The Lords of Strategy

by Walter Kiechel III

Notes on Sources (and a few corrections)

Preface: Three Common Beliefs to Be Discarded


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


Chapter 1: Strategy as a Case to Be Cracked


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.


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

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.
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.)


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.


Chapter 3: The Experience Curve Delivers a Shock


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.

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.


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.


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.


Chapter 4: Loading the Matrix


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.


Chapter 5: What Bill Bain Wanted


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


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

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.


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.


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.

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.


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. “Six years late, in1987, 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.”


Chapter 8: The Human Stain
139. “The first chronologically dates from Peter Drucker’s 1946 book…” Peter F. Drucker. 

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 

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. 
Captstone 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 

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. “Ooops. Who’s excellent now?” *Business Week.* (Nov. 5, 1984.)


148. “(Or, as Jack Welch approximated the point more pungently…” Jack Welch with Suzy 

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
150. “Pascale began his article…” “Perspectives on Strategy.” Page 47.
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,
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
Chapter 9: The Paradigm That Failed?


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.*


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165. “Probably that, as first proclaimed in Business Week…” In the previously cited “Ooops. Who’s excellent now?”
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.

Chapter 10: Struggling to Make Something Actually Happen
Chapter 11: Breaking the World into Finer Pieces


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.”


196. “If there were an award for the most famous footnote in management literature…”


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


208. “he upped the intellectual ante even further…” Michael C. Jensen. “Eclipse of the Public Corporation.” Harvard Business Review. (Sep.-Oct., 1989.) You can finda 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.


214. “In its brief online history of itself…” The Marakon history is at http://www.marakon.com/firm_history.asp although the language has changed slightly since this was originally cited.

215. “For its part, Stern Stewart…” In the previously cited “Marakon Runners.”


216. “In 1981, a veteran executive named Ernest Saunders…” Anyone interested in the Guinness affair should read the account in James O’Shea and Charles Madigan, Dangerous Company: The Consulting Powerhouses and the Businesses They Save and Ruin (New York. Random House. 1997.) The two veteran journalists did a particularly good job of mining the court records. My own narrative draws on theirs but also on interviews and other reporting, and doesn’t agree with theirs in all respects.
222. “The ensuing article noted that…” The quotations in this and the next two paragraphs are all from “A Consulting Firm Too Hot to Handle?”
224. “a partnership agreement that, as a former partner put it…” Quoted in Liz Roman Gallese. “Counselor To The King.” *New York Times*. (Sep. 24, 1989.)

Chapter 13: How Competencies Came to Be Core

228. “In a speech from late in the 1990s…” George Stalk, Jr. “Perspectives on Strategy.” (Warsaw, Poland. July 10,1998.)


242. “Stuckey, too, maintained that by the 1990s…” “Perspectives on Strategy.” The quotations in this paragraph are from pages 16-17.

243. “So tenacious was she that one client said of her…” Quoted in Lisa Kocian. “Agent Provocateur.” *Boston Globe* (Apr. 9, 2006.)

244. “Alan Webber, the leading staff editor at *HBR* during this period…” The quotation is from Webber’s keynote address to the Fourth Annual Symposium of the Bernard L. Schwartz
Communications Institute, Baruch College, City University of New York. (2004.) The text is available at http://cac.ophany.org/2006/05/09/test/.

244. “Or you could pay someone to provide you…” For more on Wordworks, including the prices they charged, see “Unearthly Rates for Ghostwriters.” Business Week. (Sep. 18, 1995.)


247. “‘Reengineering is new, and must be done.’” Quoted in “Reengineering—The Hot New Management Tool.”


247. “Ron P. Christman…on his Web site…” The quotes are from Christman’s bio on the Web site of BSG Alliance, which acquired Concours in 2007. They were retrieved in 2007, but no longer appear to be up.


250. “People were being tricked…” Keith H. Hammonds. “Michael Porter’s Big Ideas.” *Fast Company.* (Feb., 2001.)

250. “At the outset of the piece…” The quotations on this and the following three pages are from “What Is Strategy?”

Chapter 14: The Revolutions Conquers the World


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.


273. “in 2006, 146,406 MBA degrees…” The number is from the Association to Advance Collegiate Schools of Business. See, for example, “Business School Data Trends and 2009 List of Accredited Schools”, available at [http://www.acsb.edu/publications](http://www.acsb.edu/publications). The number is actually for all masters degrees in business, not just MBAs. My regrettable mistake.


275. “Of the eight ‘functions’…” The numbers were taken from the HBS Web site in 2008, specifically from [http://www.hbs.edu/recruiting/mba/resources/career](http://www.hbs.edu/recruiting/mba/resources/career).


Chapter 15: Three Versions of Strategy As People


296. “(In the first two, the dollar volume…” The source of these figures is Buyouts newsletter, as cited in a Bain & Co. presentation, “US Private Equity Market (2006).”


Chapter 16: And Where Was Strategy When the Global Financial System Collapsed?

304. “In the early 1980s, the profits…” For an account of these figures and the changes behind them see Simon Johnson. “The Quiet Coup.” The Atlantic. (May, 2009.)
309. “In a New Yorker article…” Connie Bruck. “Angelo’s Ashes.” New Yorker. (Jun. 29, 2009.)

Coda: The Future of Strategy
