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**Review of the book: 'Creative destruction: why companies that are built to last underperform the market and how to successfully transform them', by Richard Foster and Sarah Kaplan, published by Doubleday Currency, 2001.**

**Ken Friedman**

Joseph Schumpeter's famous concept of "creative destruction" has been a central theme in the economics of innovation for nearly half a century. Despite the widespread use of the concept, however, there have been few empirical studies of just how creative destruction functions to shape companies and the economies within which they are embedded.

To write this book, Richard Foster of McKinsey and Company and Sarah Kaplan (formerly of McKinsey) studied over one thousand companies in fifteen industries for a period of thirty-six years. Their conclusion is that the ideas informing such famous studies as Peters and Waterman's *In Search of Excellence* and Collins and Porras's *Built to Last* are essentially flawed. According to these authors, the continually changing circumstances of the fast-paced business environment mean that no company can be built to last. Instead, they argue, companies must be purposely designed to change at the pace of the capital markets on which they draw.

Drawing on sources from John Maynard Keynes to Nobel laureate Daniel Kahneman, they propose a business paradigm designed to foster innovation and transformation in place of incremental improvement and continuity.

Thinkers from W. Edwards Deming and Peter Drucker to Peter Senge and Jim Collins have written on different aspects of this enduring debate. Foster and Kaplan offer an intriguing perspective that will intrigue anyone interested in the dynamics of innovation. They may not have the last word, but they do have much to say.