THE STORY OF BCG

A COMMITMENT TO IMPACT

BCG

THE BOSTON CONSULTING GROUP

The Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. We partner with clients from the private, public, and not-for-profit sectors in all regions to identify their highest-value opportunities, address their most critical challenges, and transform their enterprises. Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with 81 offices in 45 countries. For more information, please visit bcg.com.

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INTRODUCTION

The Boston Consulting Group began as both a management consulting firm and a pioneer of bold new approaches to running companies. Its focus on strategy would have a profound and lasting impact on both corporate management and the business academy. Yet the firm went on to accomplish something equally remarkable. After carving out a distinctive niche in a crowded marketplace, BCG successfully managed the transition from a boutique to a full-service consultancy while preserving key elements of its founding culture. Along the way, it continually adapted to the changing needs of its clients—adding layers of new capabilities—to become one of the world's major global management consultancies.

UNLEASHING A REVOLUTIONARY STARTUP: 1963–1972

UNLEASHING A REVOLUTIONARY STARTUP: 1963–1972

BCG had modest beginnings. In 1963, the leaders of the Boston Safe Deposit and Trust Company were looking to expand beyond wealth management in New England. They saw the growing industry of consulting services as a promising complement to their mainstay business.

The consultant they hired to launch the new operation, though, had an entirely different idea. Bruce Henderson, then 48 years old, had spent most of his career in the purchasing department at Westinghouse. Unlike many of the line managers at that manufacturing giant, he had a rebellious spirit that made him question established practices. Eventually, after focusing on lowering the company's costs, he found that his reformist zeal and wide-ranging ideas were a poor fit for the corporate hierarchy. He left Westinghouse in 1959 and entered the consulting industry, joining the venerable firm of Arthur D. Little as a senior vice president. But that job lasted only four years, ending after he lost a power struggle with the head of that firm.

CEO Bruce Henderson, 1963–1980

We are pleased to announce
the election of
BRUCE D. HENDERSON
as Vice President
in charge of our
MANAGEMENT CONSULTING
DIVISION

The major emphasis of this new Division will be to assist corporate management in the areas of long-range planning and strategy. This is a logical outgrowth of our extensive experience as a fiduciary in the problems of Management.

BOSTON SAFE DEPOSIT AND TRUST COMPANY

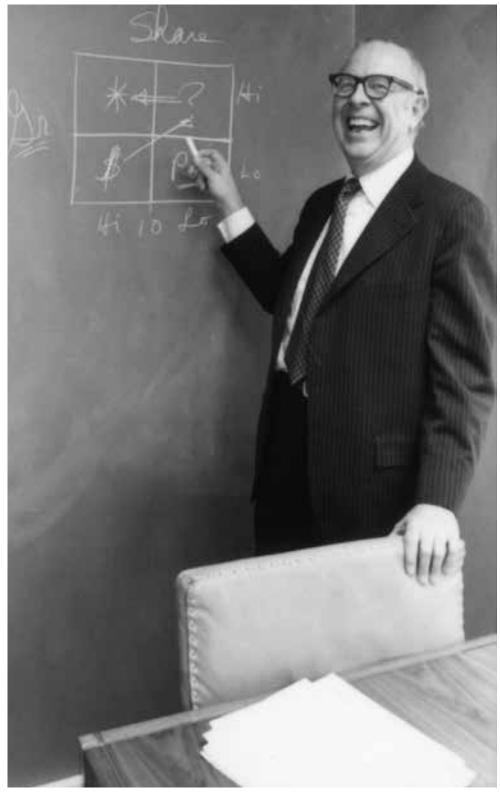
Henderson's VP election announcment

While at Arthur D. Little, Henderson had met Bill Wolbach, chief executive of Boston Safe Deposit, who was impressed enough with Henderson to offer him a job as head of a new consulting arm of the bank. The work started slowly with a few referrals from acquaintances, mainly for projects focused on information gathering, but revenues grew every month. Henderson hired a few people to help, most of whom were academics; only one came from the business world. After the first few years, Henderson set his eye on young recruits right out of business school.

The firm's breakthrough came a year after its founding when the company was hired by a large manufacturer of grinding wheels. Having paid little attention to the profitability of its individual products, the manufacturer was losing market share to smaller competitors that “cherry-picked” the most vulnerable products. Henderson helped the client devise a plan that would leverage its size to make these products more attractive, even at a higher price.

Henderson had long been fascinated with competition, and he knew that it was only under pressure from the marketplace that most companies would change long-established ways of doing business—or hire upstart consulting outfits, for that matter. He soon latched onto the concept of strategy, an emerging idea in business circles. Most of the early writings on this concept saw it as an expanded version of business policy, essentially consisting of the high-level decisions about products, practices, and organization structure that came out of the head office of a large company.

As the fledgling consulting division looked for a specialized offering that would help it stand out, Henderson pushed for strategy. His colleagues worried that the concept was too vague, but he saw the



Henderson explains the Growth-Share Matrix—*Forbes* Magazine photo

IDEAS

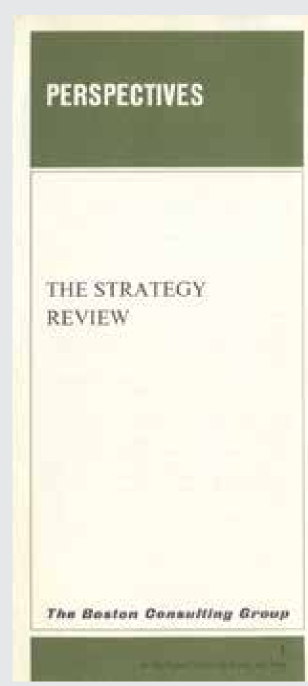
STRATEGY AS COMPETITIVE ADVANTAGE, 1965

As an ambitious upstart in a crowded industry, BCG needed something to distinguish itself. Henderson suggested strategy as the answer, to which someone objected that it was too vague. “That’s the beauty of it,” Henderson responded. “We’ll define it.”

For Henderson, strategy was not just a buzzword—something to attract attention or sell projects. It was a vehicle for changing executives’ mindsets—especially with respect to how they understood their responsibilities.

Until then, most ambitious American companies had focused mainly on growth. They worked on expanding sales, establishing responsive administrative structures, modernizing accounting and controls, building up managerial talent, and boosting marketing.

Henderson was hardly opposed to growth, but he had seen firsthand the inefficiencies that a bias toward growth had engendered. He wanted to streamline companies so they could grow in more effective ways and focus on areas in which they excelled. The only way to understand where a company would excel in the long run, he argued, was to compare it with its rivals. A product line might be profitable now, but as the company’s competitors reaped the benefits of superior performance, they would inevitably drive down the profit margins on those products.



vagueness as an advantage: they could define it for their own purposes. And so they did, focusing on the high-level actions a company could take that would yield advantages over its rivals. This emphasis on the competitive aspects of strategy and how to secure advantage—rather than the general approach that most analysts used—gave Henderson and his colleagues an effective way to position themselves.

It also differentiated them from much larger, more established rivals. Then, as now, many consulting firms made a living by sharing the best practices of industry leaders with their clients. Focused largely on organization restructuring or incremental operational improvements, they paid scant attention to competitive differentiation. Henderson and his small team had far too little client experience to compete credibly as knowledge brokers. But they could offer services in the new area of strategy, where the established firms had no track record.

Henderson and his colleagues also had perfect timing. By the late 1960s, after decades of steady growth, many established American companies were beginning to face serious competition. Europe and Japan had recovered from the devastation of World War II, and their newer, more efficient, export-driven companies were starting to capture more and more market share. American firms were struggling to understand this strange new landscape, let alone respond to it. The fresh perspective they needed was more likely to come from consulting firms with younger employees free from the conventions of the past.

Henderson brought many years of industrial experience to reassure clients and the passion for ideas of a far younger man. It was the perfect combination to lead a revolution.

Sandy Moose early in her career

ATTRACTING A TALENTED TEAM

When it came to staffing this young but growing firm, Henderson aimed high. To expand his initial core team, he focused on graduates of the most prestigious business schools. As a startup, the firm had little to offer clients besides talent. So Henderson paid beginning salaries that topped what other firms paid, which led to an embarrassing situation in which young consultants earned more than many of the bank's executives. But he committed time as well as money to recruitment. Prospective hires underwent lengthy interviews that showcased Henderson's wide-ranging mind and iconoclastic personality. Like attracted like, and soon Henderson had brought on a number of smart, intellectually curious people who were brash enough to believe they could teach executives something—but who also relished the intellectual give-and-take of a creative consulting team. Colleagues who joined in those years remember an exciting atmosphere of tireless exploration and collaborative idea generation.

Sandy Moose recalls her first encounter with Henderson before she joined the firm in 1968. Much of the three-hour interview involved his provocative reflections on a variety of subjects that were often only indirectly related to his ambitions to change business. Instead of selling BCG, he pitched the opportunity. Although she argued with him, she was fascinated by his restless curiosity and passion for ideas—and energized by the thought that she might begin to change the world at such a young age. Talented people who were turned off by this sort of discussion—or who wanted a safer, more conventional career at a more established firm—went elsewhere.

Moose's gender suggests another way that Henderson defied convention. He had no problem giving an intelligent, confident woman a shot—even as he conceded to her that he had never heard of a woman consultant. Moose would often convey to others Henderson's disinterest in physical appearance; he was interested in those who were bright, creative, and capable of adding something. BCG was ahead of most of its peers in recruiting women and minorities.

The culture of BCG's workplace arose out of the larger-than-life personality of its founder. Henderson had spent most of his career struggling against the hierarchy of big corporations, and he took care to make his new organization a polar opposite. He wanted a place where smart people would be free to innovate and change the way business worked. To that end, he established less structure than was typical at most consulting firms, never mind other kinds of companies.

Although all consulting firms give their people a good deal of autonomy, Henderson went further and established a market-based system in which everyone was a bit of an entrepreneur. New recruits might get an initial assignment on a project team, but then it was up to them to sell their services in a kind of internal marketplace. If they could not convince a project leader to include them on a given team, they would eventually find themselves at the bottom of the monthly billings list, which Henderson posted prominently in the Boston office. If they were going to change the world at a young age, they had better start making a difference early.

MONDAYS

One way to prove one's worth at BCG was the Monday Morning Meeting. At the start of every week, every consultant in the Boston office—other offices varied on the day—gathered to talk about their current projects. A project leader would present what his or her team was going to tell the client, and the rest of the attendees would offer advice and, usually, critiques. Anyone, no matter how junior, could offer an opinion, but anyone else could challenge that opinion, often tearing it to shreds. It was a heady experience that sharpened minds and raised performance.

THE ART OF THE IMPACTFUL IDEA

To Henderson, success meant more than growing as a firm, it meant revolutionizing the industry. To drive his operation—and mission—forward, he insisted that unique ideas accompany proactive execution. In 1964, he developed a new approach to marketing a consulting firm, centered on two novel elements. The first was *Perspectives*, a series of brief and highly provocative essays on strategy that the firm published in a brochure format small

IDEAS

THE EXPERIENCE CURVE, 1966

BCG could point out product lines at companies that had fallen behind, but to set forth an actual strategy, the firm needed to provide some predictive insights into competitive dynamics.

The experience curve fit the bill. It was the first big idea that clients could use as a tool for strategizing. What might seem at first glance to be a simple combination of the learning curve and economies of scale was much more profound—this idea held that the more experience a company had with a given product, the less that product would cost to deliver over time. All of that accumulated activity had intrinsic value, so competitors who rushed to build a plant to match the pioneer's economies of scale could not expect to make the product as cheaply. Unlike the learning curve, which measured only the immediate production cost, the experience curve covered all corporate activity around that product, including administration and marketing, as measured by cash flow.

enough to fit easily in an executive's coat pocket. Henderson crafted these essays with the help of a full-time editor who was an early hire. At first, the *Perspectives* pieces merely excerpted ideas from other publications that had appeared in less user-friendly forms. But soon Henderson and his colleagues were introducing their own ideas, which proved far more appealing than what executives were seeing elsewhere.

As they identified patterns and thought more about client challenges, they tried out emerging themes in the *Perspectives* series. This turned out to be an ideal medium for stirring up executive interest and unease by pointing to problems in the conventional wisdom of business. The essays attracted attention, but the firm still needed a personal connection to make a sale. For that, Henderson launched the second novel element: conferences aimed at the concerns of CEOs. Attendance was restricted to invited executives. Most attendees knew almost nothing about the firm but were intrigued by ideas on dealing with competition. As Henderson and his colleagues started presenting their developing ideas, interest ramped up. Within a few years, invitations became highly sought after, even from the leaders of large companies.

It was one thing to offer intriguing ideas, quite another to demonstrate their impact. The project for the grinding-wheel

Bruce Henderson with the Tokyo staff, 1966

manufacturer had been a good start, and as Henderson and his colleagues worked with more clients, they identified something powerful: the experience curve. Although some observers saw this as little more than a broader version of the familiar learning curve, the experience curve had far more practical power. For one thing, it shook up the long-held assumption of most industrial executives that costs were largely constant. For another, it was analytically predictive.

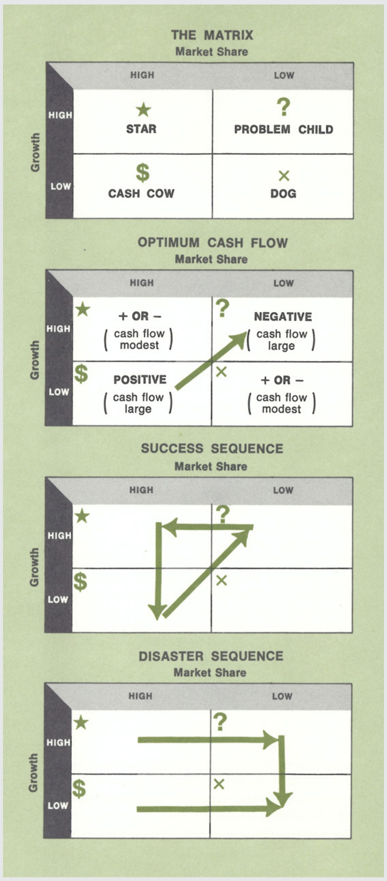
It also gave the emerging focus on strategy an immediate agenda. Companies could regain competitive advantage by concentrating on products with a large market share—actual or potential. Greater market share meant greater scale, which led to volume, which meant experience and, in turn, lower costs. The firm became a leading proponent of managing each business in a portfolio differently, as opposed to taking the rather arbitrary approach of basing resource allocation according to profitability.

BCG's approach worked even for clients reluctant to close businesses, for now they had a framework for distributing resources among their many disparate divisions. Other ideas, especially the renowned growth-share matrix, only increased the firm's arsenal here. And just in time: as interest rates shot up in the late 1960s and 1970s, capital allocation took on unprecedented importance for firms.

All of this proved a winning combination for BCG, and highly disruptive for what was still the relatively small industry of top management consulting. It was also satisfying to Henderson, who had concluded back in his Westinghouse days that most companies were in more businesses than they should be. This notion eventu-

IDEAS

THE GROWTH-SHARE MATRIX, 1968–1970



Experience curves provided only the starting point for discussion about the relative potential of a given business unit. To evaluate a whole portfolio of divisions, BCG responded with the growth-share matrix.

Alan Zakon led a team that advised a major paper manufacturer on whether to diversify into businesses that offered a higher rate of growth than paper did. They explored the possibilities for each option with a special eye to the investments each business would need to stay competitive. The result was a classification of the options according to how much cash each would likely generate over the short and long terms. A high-growth business would be a major drain on cash until it worked its way down the experience curve, whereas a low-growth business could be a major cash generator as long as it was far along the curve.

As a result of his work with a chemical company, Richard Lochridge was able to help Zakon enhance the analysis developed for the paper manufacturer by clarifying the two axes for the matrix—growth of the overall market and the business's share of that growth.

BCG could now generate a powerful two-by-two matrix for both growth and share. By adding colorful designations to each box—stars, question marks, cash cows, and dogs—the firm had an analytical framework that enabled CEOs to get an immediate, first-step diagnosis of their portfolios. Now they could set the annual divisional budgets in a more objective way—and also set individual strategies for each business. Expanded to all competitors in a single industry, the matrix also showed the structure of the industry.

ally became a truism of management consulting, but at the time it was a provocative idea for executives who had assumed that both diversity and scale were good.

TURNING IDEAS INTO GROWTH

Soon, Henderson's consulting division had expanded far beyond what Boston Safe Deposit had expected. In 1968, as part of a larger reorganization around a holding company, the bank spun off the consulting arm as a legally separate but wholly owned subsidiary: The Boston Consulting Group.

Henderson's ambition extended not only to the United States but also to the entire developed world, where he looked to replicate the success of other consulting firms. He acquired or set up joint ventures with firms in Tokyo and London, and the firm set up the Paris office from scratch. Although these offices struggled to match the commercial success of the Boston office, Henderson had built the foundation for the international enterprise he envisioned.

The next few years brought more ideas that built on the early concepts of the experience curve and growth-share matrix, most of them focused at the nexus of production economics, finance, and market competition. Each new client gave the firm access to more data that BCG could use to generate and test additional ideas. By 1973, it had earned a reputation that far exceeded its still relatively small size—about 100 consultants and more than $5 million in revenues. BCG was on the move. But that very success prompted a crisis that could have undermined much of what Henderson had worked to build.

Further Reading

Bruce Henderson
BCG's founder developed breakthrough concepts, establishing the firm's reputation as a pioneer of business strategy

Bruce Henderson's Lessons from Bookselling
Time on the road shaped his business acumen

Charting Her Own Course
Sandy Moose reflects on being BCG's first female consultant

The Experience Curve, 1968
Bruce Henderson

BCG Classics Revisited: The Experience Curve, 2013

The Experience Curve—Reviewed (Part I), 1974
The concept

The Experience Curve—Reviewed (Part II), 1973
The history

The Experience Curve—Reviewed (Part III), 1974
Why does it work?

The Experience Curve—Reviewed (Part IV), 1973
The Growth-Share Matrix or The Product Portfolio

The Experience Curve—Reviewed (Part V), 1974
Price stability

The Product Portfolio, 1970

Developing the Growth-Share Matrix
Alan Zakon describes the famous concept as a collaborative creation

Video

Henderson's View on BCG

Sandy Moose Addressing BCG's Current and Former Partners at the Boston WWOM, June 20, 2013

Podcast

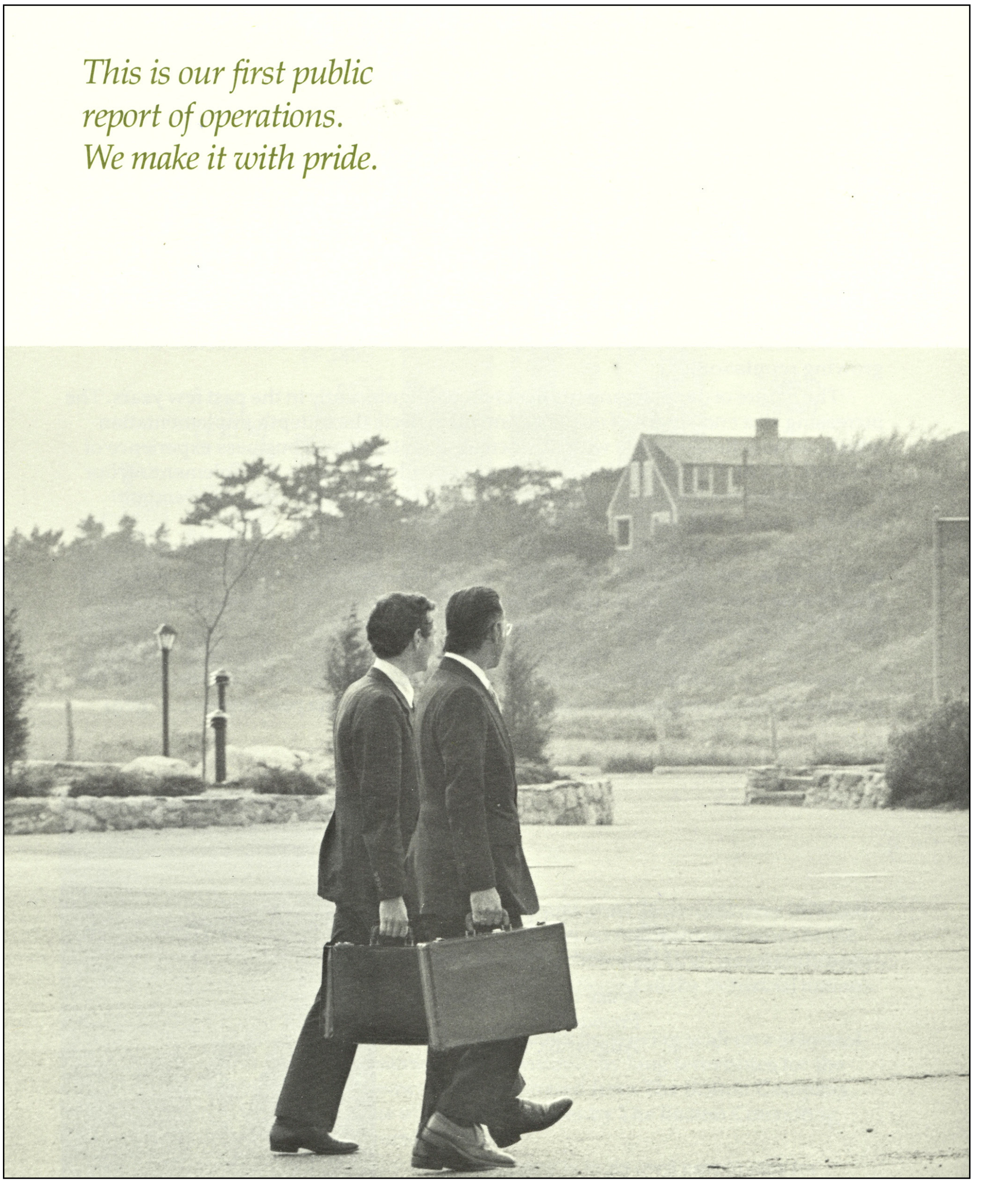
Bruce Henderson's Explanation of the Experience Curve Retold

MANAGING GROWTH AS AN INDUSTRY PIONEER: 1973–1979

MANAGING GROWTH AS AN INDUSTRY PIONEER: 1973–1979

TOWARD INDEPENDENCE

Growth, as Henderson knew, was a blessing, perhaps a necessity given his ambitions. Yet managing that growth was a challenge, especially for a professional service firm like BCG that aimed to provide its consultants with a high degree of autonomy while encouraging the sense of collaboration and cohesion they would need in order to be effective. The 1970s were a critical period in which the firm managed to maintain a coherent culture



BCG's first annual report, *The Annual Perspective,* 1975

BCG Stock Certificate, 1980

and a sustainable form of governance, even as it rode a wave of expansion.

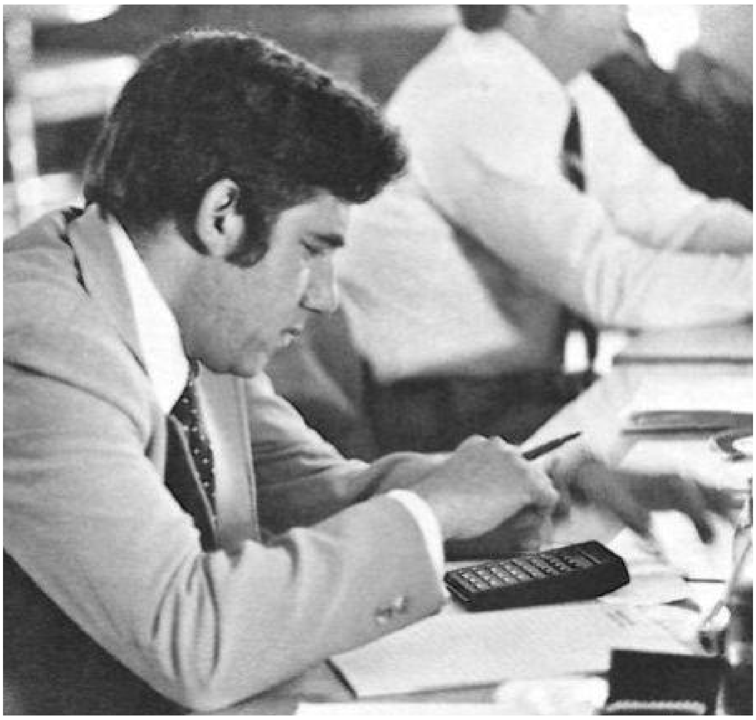
To achieve this balance, Henderson experimented in 1972 by dividing the consultants into three autonomous groups, each with its own clients, project teams, and assigned color. Every month, he posted the results for each group as a way of stimulating friendly competition. But the plan suffered a big setback the following year when the leader of the Blue Group, Bill Bain, suddenly quit along with two others in his group. Even worse, Bain lobbied many of the other consultants in the Boston office to join his new firm.

This episode represented a real threat to Henderson's leadership—and to BCG. Henderson's personality and unconventional thinking were important for BCG's development but they also could make him difficult to work with.

As it turned out, most of Henderson's colleagues remained loyal to him. Although many were irked by his unorthodox management style, they were too intrigued by his intellect and vision. Bain went on to launch his own successful company.

The breakup pushed Henderson further toward winning full independence for BCG. After a series of negotiations, he convinced The Boston Company to sell the firm. Becoming independent of The Boston Company in 1975 was the fulfillment of Henderson's great wish for his fast-growing enterprise of now 157 consultants. It also forced BCG to develop a stronger governance structure. Soon BCG was doing even better than expected, powered by the growth-share matrix in particular.

The firm's reputation continued to soar, and BCG opened offices in Munich and



(clockwise from top left):
CEO Alan Zakon, 1980–1985; Zakon at work, 1975; Zakon presenting at orientation, 1981; Zakon working with teams, 1983

Menlo Park. Munich demonstrated the market potential that Henderson had expected all along, most of it from work with a giant conglomerate. Profits were strong enough to allow the BCG Employees Trust to pay off the remaining amount due to The Boston Company in 1979, five years ahead of schedule. The newly independent firm had 250 consultants bringing in revenues of more than $30 million a year.

ALL THINGS BEING EQUAL

Considering all this mounting success, what Bruce Henderson did next was truly extraordinary. As founder and longtime leader of the firm, he was in a position to dictate most of the terms for the new organization. He could have designed an ownership structure that gave him the lion's share of the firm's equity and voting rights, much as Bill Bain did when he arranged a similar employee purchase for his firm. Yet Henderson structured the transaction so that he held only 5 percent of the firm's shares for himself. The rest was distributed to all regular U.S. employees.

He also gave himself and all the other officers a single equivalent vote in the firm's decisions, demonstrating in the clearest terms his commitment to the collegiality of the firm. That focus on the institution over the individual did much to ensure BCG's continued success long after Henderson retired.

Henderson's move was all the more remarkable in light of what immediately followed. The other officers (today called partners) coaxed Henderson into stepping down, and in 1980 he became nonexecutive chairman. Longtime consultant and idea-generator Alan Zakon was elected as the new CEO. They appointed a management committee—consisting of John Barnes, Anthony Habgood, and John Clarkeson along with Zakon—to help run the new firm. It was a move consistent with Henderson's philosophy of collegiality—and also a hedge against the prospect of another dominant leader. The management committee was designed to advise and to take on delegated responsibilities, but it could not make management decisions. Zakon and the new committee, none of whose members had substantial management experience, soon had to confront what still ranks as one of the most decisive of the many challenges in the history of the firm.

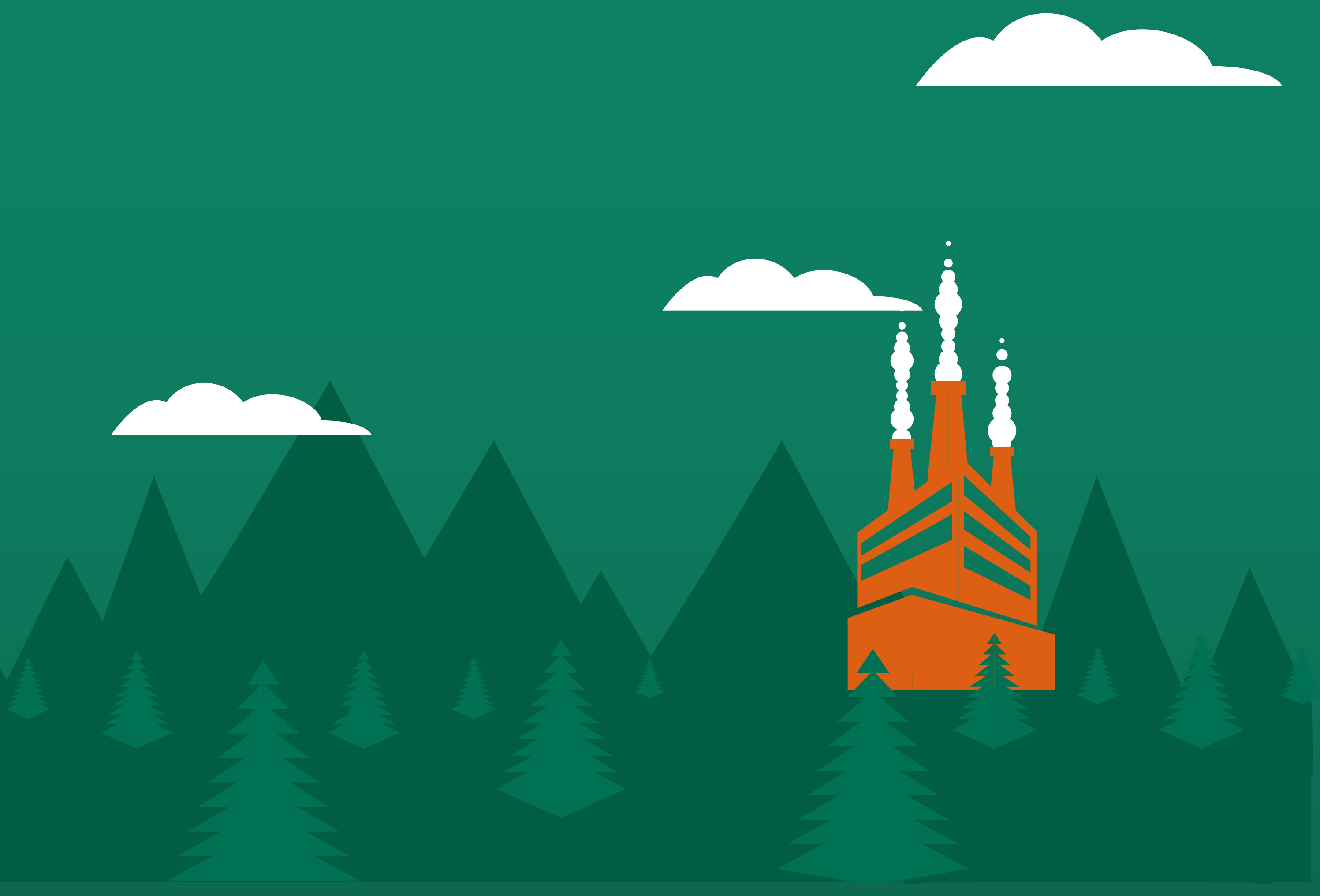
Further Reading

BCG Achieves Independence
The story of the buyout, as told by the BCGers who organized it

Video

A Journey Through Local Offices

EMBRACING IMPLEMENTATION: 1980–1990



EMBRACING IMPLEMENTATION: 1980–1990

By the early 1980s, BCG's positioning as a strategy boutique was coming under pressure. Rival firms had eventually adapted variants of BCG's ideas for its clients. The rest of what was starting to call itself the strategy consulting industry had followed, if only by embracing BCG's passion for assembling and analyzing data.

More important, strategy and its marquee concepts had run through something of a product cycle, at least in the U.S. After a decade and a half, most companies that were likely to be interested in hiring consultants for strategic perspective had already done so and were unlikely to call again soon. Corporate planning offices had effectively embraced BCG's analytical approaches, even if they often employed them in a mechanical way.

The business Zeitgeist had shifted. And organizational concerns were returning to the fore, as executives wondered how to reshape their systems and structures around the implications of consultants' and their own strategy work. *Fortune* ran a notable cover article declaring an end to "killer idea" strategy consulting; an illustration showed a boxing ring in which a group of battered boxers represented BCG and its rivals, and asked "Who Will Get Mauled?"

In fact, although strategy work continued, implementation now took center stage. As BCG's work went beyond high-level decisions on investments and into broader organizational questions that could not be easily dictated, the firm needed to do more.

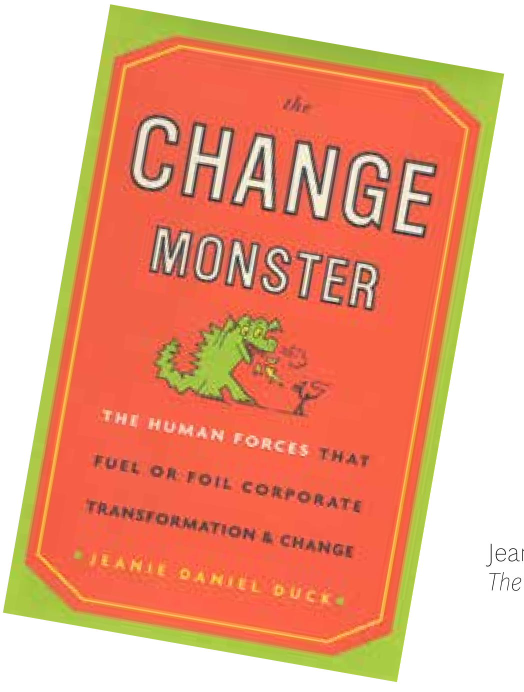
MAKING IT HAPPEN

Both the U.S. and Europe fell into recession in 1981. BCG's U.S. revenues stagnated, and while the small European business continued to expand, the high exchange rate resulted in disappointment when revenues were converted into dollars. Although total revenues may never have actually dropped, the mood had turned newly sober after the astounding growth of the 1970s. Adding to the difficulties was the transition from a founder-led to a partnership-led company. Overall, the first half of the 1980s was a time of reorientation.

Looking ahead, Zakon and other leaders on the management committee realized they needed to focus on achieving sustainable growth. BCG had expanded a great deal, and strategy alone could no longer generate the fees needed to maintain further expansion to fuel the firm's vitality. The choice became clear: either BCG needed to scale back and become a pure-strategy boutique operation, or it needed to widen its ambitions.

Perhaps the firm's greatest value for clients involved pattern recognition: tackling a large collection of data and using analytical methods and insights to find connections that suggested problems or opportunities. The fact that that was no longer enough to satisfy clients did not suggest that consultants now had to do all the work of implementation. What if consultants acted more like advisors and facilitators than outright directors of the implementation process?

Taking note of experiments already occurring in parts of the firm, Zakon began



Jeanie Duck, and
The Change Monster

pushing an initiative he called "Make It Happen." Brilliant ideas and analysis were no longer enough, he told consultants. To have substantial impact, the consultants would have to work on follow-up implementation with the client. The client service model had to evolve.

This initiative was a major undertaking. Zakon and the management committee had few levers to pull in the short term. They developed workshops and presentations on implementation and began to recruit consultants who possessed a stronger set of interpersonal skills for working with clients.

Working closely with clients on projects, BCGers began to pay attention to the emotional, nonquantitative elements involved in organizational change. Jeanie Duck, one of the few lateral partners hired in the 1980s to go on to have a long career with the firm, helped make other partners aware of the complex dynamics in any major corporate-change initiative.

The firm's loose organization structure could have made this evolution more difficult than it was. In fact, it ended up strengthening the initiative. Relatively autonomous offices served as laboratories for emerging client interests, and successful experiments were emulated elsewhere in a market-like process of generating change from the bottom up.

The groundswell started in offices serving large local clients that wanted more than strategic help. The local presence made the hands-on work more attractive than it would have been for a distant client. As the project teams began to prove their worth in implementation, the clients became more demanding—and less likely to look elsewhere for the work.

One conglomerate client was especially eager to learn from BCG, and from the beginning had required project teams to work closely with its own people. Most of these people at the time were from the planning department, not the divisions, but it was an important first step and focused attention on the practical implications of the recommendations. This client was BCG's biggest in the 1970s, and although it had long relied on BCG for strategy work only, in the 1980s that started to change—and BCG's mix of business evolved accordingly.

Such successes at this client and others at which BCG teams were devoted to helping

CEO John Clarkeson, 1986–1997

(right): Clarkeson flanked by his predecessors, Bruce Henderson and Alan Zakon

clients implement recommendations influenced Boston and other offices that lacked big local clients. Partners everywhere became much more alert to clients' growing needs for implementation.

NEW LEADERSHIP, NEW OPPORTUNITIES

John Clarkeson succeeded Alan Zakon in 1985, and he benefitted from the partners' growing comfort with a CEO distinct from the management committee. Clarkeson had a broad understanding of what it took to build an institution, and a disarming personality that would serve the maturing firm well over his four three-year terms as CEO. He also knew that the Make It Happen initiative was an ongoing effort that would take years to play out. Clarkeson worked to give partners more career direction and a greater sense of accomplishment. As part of that, he aimed to give long-tenured partners the standing and values they needed to represent the firm to CEOs. He therefore pushed to add a level to the firm's relatively flat hierarchy. At a 1987 Worldwide Officers' Meeting, the partners voted to create the position of senior partner (then called senior vice president).

The new title initially was simply honorific, but it was still something to which ambitious partners could aspire in the highly egalitarian firm. Only after several years, as the partners became comfortable with the title, did the new position acquire substance. But even today, the title of senior partner conveys neither governance nor compensation privileges.

One of the few powers of a CEO in the partnership was control over appointments. BCG was still too small to have many special titles of consequence, but there was no limit to advisory titles. To create a sense of belonging and commitment to an institution, Clarkeson explored ways of building platforms and internal leadership roles in the organization structure. These roles often granted partners license to experiment with new areas of development for the firm.

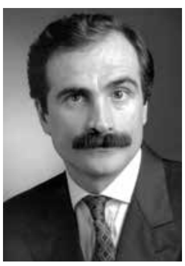
BCG's success in building offices had led to another problem for the newly strengthened central office. The initial ownership structure established back in 1975 and reaffirmed in 1979 had excluded the few non-American employees from the firm's main profit-sharing program for owners. After rapid growth in Europe and elsewhere, BCG had become a decidedly

CREATION OF SENIOR VICE PRESIDENT POSITION

Vote 9: Election of Senior Vice Presidents

VOTED: That the following individuals are hereby elected as Senior Vice Presidents of The Boston Consulting Group, Inc.:

Rene Abate	Bolko A. von Oetinger
Paolo Biancardi	Jonathan L. Isaacs
David J. Hall	Carl W. Stern


René Abate


Paolo Biancardi


David Hall


Jon Isaacs


Carl Stern


Bolko von Oetinger

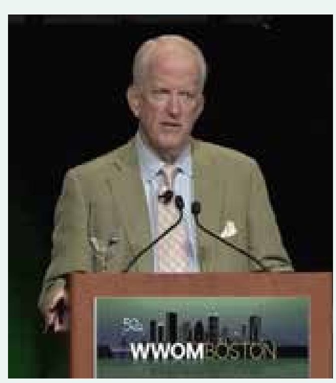
international operation in which the Boston office was just one among an increasing number of others. In 1988, the firm took the step of buying back all the existing shares at book value. It then redistributed new shares, so that all partners everywhere became equal participants in the firm's ownership.

Increasingly, one of the opportunities available to ambitious partners involved industry expertise. As BCG moved deeper into implementation, its people realized not only that conceptual frameworks were not enough but also that expertise in particular industries was needed. Even strategy work had become more specific to individual industries, as companies focused on core businesses. Clients, having become more sophisticated, were no longer prepared to pay consultants to learn about their industries. The time had come, then, for the firm to invest in building its knowledge.

In a spirit of collaboration, Clarkeson delegated this change to a team of well-regarded partners who had already benefited from industry expertise and were on solid footing in making the case for change.

THE WWOM CONSENSUS

Zakon, Clarkeson, and others in the 1980s took several steps to boost cohesion and coordination in the firm. Perhaps the most important measure was to broaden the Worldwide Officers' Meetings, which became major gatherings not only to vote on firm business but also to share knowledge about successes in the marketplace. Although the CEO had little direct authority over partners, he did have a bully pulpit, and Zakon used it to push the Make It Happen initiative and other important developments.



John Clarkeson speaks at the WWOM, Boston 2013

When Clarkeson succeeded Zakon in 1986, he used the Worldwide Officers' Meetings and other gatherings as opportunities to build consensus. With dozens of partners dispersed in offices around the world, it was getting harder to gain agreement on key issues. Clarkeson fostered discussion and debate in these group settings so that people felt they had a voice in changes such as the broadening of the profit pool to non-Americans. The group dynamic made for slower decisions but resulted in both more extensive support for the changes and more of a one-firm feeling among the partners.

A TIMELY IDEA

In 1987, BCG founded practice areas in four industry sectors (financial services, consumer products and retail, health care, and high tech) and two functional areas (organization, and mergers and acquisitions—soon renamed corporate development). Initially these practice areas were little more than projects, with a few interested and well-connected partners working informally to codify what they and others had learned from clients about those industries and functions. Practice area leaders could devote half their time as well as a small support staff to the effort.

One important step that came from these efforts was the custom of partner teaming. It became common to have at least two partners leading a project team instead of only one, both sharing in the results when it came time to calculate bonuses. That convention broadened the expertise available to the teams for the increasingly complex projects they faced.

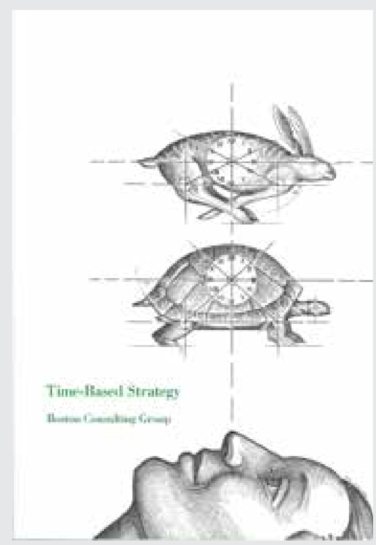
IDEAS

TIME-BASED COMPETITION, 1982–1990

Richard Lochridge was one of several BCGers to realize the limits of the experience curve while also being curious enough to explore its anomalies. Richard Hermon-Taylor had discovered the same thing, finding that although some American manufacturing companies had far greater market share worldwide, their Japanese rivals had lower costs. This prompted Hermon-Taylor to present his findings to an officers' meeting, and to win an early research grant (later called a tier one project) to study how these Japanese manufacturers achieved such low costs and high quality with relatively low market share.

Around the same time, George Stalk had observed something similar in client work, first for a forklift manufacturer and then, with Thomas Hout, for a manufacturer of construction equipment. Stalk noticed the Japanese companies were exceptionally fast and efficient in the way they switched their factories from one product line to another. Consequently the same plant could have large volume without incurring high costs from frequent line changeovers. It helped that the companies invested in learning, detailed process standards and metrics, and cross-functional work practices. They could improve over time faster than the experience curve would have predicted.

These flexible factories were at the heart of what came to be known as time-based competition. Stalk and Hout developed the idea in several major articles, especially HBR's "Time—The Next Source of Competitive Advantage," and a book, *Competing Against Time.* They argued that the entire value chain of activities could be made faster and more adaptable, including product development and distribution. Time-based competition proved crucial in giving BCG an entry into organization, operations, and implementation work starting in the difficult mid-1980s. Here was something in which the firm's rivals, for all their lengthy experience in organization improvement, had little expertise.



As a newcomer to the area, BCG could differentiate itself on the basis of grounding its implementation efforts on a surer strategic foundation—but it was not clear for how long. Fortunately BCG was aided by another essential part of its heritage: its continuing fascination with ideas. While doing a stint in the Tokyo office, George Stalk led an effort to understand the ability of Japanese manufacturers to offer a wide variety of products without allowing the resulting complexity to raise their costs. It was not enough to promote these successful practices to clients elsewhere; he and his team wanted to understand them.

Eventually they did, under the rubric of time-based competition. By establishing "flexible factories," eliminating nonessential processes, and standardizing parts of product development, companies were able to switch production runs quickly and at low cost. Although it had the same underlying focus on competitive advantage, this new concept was far more organizational and operational than BCG's earlier breakthrough ideas on portfolio management. It gave BCG an edge in competing for a new wave of implementation projects, and boosted the firm's credibility in the eyes of many potential clients who still saw BCG as a strategy boutique.

The 1980s closed far better than many partners might have feared during the difficult early years of the decade. Turnover at the partner level had fallen to normal levels, and BCG had begun to expand its capabilities just in time. Broad growth in the late 1980s brought the number of consultants to almost 700 in 1990 and resulted in nearly $140 million in revenues. No longer a strategy boutique, BCG—with 17 offices across the U.S., Europe, and Asia-Pacific—had taken a big leap forward.

Further Reading

When BCG Changed Its Strategy
"Make it Happen" signaled a new focus on implementation

How BCG Hired Its First Specialist Partner
The recruitment of Jeanie Duck

Jeanie Duck Reflects on 20 Years at BCG

Excerpt from *The Change Monster*, 2001

John Clarkeson
Thought-provoking ideas on leadership

John Clarkeson on the Importance of BCG's Strategic Perspective

John Clarkeson on Consulting
Excerpts from an Oral History Interview

The Development of BCG's Practice Areas

An Unsung Hero of Time-Based Competition
George Stalk reflects on the role of Len Friedel

George Stalk
Thinking on corporate strategy that has shaped the modern business environment

Video

BCG History on Video: The Birth of "Make it Happen"

John Clarkeson Speaks at the WWOM, Boston 2013

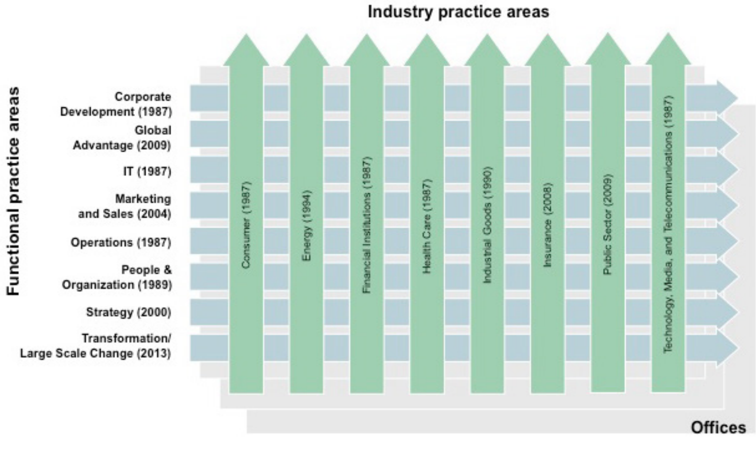
THE RISE OF THE PRACTICE AREAS: 1991–2001

THE RISE OF THE PRACTICE AREAS: 1991–2001

If the 1980s were the decade of implementation, the 1990s saw the rise of specialized expertise. No matter the popularity of time-based competition, Clarkeson and others knew better than to rely on this or any other idea as the main arrow in their quiver. And it was clear that at the now-much-larger BCG, ideas would remain as important as ever, but only in the context of an in-depth offering of industry and functional expertise.

The firm needed some sort of special skill that would apply to the broad range of projects it was now working on, something to build on its developing industry and functional expertise. It found that differentiator in collaboration with clients. This was a natural outgrowth of the partnership-oriented, collaborative culture that had become well established since the early years.

16 practice areas support client service and idea development



A CONCENTRATION ON COLLABORATION

The new approach not only included the client's people on project teams but also required the consultants to deliberately take a step back in developing the plan. The goal was to achieve a "self-discovered logic" whereby client and consultant worked together in an atmosphere of mutual respect to find the best way forward.

It helped that BCG had acquired a habit of taking the time to dig into client problems and mull over the possibilities. Implementation may not have been as intellectual as strategy, but it still offered puzzles to be solved. Moreover, by involving clients in the discovery process, consultants had an even better chance of finding solutions that were tailored to the client's situation and therefore could be implemented more effectively.

At the same time it began placing an emphasis on collaborative implementation, the firm under Clarkeson also began ongoing client dialogues. Either during or after projects, partners who were not on the project would interview executives at the client to gain feedback on the work. The goal was not just to discover any problems but also to learn how to position the firm to create the most value for clients.

This approach was vital in developing the financial services practice area in 1987. Banking in a number of markets was undergoing deregulation, and the growing demand for consulting help had encouraged BCG to make this sector the focus of one of its first practice areas. BCG's reputation in strategy helped the firm get a foot in the door with nervous banking executives who were trying to navigate the new landscape.

David Hall, the first leader of the new financial-services practice area, and others emphasized the collaborative approach. They pitched it as a way not only to yield better solutions but also to build the clients' capabilities for maintaining the changes after the consultants left. By the end of the 1980s, they had won over several clients from other firms, whose leaders were both surprised and appreciative when their own people—not BCG's consultants—made the big presentations to senior management on the work of the project teams.

These pioneers' success, including that of future CEO Hans-Paul Bürkner in Germany, helped spread the collaborative approach to the rest of BCG in the late 1980s and 1990s. Their success demonstrated that a less directive style combined with customized solutions led to more work from the client, not less. Collaboration between project teams and the client gradually became commonplace, representing something that made BCG unique. The firm's rivals took note, and most made attempts to adopt some aspects of this approach.

A GLOBAL GROWTH SPURT

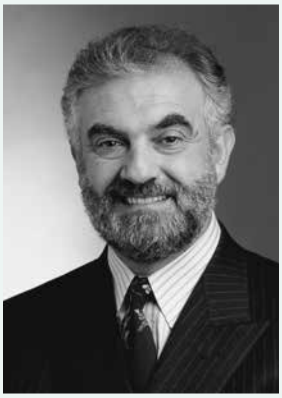
There was plenty of business for everyone in the 1990s, especially in the top tier of high-level consulting firms. Clients were facing a more complicated and competitive marketplace with the fall of the Berlin Wall and rapidly developing economies in much of the world. In the early 1990s, many of these companies looked to reengineer their businesses to make them stronger in the marketplace. Growth in consulting exploded, especially for BCG, whose annual revenues grew an average of 26 percent in the five years after the brief 1990 recession. Even in the late 1990s, the firm's revenue growth averaged 15 percent.

Perhaps more important, the growing focus on shareholder value, interpreted as short-term earnings, led to a wave of corporate downsizing. Especially in the U.S., many companies reduced their workforce in lean times but then felt the absence when business improved. Rather than rehire, they took on consultants to help carry out projects that were more and more complicated. Not all clients downsized so much, and some even went in the opposite direction and built internal consulting teams. But the overall trend to outsourcing through consulting was clear. It was especially common for noncore activities, such as information technology, or major transitions such as post-merger integrations.

Asia had the greatest potential for growth, as the "Asian Tigers" and other economies outside Japan began to liberalize. Some Western multinational companies had operated in Asia for years, but for most it was unexplored territory, and many were still hesitant to enter there. For some, expanding into the region was not as urgent as addressing their non-Asian priorities. Also, managing such an expansion, and finding the right people, was problematic. As for domestic Asian companies, they were starting to develop big ambitions of their own, even if they were still small in global terms.

BCG expands its global presence with "High-Tech Tigers," 1988

BCG ENTERS AUSTRALIA THROUGH PCEK


George Pappas


Colin Carter


Ralph Evans


Maurie Koop

The firm had already established a foothold in the region with an estimated 30 active project teams in 1990, but it lacked a strong local client base for establishing offices. In what was something of a gamble, BCG departed from its usual model of geographic expansion.

When broadening in Europe, the firm had typically followed a gradual process of acculturation for a new office. Once it had committed itself to a market, it would hire talented local recruits and station them for a few years in an established office. Only when the partners in the established office were satisfied that the young consultants had been sufficiently acculturated did they allow them to staff the new office. This ensured a degree of consistency.

In Asia, however, BCG decided to skip the acculturation step and grow ahead of the market. In Hong Kong, Kuala Lumpur, Shanghai, and Seoul—the first new offices opened from 1991 to 1994—the firm put locally hired people to work immediately, with only the expatriate office administrator and any visiting partners to provide oversight and training. The offices received a little more oversight after 1993, when BCG established an Asian regional chairperson as part of a formalized division of the world into three regions: the Americas, Europe, and Asia-Pacific.

The gamble paid off, as BCG finished the decade with steadily growing revenues from Asia-Pacific. A steady flow of experienced transfers to the new Asian offices had helped gain new clients as well as acculturate the new hires. The success was a testament to BCG's powerful values after decades of far-flung expansion. Even in their familiar home surroundings, consultants raised in cultures quite different from those of the West were picking up the BCG approach through apprenticeship on project teams.

NEW MARKETS, SAME VALUES

The firm entered a number of other markets in the early 1990s, at times by acquiring a local consultancy. Pappas, Carter, Evans & Koop, or PCEK, not only became the foundation for BCG's three Australian offices in 1990 but also led the way in what became the firm's travel and tourism practice area. George Pappas himself had worked at BCG in the 1970s and thus had a background that helped overcome the firm's bias against acquisitions; PCEK's other three partners had come from McKinsey, and they helped advance the use of methodologies by BCG's practice areas.

The acquisition of Canadian Consulting Group in 1993 gave BCG a base in that country, while Horringa & De Koning in

(left): CEO Carl Stern, 1998–2003

(right): Carl Stern and George Stalk, 1998

Amsterdam that same year brought heft to BCG's position in Europe. The need to meet client demands also led to some bulking up of expertise in high-demand topics, especially in value management when Holt Planning Associates was purchased in 1991. BCG's readiness to move partners in and out of these new offices, rather than allow the acquired firms to remain largely separate, helped instill the firm's values.

Those values continued to differentiate the firm. Even with its far greater size, consultants still joined BCG in the 1990s for many of the same reasons that their predecessors did in the 1970s. They preferred the greater intellectual diversity, collegiality, and engagement of the BCG partners who interviewed them to the seemingly more uniform and hierarchical interviewers from other firms.

A spirit of entrepreneurship continued as well and was especially important in the firm's work in emerging markets. Three Latin American offices opened up in the 1990s—initially out of BCG's base in Madrid—and they soon took control of their own destiny. Latin America's unique economic conditions led those offices to innovate in a number of areas for clients, such as reinventing the payments industry and developing new distribution models.

THE ADVENT OF STRONG PRACTICE AREAS

Until the 1990s, the majority of BCG's client work had some basis in strategy. Even though the actual work might consist largely of implementation, the client need had usually arisen from an adjustment in strategy. That started to change in the 1990s with the advent of stronger practice areas.

As before, change was driven by a combination of client needs and entrepreneurial partners whose experiments had generated enough results to convince others to adopt the new practices. And as with the Make It Happen initiative, change happened first with long-running clients. Since the late 1990s, the Paris office had made a point of investing in relationships with the largest French companies. The work paid off in long-running engagements that inevitably exposed the partners to new kinds of client challenges and in turn spurred further development in the practice areas.

The German offices were leaders too, partly because of the legacy of their work with a large German conglomerate. To cultivate deep and loyal relationships with additional clients, partners strove to become aware of each client's concerns beyond strategy. They then assembled enough expertise that—when combined with the client's comfort with BCG's work to that point—allowed them to make a strong pitch for the work.

These efforts took the partners into a variety of new areas, most notably post-merger integration, reorganization, process optimization, and the restructuring of IT systems. Some of these areas put BCG in direct competition with the big international accounting firms, which were expanding aggressively into the more lucrative consulting business. Here BCG's foundation in strategy and customized approaches gave it a ready advantage over firms that offered standardized solutions.

IDEAS

THE ECONOMICS OF INFORMATION, 1995–1997

Manufacturing grabbed the headlines in the 1980s, but IT stole the show in the 1990s. Philip Evans, who had contributed to the work on capabilities earlier in the decade, latched onto developments in the IT area.

Evans landed a project with a media and publishing giant in the early 1980s, and the relationship continued for several years. By the early 1990s, a number of clients were fascinated by the emerging information superhighway, which they thought would show up through interactive, multichannel television.

When Evans studied the matter, he discovered that the real action for publishers was likely to be through the Internet, which could not be so easily commercialized because it was an open network. Evans started studying the Internet on his own. In addition, he became a close observer of digital storage and personal computers in general as they began affecting the business world.

While Evans was working on these topics on the East Coast of the U.S., Tom Wurster, another early BCG leader in media, was doing the same on the West Coast. Together they launched BCG's media practice area and gave the dizzying changes a conceptual foundation.

Evans and Wurster were not the only ones who noticed at the time that digital goods, unlike physical ones, could be copied indefinitely at practically no cost. Information could now be distributed far more widely, and more quickly, than before. But unlike other observers, they focused on the strategic as well as operational implications. By the mid-1990s, clients had awakened to the Web and were desperate for advice, so Evans and Wurster had plenty of work through which to develop their ideas.

A NEW DIRECTION

These experiments got a boost when new CEO Carl Stern, who succeeded Clarkeson in 1998, promoted the "Go North" initiative. Stern drew on internal analysis that showed the firm was hitting a ceiling on revenues with clients. Charting clients on a scatterplot, with BCG's revenue per client on a vertical axis and company size (measured by its sales) on the horizontal, he and others found that regardless of client size, BCG revenues rarely went beyond a certain ceiling of annual revenue. This was due to BCG's business model, which still tended to underappreciate the complexity of maintaining long-term relationships with large client organizations. To address this limitation, Stern challenged his fellow partners to deepen and lengthen their relationships with higher-revenue clients (those "north" on the scatterplot).

Knowledge about the client—especially its internal dynamics—acquired during one project could be applied to other projects with that same client to get results faster and drive needed changes into the organization. Also, margins were usually higher on the extended relationships because the added value came without the set-up costs associated with a new client. Of course, "Going North" would require more partner teaming and active coordination within a client. But the deeper and longer relationships would benefit both the firm and its clients by improving the overall client impact, thereby justifying the extra effort.

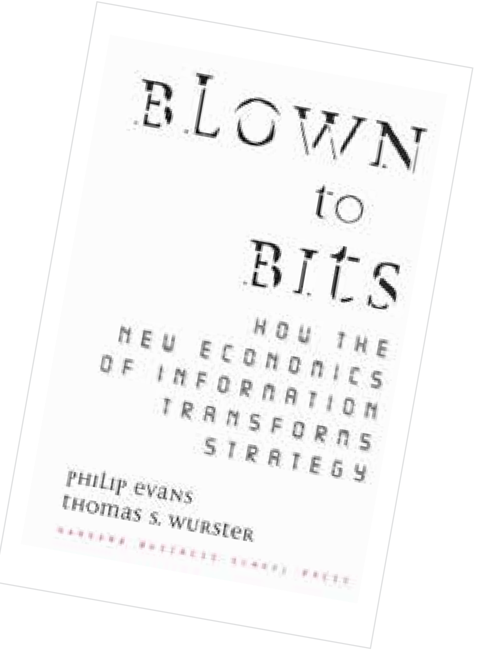
For example, an airline that had engaged BCG for a variety of individual projects in the late 1980s and early 1990s evolved into a model Go North client as a strong trusted-advisor relationship was forged between a succession of senior executives and BCG partners. In the mid-1990s, the airline consolidated all of its work with BCG under a single umbrella, an annual contract for a program called "accelerated change." That gave the senior management a comprehensive view of BCG's work, and enabled them to hold BCG fully accountable for its results as audited annually. Near the end of each contract, the BCG partners on the project would discuss the future demand for their support with the divisional heads. They would then develop a work program for the following year and reach agreement with the airline's CEO and CFO.

This enabled BCG to help set an agenda that combined its operational, cost reduction, and strategy work. Greater trust and a closer personal relationship between consultants and the airline's leaders followed quickly. The airline proceeded to successfully privatize the business and pioneered a ground-breaking alliance. In 1999, BCG made a daring recommendation that the client launch a low-cost airline. The resulting company still exists as the only example of a successful low-cost line launched by an incumbent in the industry. Five years later after helping to launch the low-cost airline, BCG made another successful pitch in proposing that the airline go into long-haul service as part of what has become an effective pan-Asian strategy for the parent airline.

CHANGING WITH THE TIMES

Not long into Stern's tenure, BCG went through the exhilarating and challenging e-commerce boom. E-commerce challenged established retailers and opened entirely new kinds of markets. Existing clients were looking for help with the new landscape, while high-potential dot-com start-ups sought old-fashioned strategic advice adapted for the new era. BCG seemed well positioned with bold analysis on how established business models would change dramatically, as shown by BCGers Philip Evans and Tom Wurster in their seminal *Harvard Business Review* article, "Strategy and the New Economics of Information" and book, *Blown to Bits*.

Nonetheless, the bursting of the dot-com bubble in the spring of 2001, combined with the shock of the 9/11 attacks, abruptly ended the overall momentum



the firm had built up over the decade. Years of strong growth had vaulted BCG over the $1 billion mark in revenues, and the company boasted 50 offices with more than 2,000 consultants. Go North promised to take the firm ever upward, but the immediate future was unclear.

Further Reading

Merging with PCEK—the Australian Perspective

Thirtieth Anniversary of PCEK

Carl Stern on How BCG Decided to "Go North"

Carl Stern on the Importance of Relationships

Strategy and the New Economics of Information, 1997

Philip Evans
Expert views on how information technology affects the dynamics of competitive advantage

A Chance Encounter with Strategy
Media and IT pioneer Philip Evans focuses BCG Fellowship on a "New New Deal"

Tom Wurster
Pioneering thinking on the Internet revolution and how digital technologies change business strategy

THE GLOBAL DEPLOYMENT OF EXPERTISE: 2002–2012

THE GLOBAL DEPLOYMENT OF EXPERTISE: 2002–2012

Dot-com ventures aside, by 2000 BCG had assembled all the pieces—a strategic mindset, collaborative implementation, and expert practice areas—to embrace the full panoply of client needs. All it needed was to take the leap and invest aggressively in building the necessary client relationships. And that leap soon came.

In 2004, the partners elected Hans-Paul Bürkner as BCG's new CEO. Bürkner had been perhaps the most effective partner at deepening client relationships in the 1990s, especially in financial services. The troubles of the twenty-first century's first few years had not dimmed his enthusiasm for growth. As he took office in 2004, Bürkner went beyond Go North—which had lost momentum in the dot-com excitement—with an initiative for developing and serving clients. This new approach played out most tangibly in the firm's decision to invest in large, high-potential clients in promising industries.

Bürkner's push for commercialization played out in other ways, as he worked to boost confidence in the consulting business generally. The firm launched what later developed into a major emphasis on value creation. Bürkner reasoned that since consulting is a business, rather than an intellectual exercise, BCG should be able to demonstrate how its efforts have brought value to clients.

Proposals to clients increasingly included a clear, quantifiable statement about the expected value of the project and how it would come about. BCG teams then tracked their progress against this plan. The initiative helped teams both gain a disciplined focus on achieving commercial impact and resist the temptation simply to generate a brilliant insight and let it play out.

CEO Hans-Paul Bürkner, 2004–2012

Globalization helped revive the business as well. By the first decade of the new century, many of BCG's clients had expanded around the world, and they wanted their consultants to expand with them. BCG continued to add new offices, but more important was its emerging global mindset. Instead of being a collection of local offices—each with its own internal processes, IT systems, branding, and websites—the firm began to standardize in a number of areas.

With global clients came global teams drawing people from a variety of offices. Other global teams arose from complex client needs that required specialists who might be located anywhere. Assembling those teams drew the greater involvement of not just practice area leaders but also the regional heads, who now took a somewhat more directive role.

By around 2005, the firm had undertaken training and hiring efforts that helped generate accelerated growth that more than made up for the slowdown earlier in the decade. The firm had hit a sweet spot—it had assembled enough expertise, combined with commercial drive, to compete for the full range of business. Yet it also had maintained its differentiating strengths in strategic perspective and collaboration, which together yielded customized solutions more likely to stick over time.

Hans-Paul Bürkner, a portrait from early in his BCG career

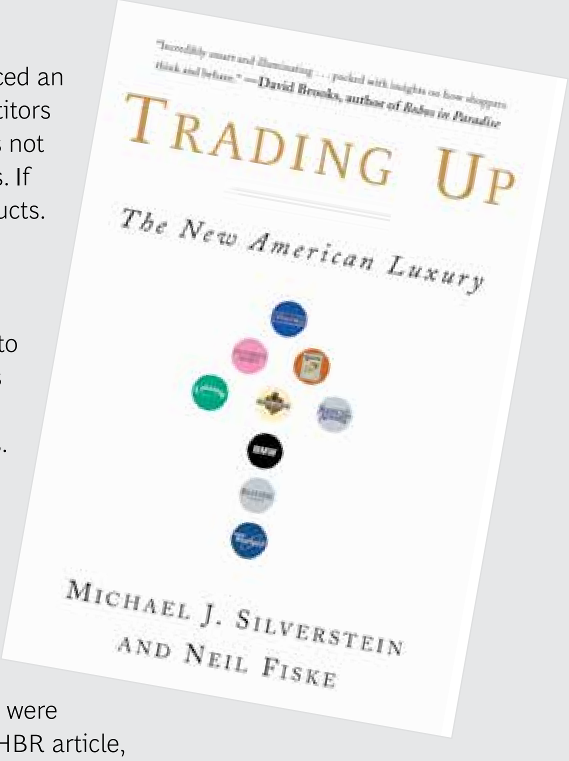
INVESTING FOR GROWTH

Clients with the patience to invest in the work were increasingly choosing BCG, and the firm gained market share over its rivals. It continued its steady growth even during the Great Recession of 2008–2009. In the years 2002 and 2003, several major projects even helped sustain modest revenue growth.

In addition to major targeted prospects, BCG worked with current clients that lacked the budget to keep BCG on board.

IDEAS

TRADING UP

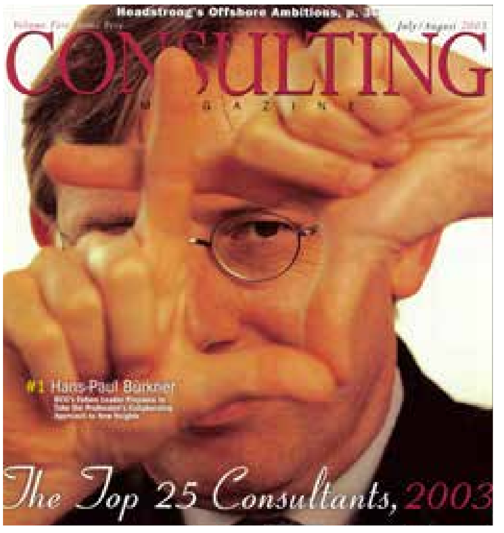


By the late 1990s, Michael J. Silverstein, Neil Fiske, and others noticed an anomaly: midsize companies were outperforming far larger competitors in the same industry, despite their much smaller volumes. This was not occurring because of speedier processes or other familiar dynamics. If anything, the upstarts were attacking the market with costlier products.

These new luxury competitors were aggressively innovating with products that delivered a full combination of technical, functional, and emotional benefits. Silverstein and Fiske coined the "20-40-60" rule—up to 20 percent of the unit volume in a category could shift to premium products, delivering 40 percent of the category's revenues and up to 60 percent of the category's profits.

What was going on was something specific to consumer markets. A growing number of middle-class consumers in affluent countries were "trading up," using their discretionary income to buy higher-quality products in a few select areas. From produce to automobiles, the usual "mass vs. class" differentiation was breaking down. Companies that developed and priced offerings between traditional mass-market and super-premium luxury items were seeing big jumps in revenue, and especially in profitability.

They released these ideas just as the world's affluent economies were recovering from the brief recession of 2001 and 2002. In a popular HBR article, "Luxury for the Masses," and book, *Trading Up: Why Consumers Want New Luxury Goods—and How Companies Create Them*, they gave consumer-product manufacturers and retailers an option for restoring their profit margins.



Consulting Magazine
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Many of these clients were undergoing organizational restructuring and greatly needed consultant support. In these cases, BCG agreed to waive its fees until the client's cash flow improved, usually a few months but sometimes longer. As the economy strengthened, the investments paid off handsomely as appreciative clients bonded closely with the firm, resulting in ongoing connections and steady work.

By the later years of the decade, however, sustaining this growth depended not just on developing deeper client relationships but also on retaining the firm's highly talented consultants. Many of them had options outside consulting, and while these options might be less exciting they offered a somewhat more balanced life.

As BCG had moved deeper into the workings of its clients in the 1990s and the first decade of the 2000s, its project teams were frequently spending nearly all their time (typically four days a week) at the client sites. Even at home, the ethic of client service had people making themselves available at all hours. Balancing work and life was a perennial issue at the firm, but now it took on greater urgency.

In collaboration with Leslie Perlow, a professor at Harvard Business School, BCG responded with its "predictable time off" or PTO, initiative (later rebranded as "predictability, teaming, and open communication"), which began in 2006 as an experiment in the firm's Boston office. The goal was to ensure some respect for the personal-time priorities of each team member, initially in the form of one work-free evening a week. Although BCG consultants took long hours for granted, it was the inability to make and keep personal commitments that made the hours most taxing. The PTO experiment succeeded, as the teams reported not just higher morale but also greater effectiveness and client satisfaction—sometimes even while putting fewer total hours on the job.

By forcing explicit communication about whether consultants really needed to be available at all times, the teams realized that they could plan more predictably and work more efficiently. The program

IDEAS

ADAPTIVE STRATEGY, 2010–PRESENT

By 2010, the competitive turbulence noted by the proponents of the economics of information had spread throughout much of the business world. Operating margins could vary greatly from one year to another, and industry boundaries had become so fluid that companies were struggling to develop strategies based on careful positioning or investment in capabilities.

Rather than resist this conclusion and its implications for the firm's previous work in strategy, BCGers have embraced it. Led by Martin Reeves, director of the Strategy Institute, and Michael Deimler, BCG has charted a new framework. Instead of investing heavily in market share or specific capabilities, the firm has urged companies to work on developing the ability to adapt to changing markets.

In practical terms, this is the ability to detect and interpret market signals, experiment quickly in everything from products to business models, manage ties to outside partners in an increasingly interconnected world, awaken the latent entrepreneurial energies of their own people, and align with the broader social and ecological context. Adaptive strategy thus provides a road map for developing a company's capabilities.

What all this illustrates is that rather than serving as analytical products along the lines of the growth-share matrix, most ideas work by advancing the thinking and experimentation around ongoing client challenges. This is something BCGers have known from the beginning.

Partners honor Hans-Paul Bürkner, WWOM in Barcelona, December 2012

formalized the discussions that had been commonplace in earlier decades when teams had only limited time at the client organization. What started as an attempt to improve work-life balance soon evolved into a larger effort to improve the efficiency of project teams in general, and today it continues to develop and spread across the firm.

BCG essentially doubled in size to 5,000 consultants from 2001 through 2010, and it now had offices in 75 cities. Revenues since the 2001–2002 recession had trebled to $3.2 billion. Much of the growth stemmed from Bürkner's conviction that BCG needed to reach critical mass in both expertise and geography.

Expansion was a particular challenge in Asia, where BCG had a portfolio of office systems with mostly local clients spread across a vast area. Unifying the practice area expertise in the region was also harder than elsewhere, as was focusing on projects that were global priorities—such as a large postmerger integration assignment. Yet special management attention in the first decade of the new century brought substantial progress toward integrating the region with the rest of the firm. The globalized firm was now well positioned to compete for a broad range of projects anywhere in the world.

FROM SUSTAINABILITY TO ENABLEMENT

In effect, BCG now entered a third wave of progress. The first wave had resulted from the firm's insights into competitive advantage, and the second from its ability to implement that strategy into the organization. Now it needed to enable clients to keep up the changes on their own, because as the practice areas developed to support client work, the partners realized the limits of conventional efforts at implementation. Even the firm's collaborative approach was not enough to make the changes fully sustainable.

This was especially true for the functional practice areas, which were most closely attuned to capabilities and which developed mainly in the first decade of the new millennium. Partners leading those efforts sometimes found that clients were not sustaining the implementation plans over time. Unless clients changed their underlying business processes, information flows, employee skills, and decision-making disciplines, the initial improvements often faded back toward pre-implementation norms.

BCG had long been a proponent of building a client's foundational abilities, not just with the collaborative mindset but also with the "competing on capabilities" ideas of the early 1990s. But the firm's enablement initiative, launched in 2011, took these efforts in a far more practical direction. By tying the work to the firm's long-standing advantages in collaboration and strategic perspective, and by relying on entrepreneurial experiments worldwide, BCG once again stood out in the field.

By maintaining many of its original qualities, while adaptively adding new capabilities and outlooks, BCG continued to position itself for competitive success.

In May 2012, Rich Lesser, then Chairman of North and South America, was elected BCG's next President and Chief Executive Officer, effective January 1, 2013. As the new year opened, after completing nine years as President and CEO, Hans-Paul Bürkner became BCG's Chairman. At the time of his election, Rich Lesser stated, "Hans-Paul Bürkner has created a superb platform on which to build. Working with him and the rest of the partner group, I look forward to broadening and deepening our expertise, strengthening our client relationships globally, and expanding opportunities for our people—all the while maintaining our unique culture, heritage of thought leadership, and stellar reputation as a best place to work."

Further Reading

Making Time Off Predictable—and Required

***Sleeping with Your Smartphone,* 2012**

Video

Hans-Paul Bürkner Speaks at the WWOM, Boston, 2013

THE 50TH ANNIVERSARY: 2013

THE 50TH ANNIVERSARY: 2013

The year 2013 marked the 50th anniversary of BCG, a milestone that was celebrated by past and present BCGers as well as external stakeholders globally. After kicking off the celebration at Worldwide Alumni Day (WWAD) in 2012, the entire BCG family rallied around the anniversary in many ways. During the big year, BCG spotlighted sharing key insights, making an impact in our communities, and sharing memorable moments online. It began with a lot of excitement and activities that continued throughout the entire 50th year.

THE GAME CHANGING PROGRAM

One of the cornerstones of the anniversary year was Game Changing, a program of thought and action that helped BCG clients and all organizations thrive in a world of rising volatility—to "own the future." Through the program, BCG identified five sets of action critical to winning in a new era: profitable growth, fitness, adaptability, connectivity, and what we called the "perpetuity principle."

BCG also partnered with the *Financial Times* on its search for "The 50 Ideas That Shaped Business Today." The campaign generated tremendous reader interest and proved to be the most successful project of the FT's special report operation over the past five years.

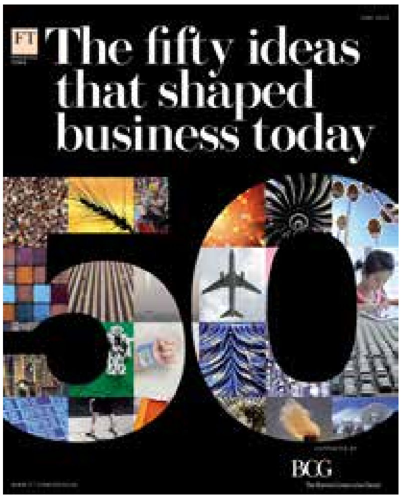
To express Game Changing artistically, BCG partnered with world-renowned photographic agency Magnum Photos and designers Kram/Weisshaar to create a cutting-edge exhibition. It was titled "Game Changing: Now Is the Time," and examined the five pivotal, game-changing global conditions identified by BCG. The project was curated by leading British photographer Martin Parr. Five renowned Magnum photographers documented the personal, human impact of these conditions in ten locations on five continents.

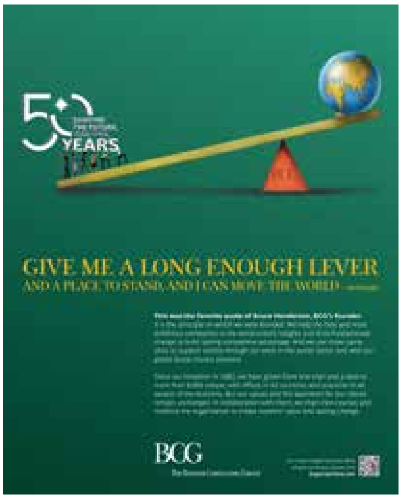
The exhibition presented a visceral, experiential snapshot of the world at a moment of intense change using documentary photography. It debuted in Paris on May 30, 2013, and then embarked on a global journey destined to bring it to BCG staff, alumni, clients, and recruits in Boston, Mumbai, Seoul, Milan, New York, Singapore, Frankfurt, and other locations.

Truly multidimensional, the exhibition was structured around an immersive "media chamber." Floor-to-ceiling projections allowed viewers to experience the exhibition from the perspective of five Magnum photographers by combining live video captured from their cameras as they worked, along with their final still images. Dynamic 4D diagrams created by the designers revealed the raw data underlying each of five key global conditions that motivated and inspired the exhibition. An "investigative table" with oversized books gave the visitor a deep-dive into the visual and tactile research undertaken by the creative team at the core of the exhibition. Finally, a set of final, museum-grade prints of the refined photographic result was presented.

TED@BCG

In celebration of BCG's 50th anniversary, the firm also partnered with TED—a





nonprofit organization dedicated to "ideas worth spreading"—in a yearlong effort to spark conversation on what it takes to succeed in today's volatile world. As part of this partnership, BCG cohosted two TED@BCG events in Singapore and San Francisco in October 2013. The events brought together prominent leaders and thinkers from industry, nonprofit organizations and academia, as well as some of our leading experts from BCG, to engage in a 360-degree examination of how

BCG partnered with the *Financial Times* on its search for "The 50 Ideas That Shaped Business Today."









Game Changing: Now Is the Time traveling exhibition (left to right, top to bottom): New York City, Milan, Paris, Boston, Mumbai, Seoul, São Paulo, Singapore, Frankfurt organizations and leaders are tackling the challenges and opportunities in today's volatile environment. Audiences at the events included BCG clients, alumni, and other business and community leaders.

The first TED@BCG event took place at the School of the Arts Singapore (SOTA) on October 10. Speakers shared ideas and explored topics linked to the theme "The Shape of Change." The event also included CEO roundtable discussions and leadership training for guests. The second TED@BCG event was organized at the Yerba Buena Center for the Arts in San Francisco, California on October 30, under the theme "Reinventing the Rules."

ALUMNI ENGAGEMENT IN THE ANNIVERSARY

The alumni community was an essential part of the year from the very beginning. The anniversary kicked off at the WWAD in 2012 and drew a record attendance of almost 3,000 BCGers—past and present—in 68 locations around the world.

At all of these events, nearly 2,000 handwritten "Happy Birthday" wishes were recorded on iPads and compiled in an animation on the alumni homepage. Close to 150 farewell messages from alumni were also collected—these messages showcased the connectivity and uniqueness of BCG as a firm.

INTERNAL CELEBRATIONS

BCGers from around the world were not only celebrating in their respective offices but also sharing photos, stories, and videos on a special BCG@50 page that became the most popular internal online community.

BCGers also made a difference through the 50@50 initiative. Offices around the world completed 50 game-changing social-impact projects in their communities and with the firm's global partners, focusing on education, health, poverty, economic development, and the environment.

TED@BCG in Singapore (top) and San Francisco

On June 28, the internal celebrations culminated with a global Celebration Day. The day featured a special broadcast from CEO Rich Lesser and celebratory events in every office. It was a memorable day as all of BCG gathered to reflect on the past 50 years and to celebrate our successes, teams, and vision for the future.

THE BIGGEST WWOM TO DATE

To commemorate BCG's 50th anniversary, the firm hosted its largest WWOM to date, bringing together the entire partner community for the first time. More than 220 alumni partners joined the 800 current partners in Boston to kick off this special celebration, which began with an inspiring speech by Former U.S. Secretary of State Hillary Clinton.

WWAD PHOTOS FROM AROUND THE WORLD

The 2013 WWOM dinner at the Boston Public Library

CEO Rich Lesser with Hillary Clinton

Highlights of the week included a gala dinner at Wang Theatre, where CEO Rich Lesser, senior advisor Sandy Moose, and Bess Henderson each paid special tribute to BCG's legacy; a plenary session celebrating BCG's accomplishments and values; speeches by former BCG CEOs; and an alumni panel discussion.

The week also provided BCG with the opportunity to unveil the multimedia and photography exhibition "Game Changing: Now Is the Time," as well as the Wall of History, which provided a unique and interactive way for attendees to reconnect with the history of the firm. In closing the celebrations, CEO Rich Lesser said, "The timeless sense of purpose and the constant call for renewal will be the thread that connects us across decades and across generations."

Further Reading

A 50th Anniversary to Remember

Magnum Photos & Kram/Weisshaar Partner with BCG

Search for the "50 Ideas That Shaped Business"
The *Financial Times* partners with The Boston Consulting Group

TED@BCG Talks

Our 50th Anniversary

BCG Alumni Join Current Partners to Celebrate BCG@50 During WWOM

Video

CEO Rich Lesser at the Celebratory Dinner, Boston WWOM, June 20 2013

Facing page (left to right, top to bottom):

Atlanta, Athens, Bangkok, Beijing, Boston, Brussels, Dallas, Denver, Düsseldorf, Frankfurt, Hamburg, Houston, Jakarta, Miami, Monterrey, Moscow, Munich, New Delhi, New York, Paris, London, Philadelphia, San Francisco, São Paulo, Seoul, Shanghai, Singapore, Stuttgart

OUR CULTURE

OUR CULTURE

Instilling a strong culture, anchored in clear and constantly reinforced values, is essential to creating a coherent and sustainable service for clients worldwide. Strong standards and practices that are related to the quality of service reduce the firm's reputational risk and encourage trust among staff.

BCG was fortunate in benefiting from a powerful sense of mission at its founding, one that energized its people to develop and transmit values through the organization. Using simple imitation, mentoring, storytelling (about both successes and failures), and written statements, partners kept these values alive and made them part of the common language and experience of the firm.

A SENSE OF MISSION

BCG began in 1963 in an already crowded but still growing industry. The fledgling firm faced a choice: should it seek to gain a small piece of the market by imitating the establishment, or raise its sights and develop an entirely new approach for clients?

Henderson's personal inclinations made for an easy decision. His restless curiosity and refusal to go along with convention had already led to his early departure from two establishment organizations,

Ranking as of 2012

BCG at World Economic Forum in Davos, Switzerland

(Left to right): David Rhodes, Ludger Kübel-Sorger, Frans Blom, Hans-Paul Bürkner, Rich Lesser

Westinghouse and Arthur D. Little. Other consultancies were thriving as knowledge brokers, but Henderson was not satisfied with how business operated, and he saw his new firm as a vehicle to reshape corporations.

As he told his colleagues in what has become a historically significant document for BCG, *The First Ten Years Remembered: How BCG Became a Group*, "We have aspired to making basic changes in the way business goes about its affairs. We have hoped to change the underlying philosophy and culture of business management in significant and far-reaching ways." The underlying message was that companies were flawed as a natural result of their own legacy, and that BCG understood the flaws better than the companies could on their own.

Henderson made his sense of mission convincing: once he had hired a core of experienced academics, he focused on hiring young people imbued with the confident, even defiant spirit of the 1960s. Through him, the upstart BCG could communicate how different it was from other, larger consulting firms that touted how established they were.

Moreover, at those firms it would take years, if not decades, before a consultant could expect to make a difference. After all, a recruit would need a great deal of professional seasoning and education, in all the methods and practices a typical consultancy had already gathered. BCG, by contrast, was on an urgent new mission, one requiring all hands on deck. For those U.S. companies that, in Henderson's view, were losing competitiveness, young people needed to get to work right away diagnosing clients' problems and coming up with novel solutions. Although many potential recruits might have been dissuaded from joining such a small firm, others, including some of the most ambitious and intelligent, found BCG's positioning as a creative outlier an exciting alternative.

IDEAS

A SOCIAL MISSION, TOO

From the very beginning, BCG offices have been encouraged to make teams available to serve needs in their communities, using their knowledge and capabilities to benefit others. In the late 1990s, BCG became involved in a critical global challenge when a major U.S. foundation asked for help managing public health initiatives in developing countries. Since then, BCG has steadily increased the resources it has deployed to fight infectious diseases, poverty, and hunger in the developing world, especially as they affect children, as well as to support education and the environment. Whether the need is local or global, BCG consultants possess both the desire and the expertise to make a crucial difference.

JOINING FORCES

BCG has established close partnerships with a small number of organizations dedicated to global social impact.

- World Food Programme, 2003
- The Bill & Melinda Gates Foundation, 2003
- Save The Children, 2006
- Teach For All, 2012
- WWF, 2012

After he retired, Bruce Henderson taught at Vanderbilt University. When he was not well enough to hold classes, BCGers stepped in as guest lecturers. Pictured here is Hal Sirkin lecturing Bruce Henderson's students.

Henderson encouraged his colleagues to give full rein to their curiosity, be alert to what was not obvious, and look at the larger picture. It helped that despite overall prosperity, executives from a growing number of clients harbored a growing unease about their operating environment.

After Bruce Henderson retired in 1984 to Tennessee, where he taught part time at his alma mater, Vanderbilt University, his colleagues worked to ensure that his values were perpetuated in the growing, changing firm. The desire to make a difference survived in consultants' emphasis on the big picture. At the start of every project, they questioned a client's assumptions about current arrangements and began their search for solutions with an open frame of mind.

BCG continued Henderson's focus on corporate clients, but his expansive vision has also encouraged the firm to make a difference in many social causes. This was especially true during the first decade of the new century, under CEO Hans-Paul Bürkner, who insisted that BCGers have a responsibility to be part of the solution for societies as well as for companies.

COLLABORATION

Bruce Henderson was convinced that companies needed radical changes, but he did not start with the diagnoses and remedies already in his head. He was wise enough to understand that the insights necessary for such an ambitious mission would best come from discussions with colleagues, not from his career experience or brilliance alone. It was no accident that he insisted on naming the firm The Boston Consulting Group, not Henderson & Company. His organization of the firm as a true partnership matched its underlying culture.

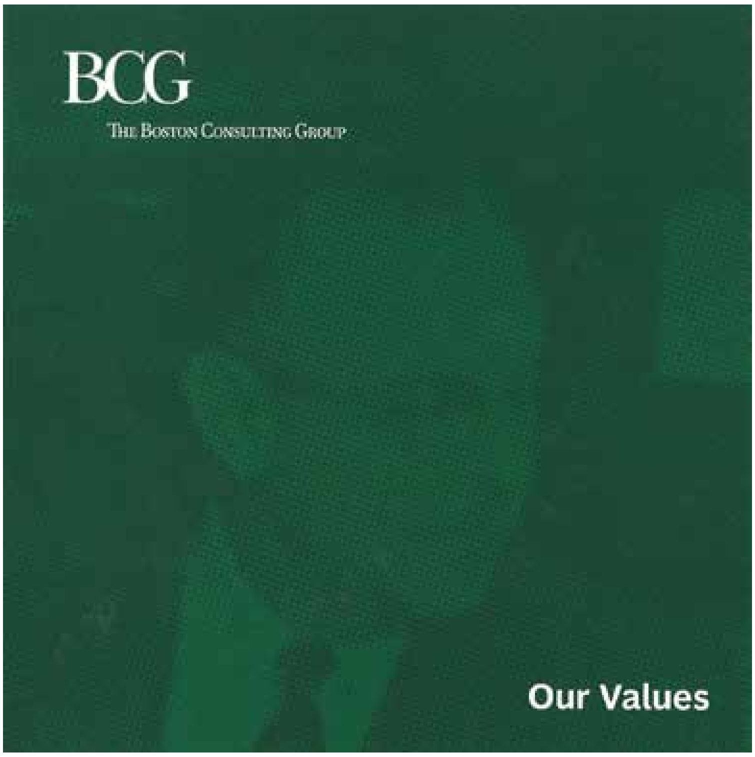
Accordingly, he encouraged discussion and debate within the firm. That applied to the Monday Morning Meetings, during which he and other leaders described their work and sought advice from others. His underlying curiosity about the world helped keep him from becoming satisfied with early answers to questions, no matter how seemingly brilliant.

That openness to discussion continued over the decades, with stories about the early days helping to reinforce the collaborative culture. When Rich Lesser, who became CEO in 2013, joined the New York office in the late 1980s, he heard Sandy Moose describe her 1968 recruiting interview in which Henderson spent hours arguing with her about microeconomics—rather than selling her on the firm.

(Facing page, left to right, top to bottom):

Robert Casselman, Arthur Contas, and Sy Tilles meet at 100 Franklin Street in Boston, 1967; BCG partners gather around Bruce Henderson at the Officers' meeting, 1977; Members of the leadership team at the Worldwide Officers' Meeting in France, 1980; Worldwide First Year Consultant Orientation, 1987; New Hire Orientation, 1988; Manager Training, 1994; BCG's Business Essentials Program, an intensive three-week training session designed to provide background on business for non-MBA hires, 1997; PA Training meeting, Chicago, 2009; Practice Areas marketplace at La Bourse in Paris, during the WWOM, 2010; Americas Consumer meeting, Chicago, 2010; European Consumer meeting Munich, 2010; Consumer Worldwide training, Madrid, 2011; New Partner Orientation, January 2013; BCG's current and former partners gathered at the Boston WWOM during Hillary Clinton's speech, June 2013; New Partner Orientation, June 2013

BCG'S PEOPLE THROUGHOUT THE DECADES



A reliance on collegial partnership was perhaps inevitable in the early years, when BCG was dealing with novel challenges in business. No one person had the solutions, and project teams could serve as groups of explorers, combing over data in search of hidden patterns and collectively bringing an array of talents to any problem. Henderson gave that spirit of collegial problem-solving full rein as he encouraged project teams to meet frequently to discuss possible approaches to the work. It also helped that the growing firm was most in need of young talent to staff project teams, so Henderson and his team leaders had a ready incentive to involve consultants in deliberations and keep them happy.

These regular discussions have continued at BCG, even in teams that focus not on analytical challenges but on pulling together complex streams of a change management process—although changing context has altered the mechanics of these meetings significantly. Over time, people became accustomed to putting forth their emerging ideas and learning from others.

After Henderson stepped down, the firm's leaders took a similar tack in promoting major changes. Robert Lauridsen remembers Alan Zakon treating the Make It Happen initiative like a client project as he made the rounds of the offices. Zakon acted like a project leader, not a CEO, so he did not lecture. Instead, as Lauridsen put it, "He told us, 'Here's what we know, and here's what we don't know.' " How the firm would meet the challenge of implementation was going to be a collective effort, not something spelled out from above.

John Clarkeson took the discussions further, as he made a point of painstakingly building consensus on important issues. One of those issues was BCG's own statement of values, first issued in 1990 as the push for implementation raised concerns about commercialism. Most companies would have had headquarters draft a list, run an internal survey or two to get feedback, and then post the statement. But Clarkeson engaged the partners in a lengthy series of discussions that lasted more than a year. This exercise not only won greater acceptance for these values, but also yielded a better articulation as a whole.

One of the motivations for collaboration was the belief that diverse perspectives make for a better result. The alternative was to drive people toward conformity—a failing of many professional firms as they grew larger. As management consulting became more professionalized, Henderson and his successors embraced diversity.

The firm's openness applied to other kinds of diversity as well. BCG was an early employer of women and minorities, and in the 1990s it was one of the first professional-service firms to grant same-sex partners full spousal benefits. It also developed a realistic career path for working mothers. Altogether, this sense of collegiality—the idea that talent at every level matters for the firm's success—has helped inspire a variety of efforts to improve work-life balance at BCG. It is one reason that in recent years BCG has consistently appeared on *Fortune*'s list of best places to work.

In addition, starting in the first decade of the new century, the firm encouraged teaming across offices and even continents. Many global clients were looking for local consultants to help with their far-flung operations; some had particularly complex issues that required the collective efforts of consultants from disparate offices. Especially under Hans-Paul Bürkner as CEO, the firm pushed partners to overcome their geographic biases and learn to work with outsiders.

A similar willingness to discuss, not impose, made its way over to client interactions. As the firm began to embrace implementation, the tradition of internal collaboration was transferable to collaboration with client executives and managers. Collaboration created a powerful competitive advantage for BCG. Many clients saw the more collaborative approach yielding a longer-lasting change in their organizations.

VALUES

BCG formalized its underlying values in 1990, when John Clarkeson led a long discussion that culminated in a statement of values. Each succeeding CEO has reevaluated and reaffirmed these values and added a few more. BCG's current values statement lists nine: integrity, respect for the individual, diversity, clients come first, strategic perspective, value delivered, partnership, expanding the art of the possible, and social impact.

Carl Stern emphasized that the firm's combination of fresh thinking and results worked to build deep-seated trust with clients. It brought on a virtuous circle—insight, impact, trust—that would lead to projects beyond the areas for which clients had first sought help. Trust, after all, was a necessary component in any successful engagement: a client has to believe that its consultants are acting in its best interest, a belief that holds up over time only if true.

Hans-Paul Bürkner took the specifics of Stern's Go North and Insight-Impact-Trust initiatives and expanded them to encompass clients from governments and not-for-profit organizations as well as the private sector. The "Shaping the Future. Together" initiative became a renewal of BCG's mission. To carry through that mission, Bürkner led BCG to further build up its practice area knowledge, so that the firm could handle a wider range of projects. Cementing the firm's position as a full-service consultancy would further build long and mutually rewarding relationships.

He also expanded the sense of partnership by placing heightened emphasis on global teams and collaboration. To that end, BCG diversified its case teams, adding more women and minorities, engineers and scientists, experts and topic leaders, knowledge team members, and business service members. The firm increased the geographical mobility of its consultants in order to support both clients and colleagues around the world. And it strengthened functional practices to help share BCG's knowledge more effectively.

Further Reading

BCG's Values

Developing the Social Impact Network

The 50@50 Initiative: Creating Social Change Around the World

Making a Difference 2012
Shaping the Future—Together

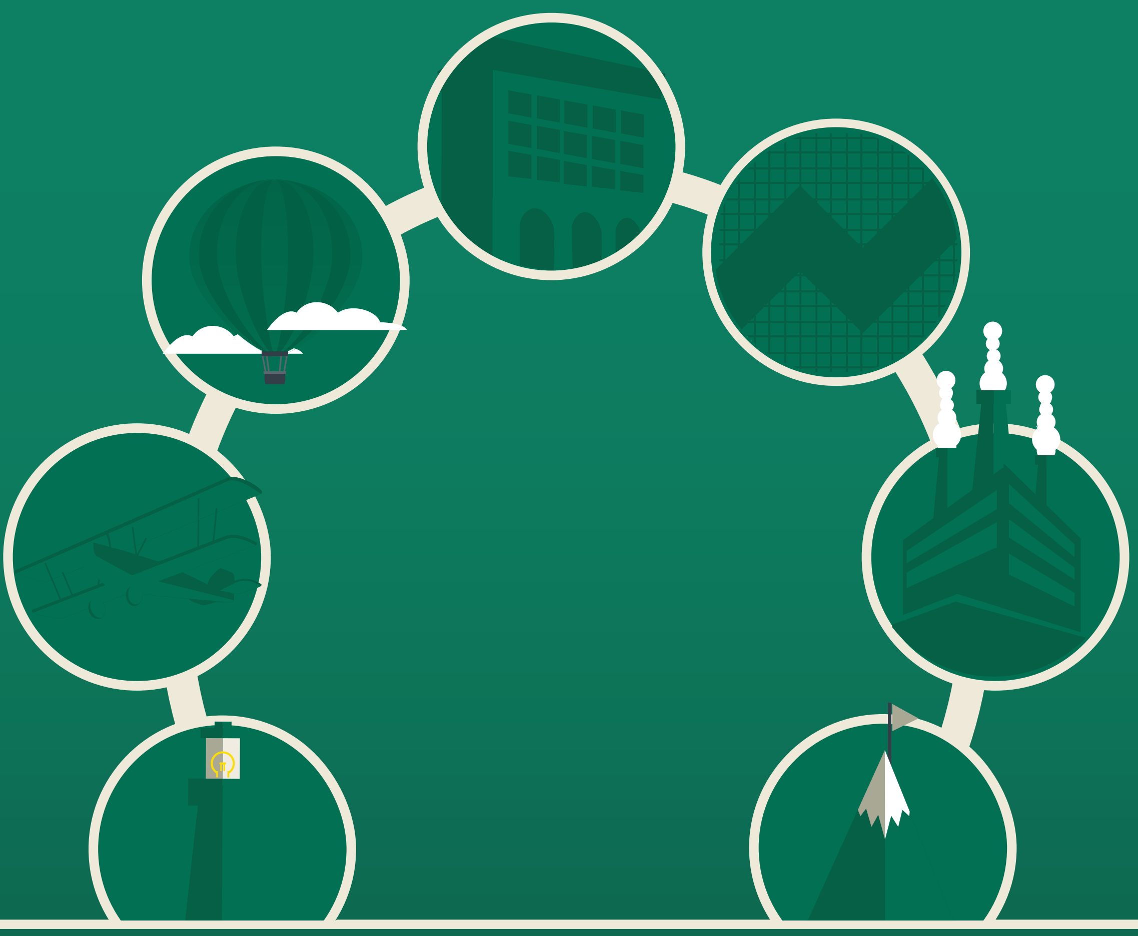
Making the World a Better Place
Message from Hans-Paul Bürkner, 2012

BCG Is Again Number Two on "Best Companies" List

Awards BCG Has Won

BCGers Among *Consulting Magazine*'s Top Consultants, 2003–2013

SHAPING THE FUTURE. TOGETHER.



SHAPING THE FUTURE. TOGETHER.

One of the advantages of historical perspective is the ability to see how various elements and attributes of an organization have interacted to enable success. Over 50 years, BCG has demonstrated impressive growth and profitability. It has combined stability with adaptability, evolving to match the unfolding needs of clients and maintaining competitive advantage in the marketplace.

The next 50 years of BCG will undoubtedly unfold quite differently from the first 50, as the markets for consulting services inevitably change. But the firm's success in adapting to, or even anticipating, those changes will likely depend on the same core elements of success that have sustained its growth and differentiation over a half century. Today, as BCG continues to evolve, it anchors its growth to what have proven to be important drivers of the company's success—drivers such as client collaboration, entrepreneurship, and recruitment.

CLIENT COLLABORATION

"The first and most obvious reason that we've succeeded is that we are really part of the solution for so many clients. We rolled up our sleeves, helped clients to identify the key areas for improvement, and then ensured that things got done."

Hans-Paul Bürkner
BCG CEO, 2004–2012

One of the major differentiators for BCG is its ability to work with clients to produce jointly developed solutions. This skill

BCG CONSULTANTS TEAMING WITH CLIENTS IN THE FIELD

originated partly in the firm's culture of internal collaboration. As the partners learned to work on implementation, they were open to applying themselves alongside clients rather than directing the process. As a result, they were more likely to develop a program tailored to a client's own context and competitive advantage.

After a decade of heavy investment in knowledge, BCG will need to reinforce that openness—and the humility behind it. It will also rely on its deep and abiding commitment to teaming. Project team discussions have encouraged a deliberative approach that prods consultants to go beyond standard frameworks and methodologies. By preserving this traditional value at BCG, the firm can maintain its edge in client collaboration.

Because knowledge is now available from many sources, and companies have become extremely sophisticated, in part by recruiting the same top talent as BCG and other elite consulting firms, they are increasingly looking less for expertise and more for capability building. BCG's enablement initiative, which leverages the firm's traditional strengths in collaboration and customization, is both a creative and an adaptive response to this development.

ENTREPRENEURSHIP

"No one else can so well build the bridge between creativity and execution. This is our challenge. This is our opportunity. This is our goal. This is our expectation."

Bruce Henderson
BCG CEO, 1963–1980

BCG has long thrived by manifesting the spirit of the challenger—that is, being dissatisfied with the status quo. The firm has attracted people who relish a challenge and are creative about rising to it. In turn, the organization has long supported individual entrepreneurship.

After so much growth worldwide, the BCG of the future will have to balance regional structures and practice areas, and all the controls and standards needed to manage them, without indirectly placing limits on experimentation. After all, there is, of course, still a great deal of pioneering to do, with new offices, practice areas, and perhaps even new business models. Enablement will require new ways of working with clients. Structures from the center can certainly help in pioneering, especially when they promote consistency of effort without homogenizing approaches to innovation.

RECRUITMENT

"BCG is a people business. We are dedicated to recruiting the very best people. We are committed to maintaining an internal environment which encourages their rapid personal growth."

Alan Zakon
BCG CEO, 1980–1985

Simultaneously, BCG has also been expanding its recruiting pool to attract people who might not have considered a career in consulting. Whatever the changing profile of BCG people, the firm's abiding strength will be its highly collaborative apprenticeships for recruits, as exemplified by frequent project-team meetings and extensive mentoring. Together with a set of formal global-training programs in analytics and client service, these apprenticeships have enabled—and will continue to enable—BCG to achieve an impressive combination of autonomy and consistency of approaches to knowledge and service quality across its many offices.

SHARING A DREAM

"BCG has been able to build bridges between our history and our future and between our old and new values. It has helped us keep alive a BCG culture that relies on persuasion rather than coercion, a continuing challenge as the pace of change accelerates."

John Clarkeson
BCG CEO, 1986–1997

BCG's leaders have consistently been attentive to the firm's success beyond their own terms in office. Hans-Paul Bürkner tells of being a young consultant in the early 1980s and sharing a taxi with Henderson in Vienna after a WWOM dinner. "He asked me again one of those unexpected questions: 'Do you know how many consulting firms there are in the Boston directory?' And I said, 'I have no idea.' He said, 'There are more than 500. And how many of those do you think existed in the early 1960s?' I said, 'Well, probably there were less than two handfuls.' 'And how many do you think will exist in another 20 to 30 years?' " Bürkner didn't hazard a guess, but he shared Henderson's belief in building the institution for the long term. As he put it, "We all share a dream, a dream that Bruce started and that Alan, John, and Carl carried on; the dream to be the best, the very best; to be the greatest minds, the most passionate hearts, and of course also the greatest achievers."

Rich Lesser, who took over as CEO during the firm's 50th anniversary year of 2013, heads a firm rich in heritage. In a video to the entire staff following the December 2012 WWOM, he pointed to four key areas for the future: attracting, developing and retaining talented people; improving how the firm demonstrates its capabilities to clients; strengthening the firm's increasingly integrated regional and global structure; and investing strategically in practice areas that match emerging client needs. All of these, he argued, would give BCG a better seat at the table when it comes to gaining clients and creating value.

While priorities will chart a course for the future, they also invoke the past from which the firm was built—when it challenged conventional business thinking and hired quirky nonconsultants; recognized the need for implementation and started to make it happen; developed an institution and a true partnership; leveraged insight, impact, and trust to deepen client relationships; and expanded boldly into global prominence.

CEO Rich Lesser, 2013–present

When asked why he joined BCG 25 years ago, Lesser echoed comments from scores of BCGers over the years: "First, I thought BCG had the ability to produce more fundamental change at clients. Second, I thought BCG was much less hierarchical than other firms, and I wanted to join a firm where I would be judged based on my contribution, not on my status. And third, I wanted to build a great firm, not just to maintain one, and I thought at BCG I could really make a difference."

One of BCG's immediate priorities is working across boundaries. "With many of our clients taking on complex transformations that cut across different parts of their organizations—and different parts of the world—it is becoming increasingly important to bundle our capabilities. We've always done that pretty well, but I think we can take it up a level," said Lesser. "We need to meld our functional and industry expertise, regardless of where it resides, in order to present our most relevant, powerful insights on demand—wherever and whenever they are needed."

Rich Lesser speaks at the WWOM, Boston 2013

BCG's leadership team is working hard to create these bundled offerings by strengthening the matrix between practice areas and geographies as well as between functional and industry practice areas. "It doesn't matter whether a client is based in Jakarta, Moscow, or New York," Lesser observed. "They want the best of BCG worldwide. That is different from ten years ago, when many clients were satisfied with local capabilities."

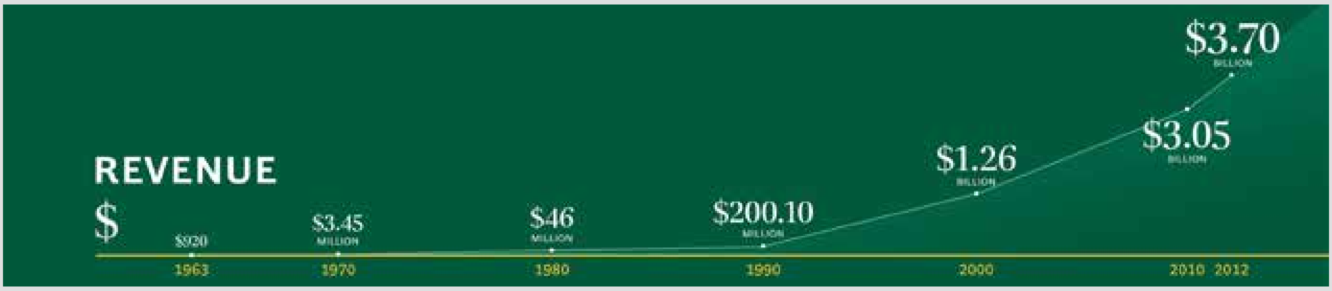
A healthy intolerance of the status quo—characterized by a desire to do things differently, and better—dovetails with BCG's ambition to evolve. "We are a successful organization," Lesser said. "And like all successful organizations, our challenge is to avoid complacency and overconfidence, to evolve faster than the world around us, and to continue focusing on delivering more value to our clients."

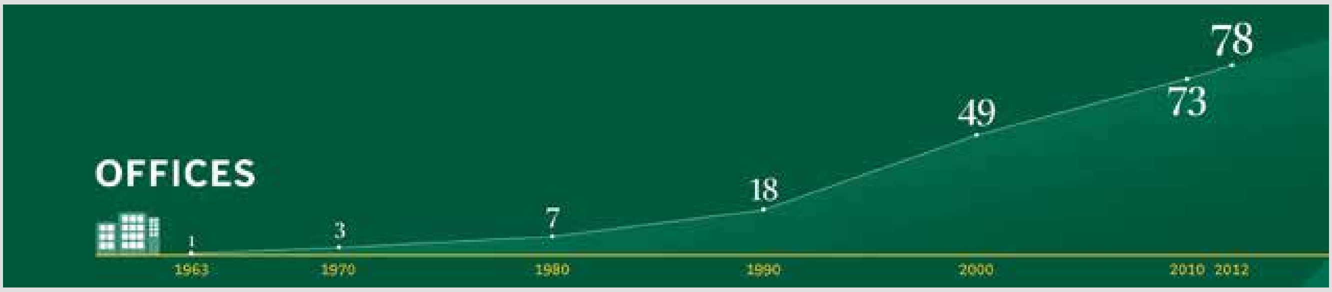
Video

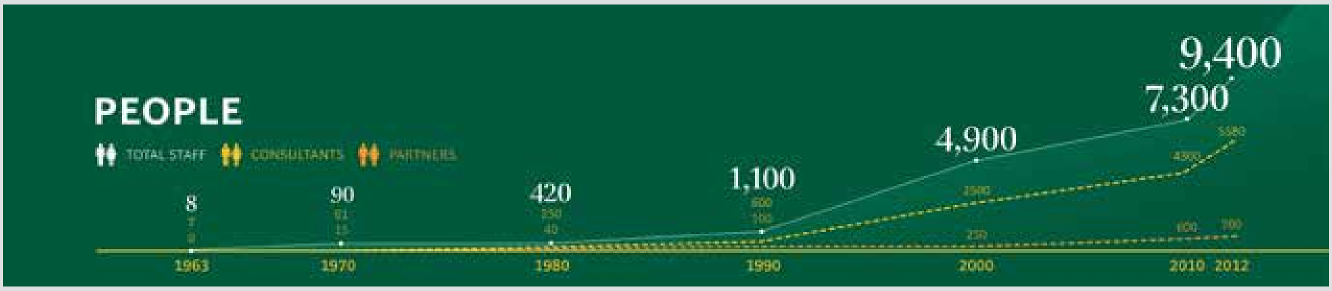
CEO Rich Lesser's Closing Speech at the WWOM, 2013

BCG AT A GLANCE

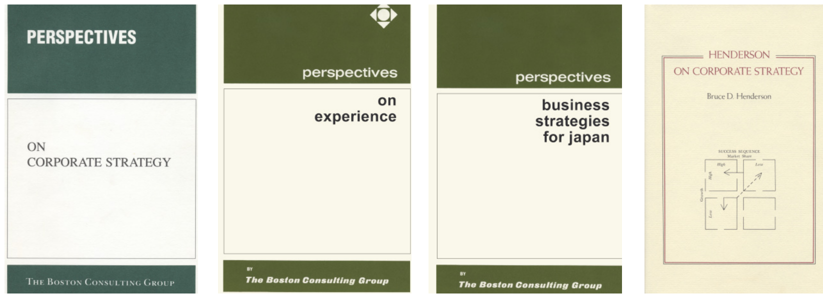
BCG AT A GLANCE







BCG PUBLICATIONS AND BOOKS



BCG WALL OF HISTORY

A new chapter is being added

On July 1st we officially established a Management Consulting Division under the direction of Vice President Bruce D. Henderson to provide general counsel to corporate management in long-range planning and strategy.

Expansion of our efforts to provide the best in professional personal services is in keeping with our tradition and our philosophy as a fiduciary institution.

BOSTON SAFE DEPOSIT AND TRUST COMPANY

100 FRANKLIN STREET, BOSTON, MASSACHUSETTS 02106

First month's billings—$500

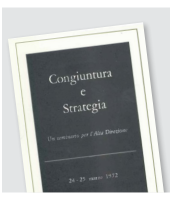
1963

Bruce D. Henderson starts the Management and Consulting Division of the Boston Safe Deposit and Trust Co. He sets up offices at 100 Franklin Street and hires his first consultant, Arthur Contas.

Perspectives is launched

1964

BCG begins publishing short, provocative essays, called *Perspectives*. They are meant to challenge accepted economic theory and business practice. Bruce Henderson refers to them as "a punch between the eyes."



Conference invitation, Milan office, 1972

First BCG conference for executives

1964

In June, BCG holds its first conference, at Endicott House in Dedham, Massachusetts. Of the eight executives who attend, six become clients within a year. The conference tradition is carried on today in the Kronberg Conferences.

BCG defines "business strategy"

1965

When BCG discussed what to have as its specialty, Bruce Henderson suggested "business strategy." Someone said it was too vague. "That's the beauty of it," Henderson responded. "We'll define it."

BCG opens an office in Tokyo

1966

BCG becomes the first Western strategy consulting firm in Japan, with the acquisition of TFM Adams, Ltd.

$$\log(c_T) = a - b\log\left(\int_{-\infty}^{T} v_t \, dt\right)$$

The experience curve formula

Bruce Henderson develops the experience curve

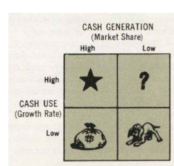
1966

It becomes a basic tenet of business strategy to understand how doubling accumulated experience within the context of competent management results in a decline in costs. This allowed companies to project the evolution of their costs and better understand their competitive position.

Bruce Henderson's Monday Morning Meetings

1967

Henderson's Monday Morning Meetings become a discussion forum for new ideas and case work. Beyond that, the meetings are a true marker of BCG's original culture, characterized by the importance of debate and the right—even duty—of each consultant to share ideas and opinions.



Star, dog, cow, and question mark

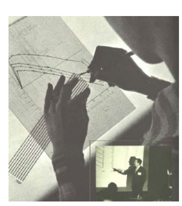
1968

"Growth and Financial Strategies," by Alan Zakon, introduces the growth-share matrix, which revolutionizes business management. It becomes an efficient tool that enables CEOs to quickly diagnose their portfolios.

Sandra Moose becomes BCG's first female consultant

1968

One of the first female management consultants in the industry, Sandra Moose would become a BCG director in 1975 and a senior vice president in 1989, serving in that role until her retirement, in late 2003.



Office operations in the pre-computer age

1969

Vital BCG office equipment includes slide rules, overhead projectors, and an extremely loud telex machine that enables communication between offices worldwide.

Staff members of the London office, at Bowater House East, 68 Knightsbridge, London, in 1976

BCG opens its first European office, in London

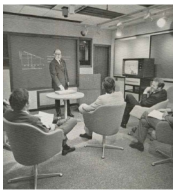
1970

In January, The Boston Consulting Group Limited opened offices in New Zealand House at the corner of Pall Mall and Haymarket. In *The First Ten Years Remembered*, Bruce Henderson wrote, "The growth of the London office was rapid, consistent and faster than the growth of BCG itself during its own first three years. [When] population density began to exceed one person for every 90 square feet . . . we were forced to move into new offices."

"The Product Portfolio" appears in *Perspectives*

1970

"Every company needs products in which to invest cash. Every company needs products that generate cash. And every product should eventually be a cash generator; otherwise it is worthless." —Bruce Henderson in *Perspectives*

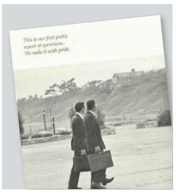


Tenth anniversary—a memorable milestone
1973

Under Henderson's leadership, BCG becomes a hotbed of radical thinking in the world of business and finance. The practice is growing: with 142 consultants, offices in Boston, Tokyo, London, and Paris, revenue surpasses $7 million.

Customer and business segmentation
1974

Sy Tilles initiates what was to become a timeless focus on segmentation for BCG. A set of unique analytical approaches identifies discrete customer and economic segments and their associated costs, threats, and opportunities.



BCG achieves independence
1975

BCG agrees to purchase the firm from the Boston Company through an Employee Stock Ownership Plan (ESOP). Henderson chose to retain only a small portion of ownership; the majority went to its employees. BCG also issues its first annual report, *The Annual Perspective*, published yearly through 1985.

Half of BCG revenue comes from outside the U.S.
1978

While the U.S. economy stagnates, Europe and Japan prosper. BCG's early decision to become a global company allows it to take advantage of the strong overseas economy during the 1970s.

Buyout of stock from the Boston Company complete
1979

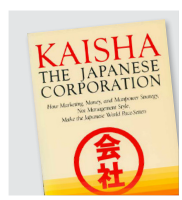
BCG has 250 consultants and 35 partners, bringing in more than $30 million a year. Growing profits allow the Employees Trust to pay off the amount due the Boston Company, five years ahead of schedule.

Alan Zakon becomes CEO
1980

He initiates "Make It Happen," an ongoing effort aimed at helping clients implement BCG ideas and analyses. The shift to implementation highlights the practical implications of BCG's recommendations.

Tier One: BCG begins "research and development" projects
1981

R&D projects in banking, retailing, and manufacturing lay the groundwork for what will become the firm's industry and functional practice areas. BCG's first internally funded research efforts, they later became known as Tier One projects.



Kaisha: The Japanese Corporation is published
1985

Its authors, Jim Abegglen and George Stalk, argue that Japan's competitive success comes not only from cultural values but also from management policies that can be learned and practiced by others.

BCG expands into China
1985

The firm completes its first project in China for the Shanghai Machine and Electric Company.

John Clarkeson becomes CEO
1986

Clarkeson strengthened the firm internally, increasing partner cohesion. At the same time, he led BCG to rapid international growth and to the foundation of practice areas.

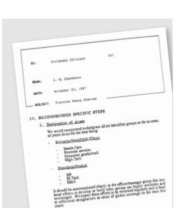
Everyday work tools evolve
1986

The first PCs spell the beginning of the end for log-log paper, white tape, blue pencils, and acetate at the firm.

The first BCG senior vice presidents (clockwise from top left): Jonathan L. Isaacs, Bolko A. von Oetinger, Carl W. Stern, René Abate, Paolo Biancardi, David J. Hall

Senior vice president position is created
1987

At the 1987 worldwide officers' meeting, the partners vote to create the position of senior vice president. Over time, the title gains substance as a recognition of achievement of our most accomplished consultants.



Six practice groups deepen BCG expertise
1987

Practice areas are developed in four industry sectors (financial services, consumer products and retail, health care, and high tech) and two functional areas (organization and mergers and acquisitions).

New BCG hires gather in Boston for an orientation in 1988

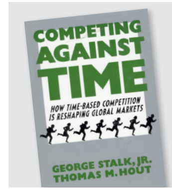
BCG values presented at orientation
1988

John Clarkeson continues to personally introduce the firm's newest recruits to BCG values, building toward a common vision.

(clockwise from top left): George Pappas, Colin Carter, Ralph Evans, and Maurie Koop

BCG enters Australia and New Zealand — 1990

Acquisition of Pappas, Carter, Evans & Koop (PCEK) becomes the foundation for BCG's offices in Sydney, Melbourne, and Auckland and leads to development of the travel and tourism practice area.

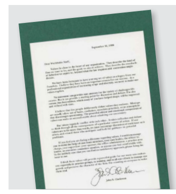


BCG publishes *Competing Against Time* — 1990

Written by George Stalk and Tom Hout, this classic book, based on studies of Japanese industrial production methods, is a thorough examination of time-based competition (TBC), an approach to gaining competitive advantage by bringing products to market faster. TBC was a key driver of BCG's growth and repositioning as a broader management consulting firm from the mid-1980s well into the 1990s.

"Jazz versus Symphony" — 1990

John Clarkeson's article in *Perspectives* envisions the impact of business models based on speed, creativity, and flexibility.



BCG global values codified — 1990

BCG develops its first values statement, based on Henderson's mission. A clear set of BCG values helps build consensus among partners dispersed in offices around the world.

BCG continues to expand across Asia — 1991

The era of the "Asian Tigers" is ready to take off. In just five years, from 1991 to 1996, BCG opens offices in Bangkok, Hong Kong, Jakarta, Kuala Lumpur, Mumbai, Seoul, Shanghai, and Singapore.

Video still from Hal Sirkin teaching Bruce Henderson's class

BCGers teach at Vanderbilt for the ailing Henderson — 1991

After he retired, Bruce Henderson taught at Vanderbilt University. When he was not well enough to hold classes, BCGers stepped into the breach as guest lecturers.

The end of an era, with Bruce Henderson's passing — 1992

"Few people have had as much impact on international business in the second half of the 20th Century as the founder of The Boston Consulting Group. . . . Until he founded BCG in the early 1960s, the competitive element of strategy was conspicuous in most corporate analyses by its absence," the *Financial Times* wrote.

BCG institutes a regional structure — 1993

The firm continues to establish new offices each year in different parts of the world. To manage this geographic expansion, BCG divides its practice into regions: the Americas, Europe, and Asia-Pacific.

Acquisitions and mergers enable BCG to broaden its footprint — 1993

Acquisition of the Canadian Consulting Group establishes a firm footing in that market, while joining with Horringa & De Koning, in Amsterdam, that same year gives BCG more capability in Europe.

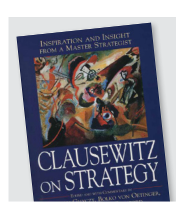
Carl Stern becomes CEO — 1998

Stern promotes the "Go North" initiative to increase value delivery and revenues by deepening and extending relationships with BCG's clients. "Insight, Impact, Trust" becomes BCG's mission statement.

WWAD invitation, Paris, 2003

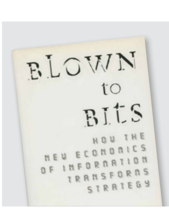
First Worldwide Alumni Day — 1998

To maintain strong ties with its rapidly growing roster of former employees and colleagues, BCG begins to hold yearly Worldwide Alumni Days.



BCG creates The Strategy Institute — 1998

The firm continues to capitalize on its heritage by creating The Strategy Institute, aimed at generating new ideas. Insights gained from diverse academic disciplines are applied to business as well as social challenges.



Anticipating the disruptive force of E-commerce — 1999

In *Blown to Bits*, Philip Evans and Tom Wurster assess the strategic implications of shattering the historic compromise between "richness" and "reach."

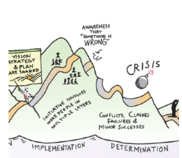
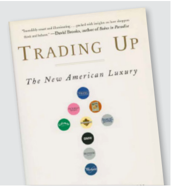


Illustration from The Change Monster

Change management moves to the center of BCG's practice — 2001

The Change Monster, written by Jeanie Duck, becomes a business bestseller on organizational change. It details the long, difficult, and emotional struggle organizations facing major change must go through and provides a roadmap for leaders in these situations.



BCG publishes *Trading Up: The New American Luxury* 2003

Written by Michael Silverstein and Neil Fiske, the book describes the "masstige" phenomenon. It highlights middle-income consumers' aspirations for trading up, their readiness to pay a premium for brands that respond to both their functional and emotional needs, and their willingness to trade down to balance budgets. This publication puts consumer insights at the center of BCG's approach to business.

Hans-Paul Bürkner becomes CEO 2004

BCG's fifth CEO, and its first European leader, Bürkner had served as global leader of the firm's Financial Institutions practice. He initiates a decade-long effort to broaden BCG's functional and industry capabilities and expand its client footprint.

Urs Rahne (PL, Hamburg), Andreas Otto (alumnus), and Pascal Paul (alumnus) with stakeholders in Mali during a humanitarian project for the World Food Programme

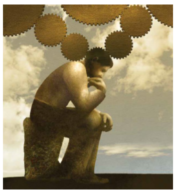
"Making a Difference," first BCG social impact report, is published 2004

BCG continues to broaden its scope of social contributions and working relationships with the UN's World Food Programme, Save the Children, The Bill & Melinda Gates Foundation, other NGOs, and major philanthropic foundations and partnerships. Hans-Paul Bürkner notes that the work "teaches us how to envision a better world."

Ranking as of 2012

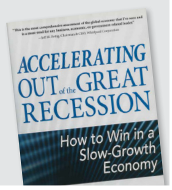
BCG a "Best Company to Work For" 2007

Fortune names BCG the best small company in America and ranks it for the first time in its "100 Best Companies to Work For". BCG has remained on the top companies list ever since, has been in the top five for the past three years, and is the highest-ranked consulting firm.



BCG Fellows Program is established 2008

Proven idea generators, BCG Fellows spend 30 percent of their time for three years developing leading-edge perspectives in an area of personal passion that will create value for clients.



Surviving the economic crisis 2008

The *Collateral Damage* series, written by David Rhodes and Daniel Stelter, examines the market crisis of 2008, the impact of government actions, potential economic scenarios, and strategies for achieving quick recovery. BCG is the only consulting firm to grow in both 2008 and 2009 while the consulting industry contracts substantially.

BCG receives four Turnaround Atlas Awards 2010

Recognized for reorganizing General Motors and Chrysler, BCG is named Turnaround Consulting Firm of the Year. The firm's senior partner, Xavier Mosquet, is honored as Turnaround Consultant of the Year.

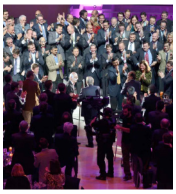
"Enablement Initiative" is launched 2011

It leverages the firm's traditional strengths in collaboration and customization. Enablement is a creative and adaptive response to sophisticated clients looking to build capability.

Bcgperspectives.com, the thought leadership portal launched in 2010

Driving change through transformation 2011

The increased breadth and depth of the firm's capabilities, developed over close to five decades, allows BCG to help its clients undertake transformational change and enable leaders to change the trajectory of their organizations.



WWOM in Barcelona, December 2012

Hans-Paul Bürkner completes his nine-year term as CEO 2012

The firm has tripled in size during his tenure, increasing both market share and presence around the world; employee satisfaction is at historic highs; and there are close to 800 partners.

Rich Lesser becomes CEO 2013

Rich Lesser, a 25-year BCG veteran, begins his term in January 2013, moving to the CEO position from his previous role as BCG's Chairman of North and South America. He brings to the office his drive to take global teaming and acquisition of expertise to the next level, in order to continue creating outstanding value for clients.

BCG at 50: time to celebrate! 2013

At its half-century mark, BCG has nearly 800 partners, and more than 9,000 colleagues in 78 offices in 43 countries. It is BCG's people—from past and present—who have made the firm the leader it is today.

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