

Schumpeter

# The “Breaking Bad” school

**The best show on television is also a first-rate primer on business**

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THERE are obvious reasons for watching “Breaking Bad”: for once the Hollywood hype surrounding the television series is justified. But there is also a less obvious reason: it is one of the best studies available of the dynamics of modern business. A Harvard MBA will set you back \$90,000 (plus two years’ lost income). You can buy a deluxe edition of all five seasons of “Breaking Bad”, complete with a plastic money barrel, for \$209.99, or a regular edition for less than \$80.

“Breaking Bad”, whose finale airs on September 29th, takes place in a recession-ravaged America where most people are struggling to get by on stagnant incomes but a handful of entrepreneurs live like kings. The hero, Walter White, is a high-school chemistry teacher with a second job in a car wash. When he is diagnosed with cancer he is also shaken out of his lethargy: he decides to go into the highly lucrative methamphetamine business to pay for his cancer treatment and leave his family a nest-egg.

Mr White’s subsequent career embraces both sides of the entrepreneurial life: dramatic success and equally dramatic failure. He quickly discovers his inner businessman. “Do you know what would happen if I suddenly decided to stop going into work?” he asks his wife. “A business big enough that it could be listed on the NASDAQ goes belly up.” But he then discovers that running a big business is rather different from launching a start-up—and, like so many before him, becomes the victim of the compromises that he has made in his entrepreneurial salad days.

The first lesson from “Breaking Bad” is that high-growth businesses come from unexpected places. Mr White uses his skills as a chemist to revolutionise the slapdash meth industry (he was a researcher before becoming a teacher). He is not alone. William Thorndike of Harvard Business School (HBS) studied eight bosses whose firms outperformed the S&P 500 index more than 20-fold over their business careers. He found that they were all outsiders who brought fresh perspectives on their industries. Clayton Christensen, also at HBS, argues that great entrepreneurs look at the world through a “marginal lens”. It so happens that Bill Gates, a university drop-out working in a then marginal bit of the computer industry, started Microsoft in Mr White’s home-town, Albuquerque, before moving to Seattle.

Three things help our chemistry teacher turn an insight into a flourishing business. The first is huge ambition. He is not in the “meth business” or the

“money business”, he says. He is in the “empire business”. The second is product obsession. Other dealers might peddle “Mexican shoe-scrapings” on the ground that addicts care little about quality. He produces the king of meth, so pure that it turns blue, and would rather destroy an entire batch than let an inferior product be traded under his brand. The third is partnerships and alliances. He spots talent in a former pupil turned drug-dealer, Jesse Pinkman, and forms a strong working relationship with him. He also contracts distribution to a succession of local gangs so that he can concentrate on the higher-value-added part of the business: cooking and quality control.

Again Mr White is not alone. There is a reason people talk of business empires: tycoons like Rupert Murdoch are latter-day Caesars, fixated on conquering new territories. Steve Jobs eventually outcompeted Microsoft because he was so painstaking in perfecting Apple’s products. Partnerships are the heart of a striking number of businesses: whether Larry Page and Sergey Brin or Warren Buffett and Charlie Munger—or indeed Goldman and Sachs or Hewlett and Packard. As for contracting out distribution, it is de rigueur for high-growth start-ups.

“Breaking Bad” is even sharper on the forces of destruction in business. Mr White’s relationship with his partner falls apart. He is regularly in conflict with his distributors. And he sucks at work-life balance. Being in the meth business gives a unique twist to all these problems. His relationship with his partner is shattered by his leaving one of Mr Pinkman’s girlfriends to die of an overdose and poisoning a subsequent girlfriend’s son. His relationship with his best distributor is undermined by the man’s scheme to engineer him out of the supply chain by learning his skills and killing him. His work-life balance is complicated by his reluctance to tell his wife he has become a meth dealer.

The big lie, and the hubris

Yet these are twists on common themes. The breakdown of relations between business partners, thanks to the acids of ego, greed and paranoia, is a perennial business problem: think of the tension between Michael Eisner and Michael Ovitz at Disney or the noisy implosions of the Beatles or dozens of other pop groups.

Strained relations between companies and distributors are common: in one survey 80% of executives said that they had worries about “exclusivity, control and resource protection”. In one of his books Mr Christensen notes that whenever he has attended a university reunion he was struck by how many of his contemporaries suffered from terrible work-life balance: “Their personal relationships had begun to deteriorate, even as their professional prospects blossomed.” Mr White is even typical in telling himself the “big lie” that he is doing everything he does for his family.

Mr White’s biggest failing is also a common one in business: hubris. The more successful he becomes, the more invulnerable he feels. The more rules he breaks, the more righteous he feels. And the more wealth he accumulates, the more he

wants. An impressive volume of social-science studies suggests that leaders are more willing to break the rules than followers. There is no shortage of corporate examples, from Enron to Olympus, to illustrate this. Walter White is a thoroughly odd character: Mr Chips turned Scarface, as the show's creator, Vince Gilligan, puts it. But he also holds a worrying mirror to the business world.