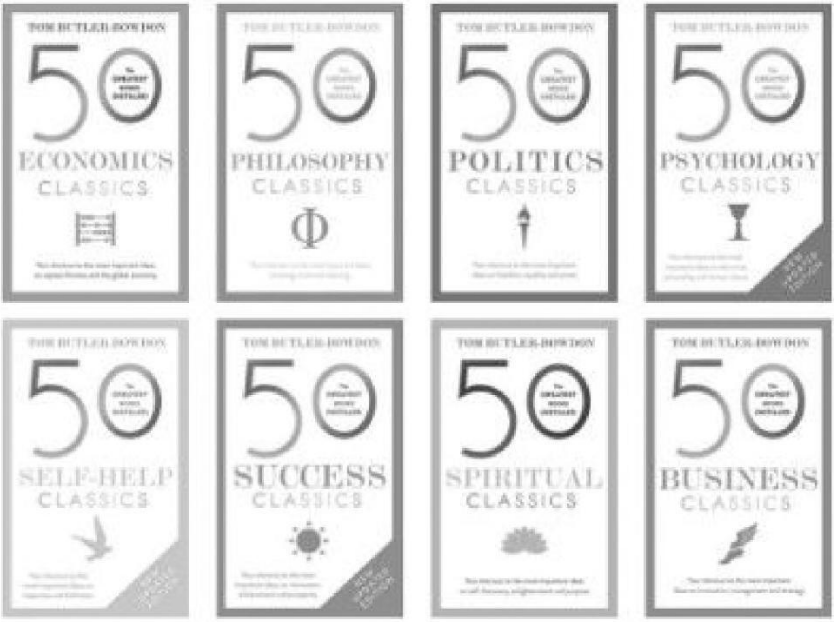
TOM BUTLER-BOWDON

50 BUSINESS CLASSICS

The GREATEST BOOKS DISTILLED

Your shortcut to the most important ideas on innovation, management and strategy

THE GREATEST BOOKS DISTILLED



by Tom Butler-Bowdon

The *50 Classics* series has sold over 350,000 copies

50 Economics Classics 978-1-85788-673-3

50 Philosophy Classics 978-1-47365-542-3

50 Politics Classics 978-1-47365-543-0

***50 Psychology Classics,* 2nd ed** 978-1-85788-674-0

***50 Self-Help Classics,* 2nd ed** 978-1-47365-828-8

***50 Success Classics,* 2nd ed** 978-1-47365-835-6

50 Spiritual Classics 978-1-47365-838-7

50 Business Classics 978-1-85788-675-7

50 Business Classics

Your shortcut to the most important ideas on innovation, management, and strategy

Tom Butler-Bowdon

NICHOLAS BREALEY
PUBLISHING
London • Boston

www.nicholasbrealey.com
www.butler-bowdon.com

First published in 2018 by Nicholas Brealey Publishing
An imprint of John Murray Press

An Hachette UK company

British Library Cataloguing-in-Publication Data
A catalogue record for this book is available from the British Library.

ISBN 978 1 857 88675 7
eBook (UK) ISBN 978 1 473 68391 4
eBook (US) ISBN 978 1 473 68392 1

www.nicholasbrealey.com
www.butler-bowdon.com

Praise for

50 Business Classics

"Nobody explains the gist of books better than Tom ButlerBowdon, as he demonstrates to great effect in *50 Business Classics*. He curates essential wisdom written by leading practitioners, such as Richard Branson, Howard Schultz, and Sheryl Sandberg, the most astute observers (Peter Drucker, Jim Collins, and others), and master storytellers such as Walter Isaacson and Ron Chernow. The revelations about the creation of wealth, the changing nature of work and employment, and the impact of technological advancements are timely, practical, and relevant."

Bruce Rosenstein, Managing Editor, *Leader to Leader*; Author, *Create Your Future the Peter Drucker Way*

"Teaching management, I'm always looking for ways to distil knowledge for the benefit of my students. *50 Business Classics* provides an excellent base of management history, mission and goal development, and ethics. Highly recommended as a tool for business and personal growth."

Lawrence J. Danks, Assistant Professor of Business, Camden County College, New Jersey, author of *Your Unfinished Life*

Contents

Enterprises with an extreme focus on quality, better systems and constant improvement have the edge

10 **Peter Drucker – *The Effective Executive* (1967)**

Effectiveness at work depends on clarity of aims and the desire to contribute

11 **Roger Fisher, William Ury & Bruce Patton – *Getting To Yes* (2011)**

Successful negotiation is based on principles, not pressure

12 **Martin Ford – *Rise of the Robots* (2015)**

Automation and artificial intelligence will change the landscape of work and production forever

13 **Michael E. Gerber – *The E-Myth Revisited* (2001)**

The key to real prosperity in business is to work on your enterprise, not in it

14 **Conrad Hilton – *Be My Guest* (1957)**

Faith in your idea and thinking big are essential to building a great business

15 **Ben Horowitz – *The Hard Thing About Hard Things* (2014)**

Nothing really prepares you for leading an organization and getting it through the inevitable crises

16 **Walter Isaacson – *Steve Jobs* (2011)**

A great vision can require shocking intensity to realize

17 **Josh Kaufman – *The Personal MBA* (2010)**

You don't have to spend a fortune getting a good business education

18 **Guy Kawasaki – *The Art of the Start* (2004)**

The fundamental purpose in starting any new enterprise is to create meaning

19 **John Kay – *Obliquity* (2010)**

Companies that put profits before mission inevitably falter in the long-term

20 **Stuart Kells – *Penguin and the Lane Brothers* (2015)**

Build an enterprise that uplifts people or opens up knowledge to millions

21 **W. Chan Kim & Renée Mauborgne – *Blue Ocean Strategy* (2005)**

Companies make the mistake of focusing on the competition when they should be focused on creating big leaps in value

22 **Phil Knight – *Shoe Dog* (2016)**

A great businesses can be the result of a personal passion writ large

23 **Richard Koch & Greg Lockwood – *Simplify* (2016)**

It is the radical simplifiers of products and services, rather than the innovators, that win the big prizes in business

24 **Terry Leahy – *Management in Ten Words* (2012)**

Simplicity and clarity are the most powerful advantages in business, but you only arrive at them by being radically customer-centric

25 **Patrick Lencioni – *The Five Dysfunctions of a Team* (2002)**

The best teams trust each other, welcome conflict, are accountable, and focus on results

26 **Marc Levinson – *The Box* (2006)**

How a simple innovation, the shipping container, transformed world trade

27 **Theodore Levitt – *Marketing Myopia* (1960)**

Truly understand what business you are in, and you have a chance of shaping your future

28 **Stanley McChrystal – *Team of Teams* (2015)**

Transparency of information enables people to make good decisions and creates unity of purpose

29 **Douglas McGregor – *The Human Side of Enterprise* (1960)**

People will naturally want to do their best for an organization if they feel that their higher personal development goals are being met

30 **Geoffrey A. Moore – *Crossing the Chasm* (1991)**

Attracting early adopters to your product does not mean you will capture the mainstream market

31 **Tom Rath & Barry Conchie – *Strengths Based Leadership* (2008)**

Maximizing your strengths, not trying to correct for your weaknesses, is the key to work success

32 **Al Ries & Jack Trout – *Positioning* (1981)**

Successful companies don't simply sell products, they occupy very specific spaces in people's minds

33 **Eric Ries – *The Lean Startup* (2011)**

A lack of resources can be a boon in creating new enterprises, with experimentation and analysis replacing grand strategy and capital

34 **Sheryl Sandberg – *Lean In* (2013)**

More women at the top is not just good for its own sake, companies will only succeed if they are properly representative of half of their market

35 **Eric Schmidt & Jonathan Rosenberg – *How Google Works* (2015)**

Only by creating a culture of learning and innovation will you attract the right people to your enterprise

36 **Alice Schroeder – *The Snowball: Warren Buffett and the Business of Life* (2008)**

Time, discipline, and focus are the most important ingredients in building a fortune

37 **Howard Schultz – *Pour Your Heart Into It* (1997)**

Huge enterprises can be built by giving people a small moment of joy in their day

38 **Peter Senge – *The Fifth Discipline* (1990)**

Great companies are communities in which there is a genuine commitment to every member's potential being realized

39 **Simon Sinek – *Start With Why* (2009)**

Average companies are focused on "what" they produce. Great business leaders inspire people to take action by galvanizing them behind a compelling reason, a "why"

40 **Seema Singh – *Mythbreaker: Kiran Mazumdar-Shaw and the Story of Indian Biotech* (2016)**

Advanced industries can emerge in unlikely environments

41 **Alfred P. Sloan – *My Years with General Motors* (1963)**

A new breed of huge corporation required a different kind of management

42 **Brad Stone – *The Everything Store: Jeff Bezos and the Age of Amazon* (2013)**

Relentless innovation to please the customer and a very long-term view created a dominant online retailer

43 **Matthew Syed – *Black Box Thinking* (2015)**

Willingness to fail frequently, while absorbing the lessons of failure and making constant adjustments, is the way to business success

44 **Frederick Winslow Taylor – *The Principles of Scientific Management* (1911)**

Dramatic increases in productivity benefit capital and labor alike

45 **Peter Thiel – *Zero To One* (2014)**

To grow faster, the world needs transformative technology and business models

46 **Robert Townsend – *Up the Organization* (1970)**

People are most motivated and successful at work when they are left to do their thing and treated as human beings

47 **Donald Trump – *The Art of the Deal* (1987)**

To succeed in business, balance boldness and promotion with patience, caution and flexibility

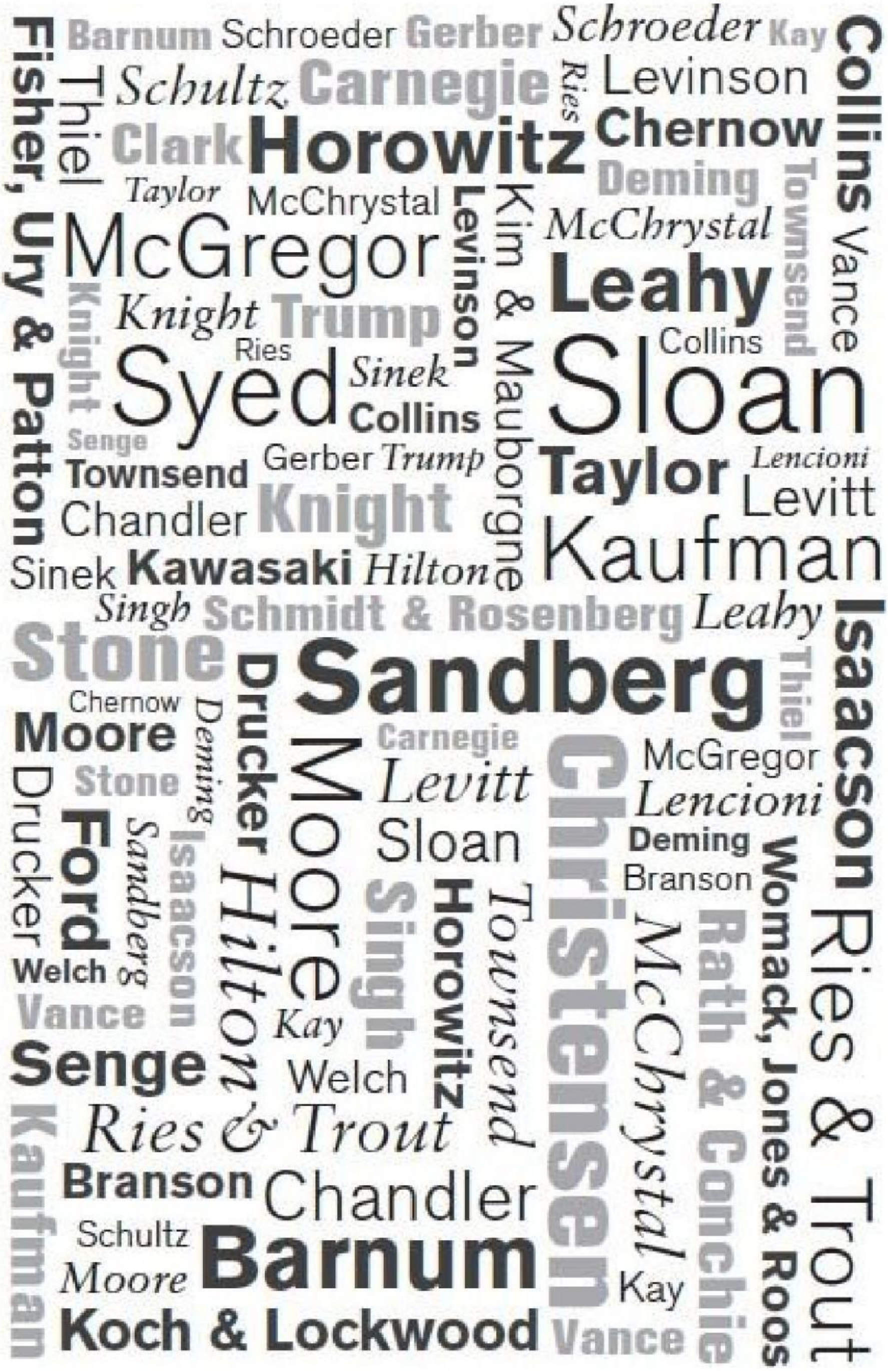
48 **Ashlee Vance – *Elon Musk* (2015)**

The visionary entrepreneur should not just create a business but shape the future

49 **Jack Welch – *Jack: Straight from the Gut* (2001)**

Never underestimate how far you can go by just being yourself

50 **James P. Womack, Daniel T. Jones & Daniel Roos – *The Machine that Changed the World* (1990)**


Fisher, Ury & Patton
Barnum Schroeder Gerber Schroeder Kay
Thiel Schultz Carnegie Ries Levinson
Collins
Clark Horowitz Chernow
Deming Townsend
Taylor McChrystal Levinson Kim & Mauborgne McChrystal
McGregor
Vance
Leahy
Knight Knight Trump
Ries Collins
Syed Sinek Sloan
Senge Collins
Townsend Gerber Trump Taylor Lencioni
Chandler Knight Levitt
Kaufman
Sinek Kawasaki Hilton
Singh Schmidt & Rosenberg Leahy
Stone Sandberg Thiel Isaacson
Chernow Drucker
Moore Deming Carnegie McGregor
Stone Moore Levitt Christensen Lencioni
Drucker Ford Sandberg Isaacson Hilton Sloan
Deming
Branson
Welch Singh Horowitz Townsend McChrystal Rath & Conchie Womack, Jones & Roos Ries & Trout
Vance Kay
Senge Welch
Kaufman
Ries & Trout
Branson Chandler
Schultz
Moore Barnum Kay
Koch & Lockwood Vance

Introduction

"People always overestimate how complex business is. This isn't rocket science—we've chosen one of the world's most simple professions."

Jack Welch, former head of General Electric

50 *Business Classics* is a mix of intriguing theories, real-life examples, and salutary stories aimed at getting you thinking more deeply about business. From genuine historical classics that still carry meaning, to the best of recent writings, the aim is to pick out the most important ideas that can help you come up with a worthy idea, turn it into a business, and strategize your way to success.

Most business books contain only one or two major ideas; the rest of the pages simply fill out the argument with illustrations and examples. On the assumption that a single idea remembered is more powerful than a set of concepts and examples stored somewhere in your notebook or computer, I have tried to cut through the texts and capture the essence for you. Writing about expensive business degrees such as MBAs, the marketing thinker Seth Godin once wrote, "it's hard for me to understand why this is a better use of time and money than actual experience combined with a dedicated reading of 30 or 40 books." *50 Business Classics* does not claim to be an alternative to doing a comprehensive course of business study, but it may save you a lot of time trawling through many of the texts you feel you should have read, but haven't. Business may not be rocket science, but it is full of ideas, any one of which could transform how you do things or help you discover the next big thing. This book is a shortcut to those ideas.

Is business an art, a science, a discipline, or a practice? When, in the early twentieth century, business schools started springing up, and management emerged as a field of study in its own right, many claims were made that it could be "scientific." And yet, business did not become a science, or even a social science. One reason is that the main unit of analysis, the company, comes in billions of different shapes, sizes, and flavors, and with different people involved, so it is a bit of a stretch to generalize "laws" from one business to the next. Another is that companies exist in markets which are constantly changing: no sooner do you get a picture of what that market looks like than it is disrupted, disappears, or bifurcates into more specialized fields. Just as economists have found when looking at economies, anything that rides on human expectations and motivations is hard to pin down and properly analyze. Business is no different.

Though it can never be a proper science, business is at the same time something more than an art. "Practice" is the best word. There are some insights, practices, and ways of thinking which do seem to hold true across companies and markets, and it has been through the business literature that they have been identified and disseminated. A good business book is one that provides new ideas for how things can be done, using examples of successful execution that you can apply to your own organization. A great business book not only does this, but also fires the imagination, promising some kind of leap forward or breakthrough. The business book genre has sometimes been accused of being *too* inspirational, with not enough statistical foundation, but sometimes a bit of motivation is all we need to kick off some new enterprise which might change the world in some way, making people's lives easier, more productive, or more beautiful. Such noble intentions can make business a vocation as much as a career, because in striving to provide something of value we transform *ourselves* in the process.

A quick tour of the literature

The titles covered in this volume can be grouped according to three broad themes:

- Entrepreneurship & Innovation
- Management, Leadership & Effectivenesss
- Strategy & Marketing

Entrepreneurship & Innovation

Richard Branson *Losing My Virginity*
Ron Chernow *Titan: The Life of John D. Rockefeller Sr.*
Duncan Clark *Alibaba: The House That Jack Ma Built*
Martin Ford *Rise of the Robots*
Michael E. Gerber *The E-Myth Revisited*
Conrad Hilton *Be My Guest*
Ben Horowitz *The Hard Thing About Hard Things*
Walter Isaacson *Steve Jobs*
Guy Kawasaki *The Art of the Start*
Stuart Kells *Penguin and the Lane Brothers*
Phil Knight *Shoe Dog*
Marc Levinson *The Box*
Eric Ries *The Lean Startup*
Howard Schultz *Pour Your Heart Into It*
Seema Singh *Mythbreaker*
Brad Stone *The Everything Store*
Peter Thiel *Zero To One*
Donald Trump *The Art of the Deal*
Ashlee Vance *Elon Musk*

The "origin stories" of businesses—accounts of the early days of significant companies such as Virgin, Apple, Penguin, Tesla, Nike, Starbucks, Amazon, and Alibaba—may not be scientific, but they are often very inspiring. It is easy to look at a large corporation or chain of restaurants or hotels, or a successful online platform, and see its rise as having been inevitable. Usually it was anything but, and only unscientific grit, passion, luck, and faith pushed people forward after the initial enthusiasm, through frequent troubles, to achieve something they still believed in. One only has to read the stories of Nike's Phil Knight, Alibaba's Jack Ma, and Starbucks' Howard Schultz to appreciate what a white-knuckle ride business can be, even after a brand has become known. As venture capitalist Ben Horowitz points out in *The Hard Thing About Hard Things*, the world is full of good business ideas, but it is execution that ultimately matters. No one can understand what it is like to run a company until they are in that position, and his book looks at the psychological costs of leadership that few talk about.

Often it is only the size of the initial vision that keeps an entrepreneur going. In *Losing My Virginity*, Richard Branson notes how he has never gone into a business purely to make money; it has to change the way things are done in some way, and it has to be fun. Ashlee Vance's biography of Elon Musk reveals a person driven to change the world through electric cars and affordable space travel. As a character, Musk is uncannily like the late Steve Jobs in his intense demands on people to achieve almost impossible things. Both truly fit the description "visionary" in terms of their ability to shape the future and build entirely new products and even industries, not just reacting to what the rest of their peers are doing. Indeed, in *Zero To One*, PayPal founder and venture capitalist Peter Thiel bemoans what he sees as a trend away from vision and toward incrementalism or tinkering. What the world really needs is transformative products and whole new industries that can solve some of the biggest problems. Ironically, this can be achieved with seemingly mundane inventions. In *The Box*, Marc Levinson tells how the invention of the shipping container had a huge impact on world trade, eliminating wastefulness in ports and linking up global supply chains as never before.

John D. Rockefeller's relentless push to dominate the oil industry has often been painted as an exercise in greed, but his efforts to standardize oil quality, making it safer and more uniform, paved the way for the automobile age. Neither should we lessen the achievements of retail innovators such as Amazon's Jeff Bezos. Amazon's masterstroke of having millions of user ratings of products helped make buying decisions more objective, while reducing prices and making purchasing safe. Jack Ma's Taobao and Tmall websites have done a similar thing for Chinese retail, which until Alibaba was characterized by an unappetizing combination of state-owned department stores, small shops, and street markets.

The *raison d'être* of every entrepreneur and innovator is surely to lift up humanity in some way while making a profit. There are few better examples than the Lane brothers' leap of faith to launch, in 1935, a new "Penguin" book series of top-flight writing at a tiny price. Suddenly, people on low incomes could afford to educate and elevate themselves, and for their part, the Lanes were able to get rich and create one of the first global media businesses.

If you are able to begin a new enterprise, you can save yourself a lot of wasted resources by reading great start-up books. Guy Kawasaki's *The Art of the Start* remains popular, as does Michael E. Gerber's reminder in *The E-Myth Revisited* to avoid getting overwhelmed by the nitty-gritty of running a business. Finally, Eric Ries' *The Lean Startup* articulates the incremental, iterative approach to innovation, which provides a reality check on ego-driven ideas that look good on paper but won't fly in reality. As all great entrepreneurs know, business success comes from a curious mix of blue sky thinking and a love of feedback and data.

Management & Leadership

P. T. Barnum *The Art of Money-Getting*
Andrew Carnegie *The Gospel of Wealth*
Alfred Chandler *The Visible Hand*
W. Edwards Deming *Out of the Crisis*
Peter Drucker *The Effective Executive*
Roger Fisher, William Ury & Bruce Patton *Getting To Yes*
Josh Kaufman *The Personal MBA*
Terry Leahy *Management in Ten Words*
Patrick Lencioni *The Five Dysfunctions of a Team*

Stanley McChrystal *Team of Teams*
Douglas McGregor *The Human Side of Enterprise*
Tom Rath & Barry Conchie *Strengths Based Leadership*
Sheryl Sandberg *Lean In*
Eric Schmidt & Jonathan Rosenberg *How Google Works*
Alice Schroeder *The Snowball*
Peter Senge *The Fifth Discipline*
Alfred P. Sloan *My Years with General Motors*
Matthew Syed *Black Box Thinking*
Frederick Winslow Taylor *The Principles of Scientific Management*
Robert Townsend *Up the Organization*
Jack Welch *Jack: Straight from the Gut*
James P. Womack, Daniel T. Jones & Daniel Roos *The Machine that Changed the World*

"Management" was only really invented in the early twentieth century, in France with the writings of mining engineer Henri Fayol and in the United States with Frederick Winslow Taylor's *The Principles of Scientific Management*. Taylor worked as a machinist in a steel plant, and saw at first hand the rank inefficiencies involved in the "craftsman" way of turning out goods. By standardizing every step of the manufacture of a good, it could be turned out a lot quicker and with higher quality. The massive efficiencies that Taylor unleashed enabled the modern world of cheap, mass-produced goods, of which Henry Ford's factories were a great example.

Once mass production became ubiquitous, what separated one firm from another, and one country from another, was the quality of the output. W. Edwards Deming studied systems of quality control and gave his insights to Japanese manufacturers at a time when American makers weren't interested. The story of the rise of Japan's quality-obsessed companies, which evolved the "lean" ethos and "just in time" methods made famous by Toyota, is well told in Womack et al.'s *The Machine that Changed the World*.

In a capitalism, it is accepted that the "invisible hand" of the market is what drives demand. Alfred Chandler argued instead that it is the *visible* hand of managerialism in the form of the modern industrial enterprise, with its legions of professional managers, that actually coordinates the activities of the economy and allocates its resources. There was no better example of this than General Motors, and Alfred Sloan's influential account of his three decades at its helm is an insight into how a huge corporation can stay responsive to changes in consumer tastes and needs.

The hierarchical, command-and-control management system of big companies was challenged in Douglas McGregor's path-breaking *The Human Side of Enterprise*, which argued that employees would perform better, and be more fulfilled, if they were given more autonomy and responsibility. "Theory Y" companies understood that people were not just motivated by money, but by the desire for personal development and contribution. As Peter Senge writes in *The Fifth Discipline*, great companies are *communities* in which there is a genuine commitment to every member's potential being realized. Bob Townsend's success running Avis, he claimed, was due to following McGregor's principles, and McGregor's emphasis on teamwork is still being played out today. In the US military's efforts in Iraq, General Stanley McChrystal found that only a radical sharing of information and devolved power could create a force capable of defeating Al-Qaeda.

The goal of management, of an organization and of one's self, is effectiveness. Peter Drucker's *The Effective Executive* reminded us that an executive is paid not to "put out fires," but to make a few really important decisions that help define the organization and its purpose. The true executive is always more strategic than reactive. The executive must also work to their strengths, rather than trying to correct their weaknesses, which is a theme taken up more recently in Rath and Conchie's *Strengths Based Leadership*. The Gallup researchers tell us that leadership is an inevitability when people turbocharge their existing talents.

No organization can be truly effective, Sheryl Sandberg argues in *Lean In*, if it does not purposefully try to represent the population at large: if you don't, you end up with a one-dimensional workplace that is not fit to create products and services that cater to 100 percent of the population. Addressing a conference, Bill Gates was asked his best tip for business success. For a start, he said, you will never achieve your economic potential if one half of the population—the female half—with all its brains, talents, and different points of view, is cut out of the workforce.

If you can build a great business, then its effects can be greater and more long-lasting than you ever imagined. If you succeed financially, the mind naturally turns to the legacy you want to leave, your wider impact. The person who dies rich, as Andrew Carnegie put it, "dies disgraced." Carnegie's wealth funded hundreds of libraries and a foundation for peace. Warren Buffett's money will join together with the fortune of Bill Gates to help eradicate preventable diseases. Businesses do not exist within a vacuum, but are part of society. When we succeed, we show gratitude and give back to the community whose existence made it possible.

Strategy & Marketing

Clayton Christensen *The Innovator's Dilemma*
Jim Collins *Great by Choice*
John Kay *Obliquity*
W. Chan Kim & Renée Mauborgne *Blue Ocean Strategy*
Richard Koch & Greg Lockwood *Simplify*
Theodore Levitt *Marketing Myopia*
Geoffrey A. Moore *Crossing the Chasm*
Al Ries & Jack Trout *Positioning*
Simon Sinek *Start With Why*

Strategy has its roots in warfare, but became applicable to the business world as companies grew larger and more complex, and had to make important choices about where to devote their resources. Strategy, in essence, is *focus*—becoming clear on the markets and avenues that you *won't* pursue, so that all your capabilities and intellectual fire power can be thrown at what you have identified as your company's strength. The great advantage of strategic focus is that it helps you to avoid competition. As Kim and Mauborgne argue in the strategy blockbuster *Blue Ocean Strategy*, the aim is to create a product or service that is so differentiated it creates a new category and "owns" that market.

In a similar vein, Richard Koch and Greg Lockwood's *Simplify: How the Best Businesses in the World Succeed*, argues that the great success stories in business, from Ford to Ikea to Google, were ones of radical simplification of price or product. Products that are suddenly made much cheaper than the competition, or which are much easier to use or a lot more advanced, sweep the market. Smart companies, to avoid being stuck in a mushy middle, choose one or the other. Michael Porter's *Competitive Strategy* (1980) argued that firms should choose either between cost leadership of product differentiation, but *Simplify* contains a myriad of contemporary examples, from Airbnb to Uber to Facebook, that make these concepts come alive for today's reader.

The challenge of getting strategy right is wonderfully expressed in Clayton Christensen's *The Innovator's Dilemma*, which shows how established companies can become a victim of their own success. They need to keep generating revenue from profitable products in order to cover all their fixed costs and make a profit, but in doing so they can fail to spot emerging technologies that at the start appear to have little commercial value. Smaller firms, because they have little to lose, start selling a basic version of the technology to a limited market, but as their product gets more advanced, the firm dominates the niche market, which grows and grows. By this time, it may be too late for the established players to make a name for themselves.

However, as Jim Collins observes in *Great by Choice*, many companies, from Intel to Genentech, have only become great through a *combination* of being open to the new and innovative, yet also being uncommonly disciplined when it comes to being able to deliver and sticking to financial targets. In achieving such a balancing act, it is crucial to be crystal clear on what your organization stands for. Simon Sinek's *Start With Why* provides inspiration for companies that have lost their way, and is must reading if you are in the process of starting one.

There is often a fine line between strategy and marketing, and in fact Al Ries and Jack Trout's seminal *Positioning* led to a new field of "strategic marketing," which helps firms attain clarity on how to position themselves, or a product or service, within a market. As the public will quickly equate your offering with an idea (e.g. Volvo = safety), awareness of this allows you to build marketing perceptions into the creation of a product from the start. Making a product without fully understanding its likely positioning in people's minds does not give marketing its due place within strategy.

Finally, British economist John Kay's *Obliquity* provides an original take on business strategy by noting that it is companies which *do not* put profits or shareholders first that tend to do best. The reason is that, when they have some great mission, it galvanizes and inspires all involved to achieve it, and the buying public appreciates the authenticity too. We can see right through organizations that exist only for themselves, feeling little responsibility for employees or the wider world.

About the list

Perhaps half the books on the main list can be classed as undeniable classics; other selections are more subjective choices that are underrated and deserve to be more widely read, or that articulate some important business idea extremely well. Equally, in considering the selections I was careful not to include books simply because they were known as "classics." The definition of a classic is surely something that remains relevant despite its age, and the business landscape is constantly changing.

John Brooks' *Business Adventures*, for instance, despite being recommended by Bill Gates and Warren Buffett, is a collection of journalistic stories of events in American business and finance in the 1960s that I did not find particularly relevant for today. Tom Peters' and Robert Waterman's *In Search of Excellence*, though a breakthrough business book in its time, uses examples of companies that either no longer exist or have totally changed in the ensuing period. If there was a recent edition, with updated examples, it would be included. Having said that, at the end of the book you will find an additional list of "50 More Classics," divided into the same categories outlined above, that includes these titles and more.

Final word

I hope this volume achieves its purpose of helping you discover business ideas, texts, and people you didn't know about before. It is said that "A little knowledge is a bad thing." This may be true for people who are happy with a little, but for most of us a taste of knowledge leaves us wanting more. Enjoy these commentaries, but don't hesitate to read the complete books which are discussed here. There is no substitute for having a physical book on your desk, or by your bedside, to remind you of its message.

Related books

As businesses operate within economies, it makes sense to educate yourself to a basic level about economics and capitalism. *50 Economics Classics* (2016) may help you toward that end.

50 Business Classics touches on the personal development side of business success, but if you would like to go deeper into this area you may enjoy *50 Success Classics* (2nd edition, 2017).

Reader bonus

As a thank-you for buying the book, allow me to send you two free commentaries. The first is on a standout title on effectiveness: *Deep Work: Rules for Focused Success in a Distracted World* (2016), by computer science professor and productivity expert Cal Newport; the second is on Katherine Graham's classic autobiography, *Personal History* (1998). Graham, played by Meryl Streep in the Spielberg film *The Post* (2017), was the first female editor of a major American newspaper. Just send an email to tombutlerbowdon@gmail.com with "Business Bonus" in the title bar and you'll be sent the bonus chapters.

1880

The Art of Money Getting

"The foundation of success in life is good health: that is the substratum of fortune; it is also the basis of happiness. A person cannot accumulate a fortune very well when he is sick."

"We are all, no doubt, born for a wise purpose. There is as much diversity in our brains as in our countenances. Some are born natural mechanics, while some have great aversion to machinery … Unless a man enters upon the vocation intended for him by nature, and best suited to his peculiar genius, he cannot succeed."

"The possession of a perfect knowledge of your business is an absolute necessity in order to insure success."

In a nutshell

There are no shortcuts to wealth, aside from right vocation, good character, and perseverance—and don't forget to advertise.

In a similar vein

Andrew Carnegie *The Gospel of Wealth*
Ron Chernow *Titan: The Life of John D. Rockefeller Sr.*

CHAPTER 1

P. T. Barnum

P. T. Barnum was possibly the greatest showman who ever lived, famous for his circuses and museums of "curiosities." His shows transformed nineteenth-century commercial entertainment, and he was considered a master of promotion whose ideas are still studied by marketers today. Modern audiences have learned about Barnum's dramatic life through Hugh Jackman's brilliant portrayal in the film *The Greatest Showman* (2017).

Barnum's autobiography tells his colorful story, but it is *The Art of Money Getting, or Golden Rules for Making Money* that offers a recipe book for success in business. Consistent with a great marketer, the title is a slight exaggeration of the content. There are, in fact, no detailed ideas or techniques for getting rich. Instead, the author provides 20 rules for personal advance and the development of good character that, indirectly, will make a person's financial rise almost inevitable. Contrary to the image of Barnum as an over-the-top impresario, the book is actually a solid business ethics primer.

Health, wealth, and happiness

Barnum draws attention to something which is, on the face of it, obvious, yet is so often overlooked: you need to have good health in order to be successful. The pursuit of riches requires gusto, and poor health saps that. The successful person therefore, if they wish to remain so, ignores the laws of health at their peril.

Barnum, who once smoked ten to fifteen cigars a day, goes on the offensive against the "filthy weed" tobacco. Its effects on the taste buds closes the smoker off to the simple pleasures of life, like delicious fruit; all they can think of is their next wad to put under their tongue or puff. But he reserves his greatest attack for alcohol: “To make money, requires a clear brain. If the brain is muddled, and his judgment warped by intoxicating drinks, it is impossible for him to carry on business successfully. How many good opportunities have passed, never to return, while a man was sipping a ‘social glass,’ with his friend!”

Recalling the phrase, “wine is a mocker,” Barnum notes the way alcohol initially flatters the drinker into feeling omnipotent, then drains them of vital energy. Apart from this is the sheer amount of time that is wasted by the drinker when they could be studying and developing real opportunities.

Choose the right career

Barnum notes at the beginning that, in a country like the United States, where there is “more land than people,” money can be made by anyone who properly applies themselves. There is room for good people in any vocation. But you have to make sure you choose the *right* vocation.

Ahead of his time in emphasizing the importance of choosing a career that you love, Barnum goes as far as saying that selecting a vocation on the basis that it was “congenial to [your] tastes” was *the* surest way to success for a young person. We are all born for some purpose, he opines, and the fact of the extraordinary differences between us suggests that people were made to do some things and not others:

> *“Unless a man enters upon the vocation intended for him by nature, and best suited to his peculiar genius, he cannot succeed. I am glad to believe that the majority of persons do find their right vocation. Yet we see many who have mistaken their calling, from the blacksmith … to the clergyman. You will see, for instance, that extraordinary linguist the ‘learned blacksmith,’ who ought to have been a*

teacher of languages; and you may have seen lawyers, doctors and clergymen who were better fitted by nature for the anvil or the lapstone."

… then the right location

Yet Barnum goes further than the now hackneyed exhortation to "do the work you love" in his even more practical tip about *where* you do it:

> *"You might conduct a hotel like clock-work, and provide satisfactorily for five hundred guests every day; yet, if you should locate your house in a small village where there is no railroad communication or public travel, the location would be your ruin."*

He refers to a man he met running a museum of curiosities in London. The gentleman was good at what he did, but was not attracting much custom. Barnum suggested he move to the United States where his show would find more enthusiastic audiences. The man duly did, working first for two years in Barnum's New York Museum and then establishing his own "traveling show business." Some years later, Barnum reported, the man was rich, "simply because he selected the right vocation and also secured the proper location."

Stick to your business, master your field

Too many people scatter their powers. Barnum notes that "A constant hammering on one nail will generally drive it home at last." When you are focused on one thing only, you will soon see ways that it can be improved and made more valuable. While it is tempting to have many irons in the fire, a lot of fortunes have passed people by because they cast themselves too wide and not deep.

No one succeeds, Barnum asserts, without knowing their field inside out. His reflection on nineteenth-century countrymen could be applied to people in any time and place:

"As a nation, Americans are too superficial—they are striving to get rich quickly, and do not generally do their business as substantially and thoroughly as they should, but whoever excels all others in his own line, if his habits are good and his integrity undoubted, cannot fail to secure abundant patronage, and the wealth that naturally follows."

"Be both cautious and bold"

The founding member of the Rothschild banking family had this as a maxim. At first glance a paradox, it simply means to be very careful in the making of your plans, but once made do not hold back on their execution.

Learn your own lessons

It may be convenient to be given or to borrow a load of money to start a business, but as Barnum notes, "Money is good for nothing unless you know the value of it by experience." John Jacob Astor noted that it was more difficult for him to make his first thousand dollars than it was to accrue all his succeeding millions. But the lessons learned in creating the initial capital—self-denial, industry, perseverance, and patience—were priceless. Even in Barnum's time most successful businesspeople were self-made, and the same is true today. Do not depend on or wait for other people's capital, particularly inheritances. If anything, this "easy money" will hold you back.

If it's good, tell people about it

You would expect the greatest showman of his time to advise promoting your wares, but what he says is just common sense:

"When you get an article which you know is going to please your customers, and that when they have tried it, they will feel they have got their money's worth, then let the fact be known that you have got it. Be careful to advertise it in some shape or other because it is evident

that if a man has ever so good an article for sale, and nobody knows it, it will bring him no return."

Avoid the unlucky

Barnum mentions the Rothschild family's maxim, "Never have anything to do with an unlucky man or place." There is always a reason why a person is unlucky, even if they are honest or intelligent; it may not be evident, but there will always be some defect that has held them back from success.

Read a good newspaper

He who does not read newspapers, Barnum says, is "cut off from his species." Even in Barnum's time there was rapid daily advance in terms of technologies and changes to industries. To succeed in any field you have to know what is happening in it.

Final comments

Though the examples given are typical of the pen of a nineteenth-century American, with glowing mentions of the rich and famous of his day, *The Art of Money Getting* is remarkably relevant today for anyone wanting to make the most of their talents and chances in life.

Some of the points may seem obvious, but it does not hurt to be reminded of them, especially the idea that personal virtue is the foundation of wealth. Without honesty and reputation, fortunes can disappear overnight; with these things, an enterprise or a service can create prosperity for all involved. Barnum himself saw both "struggles and triumphs" in his career, but he never actually uttered the remark famously attributed to him, "There is a sucker born every minute" (it was a competitor). If this really had been his attitude, according to his own rules he would not have become so well established or wealthy. It should not be a surprise that the Rothschilds are mentioned twice in the book, a family who built a fortune not on "taking advantage," but on trust.

The Art of Money Getting is short because it was essentially a speech Barnum often gave on the speaker's circuit. It is in the public domain and can be downloaded free from the internet.

P. T. Barnum

Phineas Taylor Barnum was born in Bethel, Connecticut, in 1810, the oldest of five children. His father ran an inn and a store. Barnum displayed early business sense, and by 12 had done well from selling lottery tickets. However, at 15 his father died, and for the next few years he had to try his hand at a range of enterprises. One of his early ventures was a newspaper, the Herald of Freedom, *which attracted several libel suits.*

After moving to New York City in 1834, he discovered his calling in the "show business." He established a popular show whose main draw was Joice Heth, an ex-slave who was promoted as being 161 years old and the nurse to a baby George Washington. In 1841 he bought an existing museum that became Barnum's American Museum; its natural history exhibits, memorabilia, and oddities, including the midget General Tom Thumb and the Feejee Mermaid, entertained and educated millions. It burned to the ground in 1865. A new museum was built three years later, but was also razed by fire.

Barnum was 60 by the time he moved into the circus business. His Grand Traveling Museum, Menagerie, Caravan, and Circus (also known as the Greatest Show on Earth), which covered five acres, toured America. He is also remembered for bringing Swedish opera star Jenny Lind to the country. Despite paying her $1,000 a night, Barnum made a large profit on the tour.

In later years Barnum turned to politics, getting elected to the Connecticut legislature in 1865 and serving two terms, fighting unsuccessfully for a seat in Congress, and becoming mayor of Bridgeport, Connecticut in 1875. He died in 1891.

Barnum wrote several books, including The Life of P. T. Barnum: Written by Himself *(1854, with later revisions)*, The Humbugs of the World *(1865), and* Struggles and Triumphs *(1869). He intentionally put his autobiography into the public* *domain, and by the end of the nineteenth century it was second only to the New Testament in terms of copies in print.*

1998

Losing My Virginity

"You're trying to create something that is original, that stands out from the crowd, that will last and, hopefully, serve some useful purpose. Above all, you want to create something you are proud of. That has always been my philosophy of business. I can honestly say that I have never gone into any business to make money."

"I may be a businessman, in that I set up and run companies for profit, but, when I try to plan ahead and dream up new products and new companies, I'm an idealist."

In a nutshell

Don't be afraid to be different. On entering any new field or an industry, aim to really shake it up and provide new value.

In a similar vein

Duncan Clark *Alibaba: The House That Jack Ma Built*
Conrad Hilton *Be My Guest*
Howard Schulz *Pour Your Heart Into It*
Ashlee Vance *Elon Musk*

CHAPTER 2

Richard Branson

Everyone knows who Richard Branson is: the entrepreneur famous for the Virgin brand name, the adventurer who has crossed oceans in a hot air balloon, and the philanthropist knighted by the Queen.

What most of us know about Branson comes from snippets on television and newspaper articles, but there is a reality behind the image that only a good autobiography reveals. There are hundreds of "how I did it" stories by well-known businesspeople, but *Losing My Virginity* is better than most. This is thanks to the rich material Branson has to draw from (he is an inveterate note taker and diarist, and his scribblings over a 25-year period enabled the book to be written), but also because he manages to avoid self-aggrandizement. If you are an aspiring entrepreneur, it is a great read. The message: being different is not an obstacle, but almost a requirement, in achieving business success.

"You will either go to prison or become a millionaire": 1

Born in 1950, Branson enjoyed a happy childhood, with parents who considered their children equals and who often set challenges to make them self-reliant. Though decidedly upper middle class, the family never had a great deal of money, and Branson's mother was always thinking up ways to earn extra income from cottage industries in the garage.

At the private school he attended, Stowe, Branson was considered a bit slow and lazy. He was, in fact, dyslexic and admits that by age 8 he still couldn't read and was hopeless in mathematics and sciences. On leaving school, his headmaster

With his focus on the music industry, Branson had never considered starting an airline. But when he received a proposal to establish a transatlantic service to compete with British Airways, he could not resist. Against the better judgment of his advisers, he called Boeing in Seattle and negotiated to lease a 747 for a year, "just to see" if the whole idea would work. Virgin Atlantic was soon a reality, aiming to satisfy the demand that Freddie Laker's Laker Airways had tapped before British Airways had forced it out of business.

Virgin Atlantic almost never got off the ground. On the inaugural flight, a flock of birds flew into one of the uninsured engines, ruining it at a cost of £600,000. This brought the company over its overdraft, and it came close to being bankrupted. Only an emergency recall of cash from Virgin's overseas operations got it through. Between 1984 and 1990 Virgin Atlantic remained tiny, however, with only a handful of planes.

The fuel price jump brought on by the first Gulf War was a major obstacle, as was the sudden loss of passengers after the events of September 11, 2001. Virgin also had to contend with a constant dirty tricks assault from British Airways, which saw Virgin as a threat that had to be crushed, whatever the means. As Branson's airline soaked up more and more cash, its bankers were losing patience, and he was led to a painful realization: either sell Virgin Music and keep Virgin Atlantic flying, or lose the airline and leave the Virgin brand name in tatters, not to mention losing thousands of people's livelihoods.

Again, in spite of the good advice of family and friends, Branson took the decision to sell Virgin Music, which he and his team had spent 20 years developing. It was a harrowing decision, particularly as he had just signed The Rolling Stones, marking the culmination of the label's rise. He had "lost his virginity," but the sale brought in £560 million, or $1 billion, and gave Branson the freedom to chart the course of the Virgin group of companies without bankers yapping at his heels. His share of the sale, he noted, gave him money "beyond his wildest dreams."

The Branson style

Branson notes that, no matter what people may tell you, there is no "recipe" for business success that can be applied to any field. There is, however, a Branson style of doing business that might be instructive for the aspiring entrepreneur.

Throughout the book Branson never comes across as exceptionally brainy. Rather, the secrets of his success could be boiled down to:

- Thinking big and taking calculated risks: "My interest in life comes from setting myself huge, apparently unachievable, challenges and trying to rise above them."
- Being less stressed than others by uncertainty.
- Trying to prove people wrong.
- Having the simple belief that "you can do it".

Branson's main criterion for entering a new market or industry is that it be fun. There has to be room to shake up stodgy markets and provide something new. Unfortunately, this often involves being the minnow trying to take on corporate whales.

During the war with BA, there were lots of rumors that Virgin Atlantic was about to go bankrupt. At one point it owed £55 million to banks, and Branson had to do a tremendous juggling act to keep things afloat. He notes at one point, "It sometimes seems to me that I have spent all my life trying to persuade bankers to extend their loans." Since the Virgin group has always reinvested profits back into the businesses, it has never had a cash cushion like established corporations, so there was always the danger of it running out. Every record deal Branson made seemed like putting the company on the line, and it was only in the mid nineties that the Virgin group could relax a little.

Branson's reflection on these difficult years provides good advice for anyone in business under financial pressure: "However tight things are, you still need to have the big picture at the forefront of your mind." Whenever he found himself in a tight spot and his advisers suggested shrinking back a little and playing it safe, was the point where he would actually go out on a limb.

Other insights include:

- He generally makes his mind up about people and new business proposals "within about 30 seconds." Though a business plan has to be good, he ultimately goes on gut instinct.
- He is not a fast talker or a great public speaker, and admits that it often takes him time to properly answer a question: "I hope that people will trust a slow, hesitant response more than a rapid, glib one."
- He hates criticizing people who work for him, and the lowest points of his working life have been when he has to let people go. He always tries to get someone else to do it instead.
- He admits many of his successes were not his own ideas (he did not even come up with the name "Virgin"). Despite the image of a lone entrepreneur, like any great company, Virgin was in fact built by a core of trusted managers and advisers.
- Virgin has no huge corporate headquarters, but buys houses in UK and American cities for staff to work from. Branson saw a lot of his two children when they were growing up because he literally worked from home. He and his wife Joan lived on a London houseboat well into their thirties.

Final comments

A significant portion of the book relates to Branson's various efforts to break world hot air ballooning and ocean powerboat records. Why has he felt compelled to go off on such adventures (which have brought him close to death several times), when he is already someone—with his wealth, success, and happy family—who "has it all"? His answer is simply that it adds another dimension to his existence and makes him feel alive.

One of the interesting parts is the soul-searching that came upon him on turning 40. Was he going to spend his life creating and building companies? Surely there was something more? For a time, he considered selling off his assets and going to university to study history. Today, however, he puts much of his non-work energies into philanthropy. Among his causes have been climate change, HIV Aids, African wildlife, and young entrepreneurship.

Yet it is through his companies that he has changed people's lives the most, constantly seeking ways to deliver new value to the public, whether through low cost flying, mobile phones, or cheaper credit cards. Virgin Galactic may become one of the first companies offering commercial passenger flights into space. This enterprise fulfills Branson's business criterion of only going into fields that are fun and exciting, yet where there is also money to be made.

1899

The Gospel of Wealth

"This, then, is held to be the duty of the man of Wealth: First, to set an example of modest, unostentatious living, shunning display or arrogance; to provide moderately for the legitimate wants of those dependent upon him; and after doing so to consider all the surplus revenues which come to him simply as trust funds, which he is called upon to administer … in the manner which, in his judgment, is best calculated to produce the most beneficial results for the community … doing for them better than they would or could do for themselves."

"The man who dies rich thus dies disgraced."

In a nutshell

The wealth creator has a moral obligation to enrich the lives of others in whatever way they can.

In a similar vein

P. T. Barnum *The Art of Money Getting*
Ron Chernow *Titan: The Life of John D. Rockefeller Sr.*

what should be done with all the excess? Even though some people have been "born lucky" in terms of attributes, it is also true that whatever they create through enterprise cannot be achieved without the public's patronage. Therefore, he reasoned, great wealth ultimately belonged to the society that had helped created it.

What to do with it

Noting the obvious, that "you can't take it with you," Carnegie runs through the ways in which a rich person can get rid of their fortune. They can:

- Leave it to their family
- Bequeath it to the public on their death
- Dispense and distribute it during their lifetime

What was the point, he asked, in leaving all your money to your family? History shows that large fortunes are to their heirs more of a burden than a boon. Though some heirs turn out to be exemplary stewards of the family resources, without an incentive to work hard most children of the wealthy tend to lead mediocre lives, and some are destroyed by their money. Naturally, he comments, a magnate would want to leave their wife and daughters well provided for, but they should think hard about leaving much to their sons.

As a general rule, he noted, most fortunes are not passed on because of thoughts of the welfare of children, but because of family pride. But what use was pride when you were dead? Much better, he felt, to distribute your fortune during your lifetime, using the same imagination and diligence that you had displayed in creating it. This meant avoiding the typical philanthropist's path of simply giving it away to charity, but working actively yourself to ensure maximum social benefit for your bucks.

Where to spend it

According to Carnegie, it was a waste of money to give directly to those who had nothing, since they would fritter it away on "indulgence" and "excess." He sternly noted that

"Neither the individual nor the race is improved by almsgiving." Resources should only go to those who could help themselves, and to worthwhile public projects that government did not have the funds to build.

In another, related essay, he listed some areas that were deserving of entrepreneurial largesse. They included universities, libraries, parks, museums and art galleries, hospitals, concert halls, swimming baths, and churches. He observed that wealth, "passing through the hands of the few, can be made a much more potent force for the elevation of our race than if it had been distributed in small sums to the people themselves." People on their own could not be trusted to make the best use of given money, but give them a noble institution or needed facility and they would use it to good ends. Carnegie became famous for his endowment of public libraries (close to 5,000 around the world) and funding of institutions devoted to peace (he pulled out all the stops to try to prevent World War One).

New York City already had been endowed with the Astor and Lenox libraries, which were combined to create (with further funds from Samuel J. Tilden) the famous New York City Public Library. Carnegie takes his hat off to other philanthropists in this mold, mentioning Tilden, Cooper, Pratt, Stanford (endower of Stanford University), and the Vanderbilt family, which built the university named after them while they were still in their financial prime.

Final comments

Wealthy people are always eager to find ways around the biblical line, "It is easier for a camel to go through the eye of a needle, than for a rich man to enter into the kingdom of God." Carnegie, however, did not dispute the warning, wryly noting that it "betokens serious difficulty for the rich." His own *Gospel*, he believed, expressed the full intent of Jesus's words, in its recognition that a person who dies rich, "dies disgraced."

Some have viewed Carnegie's attitude—that a great fortune given away wisely would do much more good to society than millions of “trifling amounts” given away to many—as paternalistic. Yet he honestly believed that individuals counted for little in relation to the progress of humanity overall. This included himself.

Software king Bill Gates and investor Warren Buffett, two of the richest individuals of our age, have both been influenced by *The Gospel of Wealth*. Their fortunes, joined in the one Bill and Melinda Gates foundation, represent by far the biggest endowment in history, now dispensing billions of dollars a year to worthwhile causes, mostly relating to health and education. Chuck Feeney, the duty-free billionaire behind Atlantic Philanthropies, was also inspired by the essay. In relation to big giving, Carnegie set the modern standard, and beyond the millions of lives enlightened by his libraries and other institutions, this is his even greater legacy.

Andrew Carnegie

Born in Scotland in 1835, Carnegie enjoyed his childhood in Dunfermline in the bosom of an extended family. His father moved the family to the United States when he was in his early teens. His first job, at 13, was in a cotton mill, followed by work as a telegraphist and a railroad clerk. He quickly rose through the ranks at the Pennsylvania Railroad Company before launching himself as an iron manufacturer in Pittsburgh.

When the Civil War erupted, he was asked to take charge of US government railways and telegraphs. He was a Republican and opposed slavery, and this provided an opportunity to serve the cause.

After selling his iron and steel works, Carnegie spent his retirement years at his beloved Skibo castle in Scotland. He died in Lenox, Massachusetts in 1919, the same year as industrialists Henry Clay Frick, Henry John Heinz, and William Woolworth. Carnegie’s endowment was mainly for the building of public libraries throughout America and Britain, plus large gifts to universities. He also funded the Carnegie Endowment for International Peace.

A keen writer, his books include Triumphant Democracy *(1886),* Round the World *(1884),* The Empire of Business *(1902),* James

Watt *(1905), and* Problems of To-day *(1907). He also inspired Napoleon Hill's research into successful American businessmen, which led to the writing* of Law of Success *(1928) and* Think and Grow Rich *(1937)*.

1977

The Visible Hand

"Historians as well as economists have failed to consider the implications of the rise of modern business enterprise. They have studied the entrepreneurs who created modern business enterprise, but more in moral than in analytical terms. Their concerns has been more whether they were exploiters (robber barons) or creators (industrial statesmen). Historians have also been fascinated by the financiers who for brief periods allocated funds to transportation, communication, and some industrial enterprises and so appeared to have control over major sectors of the economy. But they have paid almost no notice at all to the managers who, because they carried out a basic new economic function, continued to play a far more central role in the operations of the American economy than did the robber barons, industrial statesmen, or financiers."

In a nutshell

Our civilization is as much managerial as it is capitalist.

In a similar vein

Ron Chernow *Titan: The Life of John D. Rockefeller Sr.*
Alfred P. Sloan *My Years with General Motors*
Frederick Winslow Taylor *The Principles of Scientific Management*

swept modern political economy: the rise of management itself.

The managerial revolution

One reason for the success and spread of the modern business enterprise, Chandler says, is that its structures of management encouraged longevity. Whereas traditional firms were often wound up at the death of the owner, the big new firms did not depend on individuals. "Men came and went. The institution and its offices remained." Yet managers had an incentive to make good, long-term decisions because their careers depended on the success of the company. Indeed, Chandler argues, managers were *more* likely than owners (who simply wanted a regular dividend out of the firm to fund their lifestyles) to play a long game, favoring future growth over short-term profits.

The other crucial difference between large managerial enterprises and traditional firms was that jobs were filled according to talent and experience rather than family connections or capital. Until World War One, Chandler notes, the Du Pont family still managed the businesses it owned. Thereafter, its firms were run by professional managers, and only those De Ponts who were graduates of top engineering schools and had experience in the company were allowed to be managers.

Because it was worth firms' while to invest in their managers, the quality of management increased. The scion of a smaller family firm probably wouldn't get the same level of management training and experience that he or she would in a big firm, so "talent" was naturally drawn away from the old forms of business. Management schools arose, and management became a profession. As standards were upped, so the modern managerial corporation, based on scientific allocation of resources, quickly nudged aside firms run through the nous of a wise family member, or driven along by the greed of a financier.

Why it happened in the United States

Britain's industrial revolution, despite its impact on the world, was more technological than managerial, Chandler says. Founding families of enterprises, often backed by large banks, appointed capable overseers and foremen to run things, but a managerial class such as the one which arose in the United States between the 1820s and the 1940s, did not evolve to the same degree. Chandler's explanation for why the US became the home of managerial capitalism was simply the sheer size and nature of its home market. Already by 1900, this market was twice the size of Britain's, and by 1920 thrice as big. Moreover, it was growing much quicker than those of the major European nations, the US market being more homogeneous (incomes were more equal than in Europe, and social class was less important). Lastly, the newness of the United States as a social and political entity meant that ways of doing business were not set in stone, and new ideas in production, distribution, marketing, and management were quickly adopted along with technological innovations.

Increased coordination meant lower costs and higher productivity, and so higher profits compared to traditional ways of doing business. A big portion of the lower costs came through internalizing many transactions in the company. For a manufacturer, an army of permanent wage laborers saved on the costs of hiring and firing in the marketplace, internal divisions for sales, marketing and distribution reduced the costs of obtaining market information, and ownership of suppliers took the uncertainty out of production. Greater coordination of inputs and production meant more intensive use of plant, equipment, and labor.

Crucial to the transformation of American business were new technologies which allowed for much greater volumes of production of a single good and constantly expanding markets for these goods. Chandler argues that technology and new markets almost *required* the new form of business enterprise to come into being. Fast population growth and the spread of people across the US required both the ramping up of production and the administrative coordination of distribution of goods and services across territories and regions. And increasing per capita income meant people could afford the new mass-produced, standardized goods, including cloth, clothing, shoes, saddlery, groceries, confectionery, tobacco, furniture, pharmaceuticals, jewelry, and tableware. The sheer scale of production and economies of scale brought profits to the large industrial concerns, much of which was reinvested in new product lines and production capacity. Thus happened a virtuous circle of rising population and rising wages, while at the same time the cost of consumer goods dropped. These trends only reinforced the dominance of the big industrial players.

Perhaps the greatest benefit that expanding markets brought was coordination. After all, much greater administrative coordination was required to run a regional or transcontinental railroad network moving people and freight across large distances, compared to a network in just one state. If it was not very well run, losses quickly mounted.

Industrial behemoths from Standard Oil to Ford built their own sales and distribution networks, and succeeded in coordinating the flow of production from the sourcing of raw materials to point of sale to the consumer. Coordination was also necessary to manage a national telegraph system. When telegraphy began to be replaced by telephones, there was already a management system in place that could adapt to the new technology. In distribution and marketing, small commission merchants were pushed aside by large wholesalers, commodity dealers, and mass retailers. Despite legislation in various states to protect the small merchant, chain store and department store fortunes were made and families such as Wanamaker, Kresge (later K-Mart), Straus (of Macy's), and Woolworth became household names. The mass retailers, because they became such large operations, often became their own wholesalers, sourcing their own stock directly from suppliers. In finance, size also began to make sense. By expanding the number of branches and outlets, a bank could make more intensive use of the centralized head office operations that had already been set up.

In total contrast to traditional enterprises, the new large corporations in rail, steam, communication, energy, retailing, and banking were by their very nature expansionary, demonstrating a good blend of centralized policy development while letting regional offices have a free hand to respond to local conditions. The bigger they got, the more productive and more profitable they became, providing security for the phalanxes of middle and upper managers who ran them.

Managers rule

Yet as enterprises grew, there was pressure to sustain themselves and not to give up any market share to rival concerns. When management's efforts were directed into defensive measures, it is easy to understand how the result could be suboptimal for consumer and nation—for instance, the tangle of private railroads that existed in the nineteenth century, requiring passengers to get a variety of tickets, change trains, and so on. Standard Oil, which provided a public boon in standardizing fuel for lighting and transport, poured huge energy and money into ensuring that it had no competitors.

Chandler notes that there was plenty of public and government opposition to large-scale enterprise, which seemed to go against American values of freedom of opportunity for all, particularly the entrepreneurship of the small proprietor, factory owner, or farmer. The new class of executives, who seemed to have so much power over modern life, were accountable only to their bosses and shareholders, not the public or politicians, and public anger led to a framework of law to counteract it. Yet the backlash did little to stop the rise and rise of big business in America and around the world. Growing populations and the demand for goods and services made the "technology of management" as important as technology itself in satisfying this demand.

The size of relative affluence of the US domestic market made the development of mass production techniques almost a necessity, whereas in the smaller markets of Europe and

Japan traditional structures of retailing, wholesaling, production, and management were not forced to change so quickly. Even when family firms combined to protect markets or supplies, the structures were more federal than central and did not require a cadre of professional managers. When they did employ managers, the family and their financiers retained control.

After World War Two, as markets grew and prosperity spread among societies, differences between Europe, Japan, and the US diminished. Managerial capitalism became the default for any country wishing to be economically powerful, and everywhere, Chandler notes, "the paraphernalia of professional management has appeared—the associations, the journals, the training schools, the consultants."

Final comments

One important factor in the story of modern business enterprise, Chandler reminds us, is stronger and bigger government. After the shocks of the Great Depression and World War Two, and with the intellectual revolution in Keynesian economics, governments were expected to act to maintain full employment and keep economic demand steady through state spending and monetary policy. The private sector, despite its power, had not been able to regulate demand, and it fell to government to ward off the threat of another depression. A mass production, mass distribution economy, it seemed, needed a correspondingly large government to keep things on an even keel.

This suggests that our civilization is not strictly a capitalist civilization, but a managerial one. Prices and markets provide crucial information on where resources are best allocated, just as Adam Smith said, but given the sheer size of the consumer base today, and the variety of products and services, huge coordination is required to feed, clothe, house, and entertain us. It is hard to imagine this being achieved without large corporations and their thousands of managers acting within a regulatory environment which protects their interests and which enforces contractual and intellectual

Andrew Carnegie *The Gospel of Wealth*
Alfred Chandler *The Visible Hand*
Walter Isaacson *Steve Jobs*
Peter Thiel *Zero To One*
Ashlee Vance *Elon Musk*

CHAPTER 5

Ron Chernow

When his publisher suggested he write a biography of John D. Rockefeller, Ron Chernow wasn't keen. Previous biographies had portrayed the magnate as "a gifted automaton at best, a malevolent machine at worst," and Chernow didn't want to spend years researching a man who, for all his wealth, was essentially uninteresting as a person.

But one day at the Rockefeller archives in New York, Chernow discovered in an unpublished set of interviews a more layered, intriguing character, whose life was "marked to an exceptional degree by silence, mystery, and evasion." Agreeing to write the first full-length biography since the 1950s, Chernow aimed to get beneath the folksy, wisecracking grandfatherly image of Rockefeller's later years, and expose the rapacious monopolist of the younger man. "This panorama of greed and guile should startle even the most jaundiced students of the Gilded Age," Chernow writes, and would show up previous hagiographies of Rockefeller.

Yet neither did Chernow simply want to do a hatchet job on his subject, as crusading journalist Ida Tarbell had done, or Henry Lloyd in his study of Standard Oil's practices, *Wealth Against Commonwealth.* The salient point about Rockefeller, what made him so interesting, Chernow says, is that "his good side was every bit as good as his bad side was bad." At the point where he was most vilified, he began focusing his considerable powers on philanthropy, giving away history's greatest fortune for the benefit of humankind.

Luck and judgment

John Davison Rockefeller was fortunate in the timing of his birth, 1839, which meant that he, along with Andrew Carnegie (1835), Jay Gould (1836), and J. Pierpont Morgan (1837), would come of age just as the post-Civil War industrial boom was about to get under way. It seemed a time of limitless possibility. He grew up a Baptist, then an evangelical church, in New York State, but his father William, a charismatic entrepreneur, forced the family to move several times in his childhood and adolescence. With William often away, John became the man of the house to his mother Eliza, with early responsibilities. William ended up boarding the family with his sister near Cleveland, Ohio, while he pursued an affair with a woman he would eventually marry. Chernow describes William as a "bigamist and snake-oil salesman" who went around the country selling patent medicines. For the rest of his life, John would go to great lengths to cover up his father's shenanigans. However, Ohio, with its oil fields, proved to be a fortuitous place for John to enter the adult world.

Although not a top student, John had a head for numbers, and had been nicknamed "the Deacon" by his classmates for his serious air and rectitude. His first job was as an assistant bookkeeper in a merchant's firm in Cleveland, and before long he had started his own merchant firm dealing in food and grain. In 1863 Rockefeller started investing in the emerging oil refining business. For the cost of setting up a shop, anyone could launch a crude refining operation producing kerosene, which was providing lantern light in houses and huts across America.

At only 25 he took a controlling interest in the biggest refinery in Cleveland, and married Cettie Spelman, the daughter of well-to-do, cultured parents. They were not keen on the match, as Rockefeller had little social standing, but he was persistent. Chernow notes that, "in love as in business, he had a longer time frame, a more settled will, than other people."

Rockefeller's business partners were often vexed by his strange blend of extreme frugality (inherited from his mother) and prodigality (from his father). This "tightfisted control of details and advocacy of unbridled expansion," Chernow writes, "daring in design, cautious in execution ... was a formula he made his own throughout his career." When, for instance, his partners wanted to move more cautiously, he had no compunction borrowing as much as he could from banks in order to expand, so sure was he of his own judgment.

It could be so much more than this

In Rockefeller's day the oil industry was a wild frontier, with brothels, taverns, and gambling dens littering the fields, and everyone out to make a quick buck. His aim from the start was to tame it, rationalize it, and make it a respectable industry. He would "impose his iron rule on this lawless, godless business."

Relentlessly inquisitive and hungry for knowledge, his nickname in the oil fields was "the Sponge." What made Rockefeller different, Chernow argues, was that he did not simply think of his own operation, but developed a picture of the entire oil industry and its place in the modern economy. This involved planning far ahead and striking strategic partnerships so that he could dominate the industry. "The Standard Oil Company will some day refine all the oil and make all the barrels," he told a Cleveland businessman.

Rockefeller methodically set about buying up the 20 to 30 smaller refiners in Cleveland, and created a shell company that allowed collusion between a small group of major refiners and the railroads. At a time when there was an excess capacity and "suicidal" price wars on the railroads and in the refining business, creating a cartel seemed to Rockefeller to be the only thing to ensure the oil industry's future and allow it to advance. He and business partner Henry Flagler managed to secure preferential secret rates with the Erie and New York Central railroads to transport oil to the eastern seaboard. The railroads were willing to reduce their rates because it meant steady, large business that would reduce their costs and increase their profits, enabling them to compete against their arch rival, the Pennsylvania railroad. The cozy arrangement allowed Standard Oil to cement its position as a leading national refiner, because it had certainty about costs. Rockefeller would never see the move as corrupt, more a matter of logic. Why wouldn't the railroads give his company preferential rates, if it was giving them lots of business? Rockefeller wanted a massive, efficient, hi-tech industry, dominated by his company, and it was a goal that could not be achieved through conventional competition.

Arguably, he was proved right. The consolidation of the industry under Standard Oil, thanks to big investments in research and development, would allow it to increase quality and consistency of products while at the same time reduce prices for consumers by cutting the cost of refining in half. In Rockefeller's mind, only without the annoyance of competition could he make long-term investments in quality and efficiency; innovation was only possible through monopoly, and he was doing the public a service.

Too successful

As the company grew, however, it was faced with two possible nightmares: either new oil fields would be discovered, and the market would be swamped with oil, seeing a precipitous fall in prices; or no new oil would be found, and existing fields would simply dry up. In either case, much of Standard's investments in infrastructure and research would be a waste of money. Yet when Rockefeller's executives raised these possibilities, he would simply say, "The Lord will provide."

By 1891 he had bought up vast areas of land for crude oil production, not just refining, and controlled a quarter of American oil production. Yet as the company grew like an octopus, criticism increased. The ethic of American individualism in business was being hijacked by the dark motivations of big corporations like Standard Oil. Much of the public attack was justified. Rockefeller made sure that politics would not stand in the way of his ambitions, and though his public donations to political parties were stingy, in secret make money, save it, and give a lot away, Rockefeller once said, “It has seemed as if I was favored and got increase because the Lord knew that I was going to turn around and give it back.” This thinking, Chernow believes, is what gave Rockefeller extraordinary license to pursue his business life with gusto, free of scruples. The Calvinist idea of “calling” meant that any money gained from his work would be a sign of God’s blessing.

His founding of the University of Chicago, and money to colleges for black Americans, though big moves, were just a foretaste of his later giving through the Rockefeller Foundation, created in 1913. Before its creation, philanthropy had largely been about rich men getting their names associated with pet institutions such as symphony orchestras or art museums, or funding schools or orphanages. The sheer size of the new foundation enabled Rockefeller to move beyond personal whim and invest in the creation of knowledge that could benefit humanity in the biggest way over the long run, focusing on medical research and education.

The Rockefeller millions found their way to some unlikely causes too. His daughter Edith Rockefeller McCormick, the first of the clan to rebel against the family’s strict religious conformity, moved to Switzerland and became a supporter of psychologist Carl Jung and an analyst herself; she also funneled money to James Joyce during World War Two, while he had sought sanctuary in neutral Zurich. Abby Aldrich Rockefeller, wife of Rockefeller’s son John, became the major benefactor of New York’s Museum of Modern Art (MoMA). She somehow convinced her stuffy husband, who could not fathom his wife’s liking for Picasso and Matisse, that they should have their nine-storey mansion (and the mansion of John D. Rockefeller) razed to the ground to make way for the museum. John D. Jr. had his own passions, pouring millions into the rehabilitation of colonial Williamsburg, and funding virtually the entire contents of The Cloisters museum of medieval artefacts in New York. John D.’s grandson, Nelson Rockefeller, was a four-time governor of New York, made