Best Business Books 2013

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Contents & s+b
Top Shelf

Strategy
Rebuilding the Temple Mount
Walter Kiechel III

Company Stories
Lessons in Failure
David K. Hurst

Globalization
Here Come the New Competitors
John Jullens

Rita Gunther McGrath,
The End of Competitive Advantage: How to Keep Your Strategy Moving as Fast as Your Business

Edoardo Nesi,
Story of My People
(Other Press, 2013)

Seung Ho Park, Nan Zhou, and Gerardo R. Ungson,
Rough Diamonds: The Four Traits of Successful Breakout Firms in BRIC Countries
(Jossey-Bass, 2013)
Welcome to the 13th annual edition of strategy+business’s best business books. Every year we strive to assemble a reading list that will not only engross and entertain you, but also provide concepts, tools, and insights that can help you lead your company to a better future.

This year’s best business books section includes seven essays by expert guides. Walter Kiechel III, former Fortune managing editor, reviews books on strategy that reflect two realities: Competitive advantage is transient, and continuous innovation is an imperative. David Hurst, s+b contributing editor, selects books that tell company stories, each a chronicle of failure, but not always recovery. John Jullens, a Booz & Company partner working in China, presents books that explore the three waves of global competitors that are emerging from developing economies. Howard Rheingold, who’s been surfing the leading edge of digitization since the early 1980s, picks out books that examine three emerging digital phenomena—big data, socialstructing, and spreadable media. Catharine Taylor, a journalist who has been covering the sea change in marketing in the past decade, offers a set of books that eschew the hoopla of social media and instant ads for the essence of marketing: the customer experience. Sally Helgesen, an author and leadership consultant, takes on self-help books for managers. And James O’Toole, a senior fellow in business ethics at the University of Santa Clara’s Markkula Center for Applied Ethics, finds leadership lessons in the biographies and memoirs of auto industry executives who made the Motor City roll.

Good reading!

—Theodore Kinni

**Digitization**
Three Harbingers of Change
Howard Rheingold


**Marketing**
Is Your Brand Experienced?
Catharine P. Taylor

Alan Siegel and Irene Etzkorn, Simple: Conquering the Crisis of Complexity (Twelve, 2013)

**Managerial Self-Help**
Influence, Inquiry, Action
Sally Helgesen


David Farber, Everybody Ought to Be Rich: The Life and Times of John J. Raskob, Capitalist (Oxford University Press, 2013)

**Leadership**
Running the Detroit Three
James O’Toole
Rebuilding the Temple Mount
by Walter Kiechel III

THE TEMPLE MOUNT of Great Management Ideas hasn’t much changed recently. The marble-columned edifice devoted to Business Strategy still stands in magisterial splendor, its priests silver-haired and slightly smug, if a little paunchy. Nearby, in the more modern Temple of Innovation, adorned with black glass, high-tech types in T-shirts attract a younger, livelier crowd. Across the way, in the rainbow-colored tents of the Sanctuary of Leadership, ex-CEOs emote, while in the more shadowy nooks, dreadlocked fakirs spout their wisdom, accompanied by the scratching of nearby chickens.

A reading of this year’s best business books on strategy suggests it’s time to bring in the wrecking ball and thoroughly rearrange the real estate.

Since its invention in the 1960s, modern corporate strategy has been about change. What company ever went looking for a new direction because its current course was proceeding swimmingly? The fresh insight this year, after more than a decade of emergence, is that nowadays strategy is change. Almost any competitive advantage is fleeting and you must constantly be managing your company with an eye toward innovation in not just your market offerings, but also your business portfolio and business models. Strategic leadership has come to consist largely of the continuous and deliberate navigation of change.

Transient Advantage
In The End of Competitive Advantage: How to Keep Your Strategy Moving as Fast as Your Business, Rita


Nassim Nicholas Taleb, Antifragile: Things That Gain from Disorder (Random House, 2012)
Gunther McGrath provides much useful advice on the how of managing business strategy as continuous innovation but shorts her audience just a bit on the why. Not that most readers will miss the statistics, available elsewhere, on how quickly industry leadership turns over today compared to, say, three decades ago.

To be sure, skeptics will look at the rise of behemoths such as Apple, Amazon, Google, and Walmart and see a consolidation of corporate power and apparently unassailable competitive advantage. But for every skeptic, there are 10 or 20 warriors in the corporate trenches who believe their companies are under assault as never before and feel an unprecedented amount of change being thrust upon them. At least that would be my guess from talking to scores of executives.

For her evidentiary base, McGrath, a professor at Columbia Business School, and her research team scanned a list of every publicly traded company on any global exchange with a market capitalization of US$1 billion or more by the end of 2009. Looking for what she came to call “growth outliers,” she was able to identify precisely 10 companies that were able to grow their net income 5 percent annually from 2000 to 2009. A few of the names on the list are familiar (such as Cognizant Technology Solutions, Infosys, Yahoo Japan, and Tsingtao Brewery), whereas others are less so (such as Krka d.d. Novo Mesto, a pharmaceutical company from Slovenia).

In delving deeper into these enterprises, McGrath uncovered an intriguing combination of stability—involving identity, culture, and people development—and change. Each company’s identity served as a platform for a continuous reconfiguration of its portfolio of businesses and its activities within those boundaries. Her outliers are prepared to reorganize themselves repeatedly in order to systematically catch waves of competitive advantage that rise up quickly, peak, and then recede.

The outliers will, according to McGrath’s five-stage rubric, launch a small effort if they see an aborning market opportunity, then ramp up quickly if it proves out and they can capture territory. They’ll exploit the business as long as it’s robustly profitable, all the while looking for the first hints of decline, such as new competitors piling in or commoditization. Spotting trouble, they will see if they can reconfigure the business model to prolong returns, but if that doesn’t work, they’ll crisply disengage—exiting the business and deploying their resources elsewhere.

McGrath and her corporate champions recognize that the different stages of this business life cycle may require managers with different skills. The outliers provide for that in their approaches to training and staffing. One is reminded of the old saying that over the course of its lifetime a business needs first a risk taker, then a caretaker, and finally an undertaker.

The End of Competitive Advantage gets particular punch from the author’s comparison of her outliers’ modus operandi with how traditional organizations approach the problem of disappearing competitive advantage. The contrast also suggests the wrenching change required of old-line outfits if they want to compete in this new world of transient competitive advantage, and illustrates what a feat of leadership it is to work that change.

In the conventional company, resources—that is, capital and people—are held tightly in the hands of the business unit heads, who try to squeeze opportunities into the existing structure. In effect, they emphasize the exploitation phase (“keep doing what we’ve been doing”) and innovate only in fits and starts. Competitive advantages are defended to the bitter end, but when that comes (usually too late to find other alternatives for the business), the conclusion is unexpected, harsh (big-time downsizing), and liable to leave a bad taste in everyone’s mouth.

In the growth outliers, by comparison, everybody understands that investment capital is the property of the company as a whole, to be doled out by the corporate center as new opportunities present themselves. In this world, a unit’s leaders may even volunteer that it has more money than it needs and cheerfully remit the excess to headquarters. Employees understand the business unit “circle of life” (apologies to Disney) and know that they’re expected as part of their everyday jobs to be searching relentlessly for innovations, fresh market
openings, and threats to the old. The smartest outfits not only instill this ethic, but also cushion potential dislocations by finding new places for those employees whose units have experienced “healthy disengagement” from their former parent.

Unless what McGrath calls continuous reconfiguration was installed with their genes, most organizations don’t seem to take easily to innovation. Building on her earlier book with Ian C. Macmillan, Discovery-Driven Growth: A Breakthrough Process to Reduce Risk and Seize Opportunity (Harvard Business School Press, 2009), McGrath lays out a process for building this capacity into an organization. Many of its elements have been written about elsewhere: formal governance and funding models; experimentation; senior management involvement; a portfolio of new initiatives; an options-based investment approach; and an ability to accept and learn from intelligent failures. Familiar perhaps, but no small leadership challenge to put in place.

Three or four qualities distinguish the mind-set of company leaders who face up to the reality of transient competitive advantage, and those qualities are useful even at companies that don’t approach the McGrathian ideal. One theme I hear a lot of lately from smart strategic thinkers is the absolute imperative to create a flow of information from the corporate periphery—from reps actually talking to customers and factory managers listening to suppliers and wild freelance types attending offbeat conferences—to the central, strategy-making intelligence of the enterprise.

The leaders of McGrath’s paragons do this as a matter of course, seeking inputs from a diverse set of resources and trying to widen the constituencies engaged in making strategy. They particularly seek “disconfirming” information, tidings that suggest the enterprise’s current understanding of the outside world is flawed or incomplete—signals of trouble. (In contrast, say, to the Wicked Witch running a sweatshop in the movie version of The Wiz, with her managerial mantra, all too common in the real world: “Don’t nobody bring me no bad news.”)

The leaders of McGrath’s outliers also prefer to be fast and roughly right versus slow and precisely right, taking up an option rather than engaging in an endless analysis of anticipated net present value. And contributing to the culture they want to create, outlier leaders hire not so much for existing or demonstrated skills as for what Kris Gopalakrishnan, cofounder of Infosys, calls learnability—the capacity to acquire new skills. Like the ones that will be required in that new business just over the next hill.

Five Strategic Injunctions

At first blush, Playing to Win: How Strategy Really Works, by A.G. Lafley and Roger L. Martin, seems at odds with McGrath’s focus on the transience of competitive advantage. If you read only Lafley and Martin’s prescribed steps for making business strategy, you might think you’ve been presented with a semi-classic framework, albeit one tempered by years of practical experience. Lafley was the highly successful CEO of Procter & Gamble from 2000 to 2009, helping the company double its sales and quadruple its profits (so successful, in fact, that he was recently called back to his old job when his successor floundered). Martin was his longtime strategy consultant at Monitor Company, before going on to become dean of the University of Toronto’s Rotman School of Management.

Lafley and Martin invoke Michael Porter’s five forces model for gauging industry attractiveness, a model long criticized for its allegedly static quality. (Forget “industry” anyway, argues McGrath, concentrate instead on “arena.”) They ritually tug their respective forelocks to the received wisdom that any competitive advantage you devise must be sustainable.

It’s only when you dig down into the book’s many detailed examples, drawn from P&G’s experience, that its affinity with The End of Competitive Advantage becomes clear. Almost every case is a tale of a brand gone flat or under attack that must be reinvented, including Oil of Olay (derided by critics as “Oil of Old Lady”), Bounty paper towels (by the late 1990s, the “business was struggling”), and, of course, the redoubtable Pam-

Rebranded simply as “Olay,” P&G’s skin-care product found a nifty niche at an $18.99 price—the “Oil of” version had sold for $8 or less.


pers. (Ah, where would the study of strategy be without the rich lessons of the diaper wars? See, for example, Michael Porter’s terrific HBS case study, “The Disposable Diaper Industry in 1974.”)

Viewed from this perspective, as a set of cases illuminating the strategy of renewal, Playing to Win belongs right alongside The End of Competitive Advantage and, in fact, may be more useful on how to shake up a company long set in its ways. The real-world examples also provide bite and clarity to Lafley and Martin’s five overall injunctions, which on their own can seem a bit windy, bordering on the banal.

For example, the first, “Define your winning aspiration,” seems less like the ol’ squishy vision statement when it’s sharpened to focus on what you’re going to do for customers—the proper focus rather than products—that others have not done. Rebranded simply as “Olay,” reformulated, and repackaged, P&G’s skin-care product found a nifty niche for itself at an $18.99 price point—the “Oil of” version had sold for $8 or less—able to attract both the “mass shopper” who thought that at that price it must really be something special and the “prestige shopper” who found it a bargain compared to competing products from Clinique and Estée Lauder.

The second injunction, choosing where to play, echoes McGrath’s call for relentless empiricism in looking for arenas where you want to compete—geographies, industry segments, customers. Lafley and Martin include the bracing thought that you shouldn’t view your company’s existing choices as immutable. Deciding how to win, the third injunction, also presents the chance to create new choices where none currently exist. Indeed, if you can’t find a fresh approach, you may want to seek another arena or get out of the game entirely.

The final two injunctions, determining what capabilities you’re going to need to execute your strategy and what management systems are needed to support your choices, can look a lot like building a corporate capacity for continuing innovation. It’s telling that in his credits to outside advisors, Lafley mentions that he used Innosight, a consulting firm specializing in systematizing innovation, at the same time that he used Monitor and Martin for counsel on strategy.

**Useful Paranoia**

In my career, I’ve had the opportunity to help organizations with hiring. One lesson, acquired at some personal cost, is this: When references report that the candidate “doesn’t suffer fools gladly,” pedal backward furiously. The phrase is typically code for: “However talented, he or she is an ass—narcissistic, oblivious to the sensibilities of others, and, in the end, likely to explode any equanimity your team might possess.”

Upon a superficial reading of his newest book, Antifragile: Things That Gain from Disorder, one might conclude that Nassim Nicholas Taleb doesn’t suffer fools gladly. In fact, he’d probably be the first to tell you so—and he does, repeatedly. Taleb has no use for consultants, almost all economists, academics, large corporations, large banks, the typical central government, the “Soviet–Harvard” establishment (whose members believe, he says, that their lectures on how to fly enable birds to do so), Nobel Prizes and prize winners, and most forms of routinized planning.

Why then include Taleb’s book among the year’s best works on strategy? For at least three reasons. First, it’s a slap-upside-the-head antidote to any potential hubris on the part of a strategic planner or, for that matter, anyone else who thinks he or she can confidently predict what’s going to happen. (Those smug, silver-haired priests?) As in his prior works Fooled by Randomness: The Hidden Role of Chance in the Markets and in Life (Texere, 2001) and The Black Swan: The Impact of the Highly Improbable (Random House, 2007), Taleb brings home just how vulnerable we are to the unexpected.

Second, from Taleb’s wild, seemingly otherworldly perspective comes a lot of support for the relentlessly experimental, small-scale-at-first, buy-options-when-you-can strategy building that McGrath advocates. Taleb classifies phenomena according to their place in a “triad” of vulnerability: from the fragile (a porcelain teacup; the incredibly intertwined global banking system), through the robust (things that can take a few hits, such
as owner-operated businesses), to the antifragile, which actually benefit from a few knocks (the human body, if the blows aren’t too heavy; a writer’s work as it’s exposed to criticism).

For a strategist looking to develop an antifragile business, the point would be not to sit there with industry analyses and economic forecasts—almost inevitably incorrect or irrelevant, according to Taleb. Instead, a strategist should go looking for the opportunities hidden in the knocks and bumps presented by the on-the-ground realities of ever-changing markets. He tells the secondhand but hilarious tale of an acute student of market movements who did very well for years trading in “green lumber,” all the while thinking he was dealing in boards painted green rather than in freshly harvested timber.

For more than a decade, scholars have been advocating and explaining the use of real options in strategy—valuable work, but pretty tough going for the average strategist. Given Taleb’s sense of ever-loom ing uncertainty, his discussion of options and the necessity of acquiring them can be downright thrilling. His analysis traces their use back to the pre-Socratic philosopher Thales, and he buttresses his advocacy with arguments from classic Stoic philosophers, particularly Seneca.

Anyone who sends us back to read Seneca can’t be all bad. (What other book have you encountered recently that left you wondering, “Gee, I wonder what the author would have had to say about Diogenes?”) And therein lies the third reason for recommending *Antifragile*. Although maddeningly opinionated, at least a third too long, and freighted with 70 pages of relatively unreadable appendices and bibliography, the book is full of refreshing, in-your-face challenges to what we think we know, put-downs of the otherwise celebrated (Glenn Hubbard, Joseph Stiglitz, and Tom Friedman, to name just a few), and practical insights useful even in daily life. Taleb notes, for example, that most of the foods he enjoys—wine, cheese, some fruits, vegetables, meat, and fish—have been around a long time, and that nowadays all the most delicious varieties seem to come from small producers, not large industrial enterprises. Perhaps not a shockingly original observation, but useful to ask your waiter about the next time you’re contemplating a menu.

Toward the end of *Antifragile*, there’s a lovely confessional passage about how Taleb temporarily lost his soul when he suddenly became a famous author, permitted himself to be courted by journalists, and went around trying to explain his ideas to audiences who had little interest in trying to understand them. He found his way back to sanity by returning to his prior routine of spending most days reading and writing. Maybe the biggest surprise of all in the book is that despite the author’s best efforts to persuade you to the contrary, by the time you’re through reading, you almost kind of like the guy.

What might the redesigned Temple Mount of Great Management Ideas look like? Perhaps its central feature should be a multi-faced, possibly rotating edifice dedicated to the proposition that “business strategy is change as led by relentless innovators” and linking the systemic elements called out by McGrath, the author of the year’s best business book on strategy. It could have a few pillars, classical-strategy style, courtesy of Lafley and Martin. And on its roof, driven by gusts of useful paranoia from Taleb, wind turbines would continually turn. +

**Walter Kiechel III**

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Economist and systems scientist Kenneth Boulding once wrote, “Nothing fails like success because we don’t learn from it. We learn only from failure.” If that is the case, then the best business books relating company stories this year are packed with learning. Each one is a chronicle of failure in its own way: Edoardo Nesi’s *Story of My People* tells the tale of a family-owned company that failed because of its inability to adapt to a new reality; Steven Mandis’s *What Happened to Goldman Sachs* tells the story of a company that failed to live up to its values; and David Robertson and Bill Breen’s *Brick by Brick* tells the story of a company that failed twice, but each time figured out how to recover.

**A Failure to Adapt**

We all know that globalization has disrupted industries around the world, but we don’t always connect disruption to the destruction of ways of life—the social fabric that globalization can rend and tear. *Story of My People*, by Edoardo Nesi, a polemic fueled by grief and rage at the devastating effect of globalization on the Italian textile industry, makes that connection tangible.

Nesi is the scion of a business family in the Tuscan town of Prato, which was a center for the design and manufacture of textiles for centuries. An award-winning writer, filmmaker, and translator, he knows the negative effects of globalization intimately: Nesi worked in and helped run his family’s textile business from 1993 to 2004, when he had no choice but to engineer the sale of the firm because it was no longer able to compete against lower-priced Chinese competitors.

With a literary mind and a flair for the visual, Nesi conjures up a vivid portrait of the fabric manufacturing company founded by his grandfather and granduncle, Lanificio T.O. Nesi & Figli SpA, and its long run of success in the fast-expanding economies of post–World War II Europe. It was a good time to be in business: Nesi recounts sales visits to Germany during which orders were written on the basis of relationships and price was rarely, if ever, discussed. This continued for three decades, during which time Prato became the center of...
a complex textile ecosystem, “insanely fragmented but incredibly efficient.”

No one profited more than Nesi’s family. He imagines familial ghosts taking their places at the empty tables around him, “drinking their martinis and their negronis and their camparis…miserably happy with all that they possess, their houses at [the seaside] and their Ferraris, their boats and their elegant clothing, their factories and their spectacular lovers….” It reminds him of scenes written by F. Scott Fitzgerald. “If only novels and movies and paintings and poetry and opera and songs and even fashion—yes, even fashion—could ride to the rescue,” he writes, “preserving jobs and saving us all from a long, steady slide into, first, depression and ultimately poverty.”

There is, of course, no savior waiting in the wings, and Nesi’s grief over the loss of a way of life for his family, Prato, and, indeed, all of Italy turns to rage as he reflects on the causes of the economic catastrophe wrought by globalization. He shoulders part of the blame, admitting that the leaders of Prato’s textile industry mistakenly believed that they “could go on in the third millennium, selling the same fabrics…made out of the same raw materials and the same yarns, weaving them on the same looms, [dyeing] them the same colors…selling them to the usual customers in the usual markets,” never realizing that they were artisans, not industrialists, heirs to ancient traditions who had benefited from a once-in-a-lifetime opportunity.

However, he reserves the lion’s share of the blame for Italy’s technocrats, politicians, and economists, who spun tall tales of the infinite bounty of globalization and signed away the keys to the country. As it turned out, their reasoning that China’s markets would drive Italy’s economic growth was fatally flawed: The emerging Chinese middle class shows no sign of developing a taste for fashion “made in Italy.” Instead, Chinese apparel makers have knocked off the designs, copied the fabrics, and produced them in China for a fraction of the price. Yes, says Nesi, niche businesses with global brands, such as Ferrari and Armani, can still prosper. But their success can accommodate only a few people. “A country the size of Italy won’t fit.”

Prato’s textile industry is going to the Chinese, but not always leaving the city. Nesi points out that Prato now has the second-largest Chinese population in Italy, after Milan. In a city of 200,000 people, about 10,000 Chinese live legally and another 40,000 illegally. They work and sometimes live in about 3,500 businesses, often in squalor. “Even the most powerful words, the most elevated concepts seem to be emptied of meaning in the face of this horrendous story of indifference and exploitation among losers,” Nesi writes, “where all the characters are the victims of a chain of dishonesty that spreads out from a deeply rotten idea of work.”

What will happen next? Nesi has nightmares about an outbreak of ethnic violence between Italians and Chinese, but the story closes with a demonstration in Prato’s piazza, where he, along with thousands of others who have been displaced by globalization, carry a kilometer-long banner of Prato-made fabric. “I am not sure where we are going,” he says, “but we are certainly not standing still.”

A Failure of Values
Sometimes a firm fails even as it thrives financially. How this can come about is the theme of What Happened to Goldman Sachs: An Insider’s Story of Organizational Drift and Its Unintended Consequences, a biography of an organizational culture derived from the doctoral thesis of Steven G. Mandis, who is a Ph.D. candidate in the Department of Sociology at Columbia University and an adjunct associate professor in its business school. The book’s structure may be formal, but its content is fascinating and often reported firsthand. Mandis worked with and for some of the most senior people in Goldman Sachs’s investment banking, private equity, and proprietary trading units between 1992 and 2004, although he never made partner.

Mandis’s objective is to explain how and why the culture and values of Goldman Sachs changed, especially during the period when he was there, but also over the longer term, as the firm grew from a small group of New York–centric investment bankers into a large, global, diversified financial-services corporation. He begins at the memorial service for John L. Wein-
berg, whose death in 2006 severed the firm’s last close link with its founding values.

Weinberg had run the firm with John C. Whitehead from 1976 to 1984, and then as the sole senior partner until 1990. His father, Sidney J. Weinberg, had led Goldman from 1930 to 1969 and had embodied the essence of relationship banking. During this era Goldman Sachs’s distinctive values were lived every day, even though they were not codified until 1979, when Whitehead articulated them as 12 ethical principles. The firm was known for being “greedy, but not long-term greedy”—a catchphrase coined by a senior partner, epitomizing the firm’s orientation to sustained success for its clients and itself. Goldman was unique among the large firms on Wall Street for the care it lavished on its clients, and for its social network, which had been built on mutual trust and financial interdependence. Its selection and training of employees at all levels was the most rigorous and comprehensive in the industry.

Mandis describes how all this changed because of the constant competitive pressure, the demand for growth and profit, and the occasional crisis. For example, 1994’s hundreds of millions of dollars in trading losses quickened the transformation of Goldman Sachs’s culture, as it required partners to dip into their bank accounts to recapitalize the business. Many partners chose to retire, considered a selfish move among those who remained. Scores of new partners were appointed, and the power dynamics of the partnership were disrupted.

In the resulting turmoil, Jon Corzine, then an aggressive trader, demanded and got the title of CEO. He pushed for global expansion and argued for taking the firm public. Goldman Sachs became a limited liability company, a move that gave partners less skin in the game and made the firm more hierarchical, with an executive committee that wielded considerable power. According to Mandis, the collegial culture of the firm was significantly damaged during the 1990s, a process that continued as Corzine was forced out in a palace coup and replaced by Hank Paulson in 1998, and the firm went public in 1999.

The Goldman Sachs IPO made its partners fabulously wealthy. It also eliminated the need for them to supply investment capital and assume risk. Meanwhile, the entry of commercial banks into investment banking, and the rise of trading relative to investment banking within the firm, created a sea change in the business. Goldman’s clients were now more likely to be private equity firms and hedge funds than to be corporations and mutual funds. These new clients viewed Goldman Sachs as a counterparty to their trades, not as a trusted advisor. The core of the business shifted from relationships to transactions. The firm, says Mandis, was becoming short-term greedy.

Mandis does a meticulous job of teasing out the effects that the changes in Goldman Sachs’s business have had on its culture and values during the past 20 years. He argues that its financial success notwithstanding, Goldman Sachs failed as a moral enterprise. In making decisions today, he says, the firm is guided not by its values but rather by what its lawyers judge legal. For its sympathetic yet unflinching study of a firm and an industry that has come to epitomize what is problematic about Western capitalism, What Happened to Goldman Sachs is hard to beat.

Failing Forward
Most firms realize that they are failing only when their financial results collapse. By then, they are in deep trouble, and many are unable to learn from their mistakes and recover. In Brick by Brick: How Lego Rewrote the Rules of Innovation and Conquered the Global Toy Industry, David C. Robertson, practice professor at the Wharton School of the University of Pennsylvania, and Bill Breen, former Fast Company senior editor, tell the story of how Lego bucked the odds.

Robertson and Breen trace Lego’s rise from the decision of a carpenter to begin making wooden toys in the remote farming town of Billund, Denmark, in the 1930s to its current position as an iconic brand and a leader in the global toy industry. Unsurprisingly, the rise was not without its dips: By the mid-1990s, Lego had become a “heavy institution” that had lost its dy-
namism and sense of fun, according to the founder’s grandson, former company president Kjeld Kirk Kristiansen. Further, the growth potential of its portfolio of products was on the wane: The last of Lego’s patents had expired in the late 1980s and new technology was changing kids’ habits. When Lego’s leaders finally woke up, they were shocked to find themselves running an analog enterprise in a digital world.

In 1998, Lego hired a turnaround expert, Poul Plougmann, and offered him a hefty bonus to double sales by 2005. Plougmann tried to earn it by adopting a raft of innovation strategies. He set sail for “blue ocean” markets by introducing electronic educational toys under the Lego brand and, following the company’s success with Star Wars–branded products, partnered with Steven Spielberg to create a Lego movie studio. To become more customer driven and respond to current trends, the company even created, at Plougmann’s prodding, a completely new toy system without the ubiquitous plastic bricks and entered the hugely popular action figure market. Plougmann also started an ambitious project to digitize the Lego experience and offer kids the opportunity to build virtual structures. He tapped open innovation and heeded the wisdom of crowds by creating the Lego Digital Designer, which encouraged customers to design their own kits.

Plougmann and his lieutenants shook Lego out of its slumber, and rebuilt its culture around creativity and innovation. And then, four years later, in 2002, Lego experienced a disastrous sales slump in the critical Christmas season. In 2003, sales were 30 percent lower year over year and the company was US$800 million in debt. Annual cash flow was negative by $160 million, and the net loss was nearly double that figure. What had gone wrong? The short answer is that the volume and variety of innovations had overwhelmed the company’s capacity to handle change. The long answer makes up the rest of the book.

In early 2004, Kristiansen announced that Plougmann and his chief designer were out, and resumed leadership. He tapped 35-year-old Jorgen Vig Knudstorp, a fairly recent hire from McKinsey, to manage day-to-day operations. Knudstorp laid off 1,200 people and stanched the flow of red ink. Exploring the root causes of Lego’s problems, he realized that the frenetic pace of innovation had resulted in a proliferation of plastic parts that destroyed Lego’s economies of scale and cost discipline. Worse still, the company’s control systems were incapable of telling which products were profitable and which were not (94 percent were not). At the same time, Lego had lost its focus on the retailers that were its primary channel to consumers.

Knudstorp understood that Lego had to return to basics, stepping back before it could move ahead. One legacy of the undisciplined creativity of the Plougmann era provided Lego with the key insight and product line that would power a new way of thinking. The insight was that kids don’t just want to build things; they also want to tell compelling stories with the things they build. The product line was Bionicle, which married character assembly sets with an elaborate futuristic story line.

Bionicle, a portmanteau word derived from biological chronicle, was an artful combination of model building, storytelling, and adventure. Launched at the end of 2000, it was an immediate hit. Bionicle books and comics became bestsellers. Video games, clothing, lunch boxes, and backpacks followed. By 2003, the line was producing 25 percent of Lego’s revenues. “Bionicle is the toy that saved the Lego,” said Knudstorp.

The lessons in the Lego saga are many, but the bottom line is that although the desired outcomes of change (such as profitability and market share) are often generic, the hows are particular. Every organization has to find its own sequence and cadence. Poul Plougmann and his team got the coarse-grained headings on their action plans right, but their achievement depended on the deep, fine-grained appreciation of Lego’s culture and capabilities brought by Kristiansen, Knudstorp, and others.

Each of this year’s best business books relating company stories offers valuable lessons for leaders. For its evocative power and appreciation of all that is essential to life that cannot be measured in money, my Top Shelf selection is Story of My People, the first work of nonfiction to win Italy’s most prestigious literary award, the Strega Prize. In the ecology of Western capitalism, Prato is an edge community—one of those places where the future often appears first. Nesi’s tale is a valuable warning about how easy it is to sacrifice community on the altar of the marketplace. +

David K. Hurst

AS NOBEL PRIZE–WINNING economist A. Michael Spence pointed out in his book *The Next Convergence: The Future of Economic Growth in a Multispeed World* (Farrar, Straus and Giroux)—selected by *strategy+business* as one of the best business books of 2011—we are living in the middle of a century-long journey during which the rest of the world will catch up with the developed economies of the West. By the time that journey is over, around 2050 or so, perhaps 75 percent of the world’s population will live in developed economies, as opposed to a mere 15 percent today.

Spence explains this convergence primarily from the elevated but limited perspective of nations: macro-economic policy, institutions, technology, culture, geography, and political systems. Country-level policies are undoubtedly important, but ultimately it is the individual firms within nations that will become the actual engines of economic convergence. In the words of Paul Krugman, another Nobel laureate, nations don’t compete; companies do.

This year’s best business books on globalization examine the rise of the emerging market companies that will drive the process of economic convergence and will also compete head-to-head against established multinational corporations (MNCs) from the United States, Europe, and other developed economies.
Brand Breakouts Ahead

The first wave of multinationals from emerging markets have already arrived on the global scene. In fact, several companies, including China’s Sinopec, India’s Reliance, and Brazil’s Vale, have earned spots on the Fortune Global 500. But these pioneers are typically large state-owned enterprises in foundational industries, such as financial services and telecommunications. In their new book, *Brand Breakout: How Emerging Market Brands Will Go Global*, Nirmalya Kumar and Jan-Benedict E.M. Steenkamp, professors at London Business School and the University of North Carolina’s Kenan-Flagler Business School, respectively, explain why that’s the case. According to the authors, the pioneers are thriving so far because of their preferential access to capital, resources, and large, fast-growing domestic markets, not because they possess strong brands, technology, or other firm-specific advantages. For example, no Chinese or Indian names appear on Interbrand’s 2012 list of the top 100 global brands, and few Western consumers can spontaneously identify a Chinese or Indian brand.

This may be good news for established consumer-facing companies from developed nations, but Kumar and Steenkamp believe the current situation is unlikely to last for long. No emerging market has evolved into a developed one without spawning at least a few global brands along the way. The ability of emerging market companies to build powerful brands and migrate upmarket and overseas is crucial for the upgrading of the economy as a whole. Kumar and Steenkamp refer to this process as brand breakout and describe eight pathways that emerging market companies can pursue to launch their global products and services.

Some routes are strategic and involve repositioning the entire firm, whereas others are much more tactical. For example, the highly strategic “Asian Tortoise Route” requires establishing a beachhead niche in a developed market by selling a decent product at a very low price, and then, in an upward spiral of interlocking steps, increasing product quality and price until the brand achieves a dominant market presence across the entire price/quality range. This approach was, of course, pioneered by a group of now global Japanese firms, including Sony and Toyota, and later adopted by a host of South Korean and Chinese firms, including Hyundai, Samsung, and, more recently, Haier. The “Business to Consumer Route” is similarly strategic. On this path, the emerging market firm first enters the industry as a business-to-business contract manufacturer for global retailers (such as H&M or Walmart) or consumer brands (such as Apple or Nike). Then, it enters an adjacent product category or a higher value-added business with its own consumer products. Witness how China’s Galanz went from being an OEM to being a branded player in microwave ovens.

On the other hand, the “Diaspora Route” is far more tactical, and simply requires following first-generation emigrants into developed markets, as many of these potential customers retain at least some of their traditional brand preferences and consumption patterns. This provides a foothold from which the brand can subsequently be launched into more and more consumer segments. Notable examples include India’s Reliance BIG cinemas and Malaysia’s Maybank Islamic banks. A variation is the “Reverse Diaspora” path, through which a brand such as Hong Kong’s Mandarin Oriental Hotels or Mexico’s Corona beer successfully expands globally by tapping the awareness generated by tourists and other visitors to its home market. Another tactical path is the “Positive Campaign Route,” which some emerging market firms have used to overcome potentially negative consumer perceptions by obscuring the country-of-origin association, among other tactics.

Unfortunately, not all of the eight routes are equally compelling, and the last, the “National Champion Route,” seems largely disconnected from the rest and comes across as a bit of an afterthought. It is also unfortunate that many of the case studies are from China and the automotive industry, as neither author is an industry expert or native to China, so their explanations occasionally sound a bit naive. Nevertheless, Kumar and Steenkamp provide plenty of useful, real-world examples, and the book is well grounded in academic research, yet admirably free of scholarly jargon.

Beware Rough Diamonds

The large companies described by Kumar and Steenkamp are probably already on the radar of established MNCs; however, a second wave of lesser-known emerging market firms are just beyond the horizon and rapidly approaching. These new competitors are smaller, privately held companies from the BRIC nations (Brazil, Russia, India, and China), and some of them are already posting long-term growth rates far higher than those of most of their counterparts in both emerging and developed economies.

Under the auspices of the SKOLKOVO Institute for Emerging Market Studies, Seung Ho Park and Nan
Zhou, professors at the Moscow School of Management SKOLKOVO, and Gerardo R. Ungson, a professor at the College of Business at San Francisco State University, spent three years identifying and studying these companies using a five-step process that included several screens of data analysis (financial metrics and frontier analysis to evaluate each company’s resource allocation efficiency), secondary data analysis, and field interviews. They ended up with a list of 70 “stars of the future”—22 in India and 16 each in China, Russia, and Brazil—that are the focus of their book, Rough Diamonds: The Four Traits of Successful Breakout Firms in BRIC Countries.

In it, the authors report that this select set of companies grew at an average rate of 43 percent per annum from 2000 to 2009. Moreover, they write, “in terms of profit margins and return on assets over an extended period of time, these rough diamonds match and often exceed the top five hundred private firms in their respective countries, not to mention the top twenty-five manufacturing firms in their countries and comparable firms worldwide.”

How did the rough diamonds achieve this feat? The authors trace their success to a progressive sequence of four strategies that they label “the Four Cs of High Performance.”

First, the rough diamonds capitalize on being late-comers to their industries, which are often global and already mature, with well-established technologies and scale advantages—all formidable barriers to entry. The rough diamonds can deal with this because they are unusually adept at spotting the opportunities that arise in established markets during economic transitions, such as market liberalization, privatization, and shifts in consumer demand. For example, Russia’s OMK (United Metallurgical Company), which was cobbled together at low cost through the acquisition and consolidation of several run-down, state-owned metallurgical companies, found success by focusing on two nascent markets: railroad wheels and large-diameter piping.

Second, rough diamonds create inclusive market niches and segments. In emerging markets, demand is not only nascent, but often extremely fragmented as well. The enormous diversity in customs, cultures, and languages can be bewildering, especially in continent-sized markets, such as China and India. Rough diamonds leverage their superior knowledge of local markets and customers to anticipate demand, secure first-mover advantages, differentiate their products and services, and consolidate their positions ahead of their foreign competitors. For example, Esmaltec, a Brazilian appliance manufacturer, changed production from one-door to two-door refrigerators, added frost-free technology, and lowered the energy consumption on every one of its products, all without a large increase in price, while its Western competitors were waiting for high-end demand to grow.

Third, rough diamonds craft operational excellence. The authors found that these companies all spend a good deal of time and effort developing efficient and flexible operations. Since distribution and logistics systems tend to be extremely fragmented in emerging markets, rough diamonds invest heavily in both backward and forward integration, often building out complete supply chains of their own. In Brazil, for example, Magnesita developed an integrated supply chain from scratch, establishing a network that stretched from mining to the manufacturing of its nonclay refractory products to distribution and logistics. Rough diamonds also pay much attention to ensuring quality along the entire value chain, because trust in a company’s integrity can be even more important in emerging markets than elsewhere, due to weak institutions and a lack of enforcement power. And they are innovative, building up their R&D capabilities by making investments in education, hiring top researchers, and creating focused learning centers.

Finally, rough diamonds cultivate profitable growth. The conventional wisdom holds that success in emerging markets is a function more of rapid revenue and market share growth than of early profitability. However, such a top-line growth fetish often leads to overextension in emerging markets, because the requisites of growth—such as manufacturing facilities, managerial talent, and physical infrastructure—are limited
by underdeveloped market institutions. In examining more than 105,000 BRIC companies over consecutive five-year periods, the authors reported that more than 70 percent of the firms that adopted a profit-oriented strategy in Phase I retained their higher profitability in Phase II, whereas fewer than 10 percent successfully made the switch from a sales-first strategy to profits later. Thus, it is not surprising that virtually all rough diamonds adopt a more balanced approach to growth that doesn’t overtax their internal resources or incur unnecessary risks. These companies recognize that growth is important, but pursue it in a phased approach of gradual and incremental expansion, while remaining intently focused on sustaining high levels of profitability. Accordingly, the authors also find that rough diamonds do not engage in M&A nearly as much as do many state-owned enterprises, especially those in China. Undoubtedly this is partially due to their incrementalist management philosophy, but perhaps it also reflects their relatively small size and few resources.

The book’s focus on a hitherto little known set of private companies, instead of Huawei, Lenovo, Tata, and the other usual suspects, makes it a valuable addition to the growing body of literature on emerging market multinationals. In addition, the authors’ data on the long-term benefits of adopting a profit-first versus a top-line growth orientation is truly insightful, and their extensive experience and insight into the peculiarities of doing business in emerging markets shine through on every page. For these reasons, Rough Diamonds is my choice for the best business book on globalization in 2013.

A Tidal Wave of Entrepreneurialism

The emergence of rough diamonds, and indeed of any national economy, depends on an environment that encourages and supports entrepreneurial activity. China’s economic growth spurt didn’t start until the early 1980s, when Deng Xiaoping unleashed a wave of entrepreneurship via township and village enterprises, which were effectively private firms at the local level. Similarly, India’s economy took off only after it finally abandoned the stifling bureaucracy of the License Raj in the early 1990s (although India continues to have a large number of rules and regulations that, for example, make it difficult to start a new business).

We are seeing hotbeds of entrepreneurial activity in emerging economies throughout the world. It is highly likely that this is where many of the great global competitors of the future are being incubated right now. One of these hotbeds is the Middle East. It’s easy to forget that, like China and India, the Middle East was once one of the most technologically advanced and economically powerful regions in the world, with a leadership position in science, math, and philosophy, and a long tradition of entrepreneurship. Today, even as the region is experiencing wrenching political upheavals, Christopher M. Schroeder, a venture capitalist and former e-commerce CEO, points to another revolution—a less-heralded entrepreneurial one—that is unfolding with far fewer headlines.

In Startup Rising: The Entrepreneurial Revolution Remaking the Middle East, Schroeder reminds us that the collective GDP of the Arab world is larger than Russia’s and India’s and nearly twice that of China on a per capita basis. The Middle East also has more than 350 million people whose disposable income has grown by 50 percent over the last three years and whose Internet appetite has been expanding at a speed that rivals that of any other region in the world. And more than 40 percent of those online denizens say that they would like to start their own businesses.

Schroeder categorizes the startups that are being launched in the Middle East into three buckets: improvisers, problem solvers, and global players.

Improvisers are businesses that adopt proven models from other markets and “Arabize” them in both language and cultural sensibility. For example, Aribibi.com is reminiscent of WebMD, but adds the anonymity of message boards to protect female users. Egypt’s Nezal Entertainment created a Facebook game based on its founders’ experiences in Tahrir Square, using those 18 days of protest as a backdrop.

Problem solvers are businesses that take on local and regional challenges that were once relegated to
governments to solve. In Egypt, RecycloBekia has developed a successful business around the recycling of computer components, which the company plans to introduce throughout the Middle East.

But it’s the global players that should be of most interest to established MNCs trying to understand the fast-changing competitive lineup. In the healthcare arena, for example, Lebanon’s Cardio Diagnostics has designed a lightweight device with heart-monitoring sensors that regularly send signals to a dedicated monitoring center. In contrast to the cumbersome, wired devices that are usually used for one or two days in the United States, Cardio Diagnostics’ devices are used for six weeks or more, and they offer improved monitoring via intelligent algorithms.

Schroeder thinks that we will see Middle East startups offering similarly innovative solutions that could be scaled throughout the region and beyond in at least three other areas: mobile communications, on the basis of the nearly 100 percent mobile penetration enterprises pursuing global brand breakouts to the rough diamonds to the startups—on established MNCs from developed markets will no doubt be profound. The incumbents will have to not only develop new markets for their products and services in emerging economies, but also simultaneously defend their global leadership positions against increasingly formidable competitors. Further, they’ll have to do so in a vastly more complex political and business environment, as, contrary to the conventional wisdom, economic convergence will not necessarily lead to cultural or political convergence, any more than the “death of distance” means that the world has suddenly become flat.

Most MNCs have only just begun to develop the organizational capabilities they’ll need to meet this challenge. For example, merely a handful have shifted significant innovation resources to one or more emerging markets to acquire the frugal engineering capabilities required for developing the low-cost products demanded by local customers. Fewer still have mastered managing their emerging market distribution channels, partnering with local players, and successfully navigating the often treacherous political waters of emerging markets. Most importantly, few MNCs have developed truly global mind-sets, mainly because the leadership ranks of most of them continue to be dominated by executives from their home countries, with all the predictable global blind spots and misunderstandings this entails. But as this year’s best business books on globalization vividly illustrate, they will soon be dealing with a flood of new competitors—ready or not.

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WHETHER YOU INVEST, build, teach, research, regulate, investigate, heal, entertain, or sell, major changes in how you do what you do are looming. “Big data,” much in the media spotlight recently—particularly for the revelations of the National Security Agency’s (NSA’s) surveillance of “metadata”—is probably already changing how you do your work. But socialstructing and spreadable media, two new terms that signal similarly momentous shifts, may still be unfamiliar. This year’s best business books on digitization can equip you to better understand all three phenomena and the changes that they will enable and engender.

**Tsunamis of Data**

We humans and our machines are generating towering tsunamis of data. The Sloan Digital Sky Survey collected more data in its first few weeks than had been collected throughout the history of astronomy. A single lab can now sequence more DNA in a day than was sequenced in the decade-long, multinational effort required to decode the human genome. Google processes thousands of times the quantity of text in the Library of Congress every day. Its executive chairman, Eric Schmidt, claims we are generating more information every two days than in all of human history up to 2003.

Storing, processing, and making sense of these trillions of bits of data used to be impossible. But today it’s stupendously inexpensive to store data, it’s far easier to process it, and there is a library of sophisticated algorithms for making sense of it. Most tellingly, businesses...
and other organizations and individuals as well) are recognizing a growing number of novel ways to apply it.

Thus, Target can deduce when specific women have just become pregnant—or are likely to become pregnant—from the patterns in their purchases. Google Flu Trends competes with the Centers for Disease Control and Prevention in predicting influenza outbreaks by tracking billions of Web searches for flu symptoms and related subjects with a half billion different algorithms. The SecDev Group can identify the location of probable cease-fire violations in geopolitical conflicts within 15 minutes. High-frequency traders can buy and sell stocks in microseconds, based on ultrafast analysis of all the stocks traded a microsecond in the past, a practice said to account for more than half of all stock trades and flash crashes. Scientists at HP Labs can successfully forecast the box-office success of films by looking at the rate at which relevant tweets are posted. The list of profitable applications of big data is far longer than this—and growing fast.

Viktor Mayer-Schönberger, a professor at Oxford University, and Kenneth Cukier, an editor of the Economist, plumb this phenomenon in their book, Big Data: A Revolution That Will Transform How We Live, Work, and Think. They base their bold subtitle on three assertions.

First, big data is qualitatively different from sampled data, yielding insights that are possible only when the size of your sample is close to the totality of the observed population. The really, really big picture can reveal details that were invisible with less than near-total sample sizes. Look through the right algorithmic lens and you can see things in big data that you can see only with big data.

Second, big data enables valuable forecasting of a wide swath of phenomena through the use of correlation, even though causation may be unknown. “Society will need to shed some of its obsession for causality in exchange for simple correlation,” suggest the authors, “not knowing why but only what.” Correlations that can be acted upon profitably are good enough to justify the use of big data.

Third, big data is messy and imprecise: “We don’t give up on exactitude entirely,” the authors write, “we only give up our devotion to it.” Theoretic understanding and precision might not be needed to profit from knowing just in time about the right messy, unexplained correlations.

Much of big data starts out as a side effect of human activity, without much intrinsic perceived value. This is so-called data exhaust: the amount of time our cursors hover over icons on Web pages, the daily price of butter in a million grocery stores, or the locations of legions of mobile phones minute by minute. The authors of Big Data regard this as data ore: a store of potential value that can be transformed into tangible value (only) through the extraction of useful knowledge and its application, whether that is to sell more units of a commercial product or to more effectively deal with natural disasters.

Mayer-Schönberger and Cukier aren’t uncritical cheerleaders for big data. They know that processing some of this data ore—the data connected to what we previously thought of as privacy or anonymity—may have toxic results. Consider AOL’s release of anonymized data about millions of its users’ behaviors for legitimate social science research in 2006. By applying big-data analysis, a journalist was able to lift the veil of anonymity and identify specific people—akin to the way Iranian revolutionaries pieced together shredded documents when they invaded the U.S. embassy in 1979. So although the NSA’s leaked PRISM program did not purport to collect the contents of citizens’ communications, the metadata gathered could inevitably reveal an enormous amount about them.

If “dataveillance” on this scale doesn’t give you the willies, consider that algorithms similar to those used to analyze flu trends could be used to predict which individuals are likely to commit crimes. A society that stops crimes before they occur? There was a movie about that flavor of police state called Minority Report. The authors of Big Data caution that the dangers of pervasive dataveillance are as real as the opportunities they foresee.

Harnessing Collective Action

Big data involves computers and networks slicing and dicing the artifacts of human and machine behavior in
new ways, while social structuring concerns a similar form of reuse through rearrangement. Social structuring (the word, in its various forms, was coined by Marina Gorbis, the executive director of the Institute for the Future [IFTF], a venerable nonprofit think tank located in Silicon Valley) is a way to use connective and computational technologies to bring people together so they can restructure old ways of doing things and invent new ones.

The word social structuring might or might not enter the public vocabulary the way big data has, but the phenomenon is already a significant enabler of collective action. The power of collective action—the force that brought us agriculture, cities, science, capitalism, and democracy, as well as slavery, fascism, and organized warfare—is determined in part by how human beings do or do not collaborate. Now that the Internet has lowered nearly to zero the transaction costs for large numbers of people to communicate, coordinate, and engage in collective action, a wide variety of social-structured institutions are emerging in diverse fields: citizen science (Foldit), collaborative consumption (Airbnb), crowdsourcing (Genomera), crowdfunding (Kickstarter), co-working (the League of Extraordinary Coworking Spaces), microventure funding (Kiva.org), and peer-to-peer online learning (P2PU).

Social structuring provides a name for a trend that some of us have been watching emerge for more than a decade. I’ve written about “technologies of cooperation.” Yochai Benkler described a new nonmarket form of economic production. Clay Shirky focused on how digital networks lower the barriers to coordinating collective action. Rachel Botsman extended the trend into what is now being called “the sharing economy.” Michael Nielsen described how this then-unnamed phenomenon was changing the way science is done. Now Marina Gorbis has pulled these strands together in The Nature of the Future: Dispatches from the Socialstructured World, by pointing out how diverse signals of social production are transforming a wide variety of institutions. (Disclaimer: I was a contractor for IFTF, and the book cites my work on online co-learning.)

One of IFTF’s forecasting tools is the systematic search for faint signals of change that might not make headlines today, but might portend systemic change in the future. Here, Gorbis details the signals of social structuring in the production of scientific knowledge, in medical and pharmaceutical research, in finance, in education, and in governance—arenas that affect most people’s lives. Some of the author’s examples are eye-opening and compellingly credible, particularly the chapters on citizen science, sharing economies, and online peer learning. I was less convinced that the real changes Gorbis identifies in the fields of finance and governance will soon transform some of the biggest and most powerful bureaucratic institutions in the world, but certainly these fields are ripe for disruption.

Citizen science isn’t for the future—significant science is being conducted by communities of amateurs right now. Players of the online game Foldit have already identified important structural information about the protein protease, which is key to understanding HIV and the immune system. Hundreds of thousands of Galaxy Zoo participants have helped astronomers identify hundreds of millions of galaxies. Biocurious.org, a citizen-science biology organization, brought the price of an essential DNA sequencing machine down from US$10,000 to $600. Professional scientists aren’t going to disappear, but they are being aided and abetted by millions of citizens with powerful personal computers, broadband connections, and social structuring platforms.

Healthcare is ripe for social structuring. It is already enabling patients to not only take a more active role in their disease treatment, but also conduct their own research. For instance, by following established procedures in their own experiments and pooling their medical data, patients with ALS (Lou Gehrig’s disease) on PatientsLikeMe, an online community of 120,000, made an educated guess that lithium did not provide relief as had been rumored—18 months before professional medical journals confirmed that finding.

What some call using social capital, enlisting the help of others to accomplish tasks outside formal insti-
tutions, is also augmented by digital media. A sharing economy has given birth to dozens of services such as Airbnb (people rent out rooms in their homes), Lyft (people put a big pink mustache on their cars and provide rides to other Lyft members, at a fraction of the cost of a taxi), and NeighborGoods (people lend and borrow everyday items). The sharing economy definitely has legs, but it is uncertain whether it will become as powerful as citizen science and patient communities or whether its growth might be truncated by corporations, such as Hyatt or Hertz, defending their turf by acquiring these services.

The social institutions of education at all levels are under enormous pressure to change as classroom models based on the era of factories and mass production break under the demands of 21st-century knowledge economies. At the same time, learning, monopolized by schools for thousands of years, is morphing because of digital texts and online learning communities. Khan Academy, MOOCs (massive open online courses), well-funded “edupreneur” startups such as Udacity and Coursera, how-to videos on YouTube, platforms for peer learning such as P2PU and Skillshare: These seem less like isolated signals than a cultural shift at this point. As a participant and explorer in the field of online social learning myself, I can testify that something big is afoot. But whether and how these emerging “socialstructures” will change the ancient, inherently conservative institutions of public and private education is not yet clear.

Probably Gorbis’s weakest argument for significant structural change is the chapter on the potential for socialstructured government. The signals she points out, however, are fascinating and hopeful. For example, Stanford professor James Fishkin has perfected and tested “deliberative democracy” in Texas and Mongolia, California and Brazil, by bringing together groups of citizens of all political stripes together, polling them on specific issues, enabling them to learn from and interrogate experts who have different viewpoints, encouraging discussion, then polling them again—a rigorous experiment in innovative governance that shows how people can together learn to make better decisions about issues.

Another example is the rewriting of Iceland’s constitution in 2011 and 2012. The world’s oldest democracy enlisted citizens to propose new clauses and to deliberate online. These are indeed signals worth paying attention to. But do they portend real political change?

Like big data, socialstructuring brings dangers as well as opportunities. The greatest danger, the author of The Nature of the Future argues, may be new boundaries between those who are economically and educationally equipped to take advantage of socialstructured institutions and those who are not. Any changes in the way people organize social ties, political institutions, established work patterns, and measures of value are unpredictable, but it can be forecast with certainty that some people will always take advantage of any imbalances revealed by new technologies to further their own interests at others’ expense. I’m with Gorbis when she writes, “If we are not careful, the new curve may also bring with it new disparities. What direction this nascent curve takes is up to us. We are not passive bystanders in the unfolding of the future; we have some responsibility for and agency in shaping the kind of future we want to live in.”

Spreadable media is what results when socialstructuring meets entertainment, advertising, and journalism. Consider the way that the circulation of media—for example, the millions of links, likes, tags, comments, blogs, tweets, and emails that can quickly make a video viral—has become a cultural force, and even a new form of economic production.

In Spreadable Media: Creating Value and Meaning in a Networked Culture, media theorist Henry Jenkins, formerly of MIT and now at USC, and his coauthors, digital strategists Sam Ford and Joshua Green, make a convincing case that fan involvement in the re-creation and circulation of media content is not just an interesting side effect of many-to-many multimedia networks and smartphone video editing apps, but a significant force for empowerment and exploitation in and of itself. “What we are calling spreadability,” explain the authors, “starts from an assumption that circulation constitutes
one of the key forces shaping the media environment.”

Just as big data forces us to reconsider our privileging of causality over correlation, spreadability is forcing major culture creators, such as entertainment companies, to reconsider how much control of their content they should cede in order to see it more widely distributed. Armies of fans of anime—Japanese animated cartoons—voluntarily subtitle and recirculate their favorite videos in multiple languages, providing valuable exposure to the animators. Independent video makers generated more than $10 million worth of publicity for Mentos candy as a side effect of posting popular videos of people dropping Mentos into Diet Coke to create a geyser. The underground circulation of professional wrestling videos revealed hitherto unidentified “surplus audiences,” which prompted World Wrestling Entertainment to launch a new cable channel devoted to past matches and to sell DVDs of classic matches.

Jenkins and his co-authors also cite example after example of fans who produce cultural value for nonmonetary rewards, such as social recognition by their peers. For instance, fans of the Harry Potter books and films created Dumbledore’s Army, a worldwide online community that effects real change in the physical world. Its members sent airplanes full of medical supplies to Haiti after the devastating earthquake of 2010 (spreadability multiplied by socialstructing).

Spreadable Media debunks the notion of “influencers” that was popularized by Malcolm Gladwell. Citing research by network scientist Duncan Watts and others, its authors argue that networks and communities of co-influencers are more important than keystone individuals: “Any new system must respect the importance of surplus audiences and the role active audience members play as grassroots intermediaries shaping the experience of other audience members.” They also cite the importance of “produsers,” a word coined by Axel Bruns to define those who combine the functions of producers and users of media. “Produsers,” write the authors, “play curatorial and promotional roles, selecting and promoting content and creating metadata, improving the prospects of the material being found by future users.”

Spreadable Media is convincing in its argument that “successful creators understand the strategic and technical aspects they need to master in order to create content more likely to spread, and they think about what motivates participants to share information and to build relationships with the communities shaping its circulation.” Toward that end, the book provides detailed advice to content producers, such as using “transmedia touchpoints” to listen to what fan publics are telling them about their products, rather than using social media as just another channel for broadcast promotion.

If you are in the music, movie, television, or game business, this book is a must-read.

Taken together, the signals and lenses described in the three best business books on digitization this year provide us with a clearer understanding of the positive and negative social, economic, and political changes that socialstructing, spreadable media, and big data could create in the near future. We are already seeing tectonic shifts in politics that are being caused at least in part by socialstructing. The influence of spreadable media can be seen in transmedia and mass-media products, which include hashtags and other spreadability affordances emanating from entertainment companies. And most wide-reaching of all, big data is influencing more and more aspects of life—surveillance and sales, public health and financial markets, politics and science—which is why Big Data is my choice as the Top Shelf selection for digitization.

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has been exploring digital culture for 30 years. His books include Net Smart: How to Thrive Online (MIT Press, 2012), Smart Mobs: The Next Social Revolution (Perseus, 2002), and Tools for Thought: The History and Future of Mind-Expanding Technology (2nd ed., MIT Press, 2000). He has taught at Stanford University and the University of California at Berkeley.
DIGITAL HAS BEEN THE BIG NEWS in marketing for at least the last decade, but this year’s crop of marketing books suggest its newsworthiness has long ceased to “stop the presses,” to the extent that presses exist anymore. And it’s still not news even as mobile devices open up a whole new realm of possibilities for marketing and customer engagement.

I’m not saying that digital is over. Rather, we’ve reached that point in its evolution that TV must have hit sometime in the early 1960s: The power of the medium and its mechanics are well understood. Marketers don’t get excited anymore about the mere fact that Google or Facebook or behavioral targeting exists, nor do they wring their hands over how digital has enabled consumers to tune them out.

A real question—and a big one—is where do marketers go from here? For the authors of this year’s best business books on marketing, the answer is multifaceted but clear: Marketing increasingly concerns the customer experience, much of it digitally delivered. This point of view, if not completely post-marketing, is certainly post-advertising.

A brand like Amazon, for instance, may run some commercials on TV, but what really makes it sing are the tens of millions of satisfying and customized interactions that consumers have with the company each year, from its one-click shopping to its on-target recommendations. It’s also no coincidence that as marketing-as-experience has grown in importance, many of the earliest forms of digital marketing, in particular the banner ad, have been roundly discredited. They usually disrupt good experiences rather than create them.

Each of the best marketing books of 2013, in its own idiosyncratic way, successfully grapples with this sea change in how to create the positive consumer perceptions that ultimately build brands.

**Keep It Simple**
If marketing isn’t concerned solely with marketing anymore, it makes sense that the year’s best marketing book isn’t solely about marketing either. Instead, *Simple: Conquering the Crisis of Complexity*, by Alan Siegel and Irene Etzkorn, is something of a diatribe against the pervasive complexity that serves to frustrate consumers and
undermine customer relationships.

At first, *Simple* struck me as over the top in its obsession with indecipherable phone bills and menus crammed with too many choices. Doesn’t society have bigger problems to address, such as climate change and cancer? But soon the realization dawned that complexity hasn’t jumped out at me as an urgent problem because I’ve become inured to it. I expect hidden gotchas in the reams of pages in credit card agreements that I will never actually read until it’s too late to avoid them, and I assume that the directions for assembling my new patio set will be so confusing that I will need to make multiple calls to the manufacturer’s helpline. Traditionally, we haven’t classified these annoyances as marketing problems—but as customer experience becomes a core element of marketing, it’s clear that the damage caused by complexity extends far beyond the customer service department.

Although Siegel and Etzkorn take on everything from the 14,000-page U.S. tax code to prescription drug labels, rest assured their book is written from a marketer’s point of view: Siegel previously founded and led the global branding agency Siegel + Gale and now leads Siegelvision, an organizational identity and brand strategy consultancy; Etzkorn is Siegelvision’s chief clarity strategist.

“Customers are fed up with bureaucracies that inundate us with generic and impersonal information, don’t take our calls, create convoluted procedures, request too many signatures, provide baffling instructions, erect barriers of legalese, and find a thousand other ways to distance themselves from us,” declare the authors. “The truth is, every bit of correspondence you send to customers—email correspondence, statements, contracts, proposals, instructions, applications, call center scripts—speaks louder than your ads, because it’s a more direct and personal form of contact.” In short, if your cheeky ads are followed up with an awful website experience or a contract dripping with legalese, you’ve blown it.

For those who remain unconvinced that simplicity is better business, the authors give anecdotal evidence of the overlap between companies that simplify and those that go on to achieve runaway success. Unsurprisingly, Apple and Google play a prominent role in *Simple*, as do Trader Joe’s (which offers about one-tenth of the products of a typical supermarket) and, in one of the book’s best examples, Southwest Airlines.

The Southwest story is so powerful because it demonstrates that it’s possible to simplify even in excessively complicated categories. When the airline was launched 45 years ago, its founders sought simplicity by buying only Boeing 737s, eschewing the intricate hub-and-spoke system for nonstop flights, and forgoing assigned seats. The upstart airline passed the benefits of simplicity on to consumers in the form of lower fares and fewer extra fees. (In a category that increasingly nickels-and-dimes its customers, Southwest still checks the first two bags free.) The Southwest story underscores the fact that *Simple* is not going to let you off the hook, even if you argue that simplicity won’t work in your company.

As you might expect, *Simple* devotes a good deal of time to the jargon masters who dwell at the very top of the complexity food chain: lawyers. Siegel and Etzkorn argue that the greatest fear of the typical CEO is lawsuits, and that fear has served to “elevate lawyers to a position of unchallenged authority.” They argue that plain language “can actually end up putting you on safer legal ground, because it provides plain evidence that you were never trying to hide anything or hoodwink anyone.”

The legal department’s very existence points to the most difficult thing about becoming simple: adopting the approach across the organization. Any company can whittle down its contracts, but achieving true simplicity, like every other major change initiative, requires buy-in and support from the top. It takes vision to infuse an organization with a more simplified approach, which in its highest form affects the way a business operates, how it markets itself, and how it creates great customer experiences. Thus, the first step toward better marketing may be getting a copy of *Simple* to the CEO.

**How Can I Help You?**

Like Siegel and Etzkorn, Jay Baer, president of Convince & Convert, a social media and content marketing
consultancy, has little regard for traditional marketing and the quest for awareness, particularly as mass media continues its decline. “Whether it relies on old media or new,” writes Baer in *Youtility: Why Smart Marketing Is about Help Not Hype*, “top-of-mind awareness is less effective than ever as a marketing strategy for two reasons: You can’t promote to people you can’t find, and distrust of business erodes its foundation.”

Instead, Baer thinks that marketers should be delivering marketing that is “truly, inherently useful” to its intended audiences—marketing that has, as his would-be catchphrase puts it, *youtility*. Examples of youtility include Procter & Gamble’s Charmin Sit or Squat app, which features Yelp-like reviews of public bathrooms; Scotts Miracle-Gro newsletters, which offer customized advice on lawn care based on where readers live and the type of lawn they have; and the Holiday World amusement park website, which posts every detail a roller coaster fanatic could want about each of its coasters, including track length, top speed, and the height of the lift hill.

Although I wouldn’t classify these examples as earthshaking, they are worth considering in light of the real-world underpinnings of Baer’s argument. First, as marketers try to employ social media, they are competing for attention against the very people they are courting. Thus, says Baer, “your prospective customers must consider you to be a friend. And if, like their friends, you provide them real value, if you practice youtility rather than simply offer a series of coupons and come-ons, they will reward your company with loyalty and advocacy, the same ways we reward our friends.” Youtility is not getting customers to like your Facebook page; it is using that and other platforms to be helpful to them.

Second, the consumer penchant for doing research before buying has increased exponentially in the Digital Age. Baer cites a 2010 Google study that found that people referred to 5.3 information sources before a purchase decision; a year later, they referred to 10.4 sources.

This yen for information isn’t limited to big-ticket purchases. These days, people tap 5.8 sources of information before deciding which quick-serve restaurant to go to. “If the fact that Americans need almost six data inputs before pulling the trigger on a chicken sandwich decision doesn’t convince you of the need to win the war of information, I give up,” writes Baer.

He argues that these days, the key to a marketer’s success is becoming part of that pool of information sources. Witness the Clorox myStain mobile app, which offers stain-fighting advice on the fly. A great way to market Clorox’s products? Sure, but a crucial part of the app’s success is the company’s willingness to help even when that help doesn’t include its products.

As the book makes clear, the array of tools in the youtility toolbox is vast. Baer draws not just on CPG brands, but also on hospitals, hotels, and even taxi-cab drivers, one of whom publishes a newsletter, “Taxi Mike’s Dining Guide: Where to Eat in Banff.” Distributed free all over town, the guide has nothing to do with cab rides, but who are you going to call for a ride back to your hotel after you’ve had a great meal at a restaurant recommended by Taxi Mike?

We’ve heard the youtility thesis before, but it says something about the timing of this book and its practical, universally applicable advice that as I write this, it is on the *New York Times* hardcover bestseller list.

**Delivering Experience**

If experience is becoming the essence of marketing, experience delivery is becoming a more high-tech endeavor. These days, marketers must also be technologists. *Converge: Transforming Business at the Intersection of Marketing and Technology* dives deep into the ramifications of technology-infused marketing. Written by ex-CEO Bob Lord and CTO Ray Velez of the digital marketing agency Razorfish (for which I have worked), the book covers topics including data-driven experiences, the cloud, open source software framework Hadoop, and agile methodology (an innovative, iteration-based software development practice) with a facility that can boggle the reader’s mind. And if you don’t know what words such as *ubicomp* mean, be prepared to use
the glossary. But then, if you don’t know that ubicomp means ubiquitous computing, it’s all the more reason to read this clear-eyed, comprehensive look at how technology is changing customer experience.

As you read it, pay particular attention to how Lord and Velez position the volume of technology in the marketing universe. “Winners in the twenty-first century won’t be distinguished by how fast they master buzzwords or how many faddish new digital marketing campaigns they undertake,” the authors write. “Those winners will be organizations whose main focus is on their consumer’s journey and who possess a relentless desire to understand and improve that journey from beginning to end. This isn’t merely about serving up new ads cloaked in the latest social fashion, but about improving the consumer experience at all stages.” Yes, there’s the e-word again.

*Converge* is one of the few marketing books that deal with the back end of customer experience—with how to use technology to deliver it. You may wonder what cloud computing and agile methodology have to do with marketing. But both are fitting metaphors for the real-time nature of marketing. As Lord and Velez write in a brief section on the hoary TV up-fronts, in which marketers vie to buy commercials up to a year in advance, “For those individuals who spend most of their marketing budget in digital channels, the upfront is a striking outlier from the rest of marketing reality. Marketing in the twenty-first century is all about speed, accountability, data, and digital. The upfronts are about long-term thinking, guesstimations on the potential success of new programming, personalities, and, of course, golf.”

What cloud computing and agile methodology have in common is that they can play a crucial role in making marketing a continuously iterative process, and rescuing it from its traditional guise as a long-lead-time, big-budget ocean liner that is difficult to turn when the waters ahead get choppy or a better course reveals itself.

The cloud takes infrastructure concerns off the marketer’s plate. “You need to think of data centers not as something you build but as something...you rent to keep your costs down, to improve speed to market, and to allow your people to focus on innovation,” explain the authors.

Agile methodology, which grew out of the application of lean production principles to software development, concerns how people work. “An agile marketing organization,” say the authors, “is always on and responsive and is not driven by campaigns locked in a year ahead of time.” During a project for Ford, for example, Razorfish began by focusing its efforts on features that helped Ford’s customers manage high gas prices. But when gas prices declined in the middle of the project, an agile work method enabled the team to shift its focus to other, more germane car-buying concerns, like financing.

Even as many marketers have looked to create real-time advertising, such as Oreo’s “You Can Still Dunk in the Dark” tweet during 2013’s Super Bowl blackout, the use of technology as a means of creating real-time experiences that tap into consumer wants and needs holds much greater promise. If that’s not fundamental to effective marketing, then what is?

Considering the sheer magnitude of ad budgets, the vast majority of the interactions most of us have with brands are still going to be through advertising. The problem is, as this year’s best business books on marketing make clear, the vast majority of those interactions will not enable or encourage consumer interaction with the brands that they purport to be building. Taglines be damned, it’s time to address how customers experience your brand. +

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Influence, Inquiry, Action
by Sally Helgesen

Business Books This Year have a lot to say to leaders trying to bolster their reputation and influence. If you want to become more successful in your organization, your best bet is to hone your personal skills and become a more effective practitioner.

Communicating effectively, becoming a more accomplished persuader, and helping others achieve their performance goals have long been foundational managerial roles. But as organizations become more diverse and complex, and as everyone is called upon to work more independently, refining these skills has become an imperative.

Perhaps that’s why listening, questioning, and moving others to act emerged as strong themes in the best business books offering managerial self-help this year, with the latest volumes from veteran authors Edgar H. Schein and Daniel H. Pink being the standouts. Facebook COO Sheryl Sandberg’s hugely successful Lean In complements both by providing a clear example of a leader who demonstrates in action the managerial practices that both men advocate.

Ask, Don’t Tell
Concise, cogent, and informed by a wealth of direct experience, Humble Inquiry: The Gentle Art of Asking Instead of Telling, by Edgar H. Schein, is a testament...
to the importance of asking questions in a way that enables others to feel comfortable giving honest answers. A pioneer in organizational development whose work has been instrumental in shaping the field since the 1950s, Schein distills lessons from a lifetime of practice in solving difficult organizational problems, helping people build strong relationships, and moving cultures in a positive direction. Simple and profoundly wise, *Humble Inquiry*, the best business book of the year in this category, has the makings of a classic.

Although the book wears its learning lightly, its ambitions are far from modest, for Schein sets out to do nothing less than identify and address the root causes of miscommunication in our business culture. In his view, there are two essential problems. The first is our preference for telling rather than asking. Schein finds this especially characteristic of managers in the United States, who are immersed in a tradition of pragmatic problem solving that places a premium on efficiency and speed. The second problem is the high value many leaders place on task accomplishment as opposed to relationship building, which can make them impatient with the slow work of earning real trust. In Schein’s experience, many leaders either are not aware of these cultural biases or don’t care enough to be bothered with redressing them.

Schein believes that such attitudes have become newly problematic in a diverse global environment in which a growing proportion of individuals do not necessarily share those values, and in which teams are an increasingly common organizational unit. Despite the prevalence of language exalting teamwork, Schein notes that promotional and rewards systems in many companies remain almost entirely individualistic. This creates an emphasis on star performers that can undermine engagement and trust.

The disjunction becomes particularly acute when leaders simply assume that positional power ensures that their subordinates will correctly interpret and act upon their instructions. Those who take this approach are often content to toss off a pro forma request for assent—“Does anyone have any problems with this approach?”—and leave it at that. Blinded by presumptions about the value of their status and unaware of the cultural and status constraints under which subordinates may labor, leaders intent on speed and efficiency often miss essential information. In high-risk fields, these miscommunications can have catastrophic consequences, against which checklists and professional training offer insufficient protection.

At several points in the book, Schein illustrates the potential for miscommunication by using examples from a typical British hospital. The operating team consists of a British senior surgeon who also works with the royal family, an anesthesiologist recently arrived from Japan, a surgical nurse from the U.S. who’s in the U.K. because of her husband’s job, and a surgical tech from a working-class London district. Though each member of the team is a highly trained professional, these diverse individuals all have cultural reasons to avoid sharing unwelcome information with the surgeon. The anesthesiologist comes from a culture in which those with higher status cannot be openly confronted, so he appears to agree with the surgeon even when his experience suggests another approach. The nurse is sensitive to the anesthesiologist’s status and does not want to embarrass him in front of the surgeon by questioning his decision to go along with whatever the surgeon says. The tech cannot imagine anyone on the team listening to a concern voiced by someone of his background and so fails to offer any views and just follows orders.

Schein describes the various circumstances under which cultural and status constraints inhibit this team from engaging in the kind of frank exchange that their complex work requires. Though each team member has specific expertise, they all fail to use it to advantage unless those with higher status humble themselves by asking questions that demonstrate their reliance on others. He further notes that some variation on this situation occurs in every kind of organization, often every day, because even as leaders struggle to create conditions that promote free exchange, expressing humility can make them feel vulnerable. True humility requires admitting
dependence on those lower in the hierarchy. Only when leaders are able to overcome their fear of exhibiting such dependence can they allow their curiosity to lead them to vital information.

*Humble Inquiry* redresses this condition by showing managers a variety of ways to frame questions to which they do not know the answer. Schein is careful to distinguish humble questions from leading questions, rhetorical questions, embarrassing questions, or statements masquerading as questions. He also notes that the burden for asking such questions always falls on the higher-status person in an exchange. Humble inquiry is therefore especially useful as a management practice.

Like Peter Drucker, Schein rarely cites or draws from work that is not his own, an approach that paradoxically gives his observations added authority and weight. The methods he sets forth have obvious utility in many situations, but seem particularly useful for organizations undertaking complex initiatives such as culture change. In fact, it’s not extreme to say that no leader should attempt such a venture without first consulting *Humble Inquiry*.

**Get Moving**

In contrast to Schein’s autodidactic reliance on a lifetime of experiential learning, Daniel H. Pink continues his own tradition of digging up fresh, pertinent, and provocative research to support virtually every point he makes. In *To Sell Is Human: The Surprising Truth about Moving Others*, he builds a strong, clear case that selling, which he defines broadly as “the ability to move others,” has become an essential managerial practice rather than something that only salespeople do. (See “Daniel Pink’s New Pitch,” by Theodore Kinni, *s+b*, Autumn 2013.)

In Pink’s view, selling has become integrated into all kinds of work. This is true in part because more people now work as free agents, subcontractors, and entrepreneurs, either on their own or in association with a larger entity, and in part because organizations have become much flatter. Flatness erodes functional boundaries, making job descriptions more elastic. Engineers are “forward deployed” to interact with clients, while computer scientists head into the field to solve customer problems. As a result, the skills of persuasion are needed to support the practice of many kinds of expertise.

Yet even as more of us need to integrate sales skills into our managerial repertoire, the nature of what constitutes skilled selling is changing. For instance, information parity is replacing information asymmetry. Such asymmetry historically gave salespeople and managers an edge. But now, Pink notes, both can benefit by taking the high road—being honest, direct, and empathetic, and seeking to build relationships for the long term. In a transparent world, where we all have the means to research our choices, Pink says, “Moving people depends on more sophisticated skills and requires as much intellect and creativity as designing a house [or] reading a CT scan.”

The core of *To Sell Is Human* is a lively section titled “How to Be” that spells out Pink’s new ABCs of selling. Instead of “Always be closing,” the traditional sales mantra, Pink posits a new watchword for moving others: “Attunement, buoyancy, and clarity”—an ABC that’s as useful to managers as to salespeople.

Describing attunement, Pink steps into Schein’s territory. He offers research indicating that people with lower status tend to be keener perspective takers, more cognitively attuned to the moods and needs of those with higher status and so better able to discern what will move them. He therefore advocates the strategic assumption of lower status when trying to win someone to your cause. Pink also presents studies upending the conventional wisdom that extroverts are the best at moving others. It turns out that ambiverts—those able to move back and forth between action and reflection—are more skilled at attunement because they’re likely to be better listeners than are extroverts.

Daniel Pink’s examination of buoyancy is fascinating. He notes that being good at moving others requires great persistence as well as an ability to deal with the discouragement that comes as a result of “wave after wave of rebuffs, refusals and repudiations.” How can we stay afloat amid this ocean of rejection? By drawing on three techniques that social science identifies as most vital for resilience.
First, an individual must practice the right kind of self-talk in advance. This is not the stereotypical Og Mandino/Tony Robbins technique of constantly telling yourself how great you are. The opposite tack—saying “I can’t do this”—is, of course, even less effective. What works best, per Pink, is using an interrogative voice before you undertake the task at hand. For example, asking yourself, “Can I make the head of this division understand what we’re up against?” and then listing the reasons you can do it is the most effective way to establish a buoyant spirit. (The corollary is to remedy any reason that you can’t.)

The second step to buoyancy is maintaining a high degree of positivity, a catchall term for a variety of positive emotions. As it turns out, the optimal ratio for tapping into the power of positive thinking is three positive emotions for every negative one. Pink illustrates this principle by following the last Fuller Brush Man, Norman Hall, as he makes his rounds. Pink observes that Hall is careful to start his day with a few calls he knows will be friendly in order to put himself in a positive mood. He also takes time to visit with longtime customers he knows will be glad to see him in order to balance the inevitable situations in which he will be rebuffed or treated rudely. This strategic approach to creating positive experiences can also help managers improve their resilience.

The final step is having the right explanatory style—that is, the kind of story you tell yourself to explain what happened when things go wrong. Pink cites an extensive study showing that people who give up easily tend to explain negative events to themselves as permanent, pervasive, and personal. By contrast, buoyant individuals tend to frame negative encounters as temporary, specific, and external. It’s a great technique for anyone who leads.

Pink’s chapter on clarity is full of aha! moments, deeply rewarding and persuasively written. He describes techniques for developing effective pitches that go far beyond the elevator standard and offers a Schein-like template for asking better questions in order to get better results. Full of fresh information and useful insights,

To Sell Is Human is timely, original, thoroughly engaging, and deeply humane.

Get Out of Your Own Way
It’s hard to separate Lean In the book from “Lean In” the phenomenon. In an era when the professed goal of every book, article, and tweet is to start a national conversation, Sheryl Sandberg has succeeded on an unprecedented scale with a subject that is often addressed as a dutiful afterthought. Women’s leadership has been pronounced dead as a topic of interest many times over the last 25 years. Yet with precision, timing, and an extraordinary dedication of resources, Sandberg has revived it.

Lean In: Women, Work, and the Will to Lead combines exhortation, analysis, and memoir in addressing the question of why so many women who start their careers with high potential and high hopes fall behind as the years progress, resulting in a continuing paucity of women in senior positions. Until recently, this was widely attributed to the lack of a “pipeline,” a problem that, it was assumed, would resolve itself once enough women were hired into management. This has not happened.

Although Sandberg recognizes that substantial extrinsic obstacles stand in the way of women’s success (organizational culture, blatant and subtle discrimination, and, of course, childcare issues), she’s also convinced that internal obstacles (issues related to women’s own thinking and behavior) play a role. This is what she sets out to examine, drawing on her own experience and that of other women. She buttresses her observations with well-integrated academic research on such issues as how success and likability are correlated in women (negatively, as it turns out), differences in how men and women perceive their own qualifications for advancement (men rate themselves more highly even in cases where women significantly outperform them), and how men and women perceive their employability (dishearteningly, women apply for open jobs only if they think they meet 100 percent of the criteria listed, whereas men apply if they meet 60 percent of the requirements). Such data makes it difficult to argue with Sandberg’s central thesis that
women’s tendency to question their own skills often plays a role in limiting their opportunities.

The Facebook executive freely admits that she has made every mistake she discusses and tells her own story with refreshing candor. For instance, when Larry Summers, her mentor and thesis advisor at Harvard, recommended she apply for an international fellowship, she ignored the advice because she feared it would make it harder for her to find a husband. Later, working for Summers at the World Bank, she made up for this strategic error by taking to heart his advice that she “bill like a boy.”

Sandberg went on to serve her mentor as chief of staff when he was at the U.S. Treasury during the Clinton administration. There, she became intrigued by the tech industry’s rapid growth. She joined Google in 2001, quickly became its vice president for global online sales and operations, and jumped ship in 2008 to become Facebook’s chief operating officer.

Sandberg demonstrates a gift for self-awareness that avoids both self-adulation and false modesty. She admits she didn’t know how to read a spreadsheet when she arrived at the World Bank and describes humiliating moments when she made poor decisions, received withering feedback, or even cried. Although she’s been criticized for these admissions by those who believe successful women must always inhabit the straitjacket of the unvaryingly positive role model, her honesty has stood her in good stead, both in her career and in the warm persona that animates the book.

Although “Sheryl Sandberg blames women” has become a popular media meme, Lean In seems to me to be a valiant attempt to turn what the author has learned into a clear-eyed guide for helping other women succeed at work. In addition, the self-awareness that informs her managerial style, at least as she describes it, exemplifies the practices that Schein and Pink both advocate and explore. She expresses humility and is not reluctant to assume a lower-status position if she has something to learn. She’s a skilled questioner who actively shows that she is listening so others will be comfortable opening up. She credits her success to recognizing that truth lies in the eye of the beholder and that statements of fact are therefore likely to put others on the defensive. She acknowledges that listening and being open were hard skills for her to learn and says she has to work at being “delicately honest.”

If we’re all salespeople now, Sandberg clearly possesses the passion for inquiry along with the attunement, buoyancy, and clarity required to move others to pursue a cause that has long been regarded as a tough sell.

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Running the Detroit Three
by James O’Toole

DETROIT IS BACK. Not the city, alas, but the Big Three automakers whose glorious pasts gave Motown its moniker. General Motors, while duly paying off much of its US$50 billion bailout debt, is again leading the world in car sales and, more surprising, winning kudos for quality. Ford remains healthy under sound leadership, and Chrysler’s near-term prospects seem startlingly good. There’s even a mini-boom in new books about auto industry leaders past and present, executives whose daring (and foibles) transcend Motor City. At least three of these books are about men whose character and practices were, and still are, representative of American C-suite leadership.

The Bean Counter
The most significant leadership book published this year, David Farber’s *Everybody Ought to Be Rich: The Life and Times of John J. Raskob, Capitalist*, is about an executive who was responsible for much of what is right, and wrong, with the U.S. auto industry today (and the leadership of giant businesses, in general). Six decades after his death, Raskob remains one of the most influential—and colorful—characters in the annals of corporate America. He served as chief financial officer of both General Motors Company and DuPont in an era before the title existed. In the early 1920s, Raskob laid the foundations that enabled both companies to rise from relative obscurity (in GM’s case, from near bankruptcy) to become, respectively, the world’s first- and third-largest corporations by the time he retired from their boards in the late 1940s.

John Jakob Raskob (1879–1950) knew next to nothing about making cars (or chemicals) and wasn’t particularly interested in industrial manufacturing, engineering, or organizational management. Instead, his many and lasting contributions to corporate leadership were entirely financial. Raskob was the first executive to practice what came to be called management by the numbers. At DuPont, in the 1910s, he created—with a big assist from protégé Donaldson Brown—most of the accounting and budgeting procedures and metrics that are still standard in American companies.

Raskob’s most significant creations (and for him, the most fun) were the arcane financial instruments that allowed DuPont to acquire its major competitors (and control of General Motors) using other people’s money. He was the Adam of corporate acquisitions and financial restructuring. His creative output included the invention of holding companies and paper instruments that reduced the risk, liability, and taxes of his boss, Pierre S. du Pont, chairman and, for a time, chief...
executive of both GM and DuPont. Raskob’s financial prestidigitation helped make du Pont a multibillionaire in today’s dollars—and, through stock speculation, insider trading (he shorted GM stock), and prodigious tax avoidance, a billionaire in his own right.

Farber, professor of history at Temple University and author of Sloan Rules: Alfred P. Sloan and the Triumph of General Motors (University of Chicago Press, 2002), documents how the largely self-educated Raskob quickly rose from the ranks of the petite bourgeoisie (his father was a cigar maker). He became the first Roman Catholic accepted as a peer in U.S. boardrooms, the progressive head of the nation’s anti-Prohibitionists, chairman of the Democratic National Committee at the time of Franklin Roosevelt’s first presidential nomination, and, in a spectacular volte-face, a leader of the right-wing American Liberty League, which opposed the New Deal and the United States’ entry into World War II. He was Pope Pius XII’s main fund-raiser in the United States, a lifelong pal of New York’s powerful Cardinal Spellman, a Knight of Malta, and, along with his 12 children, a regular communicant. At the same time, he was a playboy nonpareil (with a weakness for showgirls, booze, and gambling) and a willing abettor of his wife’s cohabitation with a man many years her junior. John Raskob seems also to have helped conceal Pierre du Pont’s evident homosexuality. Few bios of CFOs have such racy subplots.

Still, Farber keeps his main focus on Raskob’s business practices, documenting how he arranged bailouts for GM (the company has a history of that sort of thing), invented the consumer credit industry (GMAC was his brainchild), designed the first executive stock option plan, and was the first to advocate wide-scale employee stock ownership. In early 1929, Raskob also proposed what might have become a national social security system invested entirely in the stock market (but his timing was embarrassingly bad).

Never able to sit still for the quotidian details of management, Raskob preferred to pull strings behind the scenes. He plumbed for the appointment of the more temperamentally suited Alfred Sloan to succeed Pierre du Pont at GM’s helm when, for the asking, he could have had the top job himself. In Sloan’s classic My Years with General Motors (Doubleday, 1964), he credits Raskob for introducing the system of financial controls that made it possible for GM to become the world’s largest corporation, invidiously contrasting Raskob to Henry Ford, who was dismissed by Sloan as a genius mechanic who couldn’t manage a giant company. Unlike Ford’s company, Sloan sniffed, “General Motors is in the business of making money, not cars.”

The Car Guy
What led Sloan to depict Raskob as the Great Anti-Ford was the organizational pandemonium created in 1927 when Ford shut down production of the Model T and retooled his factories to assemble the Model A, an event chronicled in Vincent Curcio’s Henry Ford. That totally unplanned, disruptive, and mind-bogglingly expensive transition was prolonged thanks to Ford’s second-guessing and micromanaging of his engineering staff. The retooling took some two years to complete. In comparison, in 1929, GM achieved full production of a new Chevy model in six months.

The debacle was, however, in keeping with Ford’s personal motto: “We must go ahead without the facts. We will learn as we go along.” As good as his word, Ford (1863–1947) seemed to thrive on disorder, creating chaos whenever and wherever discipline reared its ugly head. Ford so abhorred record keeping that, on abolishing the company’s accounting department, he told employees to keep cash in a barrel and withdraw whatever amounts were necessary to pay bills. (He kept a million dollars in cash in his office safe.) Yet Ford created the world’s most efficient industrial organization, one in which wasteful motion, effort, and activity were eliminated in order to produce a Model T that eventually sold for as little as $260, down from $800 in its first year of production. Between 1907 and 1922, Ford increased annual manufacturing capacity from 8,200 to 2 million cars: What originally had taken skilled craftsmen a week to build by hand was turned out in a matter of hours by assembly-line workers. Ford pioneered the efficient use of raw materials, waste elimination, and recycling. The Model A was
produced at the world’s largest factory site in a fully integrated facility that was the industrial wonder of the world, envied even by Stalin and Hitler.

Curcio, also author of Chrysler: The Life and Times of an Automotive Genius (Oxford University Press, 2000), draws particular attention to Ford’s numerous contradictions and paradoxes. Ford was visionary, innovative, inspiring, expansive, bold, rational, generous, wise, honest, and a pacifist. He was at the same time shortsighted, backward, rigid, querulous, malignant, irrational, paranoid, contentious, dissembling, and bellicose. Ford and his immediate family owned 100 percent of their company, a degree of corporate control never enjoyed by the likes of Rockefeller and Carnegie, yet he cultivated an image of himself as Everyman. “When a reporter asked him how it felt to be the world’s first billionaire,” Curcio writes, “he squirmed in his seat and replied, ‘Oh, shit!’”

Ford was the greatest friend African-Americans had in big business (in 1926, 10,000 blacks were employed in his plants, often supervising whites), and at the same time a virulent anti-Semite. He hired and promoted women, immigrants, and disabled people decades before other large companies did so; most famously, he introduced the $5 per day wage when the average industrial worker earned half that amount. Meanwhile, his infamous Sociology Department snooped into his workers’ private lives, dismissing those who drank, gambled, or cheated on their spouses, and he was notorious for firing workers as they gained seniority, replacing them with younger, lower-paid employees.

Ford ran for the U.S. Senate as a progressive Democrat (and nearly won), then turned into an arch-reactionary. He presented himself to the world as a model of domesticity, yet he had a decades-long relationship with a mistress who bore his love child. He said he was interested in cars, not money, yet he conspired to avoid some $321 million in inheritance taxes. In short, he was far from Raskob’s opposite.

In this brief, lively introduction to Ford’s life, Curcio makes the case that Henry Ford changed the face of the U.S., giving the nation mobility, materialism, and modernism. Undeniably, Ford introduced a product in which people could be conceived, be born, live, and die, as many since have done. Although the auto industry may seem old hat to today’s young managers, the leadership lessons one can take from this book are timeless. Indeed, the more one learns about Ford, the more one sees parallels to the career of Steve Jobs, an equally complex leader who also changed the way Americans lived.

Curcio contrasts the brilliant, irascible, chaos-creating Henry to his thoughtful, kind, and emotionally steady son, Edsel. Whereas his father was the classic innovator and entrepreneur, Edsel Bryant Ford was a highly capable manager responsible for many of the best business decisions made by the Ford Company, where, in 1919, at the young age of 25, he succeeded Henry as president.

It seems that Edsel had the leadership chops to match those of his archival Sloan across town at GM, at least when his mercurial father didn’t step in and second-guess him. Sadly, Edsel died in 1943 at the age of 49, and his octogenarian father returned to the company’s executive suite. It marked the beginning of a decades-long decline in the company’s fortunes during which several finance- and accounting-oriented executives, such as Robert McNamara and Red Poling, would wrestle with product- and manufacturing-oriented executives, such as Donald Petersen and Lee Iacocca, for control of the corporation. This proved beneficial mainly to GM and Japanese competitors, and only recently did that destructive internal competition cease under the stewardship of Henry’s great-grandson, Chairman William Clay Ford Jr., and the impressive leadership of industry outsider CEO Alan Mulally.

The Loose Cannon

Indeed, a major theme running through the hundred-year saga known as “Detroit” has been the nasty leadership battle between car guys, like Ford, and bean counters, like Raskob, to borrow labels from retired auto executive Bob Lutz. His fourth book, Icons and Idiots: Straight Talk on Leadership, is an olio of 11 mini-bios of leaders, most of whom were executives the author worked for during his six decades in the auto industry.
The Swiss-born, multilingual Lutz is an ex-Marine who labored near the top at Ford, Chrysler, BMW, and GM (twice), and was responsible for developing such iconic cars as the Jeep Grand Cherokee and Dodge Viper. While skewering the likes of legendary Lee Iacocca and hapless Rick Wagoner (CEO when GM required the recent bailout), Lutz does his best to remain even-handed and find the best in the worst of the lot. But he is definitely on the side of car guys.

Lutz is particularly venomous with regard to such “bean counters” as the late Red Poling, Ford’s chairman and CEO in the early 1990s, who, while living “in a world of spreadsheets, [was] hopelessly removed from the unquantifiable reactions of the real world [and] cost the company millions of dollars in profit.” He also mocks Poling’s pathetically insecure predecessor, the late Philip Caldwell, who Lutz says kept photos of himself shaking hands with celebrities in an album titled “Important People Who Have Met Me.” In many ways, this book is a sequel to the comic and insightful On a Clear Day You Can See General Motors: John Z. DeLorean’s Look inside the Automotive Giant (Wright Enterprises, 1979), which was penned by J. Patrick Wright and is equally full of anecdotes about the risible behavior of Big Three leaders, behavior that has led to repeated auto industry fiascos.

What saves Icons and Idiots from being a mere collection of anecdotes is that, like DeLorean, Lutz is extremely knowledgeable about the industry and a keen observer of leadership. Mixed in among embarrassing tales of alcohol-fueled mishaps, juvenile pettiness, and gross incompetence are thoughtful insights about why some leaders succeed and others fail. Most of the failures Lutz cites are due to egomania, financial short-termism, a lack of customer focus, poor product quality, and, above all, overreliance on the numbers when common sense and flexibility would have saved the day.

Lutz never made it to the top anywhere he worked, although he had been the odds-on favorite to succeed Iacocca at Chrysler until the incumbent made it clear he favored “ABL” (Anybody But Lutz). Lutz owns up to why, despite his enviable record as a car guy, he was never chosen to lead a major auto company: “I was too ambitious, volatile, unpredictable, undiplomatic, emotional and way too prone to saying the wrong thing at the wrong time.” These are characteristics Lutz documents time and again in this amusing little volume, which ends, not inappropriately, with the Obama administration’s bailout of GM, where the nearly 80-year-old Lutz served as Rick Wagoner’s numero dos.

Ever the non-diplomat, Lutz can’t bring himself to mention the name of the bean counter brought in to head GM when, for all intents, it was nationalized in 2009. Although he is forced to admit GM was made profitable under the unnamed Ed Whitacre, Lutz’s parting shot is the claim that what actually saved the company was the new models that had been under his development when the storm hit Detroit.

In that regard, it is interesting to take a comparative look at Whitacre’s autobiography, American Turnaround: Reinventing AT&T and GM and the Way We Do Business in the USA (Business Plus, 2013), in which he offers his account of how GM was saved from bankruptcy. He claims one of his first moves was to ease octogenarian Lutz out the door: “You didn’t have to be a car expert to figure it out: The economy didn’t get GM. Mismanagement did.”

If Whitacre’s book weren’t so self-congratulatory and short on specifics, I might be inclined to write Lutz off as a has-been. But both Lutz and Whitacre are partially right. Detroit needs both car guys and bean counters. In fact, the general leadership lesson to be taken from these books is that all the skills needed to run a large corporation are seldom found in one individual. And that is why, from the Rust Belt to Silicon Valley, successful C-suites are home to robust mixes of executive talent.

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