A leader’s long-term success isn’t derived from sheer force of personality or breadth and depth of skill. Without an ability to read and adapt to changing business conditions, personality and skill are but temporal strengths. An understanding of the zeitgeist and its implications has played a critical but unheralded role in some of the greatest business victories of all time. Jack Welch is widely credited with GE’s remarkable performance during the 1980s and 1990s, for example, but his predecessor, Reginald Jones, made the wise decision to name Welch as his successor despite the fact that the younger manager was considered too inexperienced, too impatient, and too reckless for the job. Though they were polar opposites, each was perfectly attuned to his era.

An accountant by training, the reserved and dispassionate Jones ran the business during the 1970s – a time of simultaneous recession and inflation when he nonetheless managed to sustain strong growth in both revenue and profits. He was well suited to an environment where rational planning and prudent investments were the order of the day. It was also a time of heavy regulation, and Jones’s statesmanlike demeanor made him particularly effective in negotiations with government regulators. But Jones recognized that global competition was heating up and the company’s future success would hinge on nimbleness and a greater capacity for change and, hence, on a new type of CEO. The boundary-busting Welch – who also read the zeitgeist and saw great change on the horizon – was the ideal person to grow the business during headier times.

A lack of contextual sensitivity can trip up even the most brilliant of executives. No less a luminary than GM’s

The best leaders have an almost uncanny ability to understand the context they live in – and to seize the opportunities their times present. A look at U.S. business history shows how they do it.

**Zeitgeist Leadership**

by Anthony J. Mayo and Nitin Nohria
Alfred P. Sloan, whose decisions in the 1920s fundamentally shaped the way large companies are run even today, was relieved of day-to-day management of the business in the 1930s because he was unwilling to meet with the new United Automobile Workers union. Before the 1930s, employees had little if any bargaining power, but they made great gains through the decade, and for the first time in U.S. business history, the ability to negotiate effectively with labor became critical to a manager’s success.

Labor’s power would wax and wane over the years. Indeed, throughout the twentieth century, the overall business context shifted continually. To greater or lesser degrees, factors such as government regulation, social mores, and global events influenced the opportunities available to industries and leaders.

Certain conditions were more favorable to some types of businesses than others. The 1920s were very good to consumer products companies and advertising agencies, for instance, because a nation newly out of war was eager to buy, while the 1940s saw a focus on the heavy machinery needed to fulfill the massive military requirements imposed by World War II. And different types of top executives could succeed depending on the context of both the broader business world and the individual business. The kind of person who might be a superstar in a conservative time like the 1950s, when mature industries prospered, might be a hopeless stick-in-the-mud in an era that favored new or emerging industries, such as the 1990s (or India today). A CEO who excels during a period of relative freedom might derail during a time of heavy government intervention, when an ability to navigate rules and manage relationships might prevail over an inventive mind. This is not to say, though, that each era was ideally suited for only one type of executive. In every decade, many forces were at play, affecting the context of individual businesses in different ways and affording different opportunities. The ideal CEO for one company in an era was not necessarily the right person to lead another at the same time. What’s more, CEOs and founders played an important role in defining the context in which they lived and worked because they not only seized the opportunities but unheralded role in some of the greatest business victories of all time.

The notion of zeitgeist might be intangible, but the risks of contextual insensitivity are concrete. If you can’t read the business landscape, you risk leading your organization in the wrong direction or choosing the wrong successors. To better understand this connection between business performance and context, we studied 1,000 great U.S. business leaders of the twentieth century – individuals who shaped the way Americans – and people around the globe – live, work, and interact. (For our definition of “great,” see the sidebar on our methodology.) We identified exemplars of three distinct leadership archetypes – the entrepreneur, the manager, and the leader – and examined the conditions under which each thrived.

While the ability to seize the zeitgeist – a skill we call “contextual intelligence” – proved universally pivotal to their success, the way each of these various individuals exploited opportunities was very different. Entrepreneurs were uniquely skilled at sensing emerging opportunities or the potential of nascent technologies and through perseverance and determination built successful new enterprises. Managers could spot opportunities to aggressively expand the scale and scope of an established business through disciplined resource allocation and execution. Leaders sensed the potential in moribund businesses and found ways to breathe new life into them. (For a fuller description of each approach, see the sidebar “Three Archetypes of Leadership.”)

We organized our study chronologically, sorting the 1,000 business executives according to the decade in which they founded their company or became CEO. Decades turned out to be a good proxy for different eras or specific combinations of contextual factors. There is a common understanding, for example, of how the 1950s differed from the 1970s. Once we sorted our leaders in this way, what we found was this: While many contextual factors are at play within any era, six factors—government intervention, global events, demographics, social mores, technology, and labor—are especially influential in shaping the landscape for business. (The relative influence of these factors over the years is shown in the exhibit “The Twentieth-Century Zeitgeist.”)

**Government Intervention**

The extent to which the central government intervenes in business matters determines the degree of autonomy afforded business executives and the level of resources a company needs to cope with potentially complicated regulations.

The 1910s was a time of relatively high government involvement, witnessing a flurry of antitrust activity that included the breakup of Standard Oil and American Tobacco. In this period, the government established the Federal Reserve System, transformed its tariff leg-
islation, expanded tax collection, and enlisted the support and cooperation of business for America’s entry into World War I. CEOs and founders in that decade had to understand how to navigate the halls of political power.

But that requirement didn’t last long. The 1920s saw a return to laissez-faire governing, as a nation newly out of war wanted freedom and adventure. This was a period in which high-profile anti-trust suits against U.S. Steel and Alcoa failed, and both corporate and personal income tax rates were cut. Some manufacturers and their advertisers shamelessly invented and marketed remedies for diseases such as bromodosis (foot odor) and homotosis (a malady brought on by the lack of nice furniture) – practices that today would surely catch the attention of consumer advocates and could well land you in court. Even Prohibition, which was enacted in 1919 to reduce crime and improve urban stability, laid the foundation for many underground illegal businesses.

The freewheeling atmosphere evaporated when the 1929 stock market crash brought on a wave of regulation that transformed many businesses, most notably banking. Among the new laws was the Glass-Steagall Act of 1933, which prohibited any company from engaging in both investment-banking and commercial-banking activities. It prompted Harold Stanley to leave J.P. Morgan and cofound Morgan Stanley, an independent bond house that would carry on the securities-trading business that his former employer was forced to exit. Despite the depressed economy, the firm’s very success invited further government intervention into the industry. An example of the leader archetype, Stanley was an outspoken advocate for his company and his industry, and his testimony helped fend off further antitrust activity in the 1940s.

Government controls on business remained strong through the Second World War, as business executives were in many cases forced to support the war effort. Many manager-type CEOs seized this opportunity to dramatically
expand their overall businesses through product-line conversions or extensions. As the war ended, the technological achievements it generated were turned to commercial applications, and businesses reestablished a much greater level of autonomy. The 1960s was another era of greater government involvement, as the Kennedy and Johnson administrations enacted legislation focused on equal employment, workplace safety, and consumer rights. Periods of heightened regulatory activity don’t always unfold in the same way, though. This time, the government’s attempts to control mergers and acquisitions within the same industry spawned the conglomerate business model, as companies attempted to skirt antitrust activity. During the last two decades of the twentieth century, government-mandated deregulation of the airline, banking, and telecommunication industries opened the door to many new competitors, once again changing the landscape for business executives.

Global Events
U.S. business executives were relatively immune to global events (and preferred it that way) through the first half of the twentieth century, with the notable exception of the two world wars and the impact of immigration, which provided a steady supply of cheap labor.

While most companies were happy to revert to the comfort of isolation at the end of both wars, some CEOs saw in the country’s leadership position at the close of World War II an opportunity to expand into Europe and beyond. Look at Caterpillar. The CEO at the time, Louis Neumiller, fits our definition of the manager archetype, grasping how the shifting business landscape presented new opportunities for his company, all the while running a smooth operation. He resisted pressure from the military to shift his manufacturing operations entirely from bulldozers to artillery during the war, convincing the government that large-scale earthmoving equipment would also be needed on the battlefields. He built a new plant to make engines for army tanks but kept his main operation focused on tractors and bulldozers. They proved as critical in battle as planes and tanks, essential for constructing landing strips, digging ditches, clearing forests, and so forth.

At the end of the war, Caterpillar received an unexpected leg up in its international expansion efforts as its bright yellow, easily recognizable brand of equipment stayed behind when the U.S. troops came home. Most of that machinery was taken over by local European and Asian governments and businesses, which created a new market for the manufacturer. Caterpillar established dealerships and service centers in these areas for training, maintenance, and — most important — follow-on purchases. At the same time, Neumiller’s insistence that the company stick to its core competency meant that after the war Caterpillar was well prepared to fill the growing need for earthmoving equipment at home, providing machines for roadway construction, suburban expansion, and other large-scale development in the 1950s.

Although American social attitudes remained isolationist following the war, the relative stability of the 1950s created a steady supply of cheap labor.

Three Archetypes of Leadership
The word “leader” has come to define business executives in a general way. But when we sought to understand the different types of leadership, it became clear that the same word could be applied to one of three essential executive archetypes.

• **Entrepreneurs** are often ahead of their time, not necessarily bound by the context in which they live. They frequently overcome seemingly insurmountable obstacles and challenges to persevere in finding or launching something new.

• **Managers** are skilled at reading and exploiting the context of their times. Through a deep understanding of the landscape in which they operate, they shape and grow businesses.

• **Leaders** confront change and identify latent potential in businesses that others consider stagnant, mature, declining, or moribund. Where some see failure and demise, this breed of executive sees kernels of possibility and hope.

Certain periods of the past century may at first glance seem almost ideally suited for the emergence and dominance of a particular type of executive. For instance, the early part of the century may seem to have been made for the entrepreneur. The 1950s might seem perfect for the organization-man manager.

The tumultuous 1970s might seem ideal for the leader. But we found that all three types coexisted and were pervasive through every decade. In fact, we found that all three archetypes were vital to sustaining the vibrancy of the capitalist system. Entrepreneurs create new businesses, managers grow and optimize them, and leaders transform them at critical inflection points. Time and again, the American capitalist system has borne witness to this business life cycle, and it is the ongoing regeneration of this pattern that ultimately sustains development and progress.

continued on page 57
GREAT LEADERSHIP is not a singular concept. On the contrary, it is a function of the circumstances in which businesses and their top executives operate. The opportunities available to businesses are deeply influenced by six contextual factors—demographics, technology, social mores, government intervention, labor, and global events—and each comes into play to a varying degree at different times. In the 1930s, for example, the U.S. government took an active interest in business affairs, as the country struggled to recover from the Great Depression. That was a dramatic departure from the 1920s, when a laissez-faire postwar attitude gave businesses free rein to operate as they chose. A break-the-rules type of leader with an inventive mind might have excelled in a start-up during the 1920s but be unable or unwilling to navigate the complex regulations pertaining to a maturing company during the decade that followed. The best leaders can sense the winds of change and adapt with the times.

The chart that unfolds across the following pages shows how these six contextual factors played out in business throughout the twentieth century in the United States. It also illustrates how three different executive archetypes—entrepreneurs, managers, and leaders (“leaders” as an archetype, as opposed to the more generalized term for someone leading an organization)—capitalized on the opportunities of their times. It demonstrates at a high level how context influences business and, in turn, how leaders can influence context.
### Decade by Decade

The nation’s mood shifted constantly. Entrepreneurs, managers, and leaders each seized the new opportunities – and responded to the corresponding challenges – in different ways.

- **Entrepreneurs**
- **Managers**
- **Leaders**

### Contextual Influence

The relative influence of each contextual factor shifted from decade to decade. The degree to which each played a part is shown on a scale of one to five by the thickness of the shaded background in each row. The colors correspond to the darker lines in the graph at right, which indicate how the factors shifted in relation to one another across the decades.

### 1900s

- **Growing population; vast market expansion; minimal labor impact; initial government intervention but strong big-business power**
- Cyrus Curtis, Curtis Publishing, seizes on increased middle-class purchasing power to publish the *Ladies’ Home Journal* and the *Saturday Evening Post*. *Clarence Woolley consolidates the radiator industry into American Radiator.* *Frank Ball uses the expired patent for the Mason Jar to build Ball Corporation.*

### 1910s

- **Heavy regulation; business retools for WWI; some small labor power**
- Clarence Saunders’ self-service Piggly Wiggly stores give consumers access to newly emerging national brands. *Frank Phillips (above) cofounds Phillips Petroleum after the breakup of Standard Oil.* *William Fairburn, Diamond Match, brings new life to the match industry with a nonpoisonous technology.*

### Global Events

- 8.8 million immigrants arrive throughout decade
- Cities expand
- Pop: 76–92 million

### Social Mores

- Model T
- Plastic
- Safety razor
- Widespread use of steam engine, electricity, and open-hearth furnace allows businesses to expand nationwide

### Government Intervention

- First significant enforcement of Sherman Antitrust Act
- Pure Food and Drug Act, breakup of beef trust
- Tariff Act forces corporations to open their books for government inspection
- Excise tax imposed on corporations

### Labor

- Fewer than 500,000 union members
- Department of Commerce and Labor created

### Technology

- U.S. begins construction of Panama Canal

### Demographics

- Anti-immigration sentiment peaks during WWI
- Great Migration begins as African-Americans relocate from rural South to northern cities

### Global Events

- First widespread use of auto assembly line
- Self-starter increases popularity of automobile
- Sedition Act
- Prohibition begins
- Red Scare and race riots

### Government Intervention

- Breakup of Standard Oil and American Tobacco
- Clayton Antitrust Act
- Federal Reserve Act
- First Federal-Aid Highway Act
- Personal income tax re instituted

### Labor

- Ford doubles factory wages and shortens workday
- Worker shortage: Unions double membership and increase wages

### Social Mores

- Progressivism
- *The Jungle*
- War Industries Board coordinates activities among labor, government, and business for WWI
- Cost-plus contracts introduced
- Protectionist tariffs reduced

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**PHOTOGRAPHS THIS PAGE:** @ Bettman/CORBIS: Immigrants, meat plant, Panama Canal, Ford Model T, Phillips, and Rudkin; CORBIS: Asto
### 1920s
- Government retrenchment; cultural divide between rural and urban residents; broad technology expansion; anti-immigration; massive consumer credit
- Juan Trippe founds Pan Am, the first company to exploit international commercial flight.
- Robert Woodruff makes Coca-Cola a part of Americana with wholesome advertising.
- Gerard Swope revitalizes GE by moving from utilities to consumer products.
- Margaret Rudkin (above) founds Pepperidge Farm, creating an upscale commodity product.
- Martin Clement invests in the Penn RR to connect an expanding country.
- Harold Stanley forms Morgan Stanley to comply with regulations separating commercial and investment banking.
- E. Morehead Patterson converts American Machine and Foundry from cigar-rolling equipment to missile systems to bowling-alley components.
- Population of urban centers overtakes that of rural communities
- First radio station
- Talkies
- Frozen foods
- Social divisions arise between rural and urban areas
- Women’s suffrage
- U.S. Steel and Alcoa withstand antitrust accusations
- Personal and corporate tax rates cut
- Airmail service starts
- Union membership declines sharply
- Minimum wage and maximum working hour legislation overturned
- Isolationism
- U.S. pushes for debt recovery

### 1930s
- Heavy government influence; Great Depression; union progress; technology adaptation; migration
- Air-conditioning begins to realize commercial potential
- Advances in aviation
- Nylon
- Fiberglass
- Escapism in radio serials
- Golden age of movies
- Federal regulations prohibit false advertising
- U.S. pushes for debt recovery
- Allied nations seek war reparations from Axis powers
- Increased tariff protection through Smoot-Hawley Tariff Act
- Continued isolationism
- War Production Board readies nation for WWII
- U.S. becomes a global power
- Baby boom begins
- Suburbs start to form
- Planes and ships built in less than a day for the war effort
- Atomic bomb
- ENIAC computer
- Penicillin used extensively to treat soldiers’ infections
- Polaroid camera
- Patriotism soars
- GI Bill
- Military spending explodes
- Rationing
- Rosie the Riveter
- Postwar strikes
- Government backlash against postwar union movement
- Marshall Plan
- Cold war begins
- World War II; cooperation among business, labor, and government; postwar baby boom; pent-up consumer demand
- Edward DeBartolo, Sr., develops suburban shopping centers.
- Louis Neumiller oversees Caterpillar’s mobilization for war and later growth in expanding suburbia and abroad.
- E. Morehead Patterson converts American Machine and Foundry from cigar-rolling equipment to missile systems to bowling-alley components.
### 1950s

- Baby boom; business growth unfettered by regulations; conservative social norms; labor progress; technology commercialization; Korean War, cold war
- Ray Kroc masters the franchise operation with McDonald’s.
- Howard Morgens forms P&G Productions to produce TV soap operas.
- Malcolm McLean (above), SeaLand Industries, revitalizes the shipping business by creating the containerized cargo system.

### 1960s

- Social discord; antitrust legislation; conglomerates; bulging population; space race; booming economy
  - Sam Walton refines discount retailing at Walmart.
  - Henry Singleton capitalizes on the conglomerate business model to build Teledyne.
  - Kenneth Iverson, Nucor, uses minimills to revolutionize steelmaking in the United States.

### 1970s

- Oil embargo; stagflation; computer technology commercialized; weakening labor; moderate government intervention; massive international competition
- Dee Ward Hock, Visa International, for an interconnected world of electronic interchange long before the technology becomes a reality.
- Edmund Pratt, Jr., invests heavily in technology. Edmund Pratt, Jr., invests heavily in to make Pfizer a global player.
- Charles (M) Harper transforms struggling ConAgra into of the largest food processors in the world.

### Key Events and Trends

- **1950s**
  - Medical advances extend life expectancy
  - Television sales expand dramatically
  - Social conformity
    - McCarthyism
    - *Brown v. Board of Education* desegregated public schools
  - Military spending shifts to nuclear deterrents
  - Small Business Administration created
  - The Organization Man
  - Union membership peaks
  - The AFL merges with the CIO: 15 million members

- **1960s**
  - Population soars to 179 million—largest ten-year increase
  - Integrated circuit boards replace transistor technology
  - First ATM installed
  - Television sales expand dramatically
  - Transistors used in portable radios and calculators
  - Civil rights movements gain strength
  - Antiwar sentiment divides electorate
  - Great Society
    - Consumer and environmental protection movements strengthen
  - Factory automation slashes jobs
  - Civil Rights Act
    - Equal Pay Act
    - Formation of United Farm Workers union
  - Wage controls
    - OSHA created
    - Service economy expands

- **1970s**
  - Baby boom tapers off
  - Emigration from Asia and Latin America surges
  - Social discord continues over Vietnam and civil rights
  - Watergate scandal undermines faith in authority
  - Deregulation of oil and airline industry
  - New energy policy and programs
  - Price controls
  - Women enter the workforce in large numbers
  - OPEC oil crisis
  - Iran hostage crisis
  - Imports outpace exports
### 1980s

- Global competition; deregulation; TQM; growing national debt; social conservatism; decline of labor; continued shift to service economy; streamlined business processes.
- Reginald Lewis (above), TLC Group, buys Beatrice Foods in the largest ever leveraged buyout of an offshore company. Max De Pree restructures Herman Miller with a unique focus on creative design. Lee Iacocca, with massive government assistance, pulls off the turnaround of Chrysler.

### 1990s

- Globalization; diversity in workforce; reengineering; booming economy; massive immigration; Internet opportunities.
- Meg Whitman (above), eBay, builds the fledgling Internet retail model into a vibrant and passionately loyal community. Alfred Zeien guides Gillette through large-scale product development efforts and targeted acquisitions. Lou Gerstner oversees IBM’s turnaround from a manufacturer to a systems integrator and e-business innovator.

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<td>Service sector outpaces manufacturing in new job creation</td>
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**THE 20TH CENTURY ZEITGEIST**

**PHOTOGRAPHS THIS PAGE:** Time Life Pictures/Getty Images: McLean; Justin Sullivan/Getty Images: Whitman; StreetStock Images/Getty Images: computers; @ Bettman/CORBIS: McCarthy and Carter; @ Owen Franken/CORBIS: pumps
How will business leadership emerge in the new millennium? What challenges will we face for the rest of the decade? The last five years have provided some insight into the complexities, challenges, and opportunities for emerging entrepreneurs, managers, and leaders.

Much has changed since the 1990s. Celebrity and hype have been replaced with an emphasis on competence and results. Execution has dethroned vision. And consumer skepticism has overshadowed awe and unfiltered acceptance. In the post-1990s, more attention is being paid to board governance, CEO compensation, reported financial results, and stock option grants. Business schools are reevaluating their curricula, adding new courses on corporate accountability, ethical decision making, law, and board governance.

Not since the scandals of the 1980s have business executives come under so much legal and public scrutiny. Still, Sarbanes-Oxley notwithstanding, the probusiness George W. Bush administration has generally resisted the urge to introduce and enforce greater levels of oversight, leaving it to the business community to self-regulate in many areas and deal with its own mess. Corporations have a short window of opportunity to rise to the occasion. History has shown that if business executives do not take any tangible and meaningful action voluntarily, regulation is likely to snap back with thunderous force and dramatically alter the opportunity structure for business.

While the federal government may be disposed to monitor business somewhat less aggressively than it has in the past, the country has been anything but reticent on the world stage. The war on terror, nuclear proliferation in developing countries, and the festering civil conflicts throughout the Middle East and Africa have heightened the already sensitive and precarious position of the United States in the world. Business executives trying to operate on the global stage must contend with increasing levels of uncertainty and instability. Nevertheless, the long-anticipated opening of the Chinese market might very well provide a new base for American business growth and prosperity.

Computer technology, which was the basis for much of the innovation over the past two decades, will undoubtedly continue to be refined, particularly as advances in wireless communications, data integration, and graphics transfer come to market. Though investments in technology have fallen off precipitously since the Internet implosion, there has been a renewed focus on productive technology—technology with a clear purpose and bottom-line rationale. Technology in the new century will most likely become the domain of managers and leaders rather than entrepreneurs, and their ability to harness its power and capitalize on the latent opportunity of the Internet will set them apart from their peers.

As the baby boom generation moves into its golden years, even greater importance and emphasis will be placed on medical science. Biotechnology, which has yet to deliver on its oft-heralded promises, may be on the cusp of new breakthroughs. Still, the road to discovery will be arduous; social mores have become more conservative, and the new century has already borne witness to contentious debates over research involving stem cells, frozen embryos, and cloning. It may be that, for now, opportunities in this field, too, are best suited to managers and leaders rather than to the entrepreneurs who have done the initial work, as navigating the controversy will require vision and a deft negotiator’s touch.

Labor continues to struggle as companies try to grapple with the recession that followed the collapse of the Internet bubble and the devastation brought forth in the wake of September 11. The airline, travel, and hospitality industries have suffered considerably, causing a ripple effect through a host of other businesses—especially in the manufacturing sector—that is swelling the ranks of both multiple-job holders and the underemployed. Outsourcing, which has displaced thousands of jobs, has become the new strategic mantra for companies attempting to retain or regain their competitiveness on the global stage. And of course the workplace is facing a dramatic shift as baby boomers approach retirement age and companies risk losing vast reserves of knowledge and experience.
opportunities for many large companies to, like Caterpillar, gain in scale by capitalizing on the European recovery and expanding globally. Institutions like the World Bank and the International Monetary Fund created some financial stability, and the cold war kept the global political environment stable, if rigid. Expats enjoyed status in their host countries, perceived as bringing American prosperity and products to the old world. Because the United States controlled such a large portion of the world’s GDP, it was a comfortable time for American businesses. But manufacturers were dealt a blow in the 1970s, with the oil crisis and the rise of the Japanese automobile and electronics industries. Companies were forced to focus more closely on processes and quality even as they searched for alternative forms of fuel. As the century drew to a close, communications technologies made truly global competition a reality, and many businesses were jarred out of their complacency and into an international mind-set. For some businesses, though, the process was painfully slow—it took the recession that followed the 1987 stock market drop, and a loss of both global and domestic market share, to stimulate action.

**Demographics**

For most of the twentieth century, the U.S. population grew apace, driven by periodic spikes in both domestic family expansion and immigration.

During the population explosion that started in the late 1940s and continued through the early 1960s, families began to spread out, and the first suburbs were born, creating a host of opportunities for new businesses, for those perceptive enough to recognize them. Despite the ongoing population migration, for instance, the accepted wisdom of the time was that shopping centers couldn’t survive outside city limits. Edward J. DeBartolo, Sr., a founder in the entrepreneur mold, challenged the theory when he built a 23-store plaza—what today is called a strip mall—in a suburb of his hometown, Youngstown, Ohio, in the late 1940s. Onlookers were skeptical, but it was an almost instant success. Moreover, it wasn’t long before his “country” shopping center was joined by medical offices and other service businesses. DeBartolo, who had served in the war evaluating terrain for troop maneuvers and other military actions, put his topography skills to use to grow the business rapidly, flying over the highways and byways of the Midwest to choose his next retail locations. (Sears nimbly followed Americans from farms to cities to suburbs as DeBartolo had done but subsequently failed utterly to catch the migration of economic activity to the exurban Sunbelt in the 1980s and 1990s, leaving Wal-Mart with open territory in which to grow.)

Alonzo G. Decker, Jr., son of one of the founders of Black & Decker, was one leader who took advantage of wartime and postwar demographic shifts to breathe new life into a seemingly mature product. The tool of choice for Rosie the Riveter, the Black & Decker drill proved popular with women on the factory line—so much so that many drills were going home in lunch baskets, and defense contractors had to keep reordering them. At war’s end, the company added a consumer products line, an enormously profitable move as the suburban revolution brought with it a new do-it-yourself spirit.

Demographic shifts affect not just the market but the workplace. Over the century, employers had to learn to contend with an ever more diverse employee...
Our Methodology

Each of the candidates included in our pool of 1,000 business executives had to have been a founder or CEO of a U.S.-based company for at least five years between 1900 and 2000. As such, any CEO whose tenure began after 1996 was excluded from this survey. (In the earlier decades, when “CEO” was not a common term, we chose to use business historian Richard Tedlow’s approach to identifying the key executive by designating as such the primary, or perhaps the sole, individual in a firm who was responsible for setting direction, allocating resources, and monitoring company progress.)

Beyond the five-year tenure requirement, business executives had to have demonstrated at least four consecutive years of top financial performance, or they had to have led a company whose product or service changed the way Americans lived, worked, or interacted with one another in the twentieth century. In view of the lack of easily accessible and complete financial information spanning the entire century (especially before 1925), we used a multiteried financial analysis approach to judging top performance—one or the other of Tobin’s Q (that is, the ratio of a company’s market to book value); return-on-asset ratios; and market value appreciation.

Though dominated by Fortune 100-type company executives, the list endeavors to capture the impact of factors other than company size. As such, it includes people outside the traditional business realm. But from the thousands and thousands of individuals who headed large public and small private enterprises alike during the last 100 years, we have sought to identify only that small fraction that sits at the pinnacle of success—leaders whose legacies have truly stood the test of time.

The process of classifying each of the 1,000 business executives into one of the three archetypes (entrepreneur, manager, or leader) involved a review of data from a number of sources, including historical biographies, company documents, press coverage, and other archival material. In reviewing these materials, we focused specifically on how business executives approached their organization at the beginning of their tenure as founder or CEO. Did they forge something new? Did they derive maximum potential from a defined business opportunity? Or did they transform a business? While we have tried to minimize the inevitable subjectivity of this process, we recognize that the classifications are based on our personal judgment and our interpretation of the available secondary-source information.

A full listing of the 1,000 business leaders in our study can be found on the Web site of the Leadership Initiative of Harvard Business School at www.hbs.edu/leadership.
of all the contextual factors, social mores are the most cyclical, and the swings can be dramatic.

operators, and playing board games like Monopoly. Small, affordable luxuries replaced automobiles and other large purchases.

The social freedom of the 1920s reemerged on a much larger scale in the 1960s and 1970s, creating myriad new opportunities – particularly within the fashion, music, and media industries – for those willing to address the changing social conditions.

And in the 1990s, the opportunities for business were virtually limitless: The free flow of capital and the irrational exuberance of a get-rich-quick society fueled a sensibility that made a $10,000 backyard grill seem like as good an idea as a cure for homotosis did in the 1920s.

Technology
Technology has had a strong influence on business executives and the companies they launched and led in every decade of the twentieth century.

The interconnection of the U.S. railways, for example, gave rise in the 1900s to the first large corporations, which could now expand to a national scale. The first national brands began to emerge, as products could be more efficiently delivered across great distances. At the same time, a national advertising industry was born, as newspapers and magazines such as Cyrus Curtis’s Ladies’ Home Journal and Saturday Evening Post could reach farther afield. Subsequent commercialization of technologies developed during World War II also created an enormous set of opportunities for business. The 1940s saw the greatest leaps in productivity of any decade. Almost overnight, under the banner of service to country, companies were transformed from low-volume, inefficient entities into highly efficient, standardized production facilities.

Yet technology’s impact was not always immediate or obvious; it often took a visionary business executive to understand and then fulfill the potential of a specific development. In many cases, those individuals were entrepreneurs rather than leaders or managers. But they were not necessarily the same people who could then take a resultant business forward and manage it in a sustainable way. Juan Trippe, for instance, an entrepreneur who pioneered international commercial air travel and turned Pan American World Airways into a powerhouse in the 1920s, undermined the long-term success of his airline with his arrogance and heavy-handed approach to management.

Visa International’s Dee Ward Hock, another entrepreneur, was an exception, although he was somewhat disdainful of corporate America and several times in his career found himself out of a job for his failure to play by the rules. While at the National Bank of Commerce, Hock had a vision that the newly emerging digital technology would transform the banking business. Long before that became reality, he imagined paperless and instantaneous transactions, 24 hours a day, seven days a week. He was responsible for the first computerized system for the electronic transfer of data between banks, and he pioneered the international magnetic strip, building bridges between domestic and foreign banking operations. He also persuaded a reluctant Bank of America to cede control over the BankAmericard program to a new independent membership organization, National
BankAmericard Incorporated (the international equivalent of which was later renamed Visa), and convinced all 2,700 banks licensed to issue cards to join him. In the end, his tyrannical management style was counterbalanced by great personal charisma and the strength of his technological vision.

Labor

Through much of the twentieth century, the role and influence of labor grew steadily, if in fits and starts. Much like government intervention, the labor movement cycled through periods of progress and retreatment that were tied to the country’s overall levels of economic prosperity and opportunity.

In the first three decades, power was weighted heavily on the side of business, though employees gained some bargaining power during World War I. The business executives of the first decade were driven, opportunistic, and innovative. They built companies that often had a far-reaching impact on the way people lived, but they were, for the most part, less concerned about the way people worked. And during the Red Scare of the 1910s and 1920s—which was fueled by wartime anxieties and the Russian Revolution—unions were viewed as havens for radical foreign-born residents and communists. As such, they were viciously attacked as anti-American.

Labor’s first real test and opportunity came in the 1930s, during the Depression. Buttressed by a prolabor government, unions began to win victories such as the first federal minimum wage, despite a double-digit unemployment rate. The strength of the union movement would reach its second apex in the 1950s, in tandem with the public’s interest in equal opportunity and improved working conditions. So critical was the ability to deal with unions in the 1960s that Harvard Business School made a labor relations course mandatory for all students.

But the rate of union organization has moved rapidly into a service-based economy. During the last two decades of the century, almost all new job growth was concentrated in the service sector—and Harvard no longer even teaches the subject.

Though relatively few business executives in the twentieth century stood out for their treatment of workers, the ones who did were a breed apart—not just for their concern for employees but for the fact that, in many cases, there was no mandate for it. Instead, they chose to manage this contextual factor before it managed them. Henry Ford caused an uproar when, in 1914, he reduced the workweek and doubled wages, becoming the first employer to give workers a reasonable share of revenues. That was not an altruistic gesture; well before his time, Ford reasoned that a highly motivated workforce would be more productive and that turnover would be drastically reduced. People in the labor movement were actually suspicious of the move, largely because they feared that other organizations would shorten the workweek as well, effectively decreasing hourly workers’ pay.

What does all this mean for the executives of today? The central lesson we can take from business history is that context matters. The ability to understand the zeitgeist and pursue the unique opportunities it presents for each company is what separates the truly great from the merely competent.

Executives at the beginning of the new millennium face the potential for increased regulation, reticent consumers, constant global uncertainty, and vast demographic changes. The euphoria and delirium of the 1990s have been replaced with caution, pragmatism, and conservatism. Given these challenges, it is tempting to try to find the next iconic CEO—the next Walt Disney, say, or Henry Ford. But that impulse causes us to overlook the role that context played in creating Disney’s and Ford’s successes. There’s no knowing how Disney would have dealt with today’s hypermedia environment or whether Ford’s steadfast and uncompromising focus on productivity would resonate with today’s more empowered labor force. Even Jack Welch would find that the business world has changed since he left GE: Heady growth has given way to recession, a halting recovery, and (despite a probusiness administration) a tighter regulatory climate in the wake of corporate scandals.

So if your organization is seeking to fill a key leadership position, you need to move past a candidate’s record of success and understand the contextual environment behind that record—and how that influences the context your company currently faces. Consider global events and impending regulations and the role technology may play in future success. And bear your company’s goals in mind. If the business is attempting to maximize growth, a manager may be the best choice for CEO. In times of crisis or decline, a leader may be needed.

Boards should refrain from recruiting a celebrity CEO if that person’s strengths are not properly aligned with the direction in which the company is going or needs to go. Instead, we can learn from our predecessors the value of appreciating and understanding the conditions that influence the business landscape, which in turn can help us choose the right people for the time.