What I Didn’t Learn in Business School

*How Strategy Works in the Real World*

Jay B. Barney and Trish Gorman Clifford

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**KEY CONCEPTS**

- Many strategy tools taught in business school do not take into account how human interactions and office politics interfere with decision-making processes.

- Assumptions may work in the classroom for demonstration purposes, but they will not be adequate in the real world. Different assumptions lead to vastly different outcomes in real-world scenarios.

- One of the hardest skills to learn is how to remain objective and base decisions on facts and research. Sometimes it is easy to take what others say at face value, but all information should be verified and questioned.

- The VRIO framework can be helpful in measuring a strategy’s effectiveness:
  - Is the strategy *Valuable*?
  - Is the product *Rare*?
  - Can the strategy be *Imitated*?
  - Can the firm *Organize* and implement the strategy?

- When attempting to get buy-in from leadership, it is important to identify those on the executive team who oppose the idea. Most effort should be spent convincing these individuals.
INTRODUCTION

Many of the widely accepted strategy tools taught in business schools do not apply in the real world. In *What I Didn’t Learn in Business School*, Jay B. Barney and Trish Gorman Clifford relate the fictional story of Justin Campbell, a recent MBA graduate. Through the story, the authors show that traditional strategy tools do not work because they do not take into account the ways that human interactions and individual goals interfere in the workplace.

SETTING THE STAGE

Justin Campbell, a recent graduate with an MBA, is a consultant on his first job. He is in Chicago to serve HGS, a large client with a revolutionary technology. The issue is that company executives have not decided what to do with this new product. With little time and limited information, Justin and his team must analyze the best possible ways to serve their client.

In a short time, Justin learns that the real world is different from the world of the classroom. His understanding of fundamental strategic concepts is put to the test when he is confronted by the individuals and decision makers who represent HGS.

A LITTLE TURBULENCE

Justin hates turbulence. His flight into Chicago is a rough one. He is on his first job as a consultant, preparing to meet his first client. Justin was born in the small town of Willow Springs, Texas, attended the University of Texas, and graduated with an MBA. He was recognized by his professors as the best at “cracking the case.”

His first assignment is to help HGS, a chemical company located in Chicago, explore the possibility of using a new technology called “Plastiwear” to enter the dress shirt market. As the project unfolds, Justin must gain the confidence of his senior supervisor, Ken McCombs, and prove that he is capable of doing the job.

A SIMPLE PROBLEM

Justin waited for this opportunity for two years and approached his first team meeting with excitement and uncertainty. The team is made up of consultants Vivek Chatterjee, Gordon Lee, Ken McCombs, and Livia Chambers. After they are introduced, the group gets to work. Their job is to solve “a simple problem.” HGS wants to use their Plastiwear technology to enter the dress shirt market. Their goal is to produce a $400 dress shirt that can be made for $15 and sold for $70.

Based on one of his MBA classes, Justin believes that he can use the rule of assumptions to help the client reach a decision. Ken quickly shoots down Justin’s approach, noting that in the classroom assumptions are “artificial” and that in the real world, “different assumptions lead to different outcomes.” For the first time, Justin understands that some of the lessons he learned in college are useless. “I didn’t blame my professor…I blamed myself for learning the wrong lesson.”

Ken and Livia propose that the team identify the executives within HGS who will agree with their recommendations and those who might oppose them. Unfortunately, Gordon, the senior member of the consultant team, will be unavailable to assist because of prior commitments.

As the meeting is about to end, HGS President Dr. Carl Switzer, VP of Oil and Gas Scott Beckett, and other members of HGS’s management team enter the room. As each member presents his or her case, Justin and the other consultants realize there is a great deal of dissension among HGS executives; some want to go forward with

Suddenly I had this uneasy feeling that much of what I learned in finance, while not wrong, was largely irrelevant.
the manufacturing of dress shirts, the oil and gas division wants no part of it, and questions arise concerning whether or not HGS should manufacture the fiber or outsource it. On top of that, HGS might be taken over by a private equity group in New York.

With only ten days to work on their recommendations, Justin realizes that what he thought would be a simple job of evaluating a new project was a “save the company” situation.

A New Shirt

Bill Dixon, an HGS executive, was assigned to assist the consultants at the request of Dr. Switzer. After Dixon’s first meeting with the team, Justin concludes that Dixon could provide a great deal of analysis and data, but no help in deciding what HGS should do with Plastiwear.

After visiting a clothing store to buy a new dress shirt, Justin is given a crash course lesson in shirt manufacturing by a knowledgeable salesman. After digesting all that he could about fabrics, stitching, thread, buttons, and collars, Justin leaves the shop with a $174 dress shirt. He realizes the vast potential of Plastiwear: quality shirts that could be sold for $60.

A meeting with Shirley Ricketts, CFO of HGS, further confounds Justin. HGS produced six different analyses of whether or not Plastiwear would be profitable. Two concluded that HGS would make one billion dollars in profit, two concluded the company would lose one billion dollars, and two showed the company breaking even. If the CFO had no answers, how could Justin reach a conclusion?

A Moving Target

Scott Beckett, VP of the oil and gas division, wants nothing to do with manufacturing dress shirts. “Forget Plastiwear,” is his advice. After presenting Beckett’s conclusions and agreeing with them, Justin presents the case for HGS not entering the shirt business. He is immediately shot down by Ken. He finds Beckett’s analysis “not definitive.”

No matter how rigorously you analyze the wrong industry, you still get the wrong answer—or maybe the right answer to the wrong question.

Much of what Justin thought he knew about present value could not be applied in the real world. He could no longer use his MBA to help HGS. He is warned by Ken to make sure he hears all sides of the issues and to remain more objective. Justin must apply his knowledge more appropriately.

After seeing Ken’s criticism as a form of coaching, Justin has lunch with Livia. Their conversation centers on whether HGS should manufacture Plastiwear in-house or outsource it to another manufacturer. HGS already has a plant, so manufacturing the product in-house seems logical. If the Plastiwear is outsourced, then HGS runs the risk of having its new technology stolen. At the conclusion of their lunch, Justin is feeling better about the teamwork that is developing among the consultants.

A Valuable Chain

The working lunch with Livia gives Justin a sense of “synergy” with her; he feels connected to her and their shared ideas. They agree that just because HGS can produce Plastiwear does not mean it is the right thing to do. HGS’s decision to enter the shirt industry depends on whether the company can gain a competitive advantage by doing so.

Justin applies the VRIO framework to answer this question:

- Is the strategy Valuable?
• Is the product Rare?

• Can the strategy be Imitated?

• Can the firm Organize and implement the strategy?

After considering the VRIO framework, he believes HGS can produce Plastiwear but does not have to go into the shirt business. Justin is applying what he learned in college to the real world.

A THOUGHTFUL WORKOUT

Ken calls Justin, concerned that some of the topics Justin and Livia discussed over lunch “raised some red flags.” Ken is concerned that Justin bought what Livia told him “hook, line, and sinker.” Ken advises Justin to become more objective and put his own thoughts and ideas into action. Beckett, the VP, is prejudiced because he has visions of one day becoming the CEO of HGS.

Despondent, Justin feels he is a failure whose career has just crashed. While exercising, he begins to wonder what Ken wants from him, and feels betrayed by Livia, who shared their lunchtime conversation with Ken. He does not want to blow this opportunity and knows he must earn Ken’s respect by doing what he thinks is best. After a robust workout, he prepares for his interview with Jerry Tucker, the inventor of Plastiwear. It is time for him to leave the college classroom and transition into the real world.

A SWEEPING VISION

Justin is joined by Bill Dixon at the interview. Jerry Tucker believes that his invention should not be used in the manufacturing of dress shirts, but rather in new industries to manufacture new products. Tucker sees Plastiwear increasing HGS’s profits by billions of dollars but has no answer to Justin’s “what if” questions. What if Plastiwear is a bust and HGS loses billions? Is it a risk the company can take? In the end, Justin and Bill learn nothing from Tucker.

A meeting with Vivek convinces Justin that he and his teammate are finally on the same page. HGS must determine how valuable Plastiwear is and how it can be used; the making of dress shirts is just the beginning. They must now focus their questions on what the company can do with this new technology that will set it apart from the oil and chemical branches of HGS.

A LONE RANGER

On the fourth day of his assignment, Justin interviews Dr. Walter Albright, VP of corporate R&D. Justin’s first question deals with the potential size of the Plastiwear market. Albright’s answer is that the market is limitless. He envisions Plastiwear being used in new construction to make buildings earthquake proof, as a fabric used in bulletproof vests for police, and for bulletproof uniforms for the military.

I considered the two things I had learned so far working at HGS. First, I had learned that net present value analysis tells you nothing about the quality of a firm’s strategic strategies. Second, I had learned that the attractiveness of an industry, by itself, cannot be used to make good strategic choices.

Albright’s vision for Plastiwear surprises Justin, since no one at HGS was thinking of using Plastiwear as broadly as Albright. Dr. Albright also sees a future that includes a spray-on version of Plastiwear. Albright wants to begin this expansion of Plastiwear’s uses because he is suspicious that information about this revolutionary technology is beginning to leak out. The only thing preventing HGS from moving forward is the inside bickering between various segments of the company. Justin agrees, using the fact that six different HGS teams came up with six different studies and six different conclusions. If HGS did not act soon, a private equity firm would.
After finishing his interview with Dr. Albright, Justin takes the time to objectively analyze what they discussed. Plastiwear to make buildings safer during an earthquake was acceptable, but to use the material in military clothing was foolish, since the uniforms could only be made in white. Still, Justin was pleased that he was making progress. His analysis was sure to please the other members of the team.

The next morning, a proud Justin met with Vivek and Livia. His heart sank as they presented the same ideas he worked on all night. He had not given them anything new. Justin is disappointed, but then relieved that at least the team members are on the same page. They now see Plastiwear as having three distinct uses, and none are in the shirt business. Team members are beginning to rely on one another and work more effectively.

**A Fitting Test**

Vivek and Justin meet with Leonard Kilbrick, part of the R&D group at HGS investigating alternative uses for Plastiwear. After the meeting, Vivek believes that Plastiwear can become HGS’s new *core competence*, a unique product that is impossible to duplicate.

Justin is convinced that his work can shape the future of HGS and create thousands of jobs. His work can actually make a difference. Five days into the project, Justin has new confidence in his ability to evaluate business opportunities objectively. His strongest trait is his ability to separate the politics of HGS management from logical decision making. Ken calls to congratulate Justin on the way he is growing as a consultant. Because he has been working 18-hour days, Justin is afraid he is burning out, but is reassured by a call from Jackie.

**A Constructive Meeting**

For the next two days, Justin, Livia, and Vivek agree to focus on Plastiwear’s potential. They decide that this must result in a complete, rigorous analysis and not a draft. They come out with the following convictions:

- Manufacturing white shirts is out
- The company should consider manufacturing Plastiwear products
- The company should partner with manufacturers
- They must identify potential customers
- They must determine where Plastiwear fits within HGS

The team is going to recommend the creation of a new Plastiwear division.

**A Seamless Argument**

The entire team is focused on how Plastiwear should be organized within HGS. They determine annual profits could reach several hundred million dollars. That afternoon, they meet with the VP of R&D, an R&D representative, and the inventor of Plastiwear. At the conclusion of the meeting, the team is convinced that the only member of HGS’s management who needs to be won over is Scott Beckett, the VP with dreams of becoming CEO.

Carl Switzer reviews the team’s notes and seems to approve; there appear to be no problems. With the CEO on board, Vivek and Justin must produce concrete, fact-based recommendations to present to HGS’s entire board. At this all-important conference, the consultants recommend:

- Maintaining full control of Plastiwear
Monitoring the quality of Plastiwear and its products

Creating a separate division of HGS to market Plastiwear

Afterward, Justin is skeptical, but Vivek is convinced that Carl Switzer will fully accept their recommendations.

**A STAFFING QUESTION**

Decision day arrives and the wait is on. Vivek, already awaiting a trip to Africa to begin a new assignment, praises Justin’s work ethic and his ability to work with a team. At 2:30 the team meets with Carl Switzer, anxious to hear his decision, but confident that they have done a thorough job of providing positive recommendations.

Switzer informs the team that HGS is enthusiastically adopting all of the team’s recommendations. In addition, Livia is named the new VP and general manager of HGS’s fiber and fabric division. Justin is happy for Livia, and he is convinced that his work made a difference. Despite periods of self-doubt he is ecstatic he still has a job, and awaits his next assignment.

**FEATURES OF THE BOOK**

**Estimated Reading Time: 5–6 hours, 231 pages**

*What I Didn’t Learn in Business School* by Jay B. Barney and Trish Gorman Clifford is a business novel that illustrates how strategy lessons and the planning process work and how company politics often get in the way of decision making. The role of consultants as advisors to companies about to embark on new initiatives is fully explored and explained. The book would be of interest to consultants, business leaders, business professors, and business students. Because it is a novel, the book should be read in order. The authors provide charts, graphs, and illustrations to highlight major points. There is a section for additional reading at the end of the book.

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**Jay B. Barney** is a professor of management and the Chase Chair for Excellence in Corporate Strategy at Ohio State University’s Fisher College of Business. He has consulted for organizations including Hewlett-Packard, Texas Instruments, Tenneco, Arco, Koch Industries Inc., and Nationwide Insurance. He has published numerous articles in strategy and management journals, as well as five books on strategy.

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