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## **A LIBERAL GETS RICH YET KEEPS THE FAITH Ira Magaziner, 39, made a name for himself as a student activist at Brown. Now he's one of the world's leading experts in factory automation -- and eyeing politics.**

By Peter Petre REPORTER ASSOCIATE Darienne L. Dennis  
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(FORTUNE Magazine) – SITUATION WANTED: Liberal baby-boomer seeks responsible position in new Democratic Administration. Charismatic leader, former Rhodes scholar, self-made millionaire. Authority on global competitive strategy and industrial development. Best at leading small groups, organizing coalitions and initiatives, and getting things done. Idealist: The cause is more important than job title or perks.

IRA Charles Magaziner, 39, is probably the only 1960s student activist to have blossomed into a \$1-million-a-year management consultant. He started out by restructuring the curriculum of Brown University and trying to convert a small American city into a model of municipal socialism. He never bothered with business school, but now counsels companies that want to make their factories superior and governments that want to do the same for industries. When a major U.S. carmaker and the United Auto Workers disagreed on why Japanese subcompacts cost \$2,500 less to build than American cars, they called Ira. When Corning Glass wondered why its laboratory glassware cost more to make in a highly automated U.S. plant than by hand in Brazil, it called Ira. So did Israel when it wanted to know how to spur export industries. Last year Magaziner masterminded a plan to make General Electric's U.S. television factories competitive with plants anywhere in the world (FORTUNE,

July 6). When GE Chairman Jack Welch unexpectedly sold the business to Thomson of France in July, Magaziner, like many others, lamented the blow to America's once mighty position in consumer electronics. But Thomson says it will keep the factories running -- and retain Magaziner as its consultant. This tall, soft-spoken, ambitious polymath has also made himself a political force. In 1982 he and Harvard University lecturer Robert B. Reich co-wrote a book, *Minding America's Business*, that called for a U.S. industrial policy and sparked a national debate. Walter Mondale asked for Magaziner's advice on the subject in 1984. With a characteristically grand vision, Magaziner also tried unsuccessfully to push through an industrial policy in Rhode Island, his home state, intending to create a model for other states. Now Magaziner is undergoing another metamorphosis. Recently he sold his consulting business, pocketing millions. Like Lester Thurow, Robert Reich, and other brainy young Democrats, Magaziner will almost certainly play a part in the presidential campaign. His college activist friends, employed today at investment banks, labor unions, and newspapers, are betting Magaziner will someday end up a senator or governor. Paradoxically, the man of whom so many expect so much is virtually devoid of personal flamboyance. He is so absent-minded that on the way to see a client he once forgot his shoelaces. Yet he possesses an astonishing ability to arouse strong feelings, often of admiration, among men and women whose paths cross his. Part of Magaziner's power comes from his mastery of the gritty details of economic life. He is a walking encyclopedia of the industry, labor, and trade practices of developed nations. With photographic precision he can recite what has worked and what hasn't, from state-sanctioned training institutes in Singapore to antitrust reform in England. Born in Brooklyn, Ira is named for a grandfather who fled czarist Russia and supported the moderate Kerensky government that was usurped by the Bolsheviks. Magaziner describes himself as an ordinary Democrat weaned on Franklin and \$ Eleanor Roosevelt and inspired by John F. Kennedy. His parents, a housewife and the office manager of a tomato-packing plant, were ardent supporters of Adlai Stevenson. HE HAS ATTAINED wealth and success that any yuppie would covet. With his wife and two young sons, Magaziner lives in a secluded waterside house with a toy-filled backyard in Bristol, Rhode Island. But Magaziner says riches make him nervous, and his social concerns have never wavered. He became an activist before he had a driver's license, organizing a strike among fellow employees at a summer camp in the Adirondacks. In high school he got kicked out of the national association of student council presidents for leading an antisegregation boycott. Wherever Ira went, he organized: a freshman-class protest against mandatory student-cafeteria contracts at Brown, a petition by Rhodes scholars opposing the exclusion of women from the program, a letter of protest by young associates at the Boston Consulting Group against the firm's "up-or-out" policy.

Magaziner first made a name for himself in the late 1960s by engineering reforms that eventually transformed Brown University into one of the most sought-after colleges in the Ivy League. When Magaziner arrived, Brown was a backwater haven for Harvard rejects. The blueprint for change was an impressive 415-page study of university curricula, written one summer by Ira and another student. They recommended that Brown could make education "relevant" -- and become a model for universities everywhere -- by virtually eliminating grades and requirements and greatly increasing the attention

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teachers paid to students. Magaziner's call to "change the system from within" struck a powerful chord of idealism and self-interest in his classmates. He deployed three-member teams of students, armed with arguments, to ambush and persuade every member of the Brown faculty. Though the reforms were only partially adopted, they gained Brown the reputation of being uniquely flexible and student-centered. Magaziner became a legend, slouching around campus wearing rumpled clothes and a trademark orange scarf, apparently deep in thought. He had the president's home phone number; when faced with potentially explosive situations, such as a walkout by black students, the board of trustees would summon Ira to mediate. Speaking at Brown's 1969 graduation ceremony, Magaziner made national news by exhorting his audience to protest the Vietnam war by turning their backs on ) Secretary of State Henry Kissinger, who was receiving an honorary degree that day. Almost to a person, the graduating seniors rose and faced the rear. Commotion swirled around Magaziner during his stint at Oxford as a Rhodes scholar. He elected not to try for a degree, but instead followed his own program of readings in economics and history. He also visited U.S. military bases in England, organizing servicemen for anti-Vietnam protests that grabbed headlines back home. One ally was actress Vanessa Redgrave, who for a time idolized the quiet young American. Upon his return to America, Magaziner led a quixotic social experiment that is one of the most remarkable and least-known chapters in the history of that era's activism. He recruited young idealists from Brown and other campuses who were wondering what to do after graduation in 1971. His plan was to move the group into a working-class city where members would gain acceptance, help heal urban ills, and eventually institute a kind of social democracy. The town they chose to liberate was Brockton, a broken-down shoemaking center near Boston best known as the home of Rocky Marciano. Magaziner, who now calls the project naive, was known as the coordinator. He divided the group into teams that for six months exhaustively researched Brockton's economy and political system. Committees met to plan projects. They drafted memos, which never reached final form. The most extreme of these envisioned, among other things, that the city would eventually own all retail, wholesale, service, financial, and manufacturing businesses, and all real estate -- with the "possible exception" of small workshops and stores. Just as Magaziner tried to make Brown a model university, Brockton was to be the young activists' idea of a model city. The group worked prodigiously but produced only modest results. They established a food co-op that sold better, cheaper meat than supermarkets, rehabilitated housing for low-income families, and ran a weekly newspaper that featured consumer news and occasional exposes. To earn a living, most of the activists also held down ordinary jobs: bank teller, carpenter, high school teacher, librarian. Like many of the group, Magaziner wore himself out, rising at 4 A.M. to buy wholesale for the co-op store and working nights at a loading dock for his living. Magaziner left the project in 1973 and moved to a Boston suburb. To the surprise of some of his fellows, he used his university connections to land a job at the Boston Consulting Group, a high-powered management consulting firm. "Not everyone understood," Magaziner recalls. "At that time people who had the same values as me didn't think of going into business." But living through the first oil shock and seeing the effect of soaring wholesale prices on the little Brockton co-op shook up Magaziner. He decided that, like other 1960s activists, he had wrongly assumed that the U.S. economy would prosper forever and that the corporations upon which it depends were invulnerable. "We overreacted against big business," he says. "The private corporation drives productivity and raises the living standard. I think that's good, I think that's right, and I don't think you want to centralize things." MAGAZINER SHOWED UP for his job interview wearing dungarees, recalls Boston Consulting Group founder Bruce Henderson, and claimed that he

did not care about money but needed to learn how business worked in order to do good in the public sector. Taking him at his word, Henderson offered Magaziner less than half the going salary for new MBAs. Even though he had no business training, Magaziner's gift for analysis and his capacity for round-the-clock work earned him one of the fastest promotions among the three dozen MBAs hired at the same time. One client to whom Magaziner was assigned early on was the parent company of a steelmaker that wanted money to expand. By traveling all over the world to measure new steelmaking capacity and calculate how rapidly it would come on line, Magaziner demolished widely accepted industry assumptions and projected a glut -- accurately, it turned out. The steelmaker dropped its plans. For years BCG recruiters would invoke Magaziner to show how a nonconformist could find a place there as long as he did good work. With disheveled hair and rumpled clothes, Magaziner cut an odd figure among the MBAs. Bosses became alarmed at Magaziner's utter disdain for the firm's procedures. "He would promise to pay secretaries double time to work all weekend and tell them, 'If BCG won't pay you, I will,' " Henderson recalls. "On Monday morning the office would be a wreck." Magaziner eventually started what one retired partner calls a "minor intellectual revolution." BCG's specialty was helping corporations formulate competitive strategies. But Magaziner thought the same analytical techniques ought to apply to whole nations. When Sweden commissioned a study of its economy, Magaziner persuaded Henderson to let him try. His industrial policy for Sweden, the so-called Boston Report, ignited a national debate in 1979. Magaziner appeared on Swedish TV; Sweden's newsweekly put his picture on the cover. He and his team had painstakingly sorted through the prospects for Sweden's major industries, such as forest products and shipbuilding, and declared them to be in irreversible decline. Instead of wasting money to shore them up, the report said, government, management, and unions should intervene aggressively to retrain the work force and nurture new industries that could compete in global markets. Sweden eventually adopted some of the report's suggestions, with mixed results. But the project caused an uproar at BCG. One insider recalls: "We had to run around Europe for six months reassuring clients that we hadn't gone Communist. Half the partners wanted Ira executed on the spot." Magaziner's style was a problem too: He had installed his team in a communal house in Stockholm, shanghaied an editor and a secretary from headquarters in Boston, and ducked his superiors' calls. Expenses soared, and until the Swedes agreed to pay double the original \$300,000 fee, BCG expected a severe jolt to the year's profit. NO ONE OBJECTED when Magaziner and a handful of allies resigned to start a firm specializing in corporate strategy and industrial policy. Telesis (Greek for "intelligently planned progress") was structured as a federation of independently managed offices in Paris, Melbourne, and Providence, Rhode Island, with Magaziner in charge of Providence. Among the consultants he took with him was his wife-to-be, Suzanne. Rhode Island is an offbeat site for the U.S. office of an international consulting firm. But it was a natural for the politically ambitious Magaziner, who maintains strong local ties from his days at Brown. In 1983 he volunteered the services of Telesis to help the state's Strategic Development Commission. The result was a vast scheme, in the form of a thousand-page report called the Greenhouse Compact, to revitalize Rhode Island's struggling economy. The name derived from a proposal to launch nonprofit research "greenhouses" for fledgling industries. The state would create 60,000 new jobs by spending \$250 million. Though Magaziner had rallied the Brown community years earlier, Rhode Islanders turned out to be a tougher sell. The Greenhouse Compact got off to a hot start, winning enthusiastic endorsements from the governor, community groups, and many of the state's bankers, businessmen, and labor leaders. It passed the legislature by a landslide. It scored high in public-opinion polls. But part of Magaziner's vision was

that all citizens should embrace the compact and symbolically sacrifice together for Rhode Island's future. So he included in the plan a nominal one-time income tax surcharge and a call for a statewide referendum to approve it all. In the spring of 1984 voters rejected the compact 4 to 1. "Joe Six-Pack said go to hell," explains banker J. Terrence Murray, head of the commission, who now thinks the campaign was naive. Rhode Islanders, he observes, were bound to react cynically to any plan that raised taxes. Some who know Magaziner think he thwarted himself by insisting on a referendum. One Brown alumna chalks the defeat up to a kind of Adlai Stevenson syndrome: "Ira's mind sets him apart, yet he feels compelled to work collectively in the public sphere." Despite Magaziner's political setbacks, the U.S. office of Telesis has quietly built a remarkable reputation. It continues to cook up industrial policy -- Ontario is the firm's newest government client -- and has also carved a niche in the field of manufacturing cost analysis. In clients' offices, Telesis reports sometimes attain the status of handbooks. For example, Roger Schipke, senior vice president of General Electric's booming appliance unit (sales last year: \$4 billion), has been known to issue orders by passing out pages torn from a Telesis analysis. Magaziner likes the no-frills approach. With 130 employees worldwide and over \$15 million in revenues last year, Telesis has not even bothered to produce a promotional brochure, relying instead on repeat business and word of mouth to sell its services. In the firm's early days Magaziner was a tough, Naderlike boss, and burnouts were common among employees. The Greenhouse disaster mellowed Magaziner somewhat, colleagues say. Though the atmosphere at Telesis is still spartan and taut, turnover has dropped, and employees say morale has improved. Magaziner takes time to give free advice to a constant procession of local business people. WILLING TO PAY a lot for Magaziner was a subsidiary of Towers Perrin Forster & Crosby, a management consulting and reinsurance firm, which bought the U.S. and European operations of Telesis last winter for an undisclosed sum. Magaziner agreed to help the new owners turn the Providence operation into less of a one-man show. The contract he signed calls for him to stick around, training lieutenants, until 1990. If he quit early, Magaziner would leave as much as \$2.5 million on the table because he would forfeit part of the firm's selling price. But Magaziner feels his next career move is overdue, and 1990 seems a long way off -- especially with a presidential election between now and then. "I don't know if I want to wait to get involved," he says. He thinks the U.S. economy is going to get a lot worse as the age of Reagan draws to a close, and that could increase the public appetite for his politics. But he wonders what role he might play: The Greenhouse defeat makes him question whether he is suited for elective office. This fall Magaziner plans to finish a book on American competitiveness. Then, with the same intensity he brings to cost analysis, he will systematically survey friends and advisers about what to do next.

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