Barbarians at the Gate: The Fall of RJR Nabisco

Bryan Burrough and John Helyar (1990)

Why Read It?

- An engrossing story, revealing the financial frenzy and power struggle around the RJR Nabisco takeover in the 1980s.
- Puts into context the investment boom of LBOs at the time, and captures the culture of competition in the 1980s.
- Shows how large-scale financial events are dominated by the characters involved, and their struggle for power.

Getting Started

Barbarians at the Gate is a financial bestseller (also made into a movie) that explores the takeover battle for RJR Nabisco in 1988, which was one of the largest ever leveraged buyouts (LBOs). It combines a biography of CEO Ross Johnson with a detailed examination of how and why the planned LBO went wrong.

Authors

Bryan Burrough (b. 1961) is an author and journalist, special correspondent at Vanity Fair magazine, a former Wall Street Journal reporter, and three-time winner of the Gerald Loeb Award for Distinguished Business and Financial Journalism.

John Helyar is an enterprise reporter for Bloomberg News. He previously worked as a reporter for the Wall Street Journal, as a senior writer for Fortune, and as a senior writer for ESPN.

Context

- Describes the mechanics of LBOs in taking a public corporation private, using vast sums of capital to buy out shareholders.
- Shows how Johnson’s key mistake was to rely on Shearson Lehman Hutton and Salomon Bros to support the bid. Both firms were hurt by the 1987 stock market crash and had little LBO experience. Johnson’s rivals were KKR and Drexel, the biggest players in LBOs and junk bonds respectively.
- Details the fight for control of the multinational between these groups and others over several hectic weeks.
- Examines how Johnson allowed the deal to become public knowledge too early, which undermined his strategy for control.
- Discusses the Nabisco LBO in terms of wider economic trends of the time.
- Shows how the LBO wave of the 1980s was defined by making quick gains, which has now evolved into a greater focus on building sustainable increases in value.

Impact

- Considers LBOs as one of the most lucrative investments at the time, which meant that corporations faced numerous takeover battles, often undermining corporate performance.
- Shows how the personality of top management can bring about organizational and financial problems.
- Looks at financial issues, as well as the human story behind deal negotiations.
- Managers learnt from the Wall Street ructions that ensued, and became more adept at handling the media.
Quotation

“We’ve got our fee, let’s go on with the next deal.”

More Info

Book:

Movie:

See Also

Finance Library
• Liar’s Poker: Rising Through the Wreckage on Wall Street
• When Genius Failed: The Rise and Fall of Long-Term Capital Management

To see this article on-line, please visit