why*. (Princeton. Princeton University Press. 2006.)
166. “Henry Mintzberg makes the point wonderfully...” As I’ve heard him do more than once in panel discussions.
166. “One management author after another...” Richard N. Foster and Sarah Kaplan. *Creative Destruction: Why Companies That Are Built to Last Underperform the Market—and How to Successfully Transform Them*. (New York. Currency. 2001.) Chris Zook with James Allen. *Profit from the Core: Growth Strategy in an Era of Turbulence*. (Boston. Harvard Business School Press. 2001.)
166. “As Foster notes...” *Creative Destruction*. Page 8.
167. “Foster in particular bangs away at this point...” *Creative Destruction*. Page 9.
167. “Peters began *Thriving on Chaos*...” *Thriving on Chaos*. Page 3.
167. “In 2005, in their best-seller *Blue Ocean Strategy*...” W. Chan Kim and Renée Mauborgne. *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*. (Boston. Harvard Business School Press. 2005.)
167. “Their research on successful blue-ocean moves...” Page 10.
168. “The unit of analysis they recommended...” *Blue Ocean Strategy*. Page 10.
169. “A bit later, still in the early 1980s, I commissioned...” Richard T. Pascale. “Fitting New Employees Into the Company Culture.” *Fortune*. (May 28, 1984.)
169. “Foster’s first book, in 1986...” Richard N. Foster. *Innovation: The Attacker’s Advantage*. (New York. Summit Books. 1986.)
169. “what he called ‘cultural lock-in’...” *Creative Destruction*. Page 16.

172. “It surprised me, then...” “Corporate Strategists Under Fire.” *Fortune*. (Dec. 27, 1982.)
173. “It was, according to the industry joke...” “Corporate Strategists Under Fire.” Page 36.
173. “When you subtract the companies...” “Corporate Strategists Under Fire.” Page 37.
174. “Pankaj Ghemawat cites the estimate...” “Competition and Business Strategy in Historical Perspective.” Page 52.
180. “In a *Perspectives* piece, Anthony Habgood...” Anthony Habgood. “The Power of Discovery.” (1985.)

#### Chapter 11: Breaking the World into Finer Pieces

186. “Two heavyweights from the field...” H. Thomas Johnson and Robert S. Kaplan. *Relevance Lost: The Rise and Fall of Management Accounting*. (Boston. Harvard Business School Press. 1987.)
187. “Harvard Business School’s Clayton Christensen...” The account of the experience curve that follows is largely drawn from the previously cited “Competitive Advantage: Whence It Came, and Where It Went.”
190. “In a 1981 *Perspectives* piece...” Richard K. Lochridge. “Strategy in the 1980s.” Collected in *Perspectives on Strategy from The Boston Consulting Group*. The quotations are on pages 56 and 57 of that book.
192. “It’s telling that one of the first public expositions of the concept...” Carter F. Bales, P.C. Chatterjee, Donald J. Gogel, Anupam P. Puri. “Competitive Cost Analysis.” (McKinsey Staff Paper. Jan., 1980.) The diagram of the business system is on page 6 of the paper.
194. “In a magisterial McKinsey staff paper...” The previously cited “*Perspectives on Strategy*.” Page 28.
195. “As he wrote in an introduction to the 1998 edition...” *Competitive Advantage*. Page xv.
195. “In a footnote nodding at the craze...” *Competitive Advantage*. (1998 edition.) Page xv.
196. “If there were an award for the most famous footnote in management literature...” *Competitive Advantage*. (1985 edition.) Page 36.
198. “As Porter defines it...” *Competitive Advantage*. (1985 edition.) Page 120.

199. “First in a 1986 *Harvard Business Review* article...” Pankaj Ghemawat. “Sustainable Advantage.” *Harvard Business Review*. (Sep.-Oct., 1986.) Pankaj Ghemawat. *Commitment: The Dynamic of Strategy*. (New York. Free Press. 1991.)

199. “His study of nine hundred business units...” “Competition and Business Strategy in Historical Perspective.” Page 63.

## Chapter 12: The Wizards of Finance Disclose Strategy’s True Purpose

204. “by one estimate, the bonds of 95 percent...” Glenn Yago. “Junk Bonds.” *Concise Encyclopedia of Economics*. (Online at <http://www.econlib.org/library/Enc/JunkBonds.>)

204. “The total size of the junk bond market in the United States...” The figures are from Credit Suisse.

205. “For that, you need the figures calculated...” Andrei Shleifer and Robert W. Vishny. “The Takeover Wave of the 1980s.” *Journal of Applied Corporate Finance*. (Fall, 1991.) Page 49.

207. “so much so that by 2003, institutional investors would own...” The Conference Board keeps track. The exact figure for 2003 was 56%, for 2006, 66.3%. See *The 2008 Institutional Investor Report: Trends in Institutional Investor Assets and Equity Ownership of U.S. Corporations*. (The Conference Board. Report No. 1433-08-RR.)

207. “Fred Eckert, then head of LBO activity at Goldman Sachs...” Roy C. Smith. *The Money Wars: The Rise and Fall of the Great Buyout Boom of the 1980s*. (New York. Dutton. 1990. Beard Books paperback edition. 2000.) Page 192.

208. “Jensen raised a storm...” Michael C. Jensen. “Takeovers: Folklore and Science.” *Harvard Business Review*. (Nov.-Dec., 1984.)

208. “he upped the intellectual ante even further...” Michael C. Jensen. “Eclipse of the Public Corporation.” *Harvard Business Review*. (Sep.-Oct., 1989.) You can find the publisher’s blurb quoted in the next sentence by looking up the article at HBR Online.

209. “The very fact that LBO deals had grown so mammoth...” For a detailed account of how the market unraveled see *The Money Wars*, particularly Chapter 6, “The Amazing LBO Machine.”

210. “In 1990, the Roundtable, admittedly still a bit behind the sharpies on Wall Street...” See the previously cited *From Higher Aims to Hired Hands*, pages 320-321.
211. “The story was true on one level...” See the figures from *The Investment Company Factbook* of the Investment Company Institute at [http://www.icifactbook.org/fb\\_sec6](http://www.icifactbook.org/fb_sec6).
211. “In his 1996 book, *The Loyalty Effect...*” Frederick F. Reichheld. *The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value*. (Boston. Harvard Business School Press. 1996.) Page 153.
213. “Occasionally acidulous Gary Hamel...” Quoted in Thomas A. Stewart. “Marakon Runners.” *Fortune*. (Sep. 28, 1998.)
214. “whose CEO Roberto Goizueta would tell *Fortune...*” *Fortune*. (Jan. 29, 1990.) Page 46.
214. “Coca-Cola’s market value...” James M. McTaggart, Peter W. Kontes, Michael C. Mankins. *The Value Imperative: Managing for Superior Shareholder Returns*. (New York. Free Press. 1994.) Page 33.
214. “Value-based metrics themselves burst brightest...” Shawn Tully. “The Real Key to Creating Wealth.” *Fortune*. (Sep. 20, 1993.)
214. “As Michael Jensen would later note...” Quoted in John D. Martin and J. William Petty. *Value Based Management*. (Boston. Harvard Business School Press. 2000.) Page 86.
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257. “In 1988, his first year as managing director...” All the quotations are from Fred Gluck. “The Year 2000” (Speech to the McKinsey partners’ conference. 1988.)

260. Figure 14-1: Revenues of the “Big Three” strategy firms. The vertical axis should read “In \$ millions” not “In \$ billions.” They wish.

261. “Tellingly, in his 1988 maiden speech...” “The Year 2000.”

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264. “In 2002, John Byrne would report in *Business Week*...” John A. Byrne. “Inside McKinsey.” *Business Week*. (July 8, 2002.)

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