FORTUNE TELLER: Christensen.

BUSINESS SCHOOLS

PROPHET SHARING

A golden boy hints: trouble at Harvard.

Harvard Business School professor **Clayton Christensen** has made a career out of offering business predictions—in his case, predictions that foretell the demise of seemingly successful institutions. His 1997 book, ***The Innovator's Dilemma***, for example, chronicled the pride-before-the-fall of **Digital Equipment** and other companies that were profitable right up until they collapsed.

Now Christensen is hinting at problems at the Harvard Business School itself. "They may have overshot the market," Christensen said cryptically before a speaking engagement in Waltham, where he discussed what he called "disruption" at the nation's most prestigious B-school. "Just because you invent the airplane," Christensen said, "it doesn't disprove the law of gravity."

With its billions in the bank, globally renowned instructors, and legions of high-powered alumni, there's little likelihood of Harvard's B-School closing down or being acquired by, say, **Yale.** But Christensen has also suggested that success is greatest in the middle market, not the top, since the greatest profit can be found in offering moderately priced services to the broadest audience. (He cites **Honda** in motorcycles, **WalMart** in retail, and **Sony** in electronics as companies that have catered to this market.)

Christensen has steadfastly refused to elaborate on his remarks about the Harvard Business School, which were delivered to an audience in Waltham hosted by start-up **Providio.** B-school dean **Kim Clark** did not respond to requests for comment.

—David J. Wallace

FINANCE

Tax Gains

Local companies hope to cash in on a tax law change.

As if watching the stock market hasn't been discouraging enough, this fall's mutual fund statements may be even more depressing. A federal law that takes effect this month requires that the statements disclose the amount of taxes paid by each fund. In the past the law allowed mutual fund companies to report only pretax returns, leaving many investors none the wiser.

But, as with all things financial, one sector's loss may be another's gain. Several local firms are poised to capitalize on the change with new finance, software, and consultation services.

Jerry Michael, CEO of Cambridge-based **Smartleaf,** predicts a new investor movement, with mutual fund investing declining as people recognize that 5 percent of annual gains may be lost to fees, taxes, and expenses. Smartleaf (www.smartleaf.com) makes software and analytical tools to let financial advisors choose funds or stocks based on the highest returns and the least amount lost to taxes and fees, something planners call "tax advantaged" investing.

"If you had a stock increase 10-fold, congratulations," Michael says. "But maybe you shouldn't sell it if there are short-term capital gains and you can wait a day until those are long-term gains and taxed at a lower rate." He says investors who get a 30 percent return and pay 3 percent might well be satisfied. But investors who earn only 3 percent, and pay that 3 percent on the gains, are not so thrilled.

GainsKeeper in Quincy (www.gainskeeper.com) offers a subscription Web service that tracks gains or losses for the Schedule D tax form. Many investors fail to record the "basis" or purchase price of shares, and years of stock splits, mergers, failures, spinoffs, or buy-backs can make it frustrating to unravel if the stock was a stud or a dud.

Another Cambridge company, **LifeHarbor Investments,** is building tools for fund companies, retraining elephantine computer systems to provide customized portfolios. "Mutual funds are a sleepy industry that's been governed for 60 years by legislation from 1940," one former money manager says. "A lot has changed since then."

—David J. Wallace

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