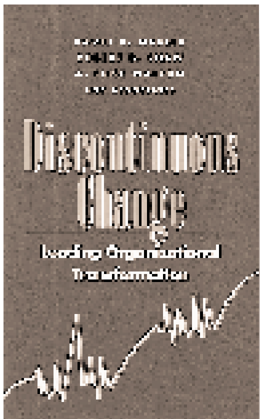

DISCONTINUOUS CHANGE: LEADING ORGANIZATIONAL TRANSFORMATION

by David A. Nadler, Robert B. Shaw, A. Elise Walton et al.
(295 pages, Jossey-Bass, $29.95)

Reviewed by Barbara Presley Noble

Here's the problem with books on change: books are static; change, by definition, is dynamic. There is, then, almost always a lack of synchrony between what the reader knows of change in life, and what he or she experiences on the page. It does not help that the topic seems to attract writers who — in many instances — never oversaw any change efforts at all. Thus, most books on change are stern little sermons about pulling up your socks and looking for opportunities in adversity, peppered with snake-oil aphorisms, mantras of dubious efficacy ("Reframe, restructure, revitalize, renew," comes to mind) and what might be called the prophylactic anecdote: stories of how people did — or didn't — survive whatever grisly process a particular company was going through. Many strategic leaders at companies, abetted by a sense of urgency and bevies of willing consultants, have convinced themselves that all they need to do to change is to decide to do it and then tell the troops, in the manner of "Star Trek"'s Captain Picard, to "make it so."

David A. Nadler, Robert B. Shaw and A. Elise Walton, with assorted associates mostly from the Delta Consulting Group in New York, are the authors of "Discontinuous Change: Leading Organizational Transformation." They understand that the urge and the ability to "make it so" are two separate things. Any kind of change, they suggest, is an organic process composed of many competing elements, an inevitable, ineluctable force with a life of its own. "Discontinuous," as opposed to

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incremental, change is especially so. It is shaped by external forces — technological, competitive and regulatory innovation or the decline and rise of whole industries and regional economies — that engineer a radical break with the past. The authors, an eclectic group with an assortment of behavioral science and business school credentials and a high degree of confidence in their audience, understand better than most the psychosocial elements of change and the discontinuities in power it provokes. Their book provides readers with a framework for analyzing change but doesn't stint on the hard-headed advice.

Executives who have been managing change should, for example, recognize the elements abstracted in a useful chapter called "The Fundamentals of Change Management," by Kathleen F. Morris and Charles S. Raben. All the stages companies typically go through are here: "rational" resistance to change; the search for people to blame; increased informal communication, i.e., "hallchat" and, concomitantly, lower productivity; faction formation; the emergence of informal leadership; realignment of relationships, etc. Change may seem chaotic, but it follows similar patterns no matter what the context.

Similarly, managers who are tired of hearing about the "culture of the corporation" can look to the chapter called "Transformative Culture," by Ms. Walton, which gives a fresh, fast introductory course in anthropology and, accordingly, makes it clear why real change is so difficult. Transforming the culture of an organization means changing the values and worldviews of its people. People don't come by their values lightly and they don't check them at the company door, so they surely don't give them up easily. The authors do not cite the work of Peter Marris, the psychologist, but the insight of his classic book, "Loss and Change," is present. People experience change as loss, he argued, even if they accept the need or inevitability of it. Change, like loss, requires time to repair.

THE CHAPTER CALLED 'TRANSFORMATIVE CULTURE' MAKES IT CLEAR WHY REAL CHANGE IS SO DIFFICULT

Naturally enough, some of what the book calls for isn't new. To believe they have a stake in the future and in not being an obstacle to change, middle-level employees must feel that the discomfort is being spread around equitably and that the company is willing to help them gain skills and opportunities they can use to move forward in their careers, wherever they end up. No one will be surprised to learn that C.E.O.'s loom large as change agents, though they might be surprised that the authors zero in on senior management, rather than the much-maligned middle management, as a major source of resistance to change.

Finally, the authors are generally much too polite, especially toward their competitors who have embraced the reengineering craze, which has given intellectual legitimacy to the worst impulses of capitalism and capitalists, the inclination to panic and hack away rather than to think.

The strength of "Discontinuous Change" is its unembellished analytical approach, but it is a strength that may not be to everyone's taste. Although there are examples throughout the book, the one sustained intrusion of real-world voices is a "round table" — individual interviews edited into a single chapter — of five chief executives from large companies that have survived high-profile change initiatives in recent years. It is curiously charming to read that Bob Allen, who led AT&T

into the age of deregulation, dislikes being the center of attention — that's his story, anyway — and has to be coached to be more aggressive.

After spending an afternoon with this thoughtful book, however, it's disconcerting to read that most of the C.E.O.'s say that given the chance to do things again, they would follow the same course, but at a much faster pace. One of the lessons of "Discontinuous Change" is that while C.E.O.'s may draw up the race card, the process of change tends to keep control of the stopwatch. SB

THE TOTAL PACKAGE: THE EVOLUTION AND SECRET MEANINGS OF BOXES, BOTTLES, CANS AND TUBES

by Thomas Hine
(289 pages, Little Brown, $24.95)

A cigar may sometimes be nothing but a cigar, but a package is never just a package, as Thomas Hine makes clear in his lively new book, "The Total Package." Mr. Hine, a journalist who wrote the engaging "Populuxe," about the emergence of consumer culture during the 1950's and early 60's, surveys the history of consumer product packaging, uncovering, as he says in the book's subtitle, "The Evolution and Secret Meanings of Boxes, Bottles, Cans, and Tubes."

While others may think the thing within a package is important, Mr. Hine believes the material around it is, if not more important, at least more vocal, or informative, than the thing itself. Packaging reveals the relationship between ideology and culture, which is to say, the difference between how people think and how they behave. If that sounds like one of those Aristotelian distinctions-without-a-difference, consider that deciding to buy is a thought; actually buying is behavior. Anyone who understands the connection between the two understands consumerism, the engine of contemporary American society.

As the "total" of the title promises, Mr. Hine strives for comprehensiveness. He delves back into the ancient Roman Mediterranean period when utilitarian vessels that functioned as storers and transporters of oil, wine or perfume first became packages, self-consciously. Early wine vessels conveyed information on the grape, place of origin and whether the wine was sweet or dry that was at least as informative as the modern bottle label.

Mr. Hine's twirl through the ancient world is dizzyingly brief, too brief in fact to be read as anything other than an obligatory nod to the past. It also sets a tone that begins to seem glib rather than seamless after a few chapters. In "The Total Package" social history serves merely as a convenient drying-up rack on which to hang design insights rather than as a vital force. Mr. Hine does however resist the arcane, deadening jargon used by many of his academic counterparts among the professional semioticians. On the whole, glibness is preferable to boredom.

During Mr. Hine's quick-march toward the present, we learn that canning became critical to exploration and migration, especially into regions where no fresh food was likely to be available. As Mr. Hine wryly notes, the experience of the Donner expedition as it tried to cross the Sierra Nevadas alerted the American public to "the need for better portable foods." Alas, the canning process wasn't foolproof. While a 4-pound tin of roasted veal carried along on two of Captain W.E. Parry's trips in search of the Northwest Passage was still edible when laboratory cats tested it more than a century later, members of the Franklin expedition to the same region in 1846–48 died there, poisoned by the lead in their cans.

Mr. Hine is at his best when he moves into the origins of American consumer culture, in the mid-19th century, the period during which Americans revealed their willingness to be pulled into what he calls the "emotional life of the package." Every advance represented some juxtaposition of technological innovation, consumer attitudes and the ingenuity of the seller. Companies learned early they could persuade Americans to change their habits by appealing to fears about health. In 1901, Uneeda biscuits introduced vacuum-sealed freshness with its "In-Er-Seal" package by touting its sanitary advantages over other crackers, which were traditionally sold in bulk out of easily-contaminated grocery barrels.

Packaging errors were not easily forgiven, but could be overcome by clever marketing. A problem with the original packaging of Lifesavers torpedoed its introduction in the early part of this century, and no amount of importuning inclined grocers — who controlled a product's destiny — to give the candy a second chance once the problem was solved. The colorful rings survived only when a company marketer devised the strategy of placing them next to cash registers in saloons and selling them as breath fresheners. By the time Prohibition killed the saloon, Lifesavers had finally made it into grocery stores, still positioned next to cash registers, where they became one of the first impulse buys.

A PROBLEM WITH THE ORIGINAL PACKAGING OF LIFESAVERS TORPEDOED ITS INITIAL INTRODUCTION

An increased understanding of the complexity of human behavior — of such apparently irrational urges like impulsiveness, for example — lay at the core of packaging as it grew more sophisticated. By the early 50's, the always thin distinction between packaging and advertising — the art of consumer persuasion — had evaporated. Researchers teased out and exploited such inexplicable human traits as the preference for circles over triangles. Louis Cheskin, a marketing psychologist, put identical products in different boxes, one marked with circles and one with triangles. Asked their preference, 80 percent of his subjects picked the product in the box with circles, because, they said, it was a better product.

"I had trouble believing the

results after the first 200," Mr. Cheskin wrote later, "but after 1,000, I had to accept that many of the consumers transferred sensations from the circles on a carton cover . . . to the contents of the container."

The finding that consumers "do not distinguish between a product and its package," as one of the package design textbooks says, has been replicated over and over.

Are consumers then entirely at the mercy of their instincts and the persuaders who manipulate them? Not completely. A clear premise of "The Total Package" is that there is an interplay between packaging and consumption. Pushed by consumers, companies have in recent history started to worry about the environmental impact of packaging. Consumers respond to company efforts. That the so-called solutions to problems posed by packaging rarely make much scientific sense hardly matters.

Another clear premise of the book is that the packaging of a product can evolve past its objective reality into a signifier — to borrow one of those boring semiotic terms — of, say, stability and comfort. In an epilogue, Mr. Hine relates that he spent some time caring for his mother, who was recovering from surgery, while he was writing "The Total Package." She appeared to reject the concern of neighbors and children, which arrived in the form of homemade stews and soups, in favor of canned stews and "roasts" cooked in a bag with ready-made seasonings. Perhaps Mr. Hine has never reached for a package of Kraft's macaroni and cheese during tough times, for he seems not to have heard of the concept "comfort food." He is a forgiving son, however, and comes to read his mother's eating habits, not as an insult, but as a message and a gift: that she is still independent and able to take care of herself. It is an act of interpretation worthy of his witty and intelligent book.

KEEPING GOOD COMPANY: A STUDY OF CORPORATE GOVERNANCE IN FIVE COUNTRIES

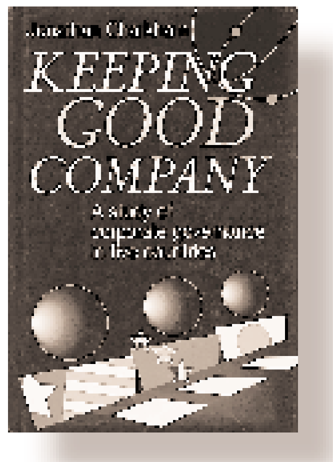
by Jonathan Charkham
(389 pages, Oxford University Press, $32)

Except for the team at the top, and a handful of academics, corporate governance may not be the sexiest of business topics. Jonathan Charkham, a former adviser to the governor of the Bank of England and a member of several boards of directors, acknowledges as much implicitly in the course of his good-humored book, "Keeping Good Company: A Study of Corporate Governance in Five Countries." The urgency of actually doing business tends to drive the need for modifying the context in which it is conducted down the list of an executive's priorities. Mr. Charkham's particular interest in corporate governance was sparked by his service on the Cadbury Committee, a blue-ribbon commission, as Americans would say, that looked into financial accountability at British companies during the early 1990's.

The committee's findings are not included here, although its recommendations are. From these recommendations it can be inferred that the group was less than impressed with the governance situation in Britain and with the degree of accountability that it found. Armed with two of the committee's conclusions — that managers must be free to "drive the enterprise forward" and they must be accountable — Mr. Charkham decided to venture abroad to examine governance structures in comparable industrialized economies.

As he discovered, how companies are run is one of those weather-like topics: everyone talks about it but no one does anything. Mr. Charkham's book indicates why. Company structures don't exist by coincidence, he argues; they reflect their national context. Look at a company incorporated in any of his five countries — Japan, Britain, France, the United States and Germany — and you will see the nation's history, beliefs and priorities.

Thus, German companies, which have a two-tiered board system, numerous committees and councils and a relatively open flow of information on finances, operate in the context of memories of hyperinflation between the wars and its terrible political consequences. Americans deal with their fear of concentrated wealth by restricting the ability of banks to take positions in companies, instead financing equity through the stock market. Relationships between board and shareholders or the company and competitors will likely as not be adversarial. Only in the United States are hostile takeovers regarded as a normal form of business discourse. They are virtually unknown elsewhere.



In many countries, there are close links between business and social institutions. The French belief in centralized power, for example, is evident both in the cartel-like organization of companies and in the imperial power of the president "directeur-general," a kind of C.E.O.-cum-regent. The country's corporate system benefits from a network of elite professional schools, filled largely with the upper middle class, an old boys' network "in vitro"; graduates emerge to fill posts in government and industry, sharing the same values and providing a measure of stability and accountability. When the system doesn't work, the Government does not hesitate to intervene.

In Britain, Mr. Charkham complains, companies have been without guidance from both Conservative and Labor Governments since the 1970's. A cultural disdain for manufacturing, in favor of Government service or respectable work in "the City," a feeling that it is "better to make money than things," Mr. Charkham suggests, is at the bottom of Britain's decline relative to other industrial powers — a slide Government has done little to counter.

It is interesting to learn that the Japanese regard litigation as a moral failure rather than a legitimate business practice, as in the United States, but is it useful? Yes and no. As everyone knows by now, the world is growing smaller and smaller all the time. Boundaries between nations are being lowered. The flow of money and deal-making across borders increases the importance of understanding national differences in the accumulation and distribution of wealth. No one lives in isolation.

But, for all Mr. Charkham's

emphasis on context, occasionally something seems to be missing. He laments we will never know what Germany might have accomplished if its leaders had not led the country into war twice in the 20th century, as if industry was not a complicit beneficiary. The Japanese, he says, have worked their miracle by treating their people better than other industrial nations do. The Japanese may *use* their people better but they certainly don't *treat* them better. Japanese managers — the best graduates of a very good educational system — can expect to work 14-hour days, be posted for years to remote locations, often without their families, and, increasingly, be eased out at 45 or 50 to make way for younger people. With such human capital available, a miracle is the least anyone should expect.

Mr. Charkham is, however, a man with the courage of his convictions. When it comes time to choose the best system, he doesn't waltz down the sociocultural relativist path, allowing the merits of each system in its own context. With qualified enthusiasm, he hands "the Palm," as he calls it, to the German system, for its balancing of accountability, sustained economic power and strong sense of responsibility to the wider society. He puts Japan second, though he is aware there is trouble on the horizon for both Japan and Germany.

Mr. Charkham's frets are reserved for the future of the two countries nearest in their corporate sensibilities, the United States and Britain. The United States appears to be following Britain down the road to decline, Mr. Charkham asserts, not least because its corporate structures encourage cannibal capitalism of the sort that took place during the 1980's. The back of Mr. Charkham's hand, not his palm, goes to the short-term imperative of share price, the sacrifice of equity on the altar of debt, the ruinous strategies companies embraced to "save" themselves from raiders. Mr. Charkham offers the type of analysis and bile one might expect from a member-in-good-standing of the Cadbury Committee.

Much of this will sound familiar to readers who kept up with the news from Wall Street (and from that famous X-shaped desk in Los Angeles) and from London during the last decade. But anyone who was appalled the first time around should be prepared to be re-appalled, if only by the knowledge that other countries manage themselves more sanely. "Keeping Good Company" does what a good comparative study should do: it makes you realize things don't have to be that way.

IT'S NOT LUCK

by Eliyahu M. Goldratt
(283 pages, North River Press, $19.95)

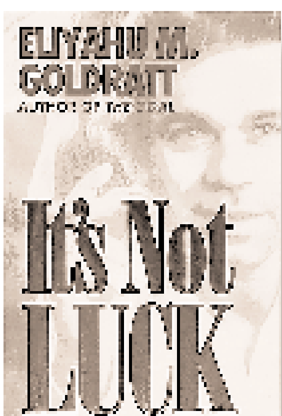
Reviewed by Robert Cranny

Eliyahu M. Goldratt, the management consultant, author and former business school professor, is onto something in this novel not only with respect to his ideas about how businesses should be run but also about how such ideas should be presented. It is a shame he did not pull it off better.

"It's Not Luck," Mr. Goldratt's fifth

book and second business novel after his enormously successful "The Goal," doesn't give the reader lengthy treatises or new paradigms to ponder. It does, however, offer some interesting and useful insights that are linked through the vehicle of fiction. It is a book whose lessons can be applied almost immediately.

"It's Not Luck," which carries forward Mr. Goldratt's insights into what he calls the "theory of constraints," is based upon a plot that is pretty minimalist, to say the least. The protagonist, Alex Rogo, who first appeared as the plant manager in "The Goal," has now been promoted to executive vice president of a diversified company. Without warning (does he work for the only company without a grapevine?), he is faced with a painful problem. He is told that he must comply with a resolution of the board of directors to sell off the non-strategic parts of the company. Needless to say, those are the parts he runs.



Though Alex is worldly wise and obviously an intelligent man, it takes a conversation with his wife for him to realize that if he sells the units he will be out of a job. (Mr. Goldratt does not mention whether Alex owns any company stock and how that stock might fare, once a sale is made.)

It also takes his wife to remind him that many of his employees — who were loyal to him through the first novel — will be out pounding the pavement unless the board's decision can be reversed. Mr. Rogo's wife also asks the obvious question: "What, Alex, are you going to do?" To which he replies that he does not know. In a subsequent and somewhat ironic exchange, the ever-patient Mrs. Rogo explains to Alex that when situations are left to develop naturally, they naturally go from bad to worse. Alex nods in sullen agreement.

There is soul searching but no immediate resolution. Then, Mr. Rogo must break the bad news to his managers. But to the amazement of at least this reader, his announcement is met with disbelief. "Why?" the managers ask him. Why, indeed. Haven't any of them picked up a recent copy of The Wall Street Journal? Then how about USA Today?

To explain the company's predicament, Alex tells his employees that the board has decided to switch strategies from one that favors diversification to one that concentrates on the core businesses. Businesses that are not "core" will be dispensed with. As luck would have it, Alex and his group are stranded in a periphery as far away from the core as Pluto is from the sun.

What to do?

In a flash, Alex realizes that there may be a way to get the board to change its mind. What if he sharply increases his units' profitability without investing any new capital? If he were to achieve that, the board would see that its strategy was incorrect. Can it be done?

Though the plot may sound hokey or contrived — Mr. Goldratt is no Ernest Hemingway, but who is these days? — for some reason it works, at least for me. It works largely because the advice Mr. Goldratt is offering is sound and useful. It also works because the characters — though generally as flat and stiff as cardboard — are at least cut from the heaviest gauge. As a consequence, "It's Not Luck" manages to do what it was intended to do: get management lessons across to readers in a palatable form.

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One of the lessons the book is successful in laying out is Mr. Goldratt's problem-solving methodology. That system's central metaphor is "the cloud," which is a way of defining and analyzing problems by making connections between a company's various functional elements, like manufacturing and marketing, so their power can be utilized better than before.

The cloud, as a tool, reveals where connections should be enhanced. Through the use of little diagrams, a company's functional truths are laid bare. And once revealed, Mr. Goldratt believes, these truths cannot be ignored. If only it were so.

Despite its flaws and its limp-along pace, there is something oddly refreshing about "It's Not Luck." While not all of its premises and situations — and certainly not the plot — are believable, it does demonstrate in a very powerful way the incredible strength of clear thinking, logical analysis and accurate information. It also shows that when a company's constraints are removed, endeavors move ahead like the wind and even the most unlikely stretch goals can be met.

Still, given Mr. Goldratt's track record, this book should have been a better read. "It's Not Luck" is much more likely to be pored over in the lunch room, on long plane trips or at a company retreat than on the sandy beach. SB

CLASSICS

THINKING STRATEGICALLY: THE COMPETITIVE EDGE IN BUSINESS, POLITICS, AND EVERYDAY LIFE

by Avinash Dixit and Barry Nalebuff
(376 pages, Norton, $14.95)

Reviewed by Sandeep Dayal

Should you sift through your past, carefully cataloguing what did or did not work and then draw lessons? Or should you look ahead and reason back? Two game theorists, Avinash Dixit of Princeton University and Barry Nalebuff of the Yale School of Management, present an eloquent argument for the latter in "Thinking Strategically." Published four years ago, their book has quickly become a classic, known for the accessible way it explains the often counterintuitive twists and turns of game theory.

Managers use numerous approaches to develop strategies, from intensive marketing research to excruciating analyses of competitors and industry structure. Yet competitors may, and indeed will, quickly alter their strategies upon discovering changes in yours. For game theorists, the study of such interactions and moves is not an afterthought; it is the primary focus. In analyzing these zigs ands zags in terms of games and players, telling insights emerge.

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Consider the outcome of the fifth race of the 1983 America's Cup competition. The American skipper, Dennis Conner, had taken the lead. He could have kept that lead by simply copying the moves of his Australian opponent, thus eliminating the uncertainties of wind patterns. Conversely, the Australians could not have caught up if they had simply followed Mr. Conner's moves. What happened, instead, was that Mr. Conner stayed right when the Aussie skipper, John Bertrand, swung sharply left. Mr. Bertrand's bet that he could catch a wind shift paid off and the Australians won by breaking the pattern.

Back in the business world, if you are the No. 5 player in your markets, your chances of overtaking competitors by simply copying their strategies are minimal. In sequential games like these, the order in which the players make their choices can be important. The authors suggest you think ahead and determine your most desirable outcome or end-state (given competitor moves). Then, you simply trace backward to figure out the best route and strategy for getting there.

In so-called simultaneous games, the players choose their strategies without the prior knowledge of their opponents' moves. Typically, a player wins the most individually if he cheats but his opponent does not. If both cheat, then all are worse off. For example, if in a bid contract, one supplier could quietly lower his price, he would not have to split the business with his rival. But that is exactly what his opponent is thinking. Consequently, both bid low but now end up splitting the business at a rock-bottom price.

Getting all the bidders to bid low was how the General Motors Corporation's ex-purchasing czar, Ignacio Lopez, wrung $4 billion in concessions from component suppliers. If the suppliers could legally coordinate their strategies, they would share the business at a higher, more profitable price.

Opportunities for that arise when the game is played over and over again. In such cases, the participants can send signals to each other or observe and punish errant players.

In the second part of the book, the authors discuss how players can improve their positions by numerous techniques such as cooperation, credible commitment and the use of mixed strategies. They make effective use of examples ranging from the Polaroid-Kodak battle over instant photography to price-setting by the Organization of Petroleum Exporting Countries.

In the last part, Mr. Dixit and Mr. Nalebuff discuss concepts such as brinkmanship, coordination, voting, incentives and bargaining. Back in 1776, Adam Smith laid the foundation for free market economics by arguing that society as a whole could arrive at effective solutions by allowing individuals to pursue their own personal interests ("the invisible hand"). In contrast, the authors show how in the absence of cooperation, inferior technologies, such as the QWERTY keyboard layout, can become dominant in the marketplace. Historic choices matter, the authors say, and there is potentially a huge payoff for society to spend time on discovering the optimal solution in a coordinated fashion.

The notion of brinkmanship is brilliantly recounted through the Cuban missile crisis and the work of Thomas Schelling, a pioneer of game theory. Of all the games described in the book, those of brinkmanship are the most dangerous. The player takes a position involving elements of irreversible risk, somewhat outside his control. By ordering the blockade of Cuba in 1962, President Kennedy created the risk, but not the certainty, of nuclear war. Had there been the certainty of total annihilation, as in the doomsday weapon in "Dr. Strangelove,'" the threat would be less credible because the opponent would know that a rational player would not choose an option so costly to himself. This chapter is a must read for negotiators.

Game theory has been around since 1926, when a Hungarian mathematician, John Von Neumann, published the first analytical models. It has remained largely inaccessible to business executives, languishing in complex academic theses. Mr. Dixit and Mr. Nalebuff use plain language and everyday examples to draw out the best insights in a manner that educates and entertains.

Their book, which is also available in paperback, remains as fascinating now as when it was first published. I recommend that you slide a copy into your traveling case and take in its advice in slow doses on plane trips. As a thinking executive, you will benefit immensely from its wisdom. SB

C L A S S I C S

THE FIFTH DISCIPLINE: THE ART AND PRACTICE OF THE LEARNING ORGANIZATION

by Peter Senge

(423 pages, Currency Doubleday, $18.50)

Reviewed by Paul T. Idzik

Senior executives are devoting more of their time these days to fostering a culture of learning within their organizations. They realize that many of the recurring problems they deal with would be more quickly and productively resolved if they managed and belonged to a learning organization. Peter Senge's "The Fifth Discipline: The Art and Practice of the Learning Organization," out in a new edition to mark its fifth anniversary, remains the seminal book about the value of creating such a company.

The author, the director of the Center of Organizational Management at the Sloan School of Management at the Massachusetts Institute of Technology, steps back from the problems facing large and small companies alike and convincingly asserts that many of these problems exist because organizations simply do not adapt well to changing circumstances. This "hard to turn an oil tanker" mindset entraps companies because they lack several critical capabilities (or as the author would put it, they are dysfunctional). In short, they are not learning organizations. Put another way, they are slow to improve.

The author describes the five components needed to build a learning organization: systems

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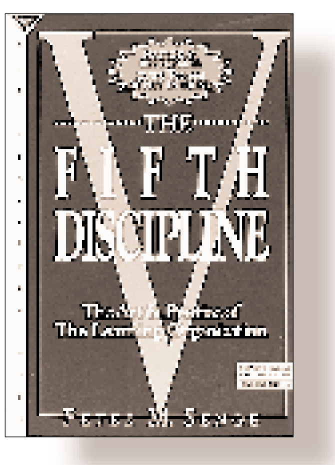
thinking, personal mastery, mental models, building a shared vision and team learning.

Senior management will find three of these (systems thinking, mental models and team learning) of the most practical interest for putting the fundamentals of a learning organization in place.

With regard to systems thinking, Professor Senge lays out a clear case that sustained performance improvement can be achieved only by seeing and managing interrelations (in the business and in the organization), rather than by asserting and hoping for linear cause and effect. This need to see business and organizations as systems, with interrelated parts and complicated "wiring," reflects oft-expressed senior management concerns about getting those parts to move in unison.



Using pragmatic business and non-business examples, the author also points out the problems caused by failing to see underlying trends. As a remedy, he provides ideas that companies can use to develop the ability to see processes of change.

The mental model is a powerful concept that explains how processes of change so often fail to achieve their intended impact. The central issue is that while managers may understand that specific changes are required, these changes and the actions necessary to achieve them conflict with long-held mental models that have served individuals well in the past. The author quotes Einstein to add context to the concept: "Our theories determine what we measure." Professor Senge goes on to give examples of companies helping managers develop and refresh their mental models, including Shell's well-known planning approach that has allowed executives there to succeed in a notoriously volatile business.

Team learning essentially involves changing the personal behavior of managers as they interact across the organization. This section of the book was particularly inviting to me because my own mental models are overloaded with management behavior theories (theory X, theory Z, MBWA, etc.). A pleasant surprise is the author's able description of how to begin changing behaviors to foster team learning and to reinforce the positive changes necessary to achieve a learning organization.

Throughout the book, Professor Senge demonstrates the value of the learning organization as the most sustainable means for achieving superior financial performance. He also shows how to build the components of such an organization. But the linkages between those components, which are arguably as important as the components themselves, are sometimes left for the reader to discern.

Indeed, the reader must work hard in other places, too, to make conceptual and practical linkages as well as to overcome leaps in the discussion from sometimes trite examples (supported by 1950's vintage graphics) to heavy conceptual discourse. In addition, the text is a bit too long, as when the author addresses topics that are not essential to the core concept. The chapter on "ending the war between work and family" is one example.

Still, this is a very useful book for senior managers because it addresses many of the problems they face in moving their companies forward. Though it may be slow going at times, it is a very worthwhile first step toward building a learning organization. SB