Photograph by Matthew Septimus

Books in Brief

A container-shipping retrospective, a strategic admiral, farsighted forecasting, and admirable strategies.

by David K. Hurst

The Box: How the Shipping Container Made the World Smaller and the World Economy Bigger
By Marc Levinson
Princeton University Press, 2006
392 pages, $24.95

The recent political flap over the management of U.S. ports masks the powerful change dynamic that has been working its way through the world's maritime transportation system over the past 50 years. In *The Box: How the Shipping Container Made the World Smaller and the World Economy Bigger,* author and economist Marc Levinson recounts the little-known story of how the humble shipping container has revolutionized world commerce. He tells his tale using just the right blend of hard economic data and human interest.

In April 1956 a converted oil tanker carried 58 containers from Newark to Houston. The voyage of the *Ideal-X* was the brainchild of an outsider to the shipping industry, a trucker by the name of Malcom McLean. An entrepreneur with a restless, innovative mind and a gimlet eye for cost savings, Mr. McLean

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had a trucking business that had flourished in the heavily regulated environment of the 1950s. He used what may have been the first leveraged buyout to acquire a shipping line so that he could put his trucks on coastal steamers, reducing costs and avoiding gridlock, but he soon jettisoned this plan in favor of carrying truck bodies — the first containers. In the teeth of resistance from competitors and regulators alike, he and other innovators pursued what we would now call a "disruptive innovation." In the process of offering huge cost savings, containerization would devastate established firms throughout the long supply chains of global enterprise and disrupt social and management–labor relationships all over the world.

The process did not take place overnight: There were militant longshoreman unions and dockside communities to be placated, factories and warehouses to be relocated, docks to be built, and regulations to be changed. A vast fleet of ships — many of them small rust buckets acquired cheaply after the war — were suitable only for carrying "break-bulk" cargo (loose goods that aren't containerized). They all had to be replaced with faster, larger ships with sophisticated material-handling equipment, and this in an industry that had always been notoriously undercapitalized. In the 1950s, high shipping costs had allowed many inefficient factories to flourish locally. Now, as packing and loading costs fell and damage and pilferage were reduced, factories could be relocated to more distant regions, and layers of middlemen could be eliminated. In the United Kingdom, London's Docklands lost much of its business to the hitherto tiny port of Felixstowe, just as New York City lost its shipping business to Port Elizabeth in New Jersey. It's not surprising that there was such resistance to this change.

One important catalyst was the war in Vietnam, where break-bulk systems proved incapable of meeting the U.S. Army's massive logistical needs. Mr. McLean, now operating through his Sea-Land organization, landed a lucrative contract to ferry goods westbound from America to the war zone, and then looked for eastbound traffic out of the fast-growing Japanese economy and filled his returning containers with high-value electronic goods.

The container boom, like other booms before and since, has experienced several busts; some were brought on by external events, like the oil shocks, but others were self-inflicted wounds resulting from unconstrained additions of capacity in pursuit of economies of scale. Mr. Levinson's elegant weave of transportation economics, innovation, and geography is economic history at its accessible best.

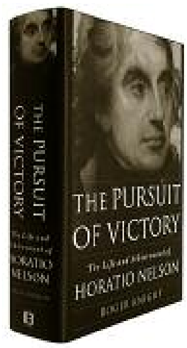
The Pursuit of Victory: The Life and Achievement of Horatio Nelson
By Roger Knight
Basic Books, 2005
910 pages, $35.00

We now have the definitive biography of Admiral Lord Horatio Nelson — *The Pursuit of Victory: The Life and Achievement of Horatio Nelson* by Roger Knight, visiting professor of naval history at the University of Greenwich. It was published to coincide with the bicentenary, on October 21, 2005, of the Battle of Trafalgar and the heroic death of

England's most famous fighting admiral at the moment of his victory over the combined Franco-Spanish fleets. In England, where Nelson is second only to Winston Churchill in popular admiration, the celebrations lasted the whole year and were held throughout the country. Almost every village, it seemed, had been touched by Lord Nelson and the events that surrounded his life.

Although the book is written for general readers rather than businesspeople, it contains lessons on the development of leaders that are entirely relevant to organizations today. With more than 900 ships and up to 150,000 men, England's Royal Navy was by far the largest and most efficient organization of the 18th century. Commercial firms were still in their infancy, and naval service was a magnet for able young men who, with neither wealth nor family connections, needed to earn a living.

We know today that the best leadership development programs deliver particular kinds of experience: principally, challenging assignments, significant bosses, and hardships. As Professor Knight makes clear in 32 chapters, these three conditions can be said to define life in the Royal Navy during that era. Horatio Nelson himself went to sea at the age of 12, and he was to spend 30 of his 47 years on 25 different ships, commanding vessels of progressively larger sizes. His challenges covered all the perils of sailing and fighting in wartime conditions as well as a variety of land-based tests — everything from assaults by way of rivers to formal sieges of towns and forts.



Horatio Nelson tackled many of these assignments while he was young, and there is no doubt that, as is the case for many successful managers, his development was aided greatly by the role models he had on his way up the ladder of promotion. They ran the gamut of leadership styles, from fierce disciplinarians to kindly teachers. Later, as he rose in seniority, Admiral Nelson made a habit of playing a similar mentorship role with his subordinates, introducing them to people in power who could help them in their careers.

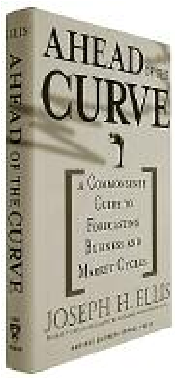
There were hardships aplenty: long, monotonous periods away from land and family, close quarters, a boring diet, and heavy manual labor. There were also the ever-present hazards of disease and accident, along with shipwreck and enemy action. These harsh conditions actually helped the Navy build cohesive work forces on each of its vessels. Everyone onboard a ship is alive to the dangers inherent in the environment. Orders and discipline are seen not as arbitrary dictates from above, but as necessary responses to the existing situation, designed to promote the welfare of the organization as a whole. English ships spent long periods of time at sea, and this gave their commanders plenty of time to develop and hone the teamwork so essential for excellence in sailing and gunnery. These skills in turn allowed them to engage their enemies confidently and closely. In contrast, penned up in their ports by the British blockade, the Franco-Spanish fleets had far less opportunity to train soldiers effectively. French Admiral Pierre Villeneuve knew he was beaten even before he put to sea from Cadiz on October 20, 1805. After his capture, he was said to have remarked ruefully of the English captains, "They were all Nelsons."

Ahead of the Curve: A Commonsense Guide to Forecasting Business and Market Cycles
By Joseph H. Ellis
Harvard Business School Press, 2005
300 pages, $29.95

Joseph H. Ellis's prodigious analytical skills helped make him the top-ranked retail-industry analyst for 18 straight years. Those skills are on fine display in *Ahead of the Curve: A Commonsense Guide to Forecasting Business and Market Cycles.*

This is a practitioner's take on the application of Economics 101 to everyday business. As a retail-industry analyst, Mr. Ellis, not surprisingly, emphasizes the primacy of consumer spending (personal consumption expenditure, or PCE). His book is all about establishing the role of PCE, which makes up 70 percent of gross domestic product (GDP), in driving the demand chain (industrial production, capital spending) of the economy.

He begins by establishing a sound statistical foundation for his arguments. His method, which he calls "rate of change in economic tracking" (ROCET), stresses the importance of small changes in rates of growth of economic indicators rather than absolute movements. He contends, for example, that the economic concept of a recession, defined as a period of time with negative economic growth, is useless for forecasting purposes. In addition, much economic data is confusingly volatile because it is reported as month-on-month or quarter-on-quarter change. ROCET focuses on graphing year-over-year change of PCE and other variables over long periods of time. When such changes in PCE are graphed together with a dependent variable such as corporate profits, the relationships among them become clear. The results bolster Mr. Ellis's arguments that PCE is the prime mover in developed economies.



Once he has established ROCET as his method, Mr. Ellis goes on to examine the relationship between changes in PCE and several key economic indicators, including employment, capital spending, and stock market levels. He then turns to the drivers of PCE itself, such as real hourly earnings, the influence of which can be modified by changes in employment levels and consumer borrowing.

The graphs throughout the book are essential to understanding the author's arguments, and they reward detailed study; the graphs themselves are a model of clarity. In addition, 20 of the most important charts are maintained and updated on an excellent Web site (www.aheadofthecurve-the-book.com). Here, too, the sources of key data are shown, along with hyperlinks to the various institutions that provide them.

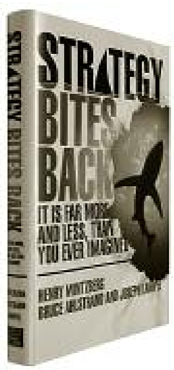
Ahead of the Curve is an important book for every manager who needs to understand how to interpret economic data and deduce the impact that change in economic indicators can have on business activity. The book simplifies without being simplistic, and the author is always conscious of the systemic complexities of cause-and-effect in the economy. What comes across is the importance of clarity of focus and the discipline needed to base decisions on time-tested economic

To Joseph Ellis, consumer spending drives the economy; its changes are reflected in stocks, employment, and capital spending.

relationships, instead of chasing after the latest fads and pop explanations. This book contains everything you, as a manager, wanted to know about economic cycles but may never have dared ask.

Strategy Bites Back: It's Far More, and Less, Than You Ever Imagined
By Henry Mintzberg, Bruce Ahlstrand, and Joseph Lampel
Prentice Hall, 2005
296 pages, $29.95

It has been 33 years since Henry Mintzberg wrote his first book, *The Nature of Managerial Work* (Harper & Row, 1973). In it he criticized the smooth, orthodox advice of management academics that managers should plan, organize, control, and coordinate, arguing that the fragmented, chaotic way in which they actually behaved was adaptive to the situations in which they found themselves. The Cleghorn Professor of Management Studies at McGill University has played this disruptive role ever since. In *Strategy Bites Back: It's Far More, and Less, Than You Ever Imagined,* he teams up with former collaborators (see *Strategy Safari: A Guided Tour Through the Wilds of Strategic Management,* Free Press, 1998) Bruce Ahlstrand and Joseph Lampel, professors at Trent University in Canada and the Cass Business School at the City University of London, respectively, to write and edit an anthology of pieces on the messy, paradoxical, and often contradictory nature of strategy making.



The intention of the authors is to take strategy rather less seriously and thus create better strategies — strategies that inspire the heart as well as please the brain. The result is a collection of 69 "bytes" (small morsels of writing by leading commentators in the field), followed by "bites" (critical comments from the authors). Organized in nine chapters — an introduction, seven points of view, and a conclusion — the book uses diagrams wherever possible to illustrate the ideas under discussion.

The sequence of fast thrusts and rapid ripostes makes for easy reading and gives the reader the ability to dip in and out of the book. As for the image of strategy, it advances and recedes by turns, like an object in a picture by M.C. Escher: First it's figure, then it's ground, and then it's figure again. Perhaps this is as good an understanding of the strategic dynamic as one can get. If strategy starts off as "figure," a text produced from the top of the organization, then to be effective it must become "ground," a context against which every member of the organization can see his or her own actions highlighted. If, on the other hand, strategy starts off as ground (or context, something implicit in the way the organization has developed), then it needs to become figure, to be articulated and made explicit, so that its hidden assumptions can be examined. This would seem to be the essence of the book's subtitle: Strategy truly is both far more and far less than we ever imagined. +

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