

# THE LORDS OF STRATEGY

WALTER KIECHEL III

The Secret Intellectual History of the New Corporate World



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## Preface

# Three Common Beliefs to Be Discarded

Bruce Doolin Henderson achieved executive position at an early age—he was the second youngest vice president in Westinghouse’s history—but he was fired from that job and every job thereafter, something he bragged about. Then, in 1963, he founded the Boston Consulting Group, which changed the world. The *Financial Times* would say of him, on his death in 1992, “few people have had as much impact on international business in the second half of the twentieth century.” Have you ever heard of Bruce Henderson?

What he and his consulting firm did was to launch the corporate-strategy revolution. Revolutions seem to occur every day in the world of business, or so you would believe if you listen to journalists acclaiming the latest technological wonder or to the authors of most new books on management. But the rise of strategy qualifies as the genuine, consciousness-transforming article. Strategy’s coming to dominance as *the* framework by which companies understand what they’re doing and want to do, *the* construct through which and around which the rest of their efforts are organized, eclipses any other change worked in the intellectual landscape of business over the past fifty years.

## PREFACE

Understanding the strategy revolution requires getting beyond three common beliefs. The first is that at bottom, ideas don't really matter that much in business. To be sure, skeptics admit, an idea for a great new product can make a huge difference, for a mass-produced automobile, say, or a personal computer. But ideas for how to think about a business, or analyze its dynamics?

Those of little faith in this regard don't usually state their views flat out. What they say instead is, "Business is mostly a matter of common sense." (How eager we are to believe in the democracy of commerce.) Or, "You can have the best idea in the world, but if you can't execute . . ." (Action trumps cerebration every time, supposedly.)

This lack of enthusiasm for the power of ideas extends more widely than one might suspect. Most people familiar with the field would probably agree that the leading journal of management ideas aimed at practitioners is *Harvard Business Review*. But fewer than 4 percent of the sixty-five thousand living alumni of the Harvard Business School subscribe to that venerable publication. On its op-ed pages, the *Wall Street Journal* routinely mounted closely argued exegeses of economic, political, and policy concepts. Comb through the newspaper's archives for the past four decades, though, and try to find comparably detailed coverage of the experience curve, say, or the value chain, or time-based competition. If you want to make a management consultant squirmingly uncomfortable, even one who churns out articles and books, just ask whether he or she thinks of himself or herself as an intellectual.

Bruce Henderson would probably have pleaded guilty, but not because he was besotted with ideas for their own sake. He was, instead, obsessed with figuring out how the world works. For him, this meant identifying both the principles that explain how companies compete and the means of microeconomic analysis with which to arrive at those principles. More particularly, he sought to understand how one company achieves an advantage over others. Henderson represents the first of the breed that will drive this history, the intellectual as corporate warrior, firebrand, entrepreneur, maverick, and impresario.

He wanted to use the concepts he dug from the messy back-and-forth of competition to change the world of business, beginning with his clients' behavior and performance. In this, his aspirations were utterly representative of the strategy revolution as a whole. Its course features a rowdy parade of ideas and analytical techniques jostling each other down the historical road, the ones further back often sneering at those in the van, but all clamoring for the attention and money of corporations.

In other words—and maybe this helps ward off the dread specter of intellectualism—these were almost always ideas sharp with a purpose, namely, to solve a problem bedeviling a company. The secret intellectual history of the new corporate world is as much about the challenges companies faced, from competing with the Japanese in the 1970s to surviving a crisis in the global financial system in the twenty-first century, as it is about the conceptual solutions devised in response. Our story is, in that sense, an account of how the economy and the world we live in today have become what they are. Stock markets rise, fall, rise again, then come crashing down, as they have done recently. Nations wax and wane in their prosperity. Wars break out on distant frontiers. Through it all, strategy has enjoyed a remarkable constancy, the preferred if ever-evolving framework by which companies understand what is happening to them and how they should react.

To say that fifty years ago, before Henderson, there was no such thing as corporate strategy is to invite incredulity. What do you mean, goes up the cry, haven't well-run companies and their leaders always had strategies? What about Rockefeller with Standard Oil, Ford with his motor company, the Watsons and IBM? Which is as much to say, how could strategy possibly have an intellectual history? Another common belief to be overcome.

To be sure, smart enterprises throughout history have had a sense of how they wanted to make money. They typically knew a lot about the products or services they sold, a middling amount about their customers—often considerably less than they do now—and as little or