

TOM BUTLER-BOWDON

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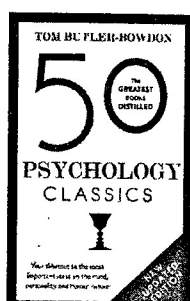
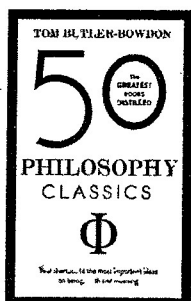
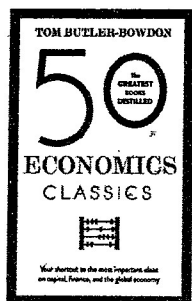


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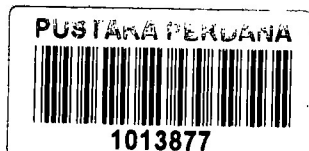
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# 50 Business Classics

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Tom Butler-Bowdon



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# 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 & Effectiveness
- 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*

## 50 BUSINESS CLASSICS

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

## INTRODUCTION

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*

## 50 BUSINESS CLASSICS

- 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.

## INTRODUCTION

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 or 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](mailto:tombutlerbowdon@gmail.com) with "Business Bonus" in the title bar and you'll be sent the bonus chapters.

# 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.*

# 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:

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