

BURROUGH on "BARBARIANS"

Author **BRYAN BURROUGH** discusses how his and John Helyar's masterpiece on the RJR Nabisco takeover changed the way deals are done

AT THE BARNES & NOBLE BOOKSTORE ON New York's Fifth Avenue, thousands of titles cram the shelves of business books, suggesting that it won't be easy to find a 28-year-old tome about an '80s-era takeover. Does Barnes & Noble even carry *Barbarians at the Gate* any longer?

The title clearly rings a bell with the young man at the service counter. "That one's easy," he says. Without checking his computer for its whereabouts, he walks away from the business-books section toward the front door, where the latest bestsellers are displayed. There, atop a table labeled Popular Paperbacks, sits a tall stack of *Barbarians at the Gate*, a book that first hit the bestseller list in 1990.

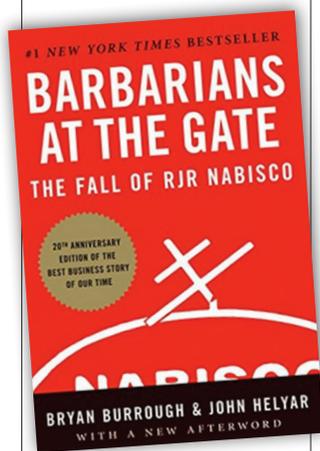
"The life of that book is a strange thing," its lead author, Bryan Burrough, says in an interview.

Most business bestsellers offer advice on how to succeed. There's Steven R. Covey's *The 7 Habits of Highly Effective People* and Jim Collins's *Good to Great*. Another popular genre is the journalistic chronicle of corporate collapse or market crash, including books about the fall of Enron and Andrew Ross Sorkin's account of the rescue of the financial system in 2008, *Too Big to Fail*.

By contrast, *Barbarians* is an M&A story, and it proves that that topic can serve up large portions of drama, suspense and humor, and at the same time win critical acclaim and commercial success.

In broad strokes: An offer is made for RJR Nabisco, prompting a larger offer from a second party, which incites a bidding war that culminates in a near doubling in value of RJR Nabisco shares. The purchase is consummated without anybody dying, getting indicted or being accused of legal wrongdoing – the usual elements of a potboiler.

During the two-month-long bidding war, the battle for RJR Nabisco received substantial newspaper coverage, including stories that Burrough and his co-author John Helyar wrote



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for *The Wall Street Journal*. When the two of them began pitching a book on the RJR Nabisco saga, "every publisher wanted to know what the book would say that we hadn't already said in our *Journal* stories," says Burrough.

Only one publisher, Harper Collins, offered the two a contract, for \$150,000. Minus their agent's cut and distributed in installments split between the authors, that amount was just enough to allow Burrough and Helyar to take some time off from *The Wall Street Journal*.

Burrough, 27 at the time, had been covering Wall Street for only four months, "and I only wrote for the *Wall Street Journal* because it was the best job I got offered out of college, not because I had any interest in business. My interest was much more in true crime."

Neither Burrough nor Helyar had ever written a book. "We started working on it on January 2nd and we turned it in over Labor Day. For those months, it was a seven-day-a-week, 16-hour-days thing. My wife and I lived in a tiny apartment in Brooklyn and we didn't have AC and it was so hot that I remember doing the writing in a bathing suit," says Burrough. A constant source of anxiety: "We had competition from a woman from *Newsweek* and I was scared to death that she would get her book out first and that it would be better. I remember being intimidated because she was older than me."

Eight months after signing the contract, Burrough and Helyar submitted their manuscript. "We had no expectation of commercial success," recalls Burrough "We were just looking forward to returning to our day jobs."

Published in late 1989, the book climbed onto *The New York Times* bestseller list and stayed there 40 weeks. An HBO film version won Emmy and Golden Globe awards for best television movie. The book became a business-school staple. Its popularity spread overseas. "Almost half our royalties these days come from China," says Burrough.

To this day, *Barbarians* invariably lands on lists of great business books. "I'm not the only person who thinks that *Barbarians at the Gate* is the best business book ever," wrote MarketWatch columnist Jon Friedman in 2008.

A primary model for *Barbarians* wasn't a business book but rather Truman Capote's so-called non-fiction novel, *In Cold Blood*, a 1965 masterpiece that stirred in Burrough a desire to become a non-fiction narrative writer. In portraying in novelistic fashion the 1959 murder of the Clutter family and the capture and execution of their killers, Capote

elevated a routine crime case into a masterpiece that spawned countless films, subsidiary books and investigative stories.

In similar fashion, Burrough and Helyar brought readers into the boardroom where F. Ross Johnson, CEO of RJR Nabisco, proposed taking the company private in a \$75-a-share leveraged buyout, a proposal Johnson said was spurred by a lackluster stock price despite healthy earnings. Although concerned that the proposal might put the company in play, the board agreed and the offer went out, quickly triggering a competing offer from the leveraged buyout firm Kohlberg Kravis Roberts.

Over the ensuing days, as countless others on Wall Street entered the fray, driven in large part by the promise of tens of millions in transaction fees, the price rose far beyond any ceiling analysts would have placed on the value of RJR Nabisco. Ultimately, KKR won, at a price of \$109 a share, or \$25 billion. It was the largest merger in history, a record that would stand for nearly a decade.

In between those events there transpired dozens of meetings in offices across Wall Street, and *Barbarians* recreated virtually all of them, each chapter of the book concluding with the fate of the company in suspense. What enabled Burrough and Helyar to gain that level of detail was the extraordinary cooperation of all the major characters involved. They spent more than 20 hours interviewing just the principals of KKR.

Their biggest challenge was Johnson, initially a holdout, perhaps because he lost the bidding war and along with it his job as RJR Nabisco CEO (although his severance totaled more than \$50 million). Johnson's cooperation was key because he was such an outsized character. He had a history of joining companies as second in command and persuading boards to oust the CEO and give him that job. He also made such extensive use of corporate jets that he once chartered a flight especially for his dog, Helyar and Burrough reported.

Once they persuaded Johnson to talk, he sat down with them for 36 hours, and despite his portrayal in the book as conniving and greedy he never regretted his participation. In an "Afterward" that Helyar and Burrough wrote in 2008, for the 20th anniversary of the deal, Johnson, who died in 2016, raved that the book had made him a celebrity, and that it "had an impact on millions of readers, in terms of their knowledge of business. That book's in every goddamn library in the world. They teach it at the business schools."

THE 25 BILLION-DOLLAR DEAL WAS THE LARGEST IN HISTORY, A RECORD THAT STOOD FOR ALMOST A DECADE

BRYAN BURROUGH

Since *Barbarians at the Gate*, Burrough has published five other non-fiction books, including the bestsellers *Public Enemies*, about the birth of the Federal Bureau of Investigation, and *The Big Rich*, about the origins of the Texas oil industry. He lives in Austin, Texas.

Publication of the book came at the end of a decade of Wall Street flamboyance, personified by Michael Douglas's Gordon Gekko character in Oliver Stone's 1987 film, "Wall Street." That moment in time, combined with the unprecedented size of the RJR Nabisco deal, helped Burrough and Helyar persuade their sources to cooperate.

"Everyone in that story felt as if they'd been through a moment in history, and they wanted to talk about it. Most of the main characters in that story I had a weekly interview with for at least an hour for eight months," says Burrough, adding that his and Helyar's association with *The Wall Street Journal* also helped. "Those people weren't sitting down with us because we were just charming and talented young journalists. That was all because our business cards said *The Wall Street Journal*."

The subtitle of the book, *The Fall of RJR Nabisco*, turned out to be more prescient than the authors could have known. A reference to the company's loss of independence, it turned out to be prophetic. Overloaded with debt from the LBO, RJR Nabisco couldn't afford to update aging factories or hold its own against Philip Morris in a cigarette price war. Its products lost market share.

Then the years-long anti-smoking movement culminated in Congressional action against the cigarette industry. "The fact that it became such a business failure made us look smart, smarter than we actually were," says Burrough.

Eventually, RJR Nabisco got broken up and sold off, and in part because of bad publicity wrought by *Barbarians*, leveraged buyouts got rebranded as private equity.

"John and I weren't populists or progressives, and I never really bought into the idea that Wall Street is greedy. The executive's job, by law, is to make as much money for shareholders as he can. The fees that the bankers got – that's their job, to get the biggest fees they can. John and I just set out to tell the story accurately, and it did spark an outcry. There were lots of angry articles. And 'Barbarians' did contribute to a mindset in what we now call the private equity world that we've got to temper things a bit, or at least do a better job with public relations," Burrough says.

"Today, I think Silicon Valley has largely supplanted Wall Street as a focus of public interest and fascination, and some outrage. When you hear about billionaires these days, it's Mark Zuckerberg and Bill Gates, not the private equity guys."

KEVIN HELLIKER, a Pulitzer Prize-winning journalist, is Editor-in-Chief of the *Brunswick Review*.