



Do you know the ancient Chinese curse, “May you live in interesting times”? Well, it’s not ancient and it’s not Chinese. (According to a definitive debunking by Stephen E. DeLong, a professor at the State University of New York at Albany, its first verifiable appearance was in a 1950 short story in *Astounding Science Fiction* magazine.) It may not even be a curse. But it’s unquestionably applicable to readers of *strategy+business* circa 2006: We are living in highly interesting times, and that fact is underscored resoundingly in our fifth annual survey of the year’s best business books.

Start with Howard Rheingold’s masterful review of seven recent books about the future: These forecast everything from tectonic shifts in labor, markets, and ideas, to ecological disasters and mind-blowing scenarios of technological advance and mutation. Read them, Mr. Rheingold urges, and “you can clue yourself in to the issues that you and your family, colleagues, customers, and community will be facing in what is already shaping up to be the most surprising century in human history.”

Each of the eight essays in this survey deals with a subject of keen interest to business strategists, prac-

tioners, and thought leaders. Former *strategy+business* Deputy Editor Ann Graham, for instance, looks at one of the most critical but unseen issues in the life of the modern corporation: “the tension between the financial demands of an enterprise and the need to develop a social contract that recognizes each employee’s whole life as valuable.” Kenneth Roman, former chairman and chief executive officer of Ogilvy & Mather, examines the changing nature of the concept of branding, and what marketers can do to better understand and profit from it.

As always, we assemble our list

of the best books by inviting noted business executives, academics, and journalists to select and judge the most interesting and substantive books in their areas of expertise.

Of the hundreds of books that roll off business publishers’ presses each year, this approach winnows out a relative few — 32 this year — that we believe are most likely to engage, enlighten, and challenge *strategy+business*’s readers. It also sometimes leads to serendipitous results. New York University economics professor Michael Moynihan, for example, chose C.K. Prahalad’s *The Fortune at the Bottom of the Pyramid* — which deals with the role of the multinational corporation in the world’s poorest markets — as one of the year’s most noteworthy books on globalization; Chuck Lucier and Jan Dyer also picked *Fortune* as one of the best strategy books, calling it “a rare glimpse into the future — for those with eyes to see — of the extraordinary opportunities waiting in uncharted and seemingly impassable waters.”

We hope you will find the following essays, and the books they highlight, as interesting as the times they describe.

Books 2005

24 weeks on the

s+b's Top Shelf

the FUTURE



The World Is Flat: A Brief History of the Twenty-First Century
by Thomas L. Friedman

STRATEGY



Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant
by W. Chan Kim and Renée Mauborgne

GLOBALIZATION



The End of Poverty: Economic Possibilities for Our Time
by Jeffrey D. Sachs

Management



Conspiracy of Fools: A True Story
by Kurt Eichenwald

WORK and Life



Creating the Good Life: Applying Aristotle's Wisdom to Find Meaning and Happiness
by James O'Toole

Marketing



ProfitBrand: How to Increase the Profitability, Accountability & Sustainability of Brands
by Nick Wreden

MEDIA



Hard News: The Scandals at The New York Times and Their Meaning for American Media
by Seth Mnookin

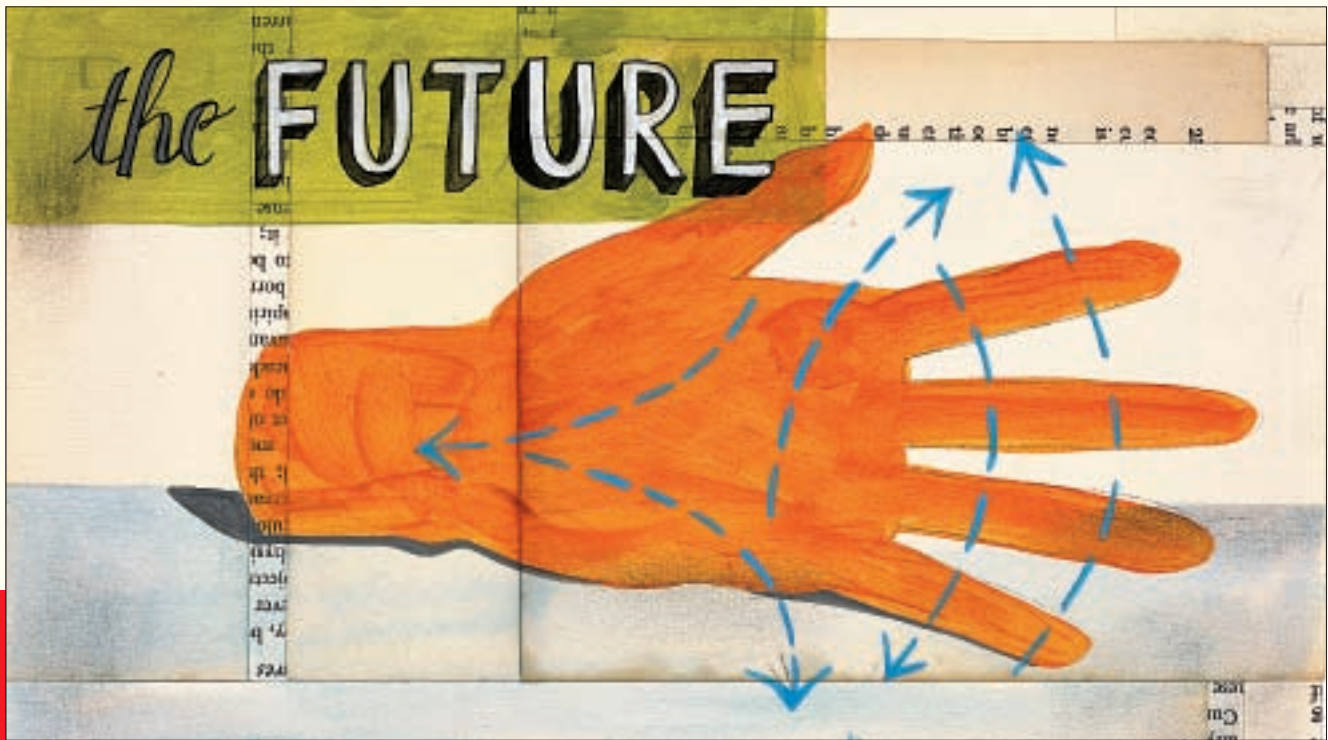
LEADERSHIP



A Life in Leadership: From D-Day to Ground Zero: An Autobiography
by John C. Whitehead

Contents

- 3 The Future**
by Howard Rheingold
- 9 Strategy**
by Chuck Lucier and Jan Dyer
- 14 Globalization**
by Michael Moynihan
- 18 Management**
by David K. Hurst
- 23 Work and Life**
by Ann Graham
- 27 Marketing**
by Kenneth Roman
- 31 Media**
by Everette E. Dennis
- 35 Leadership**
by James O'Toole
- 39 Index**
Best Business Books 2005
Books by s+b Editors and Contributors



Seven Ways TO See What's Next

by Howard Rheingold

Futurism used to be an expensive nostrum, prescribed exclusively by think tanks and dispensed by pundits, but now it has turned into an essential survival skill for managers, entrepreneurs, those starting out in life, and those thinking about retirement. Knowing what is happening now is necessary but no longer sufficient: We need to find clues to what is going to happen *next* — even if that knowledge turns our world views inside out.

In response to this expanded need for prognostication, a thousand books, keynote speeches, and consultancies have sprung forth. Skepticism rapidly set in when readers, speech-goers, and consultees recognized that an excess of foresight can be as dangerous as a dearth if such foresight pursues wrong clues or promotes faulty explanations. This year, however, has been a good one for

thinking about the future: Seven new books can provoke useful insights into (if not answers to) the questions you should be asking yourself about your business, your life, and the world your grandchildren are going to grow up in: What's happening *today* — geopolitically, economically, technologically, socially — that wasn't happening yesterday? What's likely to happen *tomorrow* that isn't happening today? How should I *think* about these happenings? And most important: *What can anyone do* to influence tomorrow's events so that they favor survival, abundance, and meaning?

These books are at best sketches of what aspects of future life might look like. It's up to you to weigh the authors' insights against their biases. But if any of these books seem particularly contrary to your own values, pay closer attention to them: If you want to see clues to what hasn't happened yet, you need to recognize the meaning of what is right in front of you in new ways. Sometimes, that means looking through the eyes of those with whom you disagree. Precisely because their views conflict with yours, they might be seeing aspects of reality that you fail to see, refuse to see, or don't want to see.

To understand what makes 2005 radically different from 1999, whether you are in Bentonville, Ark., or Bangalore, India, start with Thomas L. Friedman's *The World Is Flat: A Brief History of the Twenty-First Century* (Farrar, Straus and Giroux, 2005), my pick as the year's best look at the future. The dot-com bubble may be

ancient history, but the forces it set in motion are only beginning to make themselves felt. Mr. Friedman offers a very definite theory of how and why your world has changed. Mr. Friedman's is the flavor of neoliberal globalization theory in which the current Davos crowd is steeped — which is both an endorsement of the theory's importance and a warning about its limits.

According to Mr. Friedman, we're halfway into the first decade of "Globalization 3.0." Globalization 1.0 started in 1492 and was driven by conquest and empire — the globalization of nation-states. Globalization 2.0, starting around 1800, was driven by the first industrial-era capitalist enterprises organizing internationally around markets and labor — the globalization of companies. Globalization 3.0, which started around 2000, is flattening the global playing field and shrinking the world of labor, markets, and ideas to person-to-person size — the globalization of individuals and small groups. (For another perspective on this, see "Carlota Perez: The Thought Leader Interview," by Art Kleiner, *s+b*, Winter 2005.)

Mr. Friedman attributes Globalization 3.0 to 10 "flatteners," events and forces that he believes converged approximately at the turn of the millennium:

1. November 9, 1989, the date the Berlin Wall came down, marked a sharp transition from "a world of walls to a world of networks," as Mr. Friedman wrote in the *New York Times*, "which was critically important because it allowed us to think of the world as a single space." A big part of Mr. Friedman's forecasting methodology involves finding the linkages that tie geopolitical, macroeconomic, and technological events into the same story line: One enabler of his first "world-flattening event," for example, was the introduction of Windows 3.0, "which helped to flatten the playing field even more by creating a global computer interface, shipped six months after the wall fell."

2. August 8, 1995, the day Netscape went public, igniting the dot-com boom and transforming the Internet into the World Wide Web, was significant for another reason. It helped lead to massive overinvestment in fiber-optic cable. When companies like Global Crossing sank, their stockholders suffered, but hundreds of thousands of highly educated knowledge workers in

India and China suddenly had inexpensive broadband connectivity to the industrialized world.

3. The third flattener was the advent of "workflow," which Mr. Friedman defines as "all the software applications, standards and electronic transmission pipes, like middleware, that connected all those computers and fiber-optic cable. To put it another way, if the Netscape moment connected people to people like never before, what the workflow revolution did was connect applications to applications so that people all over the world could work together in manipulating and shaping words, data and images on computers like never before."

4. The effect of the first three flatteners was the creation of a platform for inexpensive worldwide collaboration among people, enterprises, and software, which in turn enabled the remaining six flatteners.

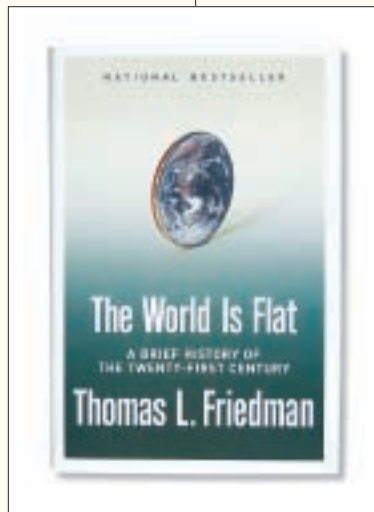
5. If moving your help desk to India is the flattener so many have come to know as outsourcing, then moving an entire factory to China is the next flattener — offshoring. And when China starts to benefit from the new ways of manufacturing that its cheap labor force has enabled, offshoring is likely to have its own global economic consequences as China begins to exert decisive influence over world markets.

6. Open sourcing is a mode of production, enabled by the collaboration platform of Internet-linked PCs, that has potential far beyond challenging Windows with the Linux operating system and Internet Explorer with the Firefox browser.

7. *Insourcing* is allowing a company like UPS to take over your entire logistics operation. When you ship your malfunctioning Toshiba laptop via UPS, it is delivered to the UPS hub, where UPS repairs it the next day, and then ships it back to you for arrival on the third day.

8. Supply-chaining is what fuels the Wal-Mart juggernaut, which uses the data-collaboration platform of PCs, the Internet, and barcodes to ensure that when an item leaves the shelf in a Wal-Mart in Florida, for example, it automatically triggers the manufacture of a replacement in China.

9. "Informing" is what Mr. Friedman calls the democratized access to personal knowledge that we take



for granted today, but that would have been unthinkable a decade ago — the ability of hundreds of millions of people around the world to use a search engine, free of charge, to find out nearly anything they need to know at any time.

10. Wireless access and voice communication over the Internet are what Mr. Friedman calls “the steroids” of the flatteners: “What the steroids do is turbocharge all these new forms of collaboration, so you can now do any one of them, from anywhere, with any device.”

Seeing the world through Mr. Friedman’s corner-office window won’t show you what will certainly happen to everyone in the future, but it might help you understand and react knowledgeably when Globalization 3.0 comes to your industry, hometown, or nation. Of particular interest in this regard is Mr. Friedman’s focus on the economic challenge that will be posed to the rest of the world by Chinese and Indian competitors in the future, and the failure of the U.S. education system to come anywhere near addressing the challenge. When weighing for bias while reading *The World Is Flat*, note how almost everyone Mr. Friedman quotes is a CEO, a secretary of state, or a prime minister. This is authoritative information about what the people who run the world are thinking, with insightful linkages between politics, economics, and technology. At the same time, Mr. Friedman’s authoritative sources also limit his world view: The world is flattening for the elites Mr. Friedman quotes, but he provides very few quotes from those more than one level below the CEO. You might miss something as big as the fall of Communism — as the CIA did — if the views from those penthouse windows are the only ones you see.

Impending Doom

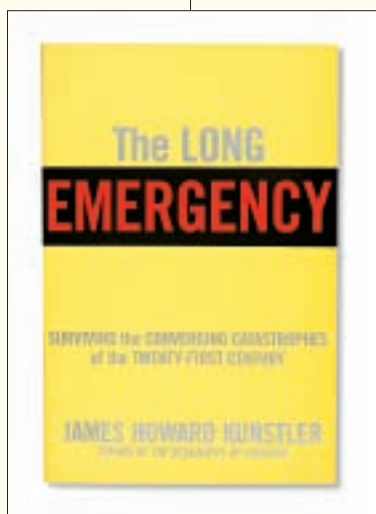
After reading Mr. Friedman, James Howard Kunstler’s *The Long Emergency: Surviving the Converging Catastrophes of the Twenty-First Century* (Atlantic Monthly Press, 2005) is a bucket of cold water in the face. If Mr. Kunstler is correct, we’re sliding down the ugly slope of the petroleum production peak and all hell is likely to break loose as a result, rendering Mr. Friedman’s

picture of the world obsolete. It is possible that industrial civilization’s inability to come up with energy replacements for petroleum would render Globalization 3.0 as outdated as the dot-com bubble. Take a look at the trend in oil prices over the past few years and it’s hard not to pay attention to Mr. Kunstler’s argument. Even if the catastrophe Mr. Kunstler fears is averted, he asks questions that are difficult to ignore about the local impact of globalization and its perhaps unsustainable driver.

Mr. Kunstler’s concerns are twofold: First, he believes that the “Hubbert Peak” (the point at which total oil production begins to decline) has been reached, and that “the fossil fuel efflorescence was a one-shot deal for the human race.” Second, he fears that the economic system that grew in the era of cheap energy, and that undergirds the globalized world that Mr. Friedman describes, will be unable to function as it does now: “The so-called global economy was not a permanent institution, as some seem to believe it was, but a set of transient circumstances peculiar to a certain time: the Indian summer of the fossil fuel era.”

World-girdling, hyperefficient, delocalizing supply chains, Mr. Kunstler asserts, have sucked capital, civic association, and know-how out of communities. Now those communities are unprepared for a world in which local self-reliance will become important because the global support infrastructure will no longer be affordable: “Conditions over the past two decades made possible the consolidation of retail trade by a handful of predatory, opportunistic corporations, of which Wal-Mart is arguably the epitome.... In effect, Americans threw away their communities in order to save a few dollars on hair dryers and plastic food storage tubs, never stopping to reflect on what they were destroying.”

Mr. Kunstler’s phrase “the Long Emergency” is both the title for his book and the name of the scenario he thinks is most likely over the rest of the 21st century. If you accept the author’s argument about the impending end of cheap fossil fuels as plausible, his warning about the consequences is sobering: “Virtually all of the economic relationships among persons, nations, institutions, and things that we have taken for granted as



permanent will be radically changed during the Long Emergency. Life will become intensely and increasingly local.”

Even if the world’s economies and societies dodge or avert that catastrophe, there are other huge impending changes to worry about. There’s the matter, for instance, of what will happen when scientists crack the secrets of evolution and intelligence. This is examined in Joel Garreau’s *Radical Evolution: The Promise and Peril of Enhancing Our Minds, Our Bodies — and What It Means To Be Human* (Doubleday, 2005). Whether you regard the author’s far-reaching vision of decades to come as a disaster warning or a utopian forecast depends on what you think “human” ought to mean. With germ-cell-line engineering that gives your great-grandchildren extra brain cells, more muscle power, or, for that matter, gills or superhuman computer intelligence, the possibilities that technological innovation may make practical in this century pose questions that used to be confined to philosophy, theology, and fiction.

(DARPA), the U.S. military’s R&D lab that brought us such technologies as computer graphics, personal computers, and the Internet — all of which must have seemed similarly unimaginable before they were invented.

Heaven or Hell?

Mr. Garreau also enlists the scenario method that was pioneered by Shell and refined by the Global Business Network — a methodology that starts with predetermined factors (the amount of petroleum in the ground, for example), driving forces (the need to fuel the transportation of physical matter that keeps the global economy running), and critical uncertainties (will anyone come up with energy sources to replace petroleum when we run out of it?), then uses those elements to construct plausible stories about the future.

Mr. Garreau’s scenarios deal not just with unprecedented power to alter the external environment — the arena in which Mr. Friedman’s and Mr. Kunstler’s analy-

Whether you regard Joel Garreau’s vision as a disaster warning or a utopian forecast depends on what you think “human” ought to mean.

Mr. Garreau is a zesty storyteller, a gonzo futurist who builds alternative universes from solid science, and he’s neither a technology booster nor a Luddite. The questions his moral quandaries raise are among the deepest questions we know how to ask: What kind of creatures are we — the apelike animals from which we evolved, or the angels we imagine we can become? If we accept the Darwinian explanation of our origins, where do we want to go next, now that we’re harnessing the very engines of evolution? Is there a “too far” for biotechnology, nanotechnology, and artificial intelligence? And what would anyone be able to do about it if there really is a line that technology shouldn’t cross — a line that could mean the end of *Homo sapiens*?

Radical Evolution paints a future that presently seems unimaginable, with everything from IQ implant chips to superpowered exoskeletons, microscopic factories that assemble anything you need from raw materials, and smart computers that design smarter computers, but Mr. Garreau grounds his scenarios in current research. Much of his narrative brings readers into the halls of the Defense Advanced Research Projects Agency

ses play out — but also with the power to augment the human body and brain, perhaps even to replace them. His driving force is what he calls “the Curve” — the acceleration of change and knowledge brought about by the combination of organized research and mind-amplifying tools from computers to the Internet. This, in his view, guarantees more and more powerful technological capabilities in coming decades. He focuses on what he calls the “GRIN technologies” — genetic, robotic, informational, and nanotechnological. He introduces big ideas about radically better or worse futures through the stories of some of the colorful characters who have championed them: Bill Joy, creator of Berkeley Unix and cofounder of Sun Microsystems (who now fears that desktop bioengineering, runaway nanofactories, or self-reproducing robots could end the human era before we have a say in our fate); Ray Kurzweil, brilliant inventor and entrepreneur (whose track record at creating technologies lends weight to his belief that the generations who will live for centuries are alive today), and dreadlocked virtual-reality visionary Jaron Lanier (who puts his bet on the human capacity to prevail).

Mr. Garreau's scenarios are *Heaven*, in which people use techno-superpowers to create an earthly paradise; *Hell*, where intellectual power trumps wisdom and we become slaves to our creations, die out as victims of our own tools, or are replaced by more intelligent robots who see no need to keep us around; *Prevail*, where humanity collectively does what it has always done before — step up to the challenges posed by external circumstances or humankind's own inventiveness; and *Transcend*, in which we or our descendants use technological powers to achieve the spiritual goals our great religions have set for us for thousands of years. Like all good scenarios, they aren't predictions, but believable pictures of different futures, intended to inform decisions we make today.

With Mr. Friedman claiming a broad view, Mr. Garreau encouraging us to take the long view, and Mr. Kunstler trying to draw our attention to a looming abyss ahead, let's not neglect the interior view: What are we to think? More important, how are we to think if these

Friedman 10 different "flatteners" to describe has been reduced by Mr. Pink to extreme, perhaps crippling simplicity. But I find useful Mr. Pink's insight that the most valuable cognitive and social skills in an increasingly globalized world of many-to-many media are going to be different from those that enabled success in a world of few-to-many media.

"Design, story, symphony, empathy, play, and meaning" are the six "essential aptitudes" — human capabilities that can be mastered through practice — that Mr. Pink offers as an appropriate mind-set for the conceptual age. His explanatory framework may be simplistic, but the essential aptitudes he describes, like Mr. Friedman's flatteners, can help you perceive significant new forces in the world — in this case, interior forces that are to some extent under your control. Read the book quickly, try the exercises, but don't feel the need to ponder the depths of Conceptual Age theory.

Steven Johnson probes the depths of cognitive futurism more deeply than Mr. Pink in *Everything Bad*

Steven Johnson argues that online games are cognitive gymnasiums that attune brains to the current techno-social worldview.

analyses and forecasts turn out to be accurate? I agree with Daniel H. Pink's claim that what we need is *A Whole New Mind: Moving from the Information Age to the Conceptual Age* (Riverhead, 2005), although I found his harking back to the useful but limited "right brain/left brain" metaphor and revival of John Naisbitt's decades-old "high-tech/high-touch" trope to be more retro than futuristic.

Mr. Pink agrees with Mr. Friedman about the reasons 20th-century knowledge workers need a new mental tool kit, although he simplifies these causes to "Asia, abundance, and automation." The current transformation that is driven by these forces, as Mr. Pink characterizes it, is one from the information age, where analytical left-brain skills ("L-directed thinking") such as computer programming, the law, and business administration were requisite for success, to a "conceptual age," in which right-brained skills ("R-directed thinking") of pattern recognition, storytelling and meaning-making, and empathy and inventiveness become paramount.

Again, the metaphor for the complex changes that took Mr.

Is Good for You: How Today's Popular Culture Is Actually Making Us Smarter (Riverhead, 2005). Mr. Johnson argues that television today is becoming more complex and requires heavier intellectual lifting than it did in the past. He also thinks that the high-resolution graphic simulations and massive multiplayer online games favored by teenage males are cognitive gymnasiums where sophisticated conceptual frameworks and exploratory methodologies attune brains to the current techno-social worldview.

The most challenging contemporary games, such as "Zelda," "Myst," and "Half-Life," Mr. Johnson claims, require active exercise of "the basic procedure of the scientific method," through the mental practice of what he names "probing," a tactic required to test game environments in which the rules aren't given but are meant to be puzzled out by the player (a term Mr. Johnson borrows from computer games scholar James Paul Gee). And an abstraction-juggling strategy Mr. Johnson calls "telescoping" is required when, in order to befriend the prince in "Zelda," you must collect water in the jar the girl gave you, then water the bomb plant and use the

bomb to blow up the rock that blocks the river, so you can fill the gorge and swim across to get to the top of Dragon Roost Mountain, where the prince can be found.

The mental skills of reverse-engineering the goal to learn what to do right now, probing for the hidden rules by performing experiments, and keeping in mind nested and chained sequences of procedures, Mr. Johnson asserts, are not just interesting side effects of game playing, but more nuanced versions of the kind of essential aptitudes Mr. Pink prescribes: “If you were designing a cultural form explicitly to train the cognitive muscles of the brain,” Mr. Johnson proposes, “and you had to choose between a device that trains the mind’s ability to follow narrative events, and one that enhanced the mind’s skills at probing and telescoping — well, let’s just say we’re fortunate not to have to make that choice.” Taken together, *A Whole New Mind* and *Everything Bad Is Good for You* illuminate possible ways our intellectual coping mechanisms may be changing, and point to means for augmenting and adapting our mental tool sets to deal with a changing environment. These books are not prescriptions, but exercises; not playbooks, but mental playgrounds.

Design as Salvation

If the world is flattening, the energy bubble is threatening to burst, and science is on track to make humanity as we know it obsolete, Mr. Pink and Mr. Johnson give us important clues to how to prepare our minds. But what can possibly be done to influence a future of such gigantic forces and daunting problems? Consider the energy problem. Barring massive Malthusian disasters, today’s billions of living humans can’t go back to a world with a more manageable population, so the question of how so many people are going to find the energy to maintain an industrial lifestyle without cooking the atmosphere remains to be addressed. Fortunately, the very ephemeral abundance of the past century left us with at least one dimension of wiggle room. In a world designed for energy abundance, opportunities to redesign wasteful systems abound. Innovation doesn’t always mean inventing a new widget. The best design concerns thinking really deeply and broadly about the methods we use

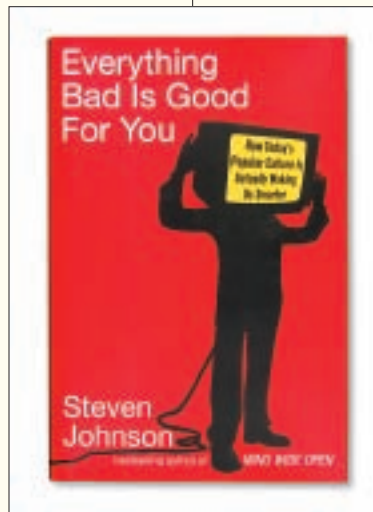
to get things done, the things we use to do that, and the consequences of the ways we do things.

Mr. Kunstler, for instance, seems to lump together “technology” and “innovation” when evaluating humanity’s ability to meet the looming crisis of petroleum depletion. But not all great innovations are technologies. In the 1970s, in response to the first oil shock, the notion that families and nation-states could adapt, in part, by installing more efficient appliances and better-insulated windows led to a design revolution worth billions of barrels of oil. Not being as dreadfully unmindful as we are today about the externalities we design into vehicles, buildings, cities, appliances, and business processes is one possible response that doesn’t require inventing desktop cold fusion or building thou-

sands more nuclear reactors than it is possible to build in a decade. *Design* isn’t color or pattern, but the way things work, and their relationship to all the human and natural systems in which they are embedded.

The past year was a good one for future-thinkers who want to learn about design, with two such exemplary books as *In the Bubble: Designing in a Complex World* (MIT Press, 2005), by John Thackara, and *Massive Change* (Phaidon Press, 2004), from Bruce Mau and the Institute Without Boundaries. Mr.

Thackara is a prime example of a globalized knowledge worker. He lives in France, and the “design futures network” he directs, Doors of Perception, is based in Amsterdam and Bangalore. His premise is, “If we can design our way into difficulty, we can design our way out.” His encyclopedic knowledge of the systemic costs of bad design is complemented by his ability to marshal abundant examples of designers, companies, institutions, and systems that are beginning to get design right — mitigating environmental externalities that used to be invisible but are now potentially lethal, while remaining profitable. Design is not just an aptitude restricted to specialists in the bubble — as Mr. Thackara says, “It’s what humans do.” (The book’s title refers to the state of human thought and communication and technical information flow that air traffic controllers use to control a complex technological system that could go disastrously wrong at any moment.) Mr.

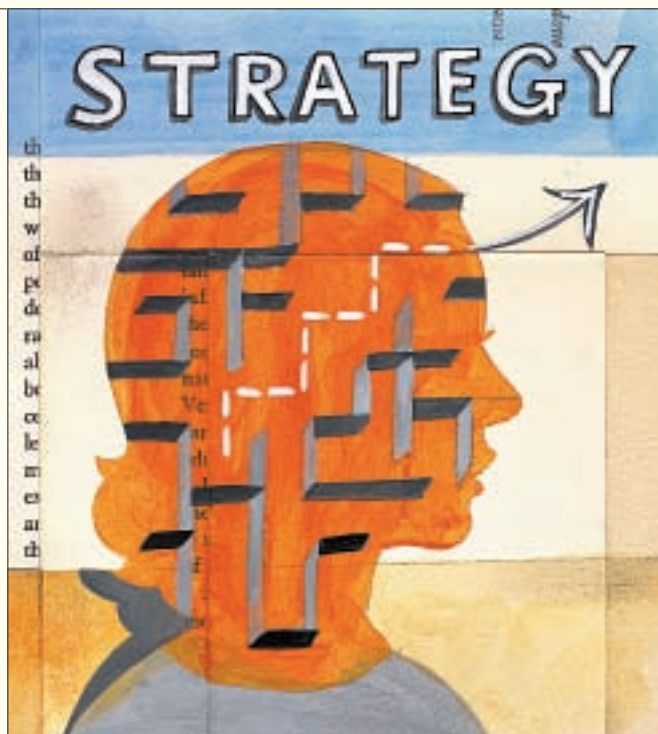


Thackara not only thinks broadly, deeply, and systemically — he practices what he foresees, all over the world.

Mr. Mau's *Massive Change* is not about the world of design; it's about "the design of the world" — the guiding principle behind a beautifully realized, highly visual book created by a network of designers. Where Mr. Thackara tells us about the way design ought to inform the use of technology — and why, and how — Mr. Mau and his associates *show* how people today are solving problems large and small, global and local. *In the Bubble* analyzes the whole system integrally; *Massive Change* looks systemically at the major pieces, through many lenses. The image that sticks in my mind from this book is of a simple metal stove in use in Africa: The Turbo Stove is a lightweight, inexpensive device that can be assembled without tools in 15 minutes; it burns biofuels such as peanut shells, cornhusks, straw, and animal dung with maximum efficiency, providing heat for the poorest populations without exacerbating the problems caused by deforestation and fossil fuel use. This book is as big as the others in this collection, taking on everything from energy and information to markets, manufacturing, and transport.

Read all these books and you'll know more than you do now about what to think about, and how, when pondering the future. For less than the cost of a half-hour consultation with a futurist, and a few hours of engaging reading or listening on your part, you can clue yourself in to the issues that you and your family, colleagues, customers, and community will be facing in what is already shaping up to be the most surprising century in human history. +

Howard Rheingold (howard@rheingold.com), author of *Tools for Thought* (Simon & Schuster, 1985), *The Virtual Community* (Addison-Wesley, 1993), and *Smart Mobs* (Perseus, 2002), coined the terms "virtual community" and "smart mobs" to describe the social phenomena that have emerged via the Internet and mobile telephony. He teaches digital journalism at Stanford and participatory media at the University of California, Berkeley. The text of two of his books and many of his articles are available at www.rheingold.com, and his blog is www.smartmobs.com.



Sailing Beyond Luck

by Chuck Lucier and Jan Dyer



It's one thing to sail into uncharted waters equipped with radios, radar, and a GPS system, and an entirely different thing to sail virtually blind — like 15th-century explorers equipped with only an astrolabe, quadrant, and compass. But that's the challenge business leaders have faced for the past decade: sailing into the open ocean of breakthrough strategy with inadequate tools. Sure, Columbus got lucky; en route to the Indies, he bumped into America. But business leaders don't like to rely on luck any more than mariners do. We're still a long way from radar, but the tools needed for developing differentiated strategies suitable for the hypercompetitive dynamics of our times are finally emerging.

The need for these tools has been clear since at least 1994, when Gary Hamel and C.K. Prahalad (in their book *Competing for the Future*, published by Harvard Business School Press) argued that successful companies must move beyond the familiar waters of established

practices and develop business models unprecedented in their industries. Unfortunately, although the familiar strategy tools honed by Michael Porter (and still taught in most business schools) worked fine in sight of the land of established ways to do business, they didn't help on the open ocean of breakthrough strategy.

The authors who followed in the wake of Professors Prahalad and Hamel admonished business leaders to *innovate!*, *get outside the box!*, and *change the rules of the game!* These exhortations haven't proven useful. Some companies have considered innovation to be too high-risk to try, or impossible in their situation. Others believed that they were already doing everything they could to get outside the box and didn't know how to do better. Many companies interpreted *innovate* to mean "develop new products," a measure that typically yielded only a brief uptick in performance until competitors launched look-alike products. There were no reliable, detailed guides other than managers' own imaginations and willingness to experiment, which all too often meant dead reckoning toward a hoped-for breakthrough.

That's all changing. This year's three best strategy books — *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*, by W. Chan Kim and Renée Mauborgne (Harvard Business School Press, 2005); *MarketBusters: 40 Strategic Moves That Drive Exceptional Business Growth*, by Rita Gunther McGrath and Ian C. MacMillan (Harvard Business School Press, 2005); and C.K. Prahalad's *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits* (Wharton School Publishing, 2005) — offer practical tools and analogies to help practitioners. Although none of these books offer foolproof navigation, they represent dramatic progress beyond the strategy books of the past.

Blue Ocean Strategy takes an analytical approach, grounded in the authors' conviction that effective strategies must be differentiated from convention. That's what they mean by the phrase "blue ocean":

Blue oceans...are untapped market space, demand creation, and the opportunity for highly profitable growth. Although some blue

oceans are created well beyond existing industry boundaries, most are created...by expanding existing industry boundaries.... In blue oceans, competition is irrelevant because the rules of the game are waiting to be set.

The key element of a blue ocean strategy is a "value innovation": a combination of differentiation *and* low cost that sets a product line or service apart from its competitors. Consider, for example, the story of Yellow Tail, a wine created explicitly for the U.S. market and launched in 2000 by Casella Wines, a small, family-owned Australian winery. Casella challenged the wine industry's givens: that wine is a unique beverage for the informed consumer who requires a complex, wide range of products and is best reached through marketing and brand building that drips with enological terminology.

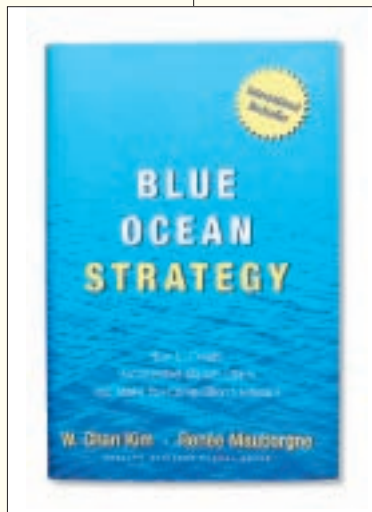
Casella created a blue ocean by introducing a fun, nontraditional wine targeted at the U.S. drinker who does not normally drink wine — a market three times the size of the U.S. wine market. Soft, sweet, and fruity, Yellow Tail appealed to beer drinkers and ready-to-drink cocktail drinkers, without the traditional focus on tannins, oak, complexity, and aging. Casella made selection easy by offering only one white and one red wine and by replacing the technical jargon with a striking kangaroo logo.

The result: Yellow Tail became the fastest-growing brand in the history of both the U.S. and the Australian wine markets and the No. 1 big-bottle (750ml) red wine in the U.S. by August 2003 — and Casella Winery grew to be one of the largest wineries in Australia.

Mapping Strategy

The authors' study of 108 business launches offers empirical evidence of the power of blue ocean strategies: Although only 14 percent of launches they studied were aimed at creating blue oceans, these were responsible for 38 percent of revenue and 61 percent of total profits for the companies they studied.

Blue Ocean Strategy offers both a process and a set of supporting tools that practitioners can use to navi-



gate. It begins with a “strategy canvas” that visually maps the current industry environment in two dimensions. The horizontal dimension includes the range of factors on which an industry currently competes and those factors in which it invests. The vertical dimension shows levels of performance against each factor, measured qualitatively. A strategy canvas is a conceptual tool remarkable in both its simplicity and its usefulness. It can be used to understand the current strategy of a company and its competitors, to communicate the strategy, and to imagine business directions. To do the latter, Professors Kim and Mauborgne recommend that a company create several alternative, radically different strategies, each aimed at delivering superior value to *potential* — not existing — customers by:

- Reducing cost by eliminating some factors that the industry takes for granted and reducing other factors below the industry standard.
- Enhancing differentiation by raising some factors well above the industry standard and creating additional factors that the industry has never offered.

We strongly recommend *Blue Ocean Strategy* — our choice as the year’s best strategy book — to anyone responsible for strategy creation and execution. It is well written, offers a host of new examples, and is full of ideas; every chapter is worth reading.

Strategy by Analogy

MarketBusters, by Rita Gunther McGrath and Ian MacMillan, takes a less analytical approach to the development of breakthroughs, using analogies with companies successful in other industries or geographies. Although using a tool based on analysis may seem superior to reliance on analogies, managers may find the analogies more helpful. Indeed, successful companies often develop value innovations through analogy. Think of Starbucks’s Howard Schultz emulating the Italian coffee shop, or Sam Walton borrowing the Sam’s Club concept from Price Club and the Supercenter concept from Carrefour’s hypermarkets. Moreover, recent research in cognitive psychology suggests that analogies are the most efficacious way to create complex innovations (like business models).

The authors of *Market-*

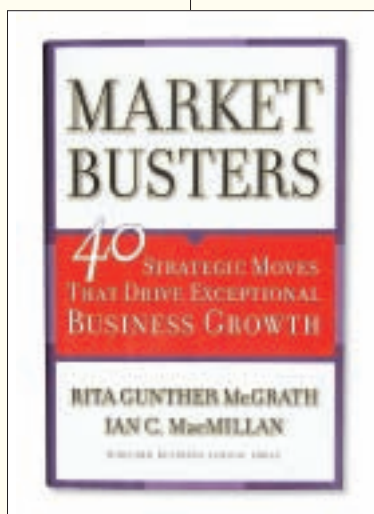
Busters have their own equivalent to *Blue Ocean Strategy*’s “value innovation.” They call it a “marketbusting move,” defined as “an action taken by your firm to deliver markedly superior performance.” Although the authors don’t tell the reader *how* to make a marketbusting move, they catalog 40 such moves, sorted into five categories. Companies can use these categories to stimulate their thinking:

- 1. Transform the customers’ experience** by eliminating or improving steps in the “consumption chain” — from the time a potential customer first becomes aware of a need, through purchase and use, to final disposal.
- 2. Transform your offerings**, either by enhancing the attributes that customers most value or by reducing or eliminating attributes that customers don’t like.
- 3. Redefine profit drivers**, the metrics your company uses to measure performance at the business unit level.

4. Exploit industry shifts such as business cycles or restructuring of the value chain.

5. Enter new markets (new to you) to take advantage of emerging opportunities by monitoring “tectonic triggers,” like new technologies that change what is technically feasible or affordable, changes in social norms or attitudes, institutional and regulatory changes, and demographic shifts.

Our favorite category is No. 3, and it is a good illustration of the authors’ approach. By “profit drivers” or “key metrics,” they mean the way a business keeps track of what it sells and how it makes money. These metrics represent some of the most fundamental yet unexamined elements of any business. Eight of the 40 market-busting moves involve changing key metrics. One move is to radically change what the company sells. Broadcasters, for example, shifted their model from offering free television to consumers by selling advertising, to a new model in which consumers paid through subscriptions. Another market-busting move is to radically improve productivity, as National Credit Systems, a collection agency, did when it reduced its fees from the industry standard of 40 percent of collections to only 8 percent, by improving the effectiveness of letter writing — the lowest-cost and most effective way to collect debt. A third move is to improve cash flow velocity, ideally to achieve negative



working capital (payables greater than receivables plus inventory) as Dell Inc. does. The fourth metric-oriented move is to reduce asset intensity, by relying on contract manufacturers or information technology outsourcers.

The other four market-busting moves in this category involve redefining the key metrics of the company's *customers* to enhance their profitability or address their pain points. Monsanto developed seeds that improve yield and reduce the use of expensive and environmentally dangerous chemicals. General Electric's businesses send Six Sigma teams to help customers address their problems. UPS recently branched out from its core business of package delivery into other businesses that improve customers' cash flow, like repairing Toshiba laptops for Toshiba — eliminating steps in the process, integrating repair and shipping activity, and reducing the time taken to repair a broken PC.

We do not recommend *MarketBusters* with the same enthusiasm as *Blue Ocean Strategy*. It is a slow read — more a reservoir of analogies to reference as part of a strategy process than a book to read from cover to cover.

Vast New Markets

C.K. Prahalad, in *The Fortune at the Bottom of the Pyramid*, studies more fundamental value innovations than those described in *Blue Ocean Strategy* and less familiar analogies than those offered in *MarketBusters*. Although *Fortune* isn't positioned as a business strategy book (it is also reviewed in the Globalization essay, which begins on page 14) but rather as a new approach to “eradicating poverty through profit,” we consider it a must-read for strategists.

Professor Prahalad's starting point is the attractiveness of the potential market of the very poor — what he calls “the bottom of the pyramid.” It is a huge (distressingly so) market:

If we take nine countries—China, India, Brazil, Mexico, Russia, Indonesia, Turkey, South Africa, and Thailand—collectively, they are home to about 3 billion people, representing 70 percent of the developing world population. In [purchasing power parity] terms, this group's GDP is \$12.5 trillion, which represents 90 percent of the developing world. It is larger than the GDP of Japan, Germany, France, the United Kingdom, and Italy combined. This is not a market to be ignored.

But, according to Professor Prahalad, it's not just size that makes the bottom of the pyramid an attractive market for results-minded executives. Customers in these markets are brand conscious (as well as value conscious), and readily adopt new technologies — far more than do customers in more familiar markets at the top of the pyramid. Three examples illustrate the radical change in business model required to profitably serve the bottom of the pyramid.

Casas Bahia, Brazil's largest retail chain, with sales of 4.2 billion reais (\$1.6 billion) in electronics, appliances, and furniture, targets the very bottom of the pyramid: Seventy percent of its customers have no consistent income. Although Casas Bahia's operations employ familiar retail best practices such as extensive use of technology and TV advertising, aggressive negotiations with vendors, efficient warehousing and logistics, and daily managers' meetings to review operations, the company's credit and local delivery practices differ radically from the norm. Casas Bahia extends credit to customers that others don't consider creditworthy through a passbook requiring small installment payments made monthly in the store — a system that not only maintains a default rate lower than the industry average but also builds the customer relationship and facilitates sales of additional products. Financed sales account for 90 percent of sales volume. Delivery — and repossession of the product should customers fail to make installment payments — is accomplished by a company-owned fleet of 1,000 trucks with 2,500 drivers and crew, including some trucks small enough to maneuver through shantytowns. Like all of Professor Prahalad's examples, this business model works because it leverages underlying values within the culture of Brazil's poor: relationships, responsibility, and self-esteem.

In 1998, Cemex, the world's third-largest — and Mexico's largest — cement manufacturer, launched Patrimonio Hoy (“savings/property today”). Patrimonio Hoy enables the very poor to pay for materials to upgrade their homes, growing Cemex's volume in the do-it-yourself market, where margins are high and demand isn't cyclical. Patrimonio Hoy is built upon the values of Mexico's poor: the importance of family; a belief in the responsibility of one generation to leave behind something for the next (like a house); maternal leadership; and respect within the community. Patrimonio Hoy does not do business with individuals, but contracts with pools of three people (typically the

maternal heads of households) called *socios*. Each socio commits to making weekly payments of 120 pesos for at least 70 weeks, and each of the three members takes a monthly turn collecting from the others. At the end of the first five weeks, Patrimonio Hoy delivers 10 weeks' worth of raw materials through a selected Cemex distribution partner, effectively extending credit for the remaining five weeks. As the socio continues to meet its obligations, the delivery schedule (with credit extensions) accelerates. Patrimonio Hoy also offers construction and architectural assistance. Cemex's sales have tripled in geographies where Patrimonio Hoy operates.

India's Aravind Eye Care System performs 190,000 eye surgeries per year at quality levels as good as or better than those available in the developed world's best hospitals — at a fraction of the cost. Aravind's doctors benefit from the large eye-patient volumes, quickly gaining more experience than doctors elsewhere in the world. Aravind's doctors are extraordinarily productive, Professor Prahalad explains, in part because they operate on two adjacent tables:

By the time the first operation is over, the second patient is ready with the microscope focused on the eye to be operated on. The first patient is bandaged by the nurses and moved out. As soon as the first patient moves out, the third patient is put on the first table and prepared for the operation.

Aravind has also vertically integrated into manufacture of the lenses, sutures, and pharmaceuticals it uses (Aravind manufactures about 20 percent of the low-cost lenses in the world).

The Fortune at the Bottom of the Pyramid is essential reading for four reasons. First, the powerful business models targeting the developing markets that Professor Prahalad describes offer important analogies that every strategist should consider, but that few American or European managers in developed markets are likely to experience either directly or through reports in the business press.

Second, the bottom of the pyramid is crucial to the future sustained growth of major American and European corporations, because developing countries represent virtually all of the world's expected population growth over the next 50 years. Although typical Western business models can be adapted to serve the top of the pyramid in developing countries, the types of business

models Professor Prahalad describes are critical to tap into most of the growth.

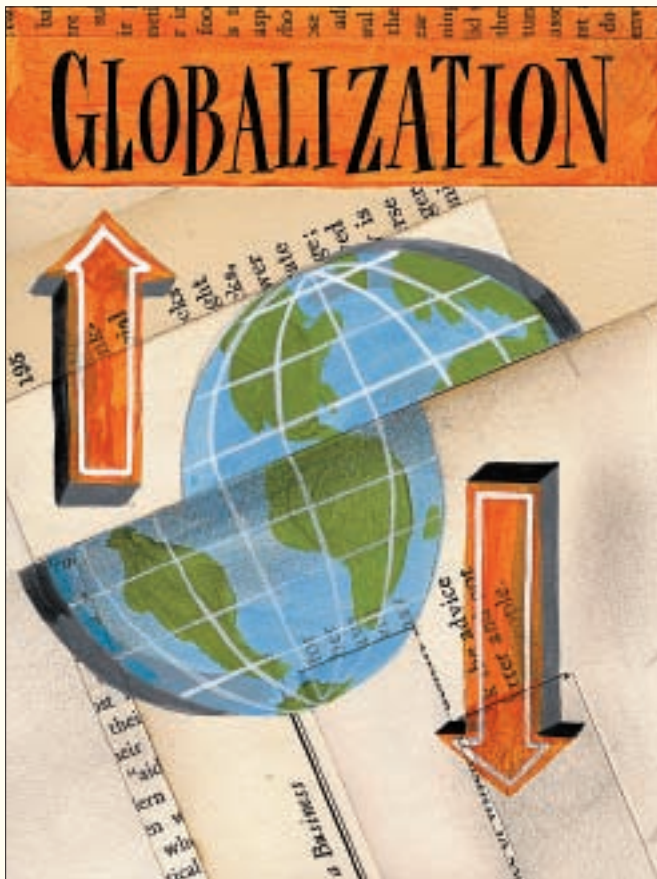
Third, customers in the United States and Europe are increasingly served by the businesses Professor Prahalad describes. For example, customers from the United States and Europe already travel to India for eye surgery at Aravind, attracted by its excellent quality, high level of service, and low prices (significantly lower even after paying the cost of travel). Cemex is extending its reach into the United States, targeting workers of Mexican heritage who regularly send money to family members in Mexico (almost \$10 billion per year, with an estimated 10 percent intended for home construction). To tap this market, Cemex established Construmex, a program enabling workers in the U.S. to send money directly to cement distributors in Mexico, who in turn deliver building materials directly to building sites in Mexico. If successful, the Construmex pilot may transform the money transfer businesses and change U.S. retail banking and construction lending.

Fourth, and perhaps most important, business history shows that low-cost, high-volume business models eventually migrate across geographies and threaten traditional ways of doing business. (See "Format Invasions: Surviving Business's Least Understood Competitive Upheavals," by Bertrand Shelton, Thomas Hansson, and Nicholas Hodson, *s+b*, Fall 2005.) Companies serving U.S. and European markets should take note. Twenty years ago, superior Japanese business models in machine tools, photocopiers, and automobiles overwhelmed American manufacturers. How many bottom-of-the-pyramid business models will restructure American and European industries over the next 20 years?

The Fortune at the Bottom of the Pyramid, while sometimes tedious to read, is nevertheless an exciting expose of the power of markets to improve people's lives. But it is more than that: It is a rare glimpse into the future — for those with eyes to see — of the extraordinary opportunities waiting in uncharted and seemingly impassable waters. +

Chuck Lucier (chuck@chucklucier.com) is senior vice president emeritus of Booz Allen Hamilton. He is currently writing a book and consulting on strategy issues with selected clients. For Mr. Lucier's latest publications, see www.chucklucier.com.

Jan Dyer (jan@chucklucier.com) spent 11 years at Booz Allen Hamilton working with corporations in a variety of industries. She is currently working independently.



Forces FOR Fairness

by Michael Moynihan

A

bout midway through Jeffrey D. Sachs's brilliant manifesto, *The End of Poverty: Economic Possibilities for Our Time* (Penguin Press, 2005), the author, the director of Columbia University's Earth Institute and noted economic advisor to developing countries, recalls an epiphany he had in 1994 while lecturing academics in India about the benefits of globalization. Having just steered Bolivia and Poland through financial crises and having helped them devise and implement successful economic liberalization reforms, Professor Sachs had every right to extol the virtues of foreign investment and lower tariffs. Yet as he waxed eloquent about open borders, he noticed a dour look in the eyes of his audience. It was then that he recalled a central fact of Indian his-

story: India was once *owned* by a private company, the East India Company, which later transferred the country, in its entirety, to the British Crown.

Although Professor Sachs tells the story to stress the importance of historical context in economic development, it also puts the history of globalization in context. Globalization is not a modern technological phenomenon ordained by the Internet or cheaper airfares. Globalization — or, more precisely, long-distance and cross-border trade and commerce — has waxed and waned through the ages, manifesting itself in different ways at different times, and creating “winners” and “losers” each time. In contrast to many past books about globalization, which exalt the process or warn of its pitfalls, this year's crop is less doctrinaire. For the authors of the five books discussed here — four academics and one consultant — there are both devils and angels in the details of increasing global business and in its consequences for developing and developed countries. Their concern is how to encourage the angels and diminish the impact of the devils. Or, to ask the question more explicitly: How can global capitalism be made more fair?

Diagnostic Perspective

Few people have more experience trying to create optimal conditions for economic growth than Jeffrey Sachs. He spent the 1980s advising governments that were undergoing major economic transitions, helping them handle macroeconomic challenges such as price stabilization. In Bolivia, he won renown for eliminating hyperinflation. In Poland, he designed a plan to reintegrate Poland's economy with Europe's and led efforts to cancel some of Poland's debt. His less successful experience in Russia led to a widely publicized battle with the International Monetary Fund (IMF). More recently, he has been working on country-specific microeconomic challenges with the World Bank, local authorities, and nongovernmental organizations — and helping to spearhead the United Nations' Millennium Project to eradicate extreme poverty (defined as an earned income of less than US\$1 a day) by 2025.

In *The End of Poverty* — my choice as the year's best book on globalization — Professor Sachs presents an unusually comprehensive and satisfying portrait of the global economy, and a convincing argument that good policies can go a long way toward bringing about the end of poverty on earth. His subject has been a vexing problem since the world first turned its attention to the

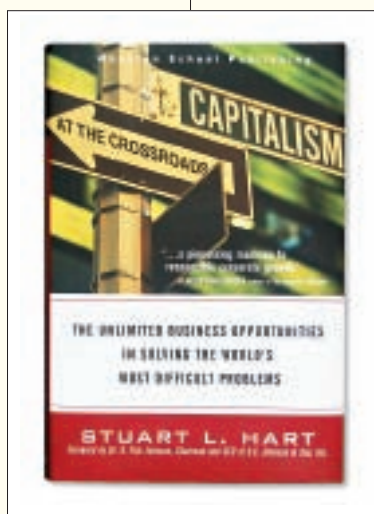
plight of impoverished nations after World War II. As chronicled by many authors, countless billions of dollars in development assistance over the last 50 years have produced mixed results. Early postwar development efforts focused on such capital-intensive projects as building dams, roads, and factories on the theory that poor countries were rich in labor but starved for capital. Foreign aid was expected to fill a “financing gap.” When these efforts failed to produce the hoped-for results, policymakers, inspired by new models for economic growth in the 1970s and 1980s, turned toward building human capital through training and education, again with mixed effect. A third front in the war on poverty took the form of the “green revolution” championed by Normal Borlaug of the Rockefeller Foundation, who won the Nobel Peace Prize for his work in 1970. Improved agricultural techniques promoted by Mr. Borlaug and others helped end famine in many countries, notably India. Despite the success stories of East Asia, China, and now India, however, the problems of poverty — hunger, health epidemics, war — have grown worse in many countries, compounded by bad loans and corruption.

Professor Sachs compares modern development policies and practices to 18th-century quack medicine. What is urgently needed, he suggests, is the economic equivalent of clinical medicine, with its five key assumptions: the human body is a complex system (causality is never simple), complexity requires a differential diagnosis (similar symptoms may have many different causes), all medicine is family medicine (there are no magic bullets), monitoring and evaluation are essential to successful treatment, and medicine is a profession requiring strong norms, ethics, and codes of conduct.

Early on in his work in Bolivia, the author describes his revelation upon reading, in a colleague’s paper, that many of Bolivia’s problems stemmed from its mountainous, landlocked location and resulting high transportation costs — factors wholly ignored in IMF-style analysis. Contrasting the one-size-fits-all policies of the IMF with the diagnostic approach employed in medicine, Professor Sachs argues that on-the-ground knowledge and keen attention to localized symptoms and systems are

essential to successful development.

His grasp of the issues of development — honed through years of fieldwork — is authoritative. He is able to describe firsthand change in countries like Poland, Russia, China, and India, before he turns to Africa and outlines the dynamics of the world’s worst poverty traps. Whereas many might write off the business potential of regions that seem hopelessly mired in poverty and corruption, Professor Sachs reminds us that Europe faced what appeared to be insoluble problems as recently as 60 years ago. When Adam Smith and John Maynard Keynes wrote their famous economics works, poverty was endemic to Europe. The key to success in Europe, as in the Americas and Asia, has been sensible economic and political policies together with the cancellation of unpayable debt. Professor Sachs makes a convincing case that these measures can bring similar results today in even the most poverty-stricken regions.



Elevating Enterprise

The private sector has an essential role to play in lifting the developing world out of poverty, but it must be provided with the tools to do so. Two business professors take up the theme of sustainable capitalism in books that are strong complements to *The End of Poverty*.

Capitalism at the Crossroads: The Unlimited Business Opportunities in Solving the World's Most

Difficult Problems, by Cornell University Johnson School of Management professor Stuart L. Hart (Wharton School Publishing, 2005), and *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, by University of Michigan professor C.K. Prahalad (Wharton School Publishing, 2005), both show how multinational corporations can develop new growth markets while elevating living standards among the poor. The professors first presented their ideas about “the bottom of the pyramid” — a reference to the 4 billion people, living mostly in Africa, Asia, and Latin America, with per capita incomes of less than US\$1,400 a year — in *strategy+business*. (See “The Fortune at the Bottom of the Pyramid,” by C.K. Prahalad and Stuart L. Hart, *s+b*, First Quarter 2002.) They present this concept as an approach to corporate strategy. (See “Sailing Beyond Luck,” by Chuck Lucier and Jan Dyer, page 9.)

Professor Hart is a leading scholar and innovator in strategy and corporate environmentalism. He was the founder of the University of Michigan's first program in corporate environmental management, and later started the Center for Sustainable Enterprise at the Flagler School of Management at the University of North Carolina. In 2003, he assumed his current position at Cornell as the S.C. Johnson Professor of Sustainable Global Enterprise.

Capitalism at the Crossroads is a generally well-written and well-argued collection of ideas developed over several decades of research on the promise of what Professor Hart calls the sustainable global enterprise — “a new private sector-based approach to development that creates profitable businesses that simultaneously raise the quality of life for the world's poor, respect cultural diversity, and conserve the ecological integrity of the planet for future generations.”

The book provides many valuable examples of the experiments, innovations, and market success stories of companies that are building businesses to address the specific needs and desires of people living in the poorest nations. His stories and insights are especially strong when he explains what multinational companies do to become effective in these markets. For example, Unilever's Indian subsidiary, Hindustan Lever Limited — which increased its revenues and profits by 20 and 25 percent per year, respectively, between 1995 and 2000 — requires all employees in India to spend six weeks living in rural villages to get information directly from consumers, while the company develops new products for them and works with local producers to source local materials. Unilever also built an R&D center in rural India. These efforts he describes as part of a strategy to become “indigenous.”

Even more valuable to the *strategy+business* reader is the void this book fills in leveraging familiar management concepts, frameworks, and language to connect business strategy to sustainability strategies. Professor Hart devotes an entire chapter to the subject, citing Clayton Christensen's work on disruptive innovation several times, and presenting a useful diagnostic approach for managing today's businesses and creating tomorrow's opportunities. One chapter, “The Great

Leap Downward,” shows why the poorest nations can be viewed as potentially lucrative markets in which to incubate “clean” technologies. For instance, Professor Hart cites the development of fuel-efficient cars for use in heavily polluted countries such as China and India as a prime opportunity that auto manufacturers have so far missed.

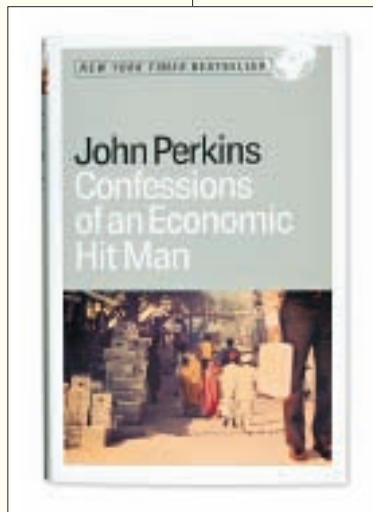
Professor Hart's erstwhile writing partner and kindred spirit, C.K. Prahalad, has likewise written a book filled with examples that show how multinational corporations and domestic businesses can successfully develop product for, and market to, the world's poor, and thus profit from contributing to the eradication of poverty. While acknowledging that the individual purchasing power of one poor person is minuscule, Professor Prahalad points out that in aggregate the world's 4 billion poorest people control trillions in annual expenditures.

An important message in *The Fortune at the Bottom of the Pyramid* is that low-income markets are highly diverse, echoing Professor Sachs's essential insight. The days of one-size-fits-all marketing of branded products such as Coca-Cola or Wrigley's gum are almost entirely gone. Like Stuart Hart, C.K. Prahalad argues that it is necessary to perform in-depth marketing research in poor nations, and to design

products specially suited to the unique demands of each local market. Also using the Unilever example, he shows how the company has succeeded in India with a unique village-by-village marketing campaign demonstrating the use of soap to combat disease. Unilever and a variety of other companies employ similar multilevel marketing techniques and novel distribution networks, led by village women who sell everything from savings plans to cell phone service to iodized salt.

Trysts and Teahouses

John Perkins's surprise bestseller, *Confessions of an Economic Hit Man* (Berrett-Koehler, 2004), provides an offbeat look at globalization through a personal narrative. Mr. Perkins chronicles his experience in the 1970s and 1980s as chief economist for the engineering firm Charles T. Main. Along with two other U.S.-based com-



panies, Bechtel and Fluor, Main brought dams, electricity, and roads to the developing world. Mr. Perkins lived a high-flying life as an international executive, jetting from country to country, meeting with presidents of emerging nations, and staying in exclusive, gated hotels. This book was inspired, he says, by the death under mysterious circumstances of two friends, Panamanian president Omar Torrijos and Ecuadorian president Jaime Roldos Aguilera. It argues that the U.S. government, working sympathetically with U.S. firms, promoted capital projects that generated business for American companies while encumbering developing countries with crushing debt. A benefit for the U.S. government, he says, was that the resulting debt bound these countries to the West.

While Mr. Perkins has written as much of a page-turner as the subject allows, complete with beautiful spies, afternoon trysts, and midnight visits to smoke-filled teahouses, his critique ultimately seems more evocative of colonialism as practiced by Europeans through World War II and of cold-war politics than the kind of globalization we are experiencing today. Still, one does not have to accept the author's imputation of imperial intent to acknowledge that globalization as promoted by the U.S., the IMF, and the World Bank has often fallen short of the mark.

A New Era

Mr. Perkins's prescription for a sustainable approach to development, like the other authors', encourages enterprises to work with nongovernmental organizations and indigenous peoples rather than through large capital projects financed with debt. In recent years, Mr. Perkins himself has worked among many indigenous peoples to preserve their culture. In one instance, he helped negotiate a settlement in an obscure conflict between the Ecuadorian government and local tribes over the drilling of oil. Mr. Perkins's journey, though extreme, echoes the transition multinational corporations have undergone in their approach to the developing world. The era of simply taking wealth out of the ground is over. A new era of working cooperatively has taken its place.

Another entertaining narrative of globalization in action across multiple borders and continents is Pietra Rivoli's *The Travels of a T-Shirt in the Global Economy: An Economist Examines the Markets, Power, and Politics of World Trade* (John Wiley & Sons, 2005).

An associate professor of business at Georgetown University,

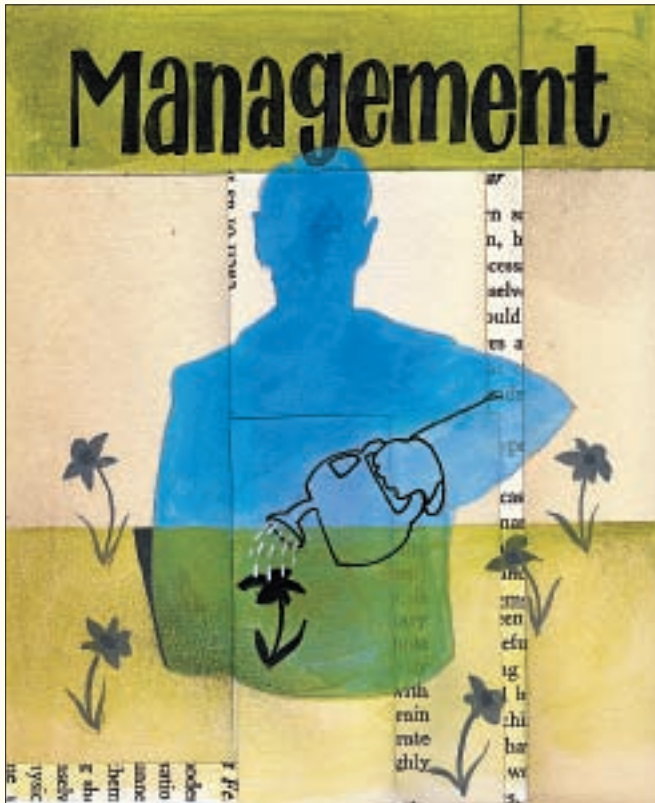
Professor Rivoli tracks the life of a T-shirt from the picking of cotton in Texas to the sewing of fabric in China to its import into the United States to its eventual resale as a used garment in Africa.

She decided to write her book after hearing protestors denounce globalization at a student rally. A believer in the benefits of free trade, she set out to prove the students wrong. What she found, however, was that while the benefits of globalization are quite real, free trade and free markets are rarer than one might suppose. From the cotton farms of Texas to the factory floors of China to the corridors of power in Washington, the author found that the T-shirt business is less an example of free trade than one of successful companies avoiding free markets wherever possible.

The Travels of a T-Shirt describes the Byzantine world of international tariffs on clothing codified in successive international trade agreements. Not until she follows her T-shirt into the market for the export of American secondhand clothing to Africa does Professor Rivoli find a truly free market. In addition to proving the point that profits often result from government protection, this book provides an idiosyncratic but vivid view of the global economy in action, particularly her accounts of manufacturing in China and the aftermarket for the export of secondhand clothing.

Operating successfully in the global economy, particularly in the poorly charted reaches of the developing world, requires optimism — optimism tempered by accurate, unbiased information. Each of the five books reviewed here provides such information, and contributes a valuable perspective on the critical role that businesspeople play in globalization. How multinational corporations champion capitalism in emerging markets will determine to a large extent whether today's globalization continues as a force for fairness and growth, or whether it ends up malicious and maligned, entangled in a thicket of trepidation, tariffs, and taxes. +

Michael Moynihan (mwm3@nyu.edu) is a professor of economics at New York University's Real Estate Institute. Formerly senior advisor for electronic commerce in the U.S. Department of the Treasury and a senior fellow at the Center for Strategic and International Studies, Professor Moynihan is the author of *The Coming American Renaissance* (Simon & Schuster, 1996).



THE Good, THE Bad, AND Jack Welch

by David K. Hurst

T

he late historian and former Librarian of Congress Daniel Boorstin once observed that planning for the future without a sense of the past is like trying to plant cut flowers.

Dr. Boorstin's remark is especially applicable to the field of management, where the florists always seem to outnumber the gardeners. Many business academics regularly represent competencies (managerial abilities arrived at through on-the-ground experience and learning, which apply only to the particular context at hand) as strategies (context-free courses of action that can be implemented anywhere). Some consultants fall into the same trap, finding firms that are apparently doing well, identifying their "key success factors" and then promoting these to other firms so that they too can be like Dell,

GE, Wal-Mart, or whoever else's corporate garden is currently in bloom. And managers themselves frequently arrange their financial reporting to exhibit "flowers of success" that later turn out to be rootless and unsustainable. In the worst cases, such as Enron, the blossoms turn out to be entirely artificial.

Similar charges could be leveled at those most ardent of flower arrangers: writers of books on management. Too often, their books depict managers as lone actors in generic landscapes, whose methods and techniques can be freely transferred from one corporate situation to another. Yet if we are to learn from the experience of others, surely we have to understand their thoughts and actions in the particular situations in which they found themselves. When it comes to human action of any kind, context matters.

Each of the five books reviewed in this essay underscores the importance of context in business, though in different ways and from very different perspectives. The first two, *Winning* (HarperBusiness, 2005), by Jack Welch with Suzy Welch, and *Will Your Next Mistake Be Fatal? Avoiding the Chain of Mistakes That Can Destroy Your Organization* (Wharton School Publishing, 2005), by Robert E. Mittelstaedt Jr., are written specifically for managers. The other three are aimed at more general audiences, but provide important lessons for business leaders by reviewing both the recent and distant history of financial scandals: *Conspiracy of Fools: A True Story* (Broadway Books, 2005), by Kurt Eichenwald; *Blood on the Street: The Sensational Inside Story of How Wall Street Analysts Duped a Generation of Investors* (Free Press, 2005), by Charles Gasparino; and *Ponzi's Scheme: The True Story of a Financial Legend* (Random House, 2005), by Mitchell Zuckoff.

You would expect that *Winning*, by Jack Welch, the retired celebrity chief executive officer of General Electric, and his wife, Suzy Welch, former editor (under the name Suzy Wetlaufer) of the *Harvard Business Review*, would surely illustrate the importance of context to management action. GE, after all, was one of the great laboratories of managerial thinking in the 20th century, and the authors set out to provide managers with guidelines to follow, rules to consider, assumptions to adopt, and mistakes to avoid.

Although *Winning* is well organized, clearly written, and worthwhile, it is disappointing in one major respect: its *lack* of concern for context. Mr. Welch freely acknowledges the importance of organizational culture

(context writ large) by recounting, for example, the problems that GE faced when it acquired Kidder, Peabody (that firm's top three values, he says, were "my bonus, my bonus, my bonus"), but he seems reluctant to accept the importance of a business environment or culture to the key policies and processes of organizations. This reluctance is best seen in the discussion of the "20/70/10" people differentiation formula (in which the top performers are promoted, the majority in the middle are nurtured, and the bottom 10 percent are fired) for which both Mr. Welch and GE became famous. One problem with the formula is the validity of the numbers themselves: Even Bob Nardelli, Mr. Welch's former colleague and now CEO of Home Depot, has said, "There's nothing magic about 10 percent." (See "Winning Hearts and Minds at Home Depot," by Victoria Griffith, *s+b*, Spring 2005.)

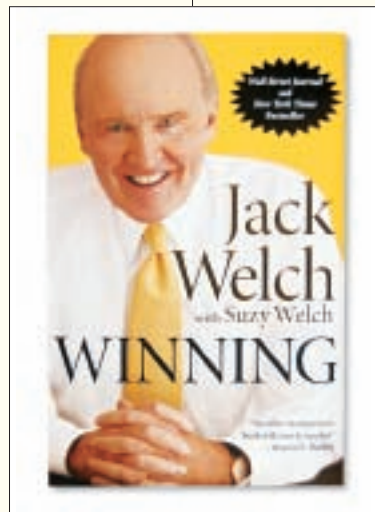
Then there is the statistical nonsense of applying the formula to small departments. More importantly, the authors do not appear to consider that the measurement and reward of individual performance works in some contexts but does not work in others. The examples in the book, drawn from the playground and professional baseball, just don't cut it as useful analogies to the business world. And surely the failure of the differentiation process in many organizations cannot be explained away by leadership teams "lacking in brains or integrity or both," as the authors maintain. Isn't it more likely that the 20/70/10 process works acceptably in GE largely because of the unusual context created by GE's culture?

Two key components of GE's culture discussed in *Winning* come to mind. The first is its budgeting process, wherein the functions of financial forecasting and performance management are clearly separated. Performance bonuses are not based on budgets; rather, they are calculated retrospectively against the performance of the same individuals in prior years and against the performance of competitors. Very few companies make this commonsense separation between the need for financial forecasting and the demands of performance management. Most practice more dysfunctional budgeting and performance-management processes, which all

too often encourage otherwise smart people to do dumb things — or worse, to compromise their integrity.

The second crucial component of GE's culture is the genuine elevation of the human resources (HR) function to the equivalent of finance and marketing or an even higher function (this was one of Mr. Nardelli's first moves at Home Depot). Could any action be better calculated than this to underline the importance of "people development" in an organization, heighten the critical role of differentiation, and give the process the right "spin"? In many, if not most, corporations, HR is at the bottom of the functional totem pole, where it mocks all those pious statements about people being our "most important asset."

Winning has much to commend it, especially for young managers setting out on their careers. There are excellent sections on the role of leaders, straightforward strategy, and the handling of crises and mergers. If only there had been more emphasis on history and context, the reader might have learned a great deal more from this highly successful manager's experience. There is, for example, anecdotal evidence that even GE's star "alumni" often struggle on their first managerial assignments after they leave GE. If that is true, there are many possible explanations, but one leading candidate has to be that these alumni fail to appreciate how different the contexts of most firms are from that of GE.



Disastrous Situations

It is generally acknowledged that tough assignments and hardships are among the best developers of leadership skills, and that managers usually learn much more from mistakes and even failures than they do from successes. In *Will Your Next Mistake Be Fatal?* Robert E. Mittelstaedt Jr., dean of the W.P. Carey School of Business at Arizona State University (and former entrepreneur and submariner in the U.S. Navy), examines some of the more notorious business and physical calamities of recent times.

Professor Mittelstaedt suggests that there is a common sequence of failure:

1. An initial problem, often minor, that goes uncorrected

2. A subsequent problem that compounds the effect
3. An inept corrective effort
4. Disbelief at the accelerating situation
5. An attempt to remedy the situation while hiding the facts
6. Sudden recognition that the situation is out of control
7. The disaster scenario — with loss of life and/or financial resources

All these elements are intimately connected with the power of context to sway the perceptions and behaviors of the actors in a given situation. The Ford Explorer/Firestone tire debacle of 2000 is a perfect example of a complex situation with numerous actors in multiple contexts that produced a disastrous result. The first clues that there might be a problem with the tires on the Explorer sport utility vehicle came, as they often do in complex situations, from the periphery of the system — tire failures occurring in extremely hot countries

cise. This demands an in-depth understanding of the present and historical context in which the firm finds itself. In EBV, the management team surfaces its often implicit assumptions about the business and examines which are valid and which are not. The exercise also gives managers a sense of what is possible and what might be very difficult in their industry and organizational contexts.

School of Scandal

The downfall of Enron is an enormous object lesson in the importance of context, but if we are to learn anything from its fate, we need to remember and understand what went wrong. Fortunately, we have financial journalist Kurt Eichenwald to help us. In *Conspiracy of Fools*, he reminds us that Enron *did* exist not so long ago, and shows us very clearly how its managers fooled so many people so comprehensively that they even fooled themselves.

***Conspiracy of Fools* reveals the incompetence of Enron's managers and their disdain for systems, disciplines, and accountability.**

like Saudi Arabia and Venezuela as early as 1997. Both Ford and Firestone discounted the significance of these results for the U.S. market, but by 1998 an analyst for the State Farm insurance company had already identified a pattern. It was not until 2000 that the media picked up on the problems and the issue mushroomed in the public's awareness. A complex set of causes, including numerous cost-driven design and specification issues at Ford and labor strife at one of Firestone's older manufacturing plants, had interacted to tip the system over the edge and create a disaster that damaged both companies severely.

Professor Mittelstaedt draws 38 insights from the incidents he studies, conveniently summarized at the end of the book. Some of these, such as “establish and enforce standard operating procedures” and “culture is powerful — what creates success may kill you,” fall into the true-but-not-very-helpful category, and it is difficult to see how a manager could integrate them into his or her daily activities. Many of his points, however, are valuable, such as the suggestion that every organization conduct an “economic business visioning” (EBV) exer-

Mr. Eichenwald, a writer for the *New York Times*, does a masterful job of weaving together the multiple characters and complicated deals that were Enron — and *Conspiracy of Fools* is my choice as the year's best management book. The rich and complex picture that emerges reveals that the company's collapse was rooted in America's muddy standards of accounting and reporting, and in the environment of corner-cutting that had been rampant for nearly a decade. Abetted by fee-hungry bankers, lawyers, and accountants; lax government regulation; and booming stock markets, a small group of smart but arrogant executives in effect created a Ponzi scheme so complex that neither they nor their advisors understood its true dynamic.

Mark-to-market accounting, when applied to long-term contracts, allowed Enron to report profits earned over the lives of such contracts immediately, but left the company exposed to market risk for the contracts' durations. The firm's efforts to mitigate these risks led to attempts to create complex hedges using special-purpose entities that did not appear on Enron's balance sheet.

Conspiracy of Fools shows that many of Enron's

vaunted new ventures were simply bad businesses, whose poor results had been disguised for a while by bogus accounting. The sheer incompetence of many of the company's managers and their universal disdain for the nitty-gritty systems, disciplines, and accountability that underpin every successful organization are breathtaking. "Ultimately it was Enron's tragedy," writes Mr. Eichenwald, "to be filled with people smart enough to know how to maneuver around the rules, but not wise enough to understand why the rules had been written in the first place."

Charles Gasparino, a senior writer at *Newsweek*, in *Blood on the Street*, illuminates the larger context in which the Enron debacle took place — and in which managers at countless other companies made unwise and costly decisions during the boom of the late 1990s. His book is a catalog of the pride, envy, anger, sloth, avarice, gluttony, and lust that lie behind Wall Street's professional facade. He focuses on the actions of the major players: analysts Jack Grubman of Salomon Smith Barney, Henry Blodget (Merrill Lynch), and Mary Meeker (Morgan Stanley); Securities and Exchange Commission Chairman Arthur Levitt; Richard Grasso, chairman of the New York Stock Exchange; Citibank Chairman Sandy Weill; and New York Attorney General Eliot Spitzer.

One has to have some sympathy for Wall Street's analysts and traders during the dot-com boom. For several years in the "New Economy," the financial laws of gravity were seemingly suspended — stocks went up and never came down. Within this context, it seemed folly to be wise: The reputation of investing legend Warren Buffet, with his quaint buy-and-hold strategy, suffered; the memories of the few people with personal experiences of the great booms and busts of the past were devalued. A diversified portfolio was for those who didn't "get it." Investment analysts did their best to rationalize the irrational and live with their consciences, but by the time the crash came, the stars were too committed to a never-ending boom to recant. Mary Meeker, the only one of them to retain her job, had always urged investor caution and, according to Mr. Gasparino, kept Morgan Stanley out of hundreds of marginal initial public offerings. Jack Grubman and Henry Blodget, on the other hand, became full-blown cheerleaders for deals, and indulged in a form of Orwellian doublethink, praising shaky startups on television and in the financial press, while denigrating them in private e-mails to their col-

leagues. They paid for their hypocrisy when the media that had built them up tore them down.

Perhaps the most interesting feature of the dot-com debacle that Mr. Gasparino examines is that it happened in plain view and at the pace of a slow-motion train wreck. The dearth of "sell" ratings on stocks and the stories of the "spinning" of IPO shares showed that the so-called Chinese Wall separating investment banking and stock brokerage had been crumbling for years, yet the regulators did very little to bolster it. *Blood on the Street* is scathing about the inadequacy of the role performed by Mr. Levitt, who headed the SEC from 1993 to 2001. No doubt Mr. Levitt was hamstrung by the pro-business Congress that was elected in 2000. But his failure to act prior to that probably owes more to the challenge of complex problems and the equivocal ways in which they unfold. As a complex problem emerges, there are many straws in the wind, but their import is usually unclear. Without outstanding leadership at several levels — regulatory, legislative, executive — it is usually only in hindsight, after the crisis, that it is possible to build an unassailable case for action.

History, of course, provides the highest level of context. In *Ponzi's Scheme*, Mitchell Zuckoff, a professor of journalism at Boston University, recounts the little-known tale of the king of all get-rich-quick schemers. It is an engagingly written book that both adds perspective to the recent past and, unfortunately, probably foretells the future as well. Before the Great Crash of 1929 and the formation of the Securities and Exchange Commission to regulate securities markets, the most famous "SEC" was Charles Ponzi's Securities Exchange Company. Like Enron, Ponzi's company had an arcane but superficially plausible business model: foreign exchange arbitrage in international reply coupons (negotiable instruments sold at the time by post offices in many countries, which allowed letter writers to send coupons to pay for the stamps on reply letters). After World War I, the official exchange rates for these coupons no longer reflected market rates, and profits could be made, at least in theory, by buying them with a cheap currency and redeeming them in a stronger one.

On paper, the scheme could be made to work, and there was nothing illegal about it. This later slowed down the investigators looking into the case, who often came from competing jurisdictions and faced other problems. As a result, the scheme grew from nothing to a full-blown financial crisis in less than eight months. The charming, affable Ponzi tried to make the arbitrage

business work in practice (it never did), and he gave his early investors a 50 percent return on their investment in 45 days by paying them with money from new investors. This turned out to be easy: As testimonials from early investors became public, he was flooded with funds, pulling in more than \$1 million a week as the Boston public became gripped by money madness.

Charles Ponzi remained irrepressibly optimistic as he twisted and turned to find legitimate, profitable businesses that would allow him to restore his fortunes and repay his creditors. When his business model was criticized by Clarence Barron, owner of Dow Jones & Company and doyen of the era's financial journalists, Ponzi replied that Mr. Barron just didn't have sufficient knowledge of foreign exchange to understand it. When a last-ditch attempt to sell his company to another group of shady investors failed, Charles Ponzi was doomed. Twenty thousand investors received 37.5 cents on the dollar in the largest and most complex bankruptcy that Massachusetts had ever seen. Ponzi himself served four years in a state prison and seven years in a federal penitentiary before being deported to Italy. He died penniless in Rio de Janeiro in 1949.

Ponzi's thoughts on ethics in business from his 1937 biography echo down the years: "The [American business] environment had made me rather callous on the subject of ethics.... Then, as now, nobody gave a rap for ethics. The almighty dollar was the only goal. And its possession placed a person beyond criticism for any breach of ethics incidental to the acquisition of it."

The Fundamental Error

In business, executives usually take personal credit for success and blame any mistakes or failures on circumstances beyond their control. Cases of outright fraud such as those at Enron, WorldCom, and Adelphia, and the recurrent abuses of the public trust on Wall Street, are usually ascribed to the actions of a few bad apples rather than problems with either the barrels that store them or the trees that grew them. The tendency to attribute outcomes to personal predispositions rather than situational factors is so widespread that in social psychology the phenomenon has been named the "fun-

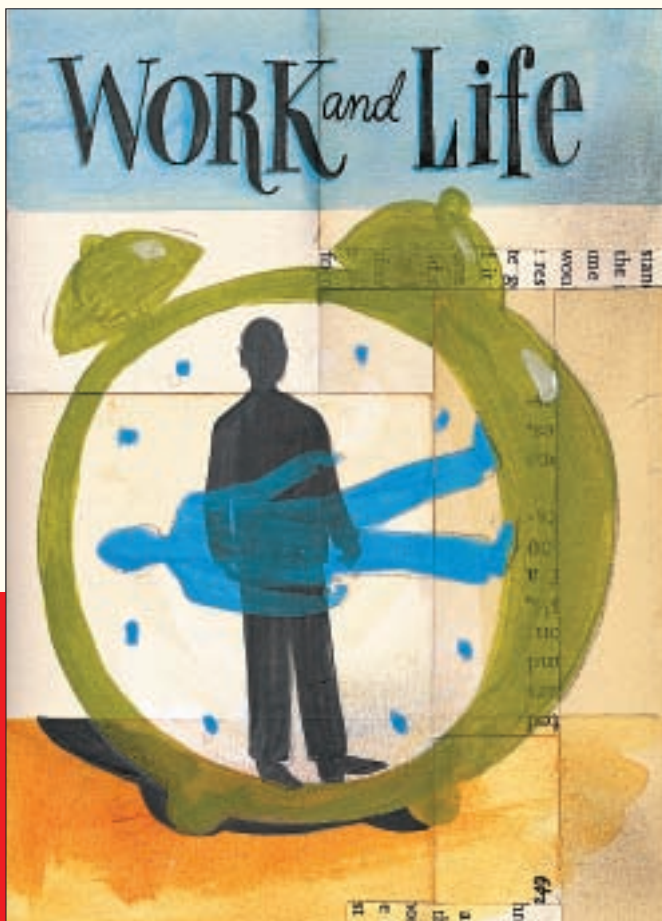
damental attribution error." In American management, where the belief in the powers of individual effort and of the entrepreneurial spirit are articles of faith rather than hypotheses for testing, the fundamental attribution error seems to be endemic. At some level of abstraction, this is as it should be: Fatalistic cultures that do not believe in the ability of individuals to control their own lives typically struggle to develop vibrant economies.

At finer scales of analysis, however, the power of context cannot be dismissed so lightly. There are numerous instances of industries in which companies and managers are clearly constrained — the Big Three auto companies, integrated steel mills, and the major airlines come to mind immediately. In such firms and many others like them, there is little talk of activist, optimistic strategy making; managers are bound by the laws of the situations in which they find themselves. Lost in a maze of constraints, at times they appear to be waging a zero-sum game. It's a battle in which combatants make use of every stratagem available to them, from government support to the bankruptcy laws, to shed obligations incurred during better times and to avoid having their bones picked clean by the vulture capitalists circling overhead.

What executives in these industries, as well as others in less extreme competitive situations, need above all is to understand the contexts in which they operate. The most interesting new theories in management are those that are rooted in contextual analysis (Clayton M. Christensen's "Innovators" series, for instance, or, as a more recent example, "Format Invasions: Surviving Business's Least Understood Competitive Upheavals," by Bertrand Shelton, Thomas Hansson, and Nicholas Hodson, *s+b*, Fall 2005). The most interesting business books of the future will be those that keep in mind the unvarnished reality: Sound management advice needs to be based on real business situations. +



David K. Hurst (david@davidkhurst.com) is a regular contributor to *strategy+business* whose writing has also appeared in the *Harvard Business Review*, the *Financial Times*, and other leading business publications. He is the author of *Learning from the Links: Mastering Management Using Lessons from Golf* (Free Press, 2002) and *Crisis & Renewal: Meeting the Challenge of Organizational Change* (Harvard Business School Press, 1995/2002).



THE Upside OF Downtime

by Ann Graham

As long as clocks have ticked, people have complained about overwork and lack of time. But employees of the modern downsized, digitized, and driven corporation feel the pain and drain of work — and express their longing for leisure — more than ever, even as they enjoy more perks and protections than their predecessors.

In the business environment of “24/7,” global competition, and always-on-call connectivity, all hours are fair game for work. Sure, people can choose to unplug, but it is getting harder to resist the temptation to always be on call. When you can work anytime from anywhere,

the long-standing culture of “presenteeism” — a kind of

workaholic converse of absenteeism in which people feel compelled to be seen as working even when they’re not productive — is magnified.

It is certainly debatable whether time-related stress or life balance problems are really tougher for the corporate knowledge worker in the year 2005 than they were for the Man in the Gray Flannel Suit in the 1950s, or for a mill foreman in the 1850s. Undeniably, though, today’s employees, across generations, are looking for more meaning in their work lives and more choices in how they spend the time of their whole lives. This is especially true of women. Recent research shows that seasoned, successful women are opting out of corporate life in ever-greater numbers because they don’t want to make the trade-offs their employers demand.

Corporations are trying to respond with so-called work–life balance programs, but these only seem to scratch the surface of the frustration and exhaustion employees are feeling. Perhaps this is because piecemeal measures don’t tackle the larger strategic issue: the tension between the financial demands of an enterprise and the need to develop a social contract that recognizes each employee’s whole life as valuable. This is a management challenge for both employees and employers. As individuals, employees bear some responsibility for overworking and being overwhelmed. Still, there’s plenty of room for improvement in the way corporations set the tone, pace, and expectations for workers — both for outstanding performers who are disinclined, or unable, to have their jobs subsume their lives, and for those people whose contributions are diminished by overwork.

Four good books, published in 2004 and 2005, address the problem by raising a deeper set of questions. First, what is the best possible way to love, work, think, and grow old? Second, for those of us who must work for a living, how can our employers best support satisfying ways of living and still remain competitive?

From a variety of perspectives, each book examines the way we live when we aren’t working and how this affects what we accomplish when we are. The first — *The Time Divide: Work, Family, and Gender Inequality* (Harvard University Press, 2004), by sociologists Jerry A. Jacobs and Kathleen Gerson — presents insightful, data-rich research on stress in the American workplace and how corporations contribute to it. The other three represent more personal approaches to the work–life conundrum. Journalist Carl Honoré’s *In Praise of Slowness: How a Worldwide Movement Is Challenging the Cult of Speed* (Harper San Francisco, 2004) looks at the

BEST BOOKS 05

pleasures that pass us by, and the unhealthy traps we fall into, when life is too hectic. Mary Lou Quinlan, author of *Time Off for Good Behavior: How Hardworking Women Can Take a Break and Change Their Lives* (Broadway Books, 2005), is a CEO who nearly burned out; her book focuses on the frustrations and aspirations of highly effective female professionals. *Creating the Good Life: Applying Aristotle's Wisdom to Find Meaning and Happiness* (Rodale, 2005), by organizational behavior expert James O'Toole, seeks answers in Aristotelian philosophy. As unlike as these books are, each leads to a common set of messages: Labor and leisure are symbiotic, happiness and productivity are linked, and workaholicism doesn't necessarily benefit the bottom line.

Redivide Time

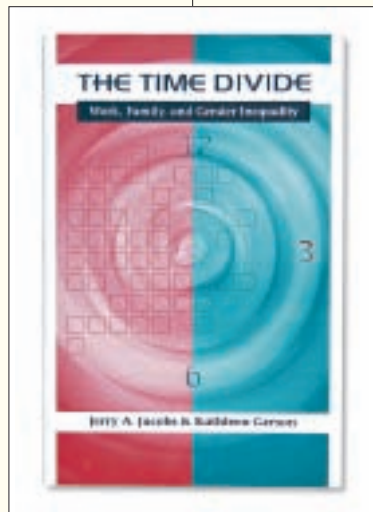
In *The Time Divide*, Jerry Jacobs and Kathleen Gerson, professors of sociology at the University of Pennsylvania and New York University, respectively, bust myths about time-deprived families and time-greedy workplaces, and add fresh analysis to the debate about the overworked American. Whereas most researchers measure how people *use* their time — by either asking them or observing them — this book studies how workers *feel* about their time commitments, and how the particular cultures and structures of their workplaces affect them.

Drawing heavily on analysis of the National Study of the Changing Workforce conducted in 1992 and 1997 by the New York-based research nonprofit Families and Work Institute, the authors reveal the frustration of highly paid knowledge workers who are experiencing a gap between their actual and ideal division of time for work, family, and self. The employees who feel the most time-deprived are dual-income couples and single parents in demanding corporate jobs — none of whom have the support at home of a nonworking partner. Surveys show both men and women believe work demands cause them to shortchange their families and themselves. Parents with children under 18 say they feel significantly more stress than people without children, and 40 percent of all parents say they feel stress from work-family conflicts.

Among the books reviewed here, this one is densest,

but it is worth the slog through the data and research methodologies to get to the authors' conclusions. For example, without using the label, the authors point the finger at "presenteeism" as a factor that undermines the goals of family-friendly programs. "As long as the culture of the workplace and the message from bosses and supervisors equate work commitment with overwork," they write, "workers face a 'damned if you do, damned if you don't' set of alternatives that exact considerable costs no matter what the choice." Corporations can counter this by making their own choice to recognize that increases in family time, downtime, and self-managed time lead to much higher levels of corporate productivity, commitment, and engagement. With such options as flexible hours and sabbaticals, people feel refreshed, renewed, and motivated to work.

Even though business leaders complain that the 35-hour workweek has made France less internationally competitive, Professors Jacobs and Gerson strongly advocate this change in the U.S. to lend support to working parents. It's not clear that a 35-hour workweek law would solve the problem, but even an open-minded debate on the subject — counterintuitive though it may seem to those who preach about the incessant pressure of global competition — would be a symbolic reminder of the importance of downtime to the productivity of a company and a nation.



Slowing Down

Carl Honoré's *In Praise of Slowness* was inspired by a personal quest to get a life. In the opening pages, the author recalls the joy he experienced on a "sun-bleached" afternoon in 1985 as a teenager on a summer tour of Europe. Waiting for a bus near the outskirts of Rome, he lies down on a bench and turns up his Sony Walkman to the sounds of Simon and Garfunkel, soaking up a simple scene that, he writes, is "engraved" on his memory: two small boys kicking a soccer ball around a medieval fountain, tree branches scraping against an old stone wall, an elderly widow carrying her vegetables home in a bag.

Mr. Honoré's epiphany came 15 years later, not far from that idyllic tableau. In 2000, he is a foreign correspondent for a Canadian newspaper racing through

Rome's Fiumicino Airport to catch a flight to London. "Instead of kickin' down the cobblestones and feelin' groovy," he recalls, he's resisting kicking anyone in his path as he runs with a cell phone at his ear to take the last place in line at the gate. "Standing in that lineup...I begin to grapple with the questions that lie at the heart of this book: Why are we always in such a rush?... Is it possible, and even desirable, to slow down?"

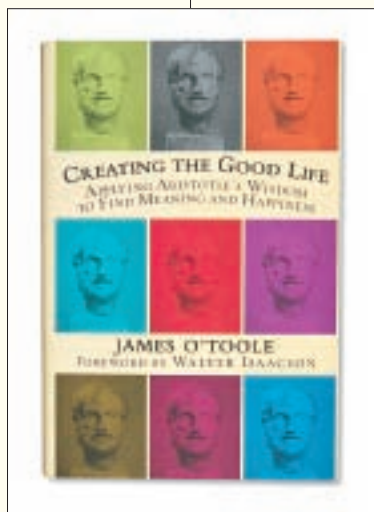
The answer is yes. A self-described reformed speedaholic, Mr. Honoré says that writing this book — which enabled him to learn about, and partake in, a variety of life's pleasures and pastimes — changed his life. In fact, he now counts himself among those people who in "their many and diverse acts of deceleration are cultivating the seeds of a global movement to slow down and live better."

The author's rendition of the history of timekeeping in Western culture is colorful and fun to read. He reminds us of the sixth-century Benedictine monks who created primitive clocks by ringing bells at intervals to move themselves from one task to the next. "From early on," writes Mr. Honoré, "telling time went hand in hand with telling people what to do." The Industrial Revolution, of course, kicked off the need for speed. "It's no accident," he writes, that the phrase "to make a fast buck" emerged in the early 19th century. In 1901, presidential physician John Girdner coined the term "Newyorkitis" to describe an illness whose symptoms included "edginess, quick movements, and impulsiveness." Recently, another American physician, Larry Dossey, has diagnosed "time sickness" — today's pervasive fear that "time is getting away, that there isn't enough of it, and that you must pedal faster and faster to keep up."

Although Americans are the first to be criticized for obsessive work habits, Mr. Honoré shows how time sickness has infected Europe (respondents to a recent survey in Britain said they would prefer working fewer hours to winning the lottery), and Asia, too. The Japanese have a word for the "work till you drop" culture, *karoshi*, which means "death by overwork." In 2001, the Japanese government reported a record 143 victims of *karoshi*.

Mr. Honoré is at his best

when telling stories about the people he met while writing the book, and relating his firsthand experiences with slowing down — from attending a mandatory driver-education class in the U.K. after being caught speeding to indulging in a workshop with his wife on tantric sex just because they had the time. His descriptions of Slow Food, a worldwide movement to encourage more family time and fine dining, are all worth savoring. And, in highlighting how people think more clearly and creatively, and respond under pressure better, when they take time to relax, Mr. Honoré shows how meditation is going mainstream. He describes Bill Ford, the CEO and chairman of Ford Motor Company, as a "committed meditator," and writes about a Chicago-based management consultant who tells him how getting into transcendental meditation has made him an "unflappable corporate warrior."



What Women Want

The 2004 survey by the Center for Work-Life Policy at Columbia University of 2,443 American women between the ages of 28 and 55 revealed that more than a third had stopped working for some period of time. Twenty-five percent had chosen flexible or reduced-hour options. Almost 60 percent described their careers as "non-linear." Twenty-four percent had left their jobs for childcare- and elder-care-related reasons.

Mary Lou Quinlan's *Time Off for Good Behavior* is about these women, for them, and for the corporations who employ them. Ms. Quinlan tells the stories of more than 40 women who, like her, are accomplished Type A personalities. Most are currently or were previously high-ranking executives, living and working in East Coast and West Coast cities for the most time-demanding U.S. corporations.

Ms. Quinlan, founder and CEO of the New York-based marketing company Just Ask a Woman, got to the happy place she is in life today by coming back from the brink of burnout. In 1994, at age 39, she was asked to be president of N.W. Ayer, the oldest advertising agency in the United States, and became CEO a year later. But while all was well on the work front, her personal life was falling apart.

She realized her problem two years into the top job,

after a taxi in which she was riding to an appointment was struck by an oncoming car. “The accident should have been scary enough,” she relates, but what really scared her was her behavior that day. Lying on an emergency room stretcher with two broken ribs, unable to breathe without aching, she went “ballistic” when her husband casually told her that an assistant had called the client to tell them she would not make it. “What do you mean, ‘She said I could not make it?’” Ms. Quinlan recalls exclaiming. “I *never* miss a client meeting.”

It wasn't until more than a year later, however, that a concerned friend suggested a sabbatical. When Ms. Quinlan finally took some time off, she had no particular plan in mind. “I sat there in the sunshine and asked myself, ‘What do I want to do today?’ I asked myself that every day for five weeks.” Her happiest moments during those five weeks were the “simplest ones,” she writes — eating breakfast in a neighborhood diner, taking Latin dancing lessons in a studio, ice skating in the middle of the afternoon for the fun of it. She saw a movie alone for the first time in years. She took a kickboxing class with her niece.

Time Off for Good Behavior offers a heavy dose of female honesty for those male-dominated corporations that want to know why their highest-performing women are leaving, and how they can get them to stay or come back. “Self-directed and company-endorsed time off is a new concept for companies and for women,” Ms. Quinlan says. Sometimes, however, there is nothing a company can do. Writes Ms. Quinlan: “A good friend of mine said that when it comes time to leave a job, it's not that you are wrong or that the company is wrong. For many years, your goals were aligned. But at some point, your paths diverge. You each move on as individual entities, glad for the time you had together.” Indeed, when Ms. Quinlan returned to her post at Ayer in New York, she knew immediately she did not want to continue as its CEO. Within a few weeks, she resigned to start the company that became Just Ask a Woman. By “a stroke of luck” (and no doubt because of her talent, as well), her boss, Roy Bostock, who was chairman of the MacManus Group, the global communications holding company that owned Ayer, saw her idea as a business opportunity and helped her fund it.

Consolation in Philosophy

James O'Toole is a highly regarded author of books on leadership and a longtime teacher and researcher at the University of Southern California's Center for Effective

Organizations and at the Aspen Institute. Yet he confesses in *Creating the Good Life* that he hit 55 feeling empty. “Like many of my generation, men and women born in the years immediately following WWII,” he writes, “I found myself in my fifties full of questions and doubts. I didn't feel I had accomplished enough in my first five decades, and wasn't sure how to make the best of the time remaining to me.”

Seeking guidance, he delved into Aristotle's insights on “planning a life,” and the result is an elegant, original book that anyone, but especially executives, could benefit from reading. It is my choice as the year's best book on work and life. “Happiness, in the Aristotelian view, demonstrates what good people *do*; it is the sum of the best activities of which human beings are capable,” explains Professor O'Toole. (For more on Aristotle, see “The Realist's Guide to Moral Purpose,” by Nikos Mourkogiannis, *s+b*, Winter 2005.) Some of the hottest ideas in economics and psychology today validate this thinking. For example, psychologist Mihaly Csikszentmihalyi describes how people experience “flow” or are “in the zone” when they're doing what they love to do. “I know I have been in the zone when I look at the clock and discover I have been at work for many hours,” writes Professor O'Toole, who says he experienced flow often while writing his book.

For Aristotle, ethical and moral decisions, in part, relate to how we allocate our limited time among the activities of earning, learning, playing, being with friends and family, and participating in our community. John Rogers, CEO of Ariel Capital, seeks the Aristotelian allocation among friends, family, sports, and community service. “Unlike many busy executives,” writes Professor O'Toole, “Mr. Rogers will drop everything in the middle of a workweek to travel out of town to compete in a 3-on-3 basketball tournament. When home in his native Chicago he serves on multiple boards of civic organizations.”

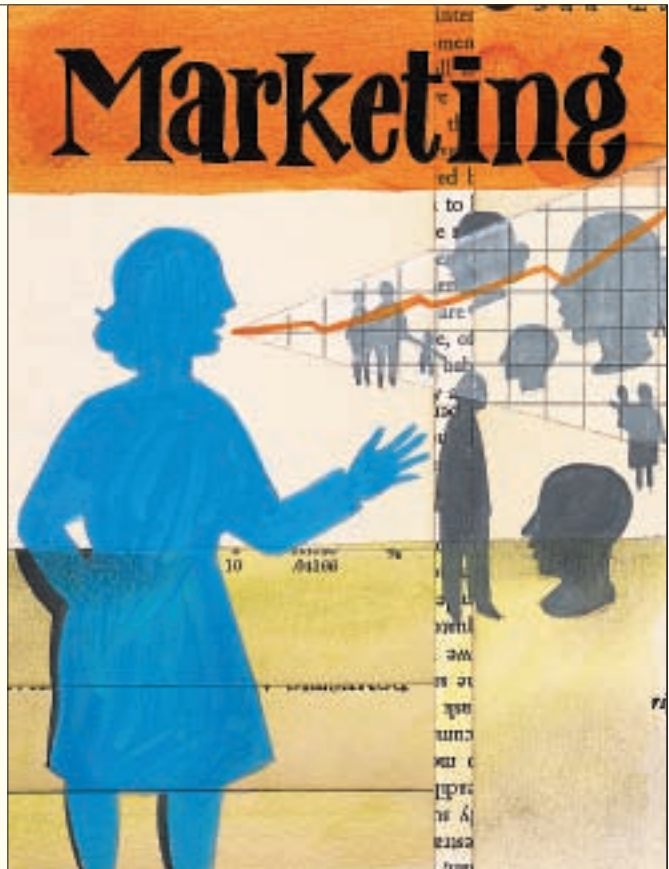
One of the most valuable pieces of managerial advice offered in *Creating the Good Life* has to do with Aristotle's discussion of what it means to be a “virtuous boss.” Nearly every professional at some time in his or her career, he notes, can positively affect the quality of life of subordinates or co-workers. Aristotle, Professor O'Toole finds, inspires questions that all managers should ask themselves, such as: “To what extent do I measure my own performance as a manager/leader both in terms of my effectiveness in realizing economic goals

and, equally, in terms of using my practical wisdom to create conditions under which my people can seek to fulfill their potential in the workplace?”

These books all argue that the ongoing struggle to lead a balanced life is getting harder. It's not just that competition is more intense in the workplace, it's that the modern workplace makes us feel its effects more intensely. But the more important message for corporations is that human-capital strategy can counter this trend only by seriously taking into account the effect of our mental, emotional, and physical state on our ability to achieve good results at work.

Some businesses will find ways to move beyond the focus on balance to help people integrate their work with their whole lives; most probably won't. Indeed, the companies that stick with machine-based models of efficiency and effectiveness will continue to push down their costs and push up their stock prices by driving their employees as hard as they can — at least in the short term. But given the connection between employee happiness and productivity, it seems unlikely that companies led and run by people stretched to the max will succeed in maximizing returns in the long run. Alternatively, companies can heed Aristotle's advice, as interpreted by Professor O'Toole. Like political leaders of ancient Greece, virtuous business leaders have a duty “to make ‘the good’ of the company commensurate with the good of its employees, in fact, to make the two mutually reinforcing.” +

Ann Graham (ann.graham@mac.com), a contributing editor to *strategy+business*, was this magazine's deputy editor from 2000 to 2005. She is currently the editorial director and a coauthor of a forthcoming book (with Peter Senge and others) that applies organizational learning and systems theories to the creation of sustainable businesses. The book will be published by Doubleday in 2007.



Storytelling, Stealth, AND THE Holy Grail OF Advertising

by Kenneth Roman

Brands fail for many reasons — bad products, bad research, bad pricing, bad distribution, bad advertising, bad strategy...and bad luck. But increasingly, brands also fail when they don't adjust to market changes and quickly become less relevant.

The concept of a brand was born in a simpler and slower era of mass marketing when the brand promise was clear-cut. Today's consumers face a sprawl of product options in the supermarket and elsewhere, from tar-

tar control, whitening, and breath-enhancement in the toothpaste aisle to pulp, no pulp, low acid, and vitamin enriched in the orange juice section. Marketing messages are delivered in ubiquitous, fragmented, and even interactive media. “We used to be one nation, undivided, under three networks, three car companies and two brands of toothpaste for all,” Stacy Schiff wrote in the *New York Times*. “Today we are the mass niche nation.”

It’s no surprise that consumers and marketers are a bit baffled by each other, nor that several new marketing books are attempting to unravel the mysteries of today’s customer. *All Marketers Are Liars: The Power of Telling Authentic Stories in a Low-Trust World*, by Seth Godin (Portfolio, 2005), and *Brand Hijack: Marketing without Marketing*, by Alex Wipperfurth (Portfolio, 2005), want to tell us how to sell brands to consumers who don’t trust them. A third, recent but not new, book, *How Customers Think: Essential Insights into the Mind of the Market*, by Gerald Zaltman (Harvard Business School Press, 2003), looks into the “mind of the market,” which the author describes as the “dynamic interplay between the consumers’ and marketers’ thoughts that determines the outcome of every buying decision.” Although each of these authors takes on one piece of the marketing puzzle, a fourth book — *ProfitBrand: How to Increase the Profitability, Accountability & Sustainability of Brands*, by Nick Wreden (Kogan Page, 2005) — takes the broadest, freshest, and most ambitious look at brands and branding, and it is my choice for this year’s best marketing book.

Truth and Trust

You can’t not pay attention to Seth Godin’s *All Marketers Are Liars*. A master marketer and multimedia promoter of his own work, Mr. Godin knows how to grab an audience. The cover of this book, which features a photo of the author wearing a Pinocchio-nose mask, makes him come across like a mischievous child. But he does a good job of developing, in a breezy writing style, the serious point made in the subtitle: *The Power of Telling Authentic Stories in a Low-Trust World*.

His premise is that successful marketers don’t talk directly about features or even benefits of products and services. They tell compelling stories that are then

shared and retold among consumers. “I believe,” writes Mr.

Godin, “that people tell themselves stories and work hard to make them true.” But he also says, “I call a story that a consumer believes a lie. I think that once people find a remarkable lie that will benefit them if it spreads, they selfishly tell the lie to others, embellishing it along the way.”

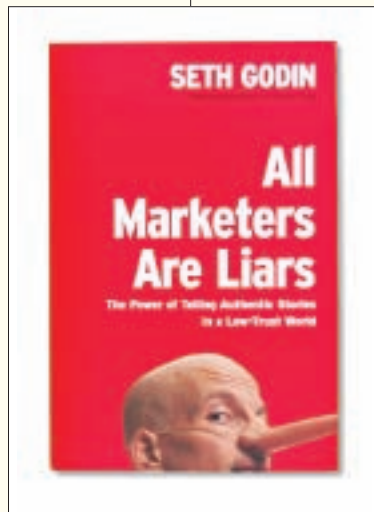
Georg Riedel, a maker of expensive wine glasses, is one example. Mr. Riedel believes there is a perfect (and different) shape of glass for every different type of wine. He has turned skeptical wine experts and writers into believers, and then — and this is the key — word-of-mouth marketers. Mr. Godin draws the reader into his thesis by noting tests showing that wine experts agree the same wine sipped from both an ordinary kitchen glass and the proper Riedel glass tastes better when it is in a Riedel. Then he drops the bomb: When the test is done scientifically, there is no difference in taste. Since taste is subjective, he concludes that marketing in the form of an expensive glass and the story that goes with it has more impact on the taste of wine than anything else. “Marketing, apparently, makes wine taste better,” he writes wryly.

Does the clever Mr. Godin ever go wrong in advising marketers how to tell their stories? Not too often.

But I would question his suggestion that they must tell a different story than a competitor. In most categories, the one benefit that is more meaningful than any other is what influences people ultimately to buy the product, and this benefit must be salient in the advertising. Procter & Gamble Company (P&G) is a master at positioning its brands on this high ground. It introduced White Cloud, a toilet tissue, as “the softest tissue in the world” at the same time its own Charmin had the leading position built on the promise that it is “squeezably soft.” And Mr. Godin proposes his own salient (if ironic) benefit for *All Marketers Are Liars*: “It’s a book about telling (and living) the truth.”

Targeting Cultures

Brand Hijack brings us into the world of stealth, guerilla, and cult marketing. Readers should be prepared for a good dose of jargon and breathless overstatement. Still,



there are good examples and tips on dealing with bloggers and other new media types, and creating brands that have traction in submarkets and subcultures.

Mr. Wipperfurth makes the case that marketers aren't in charge anymore. Consumers are. Although his observation is not new, his counsel to today's marketers is more interesting: "Facilitate your most influential and passionate consumers in translating your brand's message to a broader audience." Or, putting it more colorfully, "Let the market hijack your brand."

The major section on Red Bull, the trendy energy drink, is a case history of a brand that "offers up a vision that people can identify with, one that they want to involve themselves in more deeply." While routine brand management is concerned with volume and profit, hijacked brand management sacrifices volume and profit to get the right people deep into the experience. And whereas traditional brand management is inclusive (aiming for as many users as possible), the goal of brand hijacking is to make the brand feel more exclusive and therefore more alluring. The Red Bull brand creates an "air of exclusivity" for its youthful consumers by targeting bars, raves, and movie sets; limiting access to its branded merchandise (such as T-shirts and hats); and deliberately limiting distribution of the product when it first enters a market.

P&G's distribution of the teeth-whitening product Crest Whitestrips on the Web before it was available in retail stores is another example of hijacked brand management. This strategy allowed word-of-mouth to develop, which created a buzz. By the time of the product's official launch, the brand had 35 percent consumer awareness. P&G also pre-seeded the product concept by recruiting dentists to sell the whitening kits in their office, in addition to buying targeted advertising in health and beauty magazines and running a public relations campaign. The company also targeted specific subcultures. Through its Web site, P&G discovered that gay men, brides, teenage girls, and young Hispanics were Whitestrips' most ardent consumers. So it went after them at bridal shows and in gay neighborhoods with film festivals and pride parades.

Very un-P&G; very effective.

Mr. Wipperfurth calls

another emerging marketing concept the "Undercover Tribe," which he defines as "loose social groups bound together by common hobbies and value systems." Apple's iPod is his example of this brand tribe phenomenon, with the highly visible white earbuds making each user a recognizable member of the iPod club.

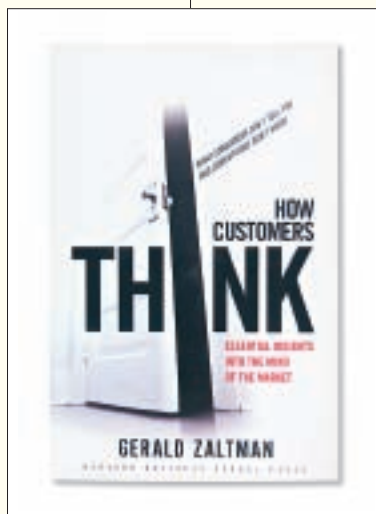
How does a marketer go about cult marketing? Mr. Wipperfurth would start with in-depth cultural analysis to uncover social insights. To get to the mass market, he suggests first seeding your idea with the target audience of early adopters. Once they've been seduced, you switch back to conventional marketing methods. Buzz gets the idea behind the brand into the culture, he says.

Deep Thoughts

Gerald Zaltman's *How Customers Think* promises to help readers avoid failure through a better understanding of how to gather more accurate consumer information and analyze it effectively. Like the other authors in this essay, he believes that today's customers are more skeptical about business (especially marketing) and less loyal to brands. But Professor Zaltman's main angle is to show that familiar market research methods are ineffective, and to suggest better ones.

Professor Zaltman is a Harvard Business School academic, and his book's dedication — to his doctoral students — is a tip-off to his writing style. Breezy it is not. But many of the points he makes are worth studying by marketers as well as academics. He notes that "despite the time and money spent on focus groups, surveys, questionnaires and even taste tests, 60 to 80 percent of all new products and services fail within six months." We have to dig deeper into the unconscious mind, says the author. He goes on to expose the difference between "espoused theory" (what people say they believe) and "theory-in-use" (the belief that underlies what people actually do). This is the reason "consumers say one thing to marketers and then do something completely different in the market." In other words, the idea that "consumers can readily explain their thinking and behavior" is a fallacy.

Professor Zaltman pins the blame for the perpetuation of marketing fallacies on the "80 percent of market research that serves mainly to reinforce existing conclu-



sions, not to test or develop new possibilities.” His point that marketers continue to misuse surveys and focus groups is right on the money. We have long known that data and understanding are not the same, and that a deeper understanding of consumers enables marketers to find insights that can be used in advertising.

The author lobbies for marketers to engage in “skillful listening,” especially in terms of meeting latent consumer needs. For example, he says marketers tend to think of consumers’ brains as cameras — “mechanical devices that take ‘pictures’ in the form of memories.” Marketers also assume those pictures accurately capture what the person saw. But people’s memories are far more creative and malleable, he says. Memories can change — and be changed — without a person being aware.

And his argument that people don’t generally think in words, and that words don’t provide the whole picture of what people are thinking, is well taken. Sometimes, however, the author is off-base. For instance, he accuses market researchers of asking consumers what they like (or dislike) about an ad, and what they remember about it. Wrong, wrong, wrong. Marketers have long been taught *never* to ask about the advertisement. Always ask about the *product*. Only the most discredited research begins by asking consumers to be advertising experts.

The Holy Grail

Nick Wreden’s *ProfitBrand* tackles the oldest and most intractable marketing question: accountability. How do we know it is working? He calls for “quantifiable benchmarks” of return on investment and profitability. “Without profitability, ultimately there is no brand, no matter how great the buzz or creative image.”

Mr. Wreden takes ambitious steps in explaining the significance of “sustainability” in customer relationships and the value of measuring marketing spending to establish accountability and profitability. “Sustainability is critical, since by some estimates 80–95 per cent of products fail to become brands,” he writes. “Sustainability is also important because more than two-thirds of purchases are one-off buys. Only a brand focused on sustainability will take the steps that lead to second, third

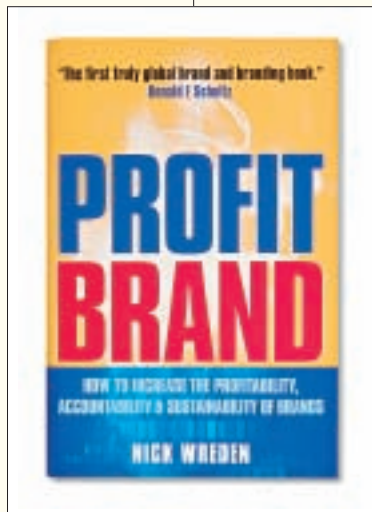
or even a lifetime of purchases.”

ProfitBrand amplifies this concept, known in direct-marketing circles as the “true value of a brand”: “A brand is not built by acquiring customers; it is built by keeping them,” he writes. “Most competitive product advantages can be duplicated. The one advantage that cannot be duplicated is customer relationships.” Branding strategies that aim to make a company No. 1 in the market, for example, are doomed to failure, Mr. Wreden argues. That’s because brand sustainability can be achieved only on the basis of relationships formed on customer terms, not company terms.

One example of a company doing business on customer terms is Intuit, which has remained the leader in tax preparation software despite efforts by larger companies to dethrone it. The author recounts how Intuit reacted to a bug in its flagship tax program, TurboTax, that affected less than 1 percent of customers. It offered a new copy to any customer who requested it. No proof of purchase was required, however, and Intuit offered to pay any extra taxes and penalties that resulted from the bug. Contrast Intuit’s response with the way Intel acted when flaws in its new Pentium chip were exposed in 1994 (which also affected only a tiny percentage of users). Intel first tried to ignore the problem, and then downplayed it. The company agreed to replace the defective chips only after months of criticism and ridicule that damaged both its reputation and its stock price.

On measurement, the book takes the reader through charts on how to view profitability by customer, and how to think of marketing investments to attract and retain profitable customers. It provides step-by-step guidelines on collecting data, consolidating data, and tracking customer retention. It even suggests compensation strategies that reflect the importance of retention. This is a book that runs the numbers but also recognizes the difficulty of data capture, and offers tactics to overcome obstacles.

Whether all this works remains to be seen, but Mr. Wreden’s book is a landmark attempt to answer the right question at the right time. *ProfitBrand* is also well written and well organized, with useful “take-aways” at the end of each chapter.



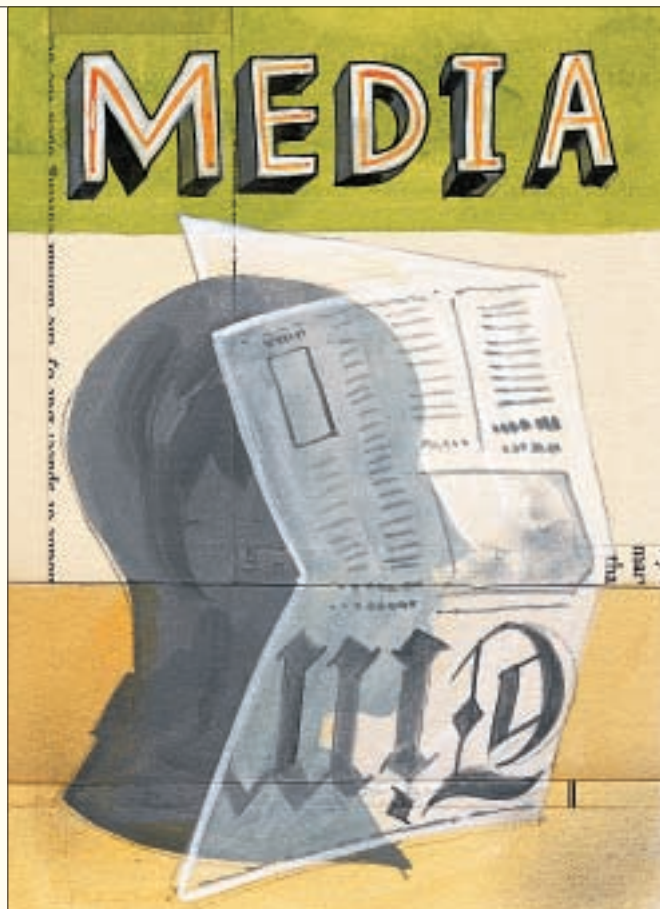
Like the other three books reviewed here, *Profit-Brand* recognizes changes in the marketing game. But Mr. Wreden's view of change is more macro than the others. The author traces several distinct periods in the evolution of consumerism from the "mass economy" (the 1920s to the mid-1990s) to the "customer economy" (the mid-1990s to the present) to the emerging "demand economy," as he terms it.

"The demand economy will give customers the tools and choices needed to demand immediate, personalized fulfillment," he writes, "every minute of every hour of every day." One of his examples is the ongoing development of scanning technology that will allow instant ordering from ads, coupons, and even street posters in the future. The good news for marketers is that new data flows and new technology make measuring returns on marketing investment more achievable than ever.

Although availability and accessibility were the market door openers in the customer economy, the bar for value creation gets higher in the demand economy because of the customer's need for immediacy: Success in the demand economy requires integrated supply chains delivering tailored solutions to customers whenever and wherever they want, increased accessibility through multiple media channels, and build-to-order personalization.

All four books observe and examine emerging truths that may well endure in our new marketing world. But the ultimate truth is that it always pays to learn from the marketplace. Anyone who has been in business any length of time knows that you learn the most from your failures, not your successes. As Harold Geneen, who built ITT in another era, noted philosophically: "It's an immutable law of business that words are words, promises are promises, but only performance is reality." +

Kenneth Roman (ken.roman@verizon.net) is a former chairman and CEO of Ogilvy & Mather Worldwide, and has served on a number of boards of directors. He is coauthor of *How to Advertise* (St. Martin's Press, 2003) and *Writing That Works* (HarperCollins/Quill, 2002).



Debacle ON 43rd Street

by **Everette E. Dennis**

T

he front page of the *New York Times* on Sunday, May 11, 2003, stands alone in the history of journalism. It will not be remembered for a declaration of war, a stock market crash, or a revelation about governmental skullduggery, but instead for a grotesque 14,000-word apology. Beginning on page 1 and continuing on more than four full inside pages without advertising, the newspaper painfully explained how a deceitful, inexperienced *Times* reporter named Jayson Blair had fabricated and plagiarized news stories for months without detection. The article — by an internal task force of top editors — was a remarkable exercise in damage control, reporting, and correcting Mr. Blair's major deceptions.

Nonetheless, it provoked blistering attacks from across the media landscape in scores of articles, reports, and books, shaking the foundations of the 152-year-old newspaper and its parent (the nation's 18th largest media company by revenue), and leading to the forced resignations of its two top editors — something rare in American journalism.

For all that, both the *Times* and its critics said remarkably little about *why* the fiasco had occurred. The firestorm at the *Times* — though naturally viewed through a media-centric lens by media commentators — masked a more pervasive and ultimately more important story about the internal workings and the evolving business model of the world's most important and influential newspaper organization. Family-run, highly reputable, professionally accountable, and influential, the New York Times Company, of which the newspaper is an integral part, is being forced to cope with the same strains and pressures facing other media corporations as they seek to maintain and extend their brands in an increasingly global, digital marketplace populated by aggressive conglomerates. The Blair affair, clearly a devastating blow to the *Times* and media industries generally, is a wake-up call for more thoughtful, orderly, and visionary leadership in organizations that are by nature resistant to change.

Magazine journalist and media critic Seth Mnookin captures the drama and significance of the Jayson Blair story and its aftermath in *Hard News: The Scandals at The New York Times and Their Meaning for American Media* (Random House, 2004). *Hard News* is a gripping narrative, a rare inside look at this otherwise cloistered media company, and my choice as the year's best media business book. Mr. Mnookin casts Howell Raines, named in 2001 as the *Times*'s executive editor (the top editorial position), as chief villain. Confident, caustic, and polarizing, Mr. Raines created the newsroom culture in which Jayson Blair flourished, even in the face of repeated warnings from more cautious and less credulous colleagues. But the story also reflects badly on his boss, publisher and company chairman Arthur Sulzberger Jr. (scion of the newspaper's founders).

The *Times* has long intrigued management experts.

It is the flagship of a diversified media company, more heavily staffed than many of its competitors, yet known for producing excellent content while generally yielding respectable profits. The company is publicly traded, but in effect under the hereditary control of its influential ruling family, the Sulzbergers. The idea that this successful, prestigious, old-fashioned enterprise might not sustain itself — at a time when other media get rich returns by dumbing down their content — worries its owners and others in media industries, as well as many of the newspaper's readers.

Decades earlier, similar kinds of concerns caused Arthur Sulzberger Sr. (the current publisher's father and predecessor) to invite management guru Chris Argyris to study the paper's organizational culture and operations. The result was a seminal, classic book: *Behind the*

Front Page: Organizational Renewal in Metropolitan Newspapers (Jossey-Bass, 1974), which masked the identity of the *Times* as the *Daily Planet*. Mr. Argyris found an organization that was badly managed and rife with organizational pathologies — secrecy in decision making, win-lose dynamics, withholding of information, high competition, low trust, and unwillingness among managers to speak openly or collaborate with one another.

Mr. Argyris went well beyond his assignment — even producing recommendations for restructuring.

He hoped to inspire media firms to become both self-examining and self-regulating, but there is little evidence that his damning diagnosis was ever acted upon — especially at the *Times*. Three decades later, the paper, even with different personnel, still exhibited many of the dysfunctional patterns he had identified. By the time the younger Sulzberger and Mr. Raines got together in 2001, little about the newspaper's flawed fundamental culture had changed.

One reason for the organization's inertia is that the management and staff — who see the *New York Times* as the gold standard of American journalism — have rarely brooked criticism. In the 1970s, for example, when the independent, privately organized National News Council was set up as a conduit for public and private feedback, the *Times* alone among the national



media refused to cooperate with it. Within a decade, the council died. Similarly, as other news media appointed ombudsmen and public editors to handle reader and institutional complaints, the *Times* again demurred.

Another reason is that *Times* managers and editors have not, by and large, been innovators. Although some earlier studies of the *Times* emphasized its distinctive character and leadership role among U.S. media, few have hailed its management performance. The reason, once again, is hubris: People associated with the *Times* regard themselves as unique, standing on the commanding heights of American journalism with little to learn from others. Irreverent critics, however, have scored the *Times* for being sluggish in adapting to a changing newspaper market. For example, the paper was years behind others in creating special content sections and adopting color printing and other technical improvements. Even its much admired and celebrated content, often criticized for its liberal, metropolitan orientation, has until recently hewed to predictable formats and traditional newsgathering practices.

To understand the distinctive aspects of the paper as well as its role as an agenda setter for information — if not for style and presentation — there is benefit in reviewing earlier accounts by insiders (publishers, editors, and even some reporters) as well as more impartial outside assessments. The best of these are Gay Talese’s *The Kingdom and the Power* (Ivy Books, 1969) and Susan E. Tifft and Alex S. Jones’s *The Trust: The Private and Powerful Family Behind The New York Times* (Little Brown, 1999). Both confirm the slow-to-change nature of the newspaper famously known as “the Gray Lady,” especially in its corporate culture, leadership imperatives, and management style. Gay Talese explains how the paper became America’s preeminent news provider while playing a vital role in American life. Ms. Tifft and Mr. Jones remind us that the company is still led by America’s ruling journalistic family, the Sulzbergers, descendants of Adolph Ochs, who bought the then-failing *Times* in 1896 and made it a great newspaper. Their control is guaranteed by ownership of the firm’s entire Class B stock (all 850,000 shares) and 15 percent of its Class A stock (22.5 million of its 150 million shares). No elite station in American life has greater continuity than that of the publisher of the *New York Times*. Presidents of the U.S. come and go, *Times* publishers linger on. More recently, media critic Ken Auletta of the

New Yorker tracked management issues at the *Times* and Howell

Raines’s rise to power in *Backstory: Inside the Business of News* (Penguin Books, 2003). Mr. Auletta, like Mr. Mnookin, is critical of Mr. Raines’s abrasive and autocratic management style. Although Mr. Raines himself declined to be interviewed for *Hard News*, his voice was heard in a rambling, defensive jeremiad in the *Atlantic Monthly* in May 2004, about a year after his departure. There he complained about “attitudes of entitlement and smug complacency that pervade the paper.”

Arthur Sulzberger Jr. needed little coaxing in exploring a strategy for change for the *New York Times* when he became publisher in 1992. He had already worked at the newspaper in a variety of positions for 14 years and was widely considered the heir apparent. While he always viewed himself as a guardian of the newspaper’s high-minded values, Mr. Sulzberger also longed for recognition as a dynamic, innovative chief executive, capable of leading and managing change. From the early 1990s, even before Mr. Raines became his “chief content officer,” he saw himself as a change agent pushing reform, renewal, and reinvention. He brought in management experts, including the famed W. Edwards Deming, for weekend retreats with key staffers. Although such moves exposed him to ridicule among journalists who scorn the notion of “MBAs in the newsroom,” they also showed that he recognized that the *Times*’s strategy, content, and style must impress investors, expand ad revenue, and inspire management and staff. It is a pressured role — that of a hereditary leader whose longevity in office is not necessarily a lifetime guarantee.

Mr. Mnookin’s account, drawing on scores of interviews, explains how Mr. Sulzberger eventually — and, in retrospect, unfortunately — settled on Mr. Raines, himself brash and combative, who had spent more than a decade in the *Times*’s cloistered editorial page offices, distant from daily news decisions. Mr. Raines courted his boss through flattery and promises to produce content that would strengthen the bottom line. But, tellingly, he seems to have lacked both Mr. Sulzberger’s sensitivities and his interest in organization. Critical of some of the paper’s most honored (he would say “pampered”) staff, and poised to make waves, Mr. Raines took command on September 5, 2001, six days before the terrorist attacks. The summer before, he had called on and summoned top editors and reporters, letting them know they could expect changes — some of them bound to be unsettling.

Whatever problems Mr. Raines might have faced

with such a threatening approach were postponed as the staff mobilized to cover September 11 and its aftermath. When the paper won an unprecedented number of Pulitzer prizes the following spring, he was designated “Editor of the Year” by the National Press Foundation. He was less than gracious in victory, boasting that if not for him, this once “uninspired” staff could not have achieved so much. Such remarks hardly ingratiated him with those who would eventually cast a de facto no-confidence vote.

As the Blair scandal unfolded, the paper took a tremendous battering from an enormous range of constituencies — from sharp-tongued authors of Weblogs to well-known media leaders. Truly, a blow to the *Times’s* reputation and credibility had been sustained, and extended mea culpas and cosmetic changes would not be enough to satisfy critics within and outside the paper. The demand for Mr. Raines’s head — coming both from outside critics and from influential staffers to whom Mr. Sulzberger listened — won the day. Under

however, no clear standard for editorial responsibility (another *USA Today* transgressor in 2005 was fired, but his editors were spared).

With the Jayson Blair affair, the *Times* finally succumbed to criticism and appointed an internal review committee, with outside members, charged with investigating the scandal and its implications for management. This yielded the *Siegal Committee Report*, named for Timesman Allan Siegal, an assistant managing editor and guardian of the paper’s accuracy and style (available at www.nytco.com/pdf/siegal-report050205.pdf). The investigation identified systemic problems in the tracking and processing of content and recommended a public editor (subsequently appointed) and other internal controls. The report sought to ensure accountability to the public, opportunities for the staff, and improvements in newsroom organization and performance management as well as overall communication. And, importantly, the Siegal report dismissed the “bad apple”

Google could become a more important competitor to the *New York Times* than other newspapers, magazines, or television.

pressure, both Mr. Raines and his managing editor, Gerald Boyd, resigned. Mr. Sulzberger kept his job, but had to ward off unhappiness on the corporate board, which has other options within the family and senior management should the present heir prove unequal to the tasks of the future.

The *Times’s* harsh treatment of its newsroom leaders has written new rules for media management and accountability. In previous instances, including the *Washington Post’s* forfeit of a Pulitzer Prize over a fabricated story in 1981, the *Wall Street Journal’s* embarrassment when a columnist went to jail for leaking stock tips, and the outrageous serial fabrications of Stephen Glass of the *New Republic* (the subject of a film, *Shattered Glass*), no editor had been fired. But in the wake of the Jayson Blair scandal and the *Times’s* reaction, a case of fakery by a reporter at *USA Today* brought down its top editor. In 2004, when CBS’s *60 Minutes* overreached with faked documents regarding President Bush’s National Guard service, two high-ranking producers were sacked and anchor Dan Rather was effectively forced into early retirement. There is still,

theory that Mr. Blair alone was accountable for the debacle. Some critics think the procedural recommendations of the Siegal report clearly did not go far enough in the direction of organizational overhaul. Still, in this change-resisting organization, it was a dramatic start.

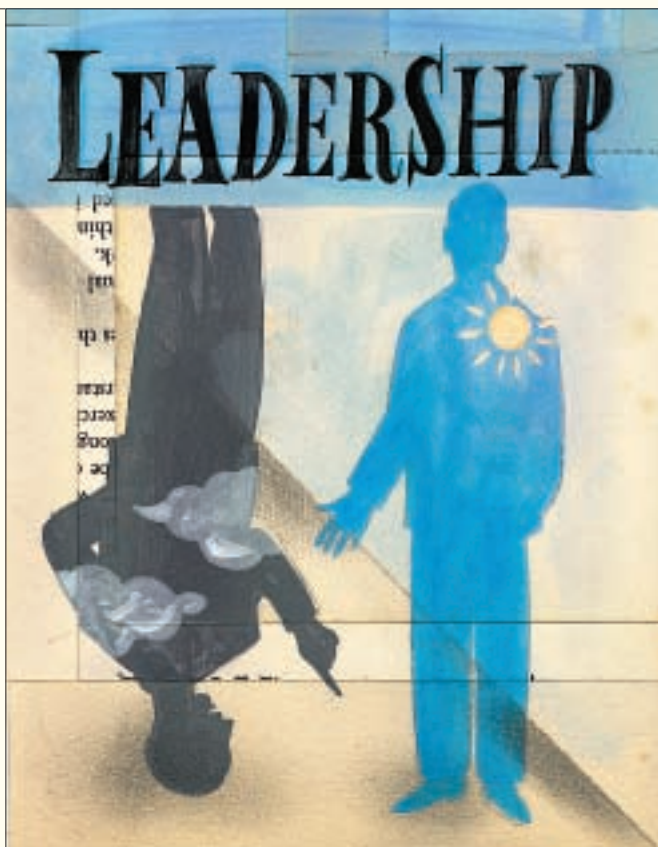
The larger question raised by the travails of the *Times*, despite its overall success and its position as the foremost American newspaper, is whether it is a leadership or management model relevant to other newspapers and media organizations. Publisher Mr. Sulzberger, from the early 1990s, wanted to improve the paper, ultimately transforming it from “solely a newspaper... to a multi-media content provider,” Mr. Mnookin says. Indeed, Mr. Sulzberger frequently proclaims he is “agnostic about the platform,” with the emergence of new technologies and channels as a survival strategy. The search engine Google, for example — free from the stranglehold of journalistic traditions — could eventually become a more important competitor for the *Times* and other newspapers than such legacy media as magazines, television, and cable.

This scenario is graphically depicted in an eight-

minute “Flash movie” making the rounds on the Web in 2005, titled “EPIC 2014” (www.robinsloan.com/epic). It predicts a future in which “Googlezon” (the result of a merger between Google and Amazon) has triumphed with an omnipresent, Web-based news service, and in which the *New York Times* has become a print-only newsletter for “the elite and the elderly.”

Whereas the *business-side* leadership of the media long ago accepted managers with analytic and strategic capacities, the *content side* has lagged well behind, resisting organizational reforms as dollar-driven intrusions inconsistent with its editorial values. From the early recommendations of Chris Argyris to the present, no one has proposed a truly seamless, unified management structure that takes into account the very real possibilities for corruption on both sides of the media house. Both need a new regime with the capacity to accommodate the radical changes of the digital age, in which everyone can be an editor and reporter and in which generating revenues for high-caliber professional content will require more cooperation and collaboration than ever before. The ultimate survival of the *New York Times* and other editorial enterprises is clearly at stake — and it is theirs to lose if the paradigm does not change, and soon. Other enterprises can and likely will take their places. +

Everette E. Dennis (dennis@fordham.edu) is Felix E. Larkin Distinguished Professor of Media and Entertainment Industries at Fordham University’s Graduate School of Business in New York City, director of Fordham’s Center for Communication, and author of several books about media industries.



Monsters AND Diplomats

by James O'Toole

Leadership books keep rolling off the presses as if their authors had something new to say. Amazon.com currently lists some 16,175 leadership titles. That figure *can't* be right: A significant new theory of leadership hasn't been advanced in years, and there are few serious research findings to report. Yet authors keep churning out books.

Things haven't always been so. In fact, not until the 1980s was there an identifiable leadership niche in the business book industry. Since then, as the genre has grown exponentially with every passing year, authors have had to stretch further for themes and subjects. And every year your faithful correspondent for *strategy+business's* annual “Best Business Books” issue has had to look further afield for interesting books to review. This

year's crop takes us as far away as South Africa in the 19th century, with stops in contemporary Washington, D.C., New York City, and 1970s New Orleans.

Drilling into Clay

The common denominator of Michael Lewis's popular business-related books is the author's remarkable facility to make his real-life characters appear ridiculous. Hence, I approached Mr. Lewis's latest effort, *Coach: Lessons on the Game of Life* (W.W. Norton, 2005), with expectations of a healthy dose of his patented cynicism. Instead, I found a small serving of treacle.

Small is an understatement: This tiny book is only 90 pages; 25 are given over to photographs, of which only two are directly related to the text. Needless to say, the book is a fast read! But the most remarkable thing isn't the publisher's chutzpah in charging nearly 13 bucks for a padded work that isn't long enough to qualify as a feature article in the *New Yorker*. What truly amazes is that the author of the techie *New New Thing: A Silicon Valley Story* (Norton, 2000) could have written a book with such old messages.

The coach in question is one Billy Fitzgerald, Mr. Lewis's baseball coach at the private high school in New Orleans he attended some 35 years ago. Still on the job, Coach Fitz is a walking stereotype of a kind seldom found today: the tough Marine drill sergeant with a heart of gold. Old Coach Fitz loves his team to death, hollering at them, belittling them, throwing furniture, making them practice sliding into third base on a surface so hard it leaves them bloody and bruised — all in the name of “making them men.” This coach is an old-fashioned character builder: He is out to instill discipline in the unformed clay of youth.

When the young Mr. Lewis is on the pitcher's mound attempting to get a batter out, Coach Fitz taunts him from the dugout about his recent “sissy” skiing vacation. Mr. Lewis reports that the razzing causes him to lose concentration, and, subsequently, he takes a sharply hit ball on the nose, breaking his beak in five places: “Grim as it sounds, I don't believe I had ever been happier in my adolescent life.” Why? “Immediately, I had a new taste for staying after baseball practice, for extra work. I became, in truth, something of a zealot,

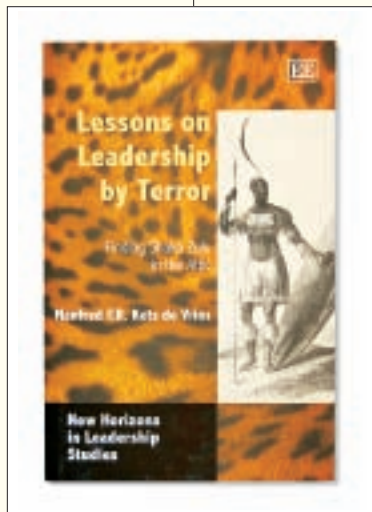
and it didn't take long to figure out how much better my life could be if I applied this new zeal acquired on a baseball field to the rest of it.” Mr. Lewis implies that if Coach Fitz hadn't terrified the crap out of him, he might still, in his 40s, be behaving like a feckless teenager.

Coach Fitz's message, the author reminds us, isn't about baseball or even about winning. “He was teaching us something far more important: how to cope with the two greatest enemies of a well-lived life, fear and failure.” It doesn't occur to Mr. Lewis that it is far from self-evident that those are, in fact, the two greatest enemies of a well-lived life (what about arrogance, dishonesty, cruelty, the inability to love?). Nor does he seem aware that there are other ways of “getting [discipline] into adolescent heads” besides hurling furniture. He doesn't consider the possibility that a young man raised on verbal abuse might one day end up being an abusive leader himself (or, say, an author whose modus operandi is to mock people). I could go on, but my commentary is getting longer than the book.

Lessons from Zululand

Coach Fitz turns out to be a piker compared to Shaka Zulu, the subject of Manfred F.R. Kets de Vries's *Lessons on Leadership by Terror: Finding Shaka Zulu in the Attic* (Edward Elgar, 2004), a psycho-historical analysis of one of the world's cruelest despots. Between 1816 and 1827, Shaka united hundreds of loosely related clans spread over 1 million square miles in Southeast Africa into a centralized kingdom of more than 500,000 people, all subservient to his whim. He created the Sparta of Africa, a mighty nation with a standing army that may have numbered 100,000 fierce warriors armed with a weapon of mass destruction, the *assegai*, a spear with an 18-inch blade. It was a mistake to resist Shaka's forces: After they had slain all the men in an opposing village, for good measure his warriors would impale the women and children on stakes.

Shaka was a bit paranoid. On the basis of how people looked at him (or how they smelled), he killed thousands of his loyal subjects: “He routinely made life-and-death decisions while taking his morning bath.” According to a contemporary report, when one of



Shaka's favorite wives presented him with a son, "The monster took the child by the feet, and with one blow dashed his brains out upon the stones; the mother, at the same moment, was thrust through with an *assegai*." The guy was a holy terror.

Dr. Kets de Vries, a clinical professor of leadership development at INSEAD in Fontainebleau, France, who holds a doctorate in management and is a psychiatrist, places Shaka on the couch, analyzing his "inner theatre" from a safe distance of some 200 years, across cultures, and without a single direct quote or written word from the analysand himself. It turns out Shaka had an absent father, an overbearing mother, and a childhood filled with humiliation. Well, no wonder! Hence, Dr. Kets de Vries's diagnosis: Shaka had an advanced case of "psychopathology Rex," characterized by "reactive narcissism" (the worst kind), megalomania, a Monte Cristo complex (insatiable desire for revenge), egotism, and "deep-seated feelings of inferiority."

One might wonder why an executive should care about all this. But here's where it gets interesting: Dr. Kets de Vries tells us that "studies of human behavior indicate that the disposition to violence exists in all of us; *everyone has a Shaka Zulu in the attic*." If so, you won't catch me going up there. The author says his purpose in telling the tale of Shaka is not to give readers historical enlightenment but, instead, to help them learn more "about people who engage in ruthlessly abrasive behavior in the workplace." To that end, he describes his INSEAD leadership seminar designed "to make the senior executives who participate aware of how their behavior and actions affect others." In the book, he attempts to draw business "lessons in leadership" on the basis of Shaka's nasty behavior. Unfortunately, the links he draws between Shaka's behavior and those lessons ("Promote Entrepreneurship," "Set a Good Example") are tenuous at best. For that we should give thanks. After all, there are few murderous despots in corporate leadership today. The problem, in fact, is that there are too many petty tyrants in the mold of Coach Fitz. But Dr. Kets de Vries doesn't bother with such small potatoes.

Although you won't learn much about business leadership reading this book, you will definitely pick up some neat anthropological tidbits to share over cocktails: Did you know that every Zulu king once was served by "a royal anus-wiper, whose duty it was to hide the royal stool so that evildoers could not take possession of it"?

Now, *that's* an executive perk worth writing home about.

The Anti-Shaka

Dennis W. Bakke, cofounder of the energy giant AES Corporation and CEO from 1994 to 2002, has written the most fascinating, if not the downright strangest, leadership book I've ever read: *Joy at Work: A Revolutionary Approach to Fun on the Job* (PVG, 2005). It is a good thing that CEOs are grossly overpaid. Otherwise Mr. Bakke might not have been able to afford to put out this self-published book. Vanity presses were never like this, with full-page ads in national publications, free books for b-school profs, an accompanying audiobook and related DVDs, and a heavily promoted national book tour. All told, he must have spent a bloody mint on the project. But why?

The book's first 204 pages are, if not a joy, an impressively well-formulated compendium of just about the sanest and sagest managerial advice you will find sandwiched between covers. He echoes — sometimes unconsciously repeats — insights from the most thoughtful books written by people-oriented CEOs: Imagine the best of Bob Townsend, Max DePree, Jan Carlzon, and Jack Stack, along with a judicious admixture of guru-grounded wisdom à la Douglas McGregor, Abraham Maslow, Tom Peters, and Bob Waterman (the latter served on AES's board). When it comes to treating people right, what Mr. Bakke says and does is textbook perfect. He is the anti-Shaka.

Importantly, to Mr. Bakke, creating joy at work doesn't mean providing workers with beer and skittles. Instead, it "gives people the freedom to use their talents and skills for the benefit of society, without being crushed or controlled by autocratic supervisors or staff offices." To accomplish that at AES, he tossed out organization charts, job descriptions, and the HR department, and gave every worker the authority and opportunity to learn, grow, and make a difference to the company's performance. He put nearly all of AES's 35,000 workers on a salary, organized them into self-managing teams of 15 to 20 members, gave them access to "insider" financial data, and left them free to find ways to improve the organization's effectiveness. He then carefully measured their performance, held them accountable, and rewarded them on the basis of their contribution. In doing so, he took direct aim at the country's corporate Coach Fitzes, making a convincing case that if you treat people like adults, they will act like adults.

Alas, reading the book is not an unalloyed pleasure. We get much too much about the author's wonderful

parents, brilliant wife, and beautiful children. He offers too many cloying little stories and homilies. He is a first-class name-dropper (and may have set a record for the largest number of celebrity blurbs). There is excessive self-congratulation, overuse of the first-person personal pronoun, and a smug sense of certainty. He wears his religious virtue on his sleeve, and goes on and on about everything he believes, work related or not. All of this seems unnecessary. Why ruin a great story with overkill?

Then, in chapter nine, we find the solution to the mystery of why Mr. Bakke has written this book in this way, and promoted it so aggressively with his own money. Here we learn that AES's share price, which hit its high of \$70 in 2000, fell below \$5 less than two years later. Apparently the board lost confidence in him shortly thereafter and — well, you know how these things go — he “resigned” as CEO. It now becomes clear that the book is Mr. Bakke's *apologia*, his justification of his actions. There is no joy in this chapter. Indeed, here we see another side of the author, defensive and scrambling to explain himself. It is all very complicated, and clearly there are at least two credible sides to the story.

The chapter is dramatic, informative, and, ultimately, sad — because the reader knows, as Mr. Bakke himself must know, that no matter how many good things he did, his record will always be tarnished by the financial mess that ended his watch. Without doubt, he was an impressive manager of people, one of the best in America during the 1990s, when few leaders cared to demonstrate ethical concern for their employees. But he also was an unfortunate — perhaps incompetent — strategist, and even being the greatest people manager won't compensate for that when the bills come due.

The Old-Fashioned Way

John C. Whitehead's *A Life in Leadership: From D-Day to Ground Zero: An Autobiography* (Basic Books, 2005) is the memoir of the chairman of the Lower Manhattan Development Corporation, the agency charged with resurrecting the devastated 16 acres where the World Trade Center once stood. Even at age 80, Mr. Whitehead appears to have the right credentials for that tough political job: navy service at Omaha Beach, success as co-CEO of Goldman Sachs, experience as No. 2 in the State Department during Ronald Reagan's face-off with the Soviet Union, and membership on the board of just about every civic and philanthropic organization that counts in the Social Register. The guy has a resume, and a Rolodex, to die for.

What he doesn't have is a track record of visionary leadership, if the ability to enlist reluctant followers in fundamental change is the hallmark of such. Instead of using fanfare or bravery, Mr. Whitehead succeeded the old-fashioned way: diplomatically. As he reports it, everything he has said and done over his entire career is politic, courteous, and nonoffensive. He is a patient, kind, and thoughtful listener, even when being berated by a first-rate Wall Street egotist, a second-rate Marxist despot, or a third-rate American politician.

His reminiscences are discreet: If he kissed, he doesn't tell. But just when you are becoming exasperated, wishing he would say something shocking or report that he once did something dramatic, you suddenly realize you both like and respect the author for who he is. In fact, he is one of the last of that breed of moderate Republicans — folks with solid Midwest values, Ivy League educations, and a sense of responsibility to the big cities where they worked — who ran our largest corporations from the end of World War II through the Ford administration. The likes of John Whitehead worked diligently to keep the country they loved on an even keel, offering workers secure jobs with good benefits, giving generously to charitable causes, and serving in positions of civic and public leadership. Without boasting, he describes this brand of “quiet leadership” in the last, and best, chapter of the book. I commend this book, especially to young, aspiring leaders, if only to remind them that in this country there once was a brand of leadership that was thoughtful rather than brash, persuasive rather than belligerent, encompassing rather than divisive, and idealistic rather than ideological.

Authors being authors, and publishers being publishers, we can expect yet another round of scribbling about leadership next year, whether or not there is anything new or useful to say on the topic. As a repeat offender myself in this regard, I'm the last one to be critical of my fellow authors. Instead, the responsible thing for me to do here in conclusion is to give them some guidance by identifying the next important leadership subject deserving of a new book. But, then, if I knew that, I'd write it myself. +

James O'Toole (jim@jamesotoole.com) is research professor at the Center for Effective Organizations at the University of Southern California. His research and writings have been in the areas of philosophy, corporate culture, and leadership. He has written 14 books; the latest is *Creating the Good Life: Applying Aristotle's Wisdom to Find Meaning and Happiness* (Rodale Press, 2005).

WORK AND LIFE

Creating the Good Life: Applying Aristotle's Wisdom to Find Meaning and Happiness, by James O'Toole (Rodale, 2005)

In Praise of Slowness: How a Worldwide Movement Is Challenging the Cult of Speed, by Carl Honoré (Harper San Francisco, 2004)

The Time Divide: Work, Family, and Gender Inequality, by Jerry A. Jacobs and Kathleen Gerson (Harvard University Press, 2004)

Time Off for Good Behavior: How Hardworking Women Can Take a Break and Change Their Lives, by Mary Lou Quinlan (Broadway Books, 2005)

MARKETING

All Marketers Are Liars: The Power of Telling Authentic Stories in a Low-Trust World, by Seth Godin (Portfolio, 2005)

Brand Hijack: Marketing without Marketing, by Alex Wipperfurth (Portfolio, 2005)

How Customers Think: Essential Insights into the Mind of the Market, by Gerald Zaltman (Harvard Business School Press, 2003)

ProfitBrand: How to Increase the Profitability, Accountability & Sustainability of Brands, by Nick Wreden (Kogan Page, 2005)

MEDIA

Hard News: The Scandals at The New York Times and Their Meaning for American Media, by Seth Mnookin (Random House, 2004)

LEADERSHIP

Coach: Lessons on the Game of Life, by Michael Lewis (W.W. Norton, 2005)

Joy at Work: A Revolutionary Approach to Fun on the Job, by Dennis W. Bakke (PVG, 2005)

Lessons on Leadership by Terror: Finding Shaka Zulu in the Attic, by Manfred F.R. Kets de Vries (Edward Elgar, 2004)

A Life in Leadership: From D-Day to Ground Zero: An Autobiography, by John C. Whitehead (Basic Books, 2005)

Reprint No. 05409

This Year's Books by *strategy+business* Editors and Contributors

Results: Keep What's Good, Fix What's Wrong, and Unlock Great Performance, by Gary L. Neilson and Bruce A. Pasternack (Crown Business, 2005). Every business has a personality; *Results* identifies seven, ranging from the "passive-aggressive" organization, in which everyone agrees but nothing changes, to the "resilient" organization, which is flexible, forward looking, successful. The authors identify four building blocks of "organizational DNA" that can be reconfigured for resilience. Mr. Neilson is a senior vice president at Booz Allen Hamilton; Mr. Pasternack is chief executive officer of the Special Olympics and a former senior vice president at Booz Allen.

FT Handbook of Management, by Stuart Crainer and Des Dearlove (Financial Times Prentice Hall, 2004). This 1,120-page compendium of modern management thinking features contributions from experts

including W. Edwards Deming, Peter Drucker, Charles Handy, John Kay, Kenichi Ohmae, Michael Porter, and C.K. Prahalad. Mr. Crainer and Mr. Dearlove have each written several management books, and are cofounders of Suntop Media, a worldwide network of writers, editors, and researchers.

CFO Thought Leaders: Advancing the Frontiers of Finance, edited by Rob Norton (*strategy+business* Books, 2005). Chief financial officers at 17 of the world's most successful companies — including Bertelsmann, Caterpillar, FedEx, Procter & Gamble, and Renault — speak candidly about competition, regulation, risk, and the changing nature of finance in this *s+b* reader. Mr. Norton is a former executive editor of *Fortune* magazine.

Results-Driven Marketing: A Guide to Growth and Profits, edited by Des Dearlove (*strategy+business* Books, 2005). A collection of articles by senior marketing and sales experts at Booz Allen Hamilton, this *s+b* reader examines the eight links of the marketing value chain, from "connecting with markets" to "organizing for results-driven marketing."