strategy+business

Books in Brief

by David K. Hurst

from **strategy+business** issue 56, Autumn 2009

reprint number 09211

Illustration by Daniel Pelavin

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What happened at GM, the upside of downturns, an *I Ching* for business, and storytelling's value for management.

by David K. Hurst

Why GM Matters: Inside the Race to Transform an American Icon
By William J. Holstein
Walker Publishing Company, 2009, 284 pages

If you want to know what Rick Wagoner, former chief executive of General Motors Corporation, did during his tenure as CEO, and even perhaps how he thought about what he was doing, you can do no better than to read freelance writer (and *s+b* contributing editor) William J. Holstein's *Why GM Matters: Inside the Race to Transform an American Icon.* Although some of the issues in the book have been rendered moot by recent events — including the Obama administration's dismissal of Wagoner and GM's moves into and out of bankruptcy — *Why GM Matters* vividly captures the position of the company during its fervent efforts in 2008 and early 2009 to stay clear of the courts.

Holstein had broad access to GM and its executives, and he does a good job of reviewing the company's recent history, using perspectives from both the shop floor and the executive suite. He opens with the description of the slow-motion

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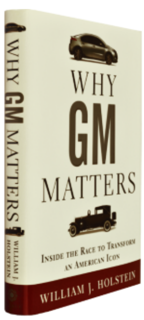
train wreck that was GM from the late 1970s through the early 1990s. As 2000 approached, the oil shocks had changed the external environment in which the company operated, and the rise of Japanese lean manufacturing techniques had disrupted its traditional tradeoffs between cost and quality. GM was floundering: Its business model had once been invincible, but the company's very strengths had become weaknesses. At the root of GM's problems was a profound inability to grasp the nature of systems and systemic change. It seems that, like golfers seeking quick fixes and tips that promise better results without requiring any real change, GM executives were continually looking for Japanese "secrets" that they could incorporate into their own processes. Such secrets did not exist (at Toyota, the whole production system was the secret), and GM faced the need for massive, systemic change.



Given GM's size, its situation evokes all the familiar metaphors of turning aircraft carriers on a dime and rewiring 747s midflight, and Wagoner clearly understood the sheer scale of the change required in a spatial sense. But it is not clear that he had a similar sense of the importance of time — the urgency of the matter and the tempo required to address it. In a way, this mind-set is reflected in the pace of the book itself, which breaks for leisurely biographies of workers and managers who are representative of GM's thousands of often dedicated employees. These vignettes are interesting, but all the time the reader is wondering what is happening at the top: Where is the burning platform? Why aren't they getting rid of costly, duplicative brands and closing dealerships? When are all the underperformers and people who don't "get it" going to be fired?

Additionally, little mention is made of GM's circle of sick suppliers (other than Delphi, the troubled unit that GM spun off in 1997). Problems in an ecosystem usually manifest themselves first on the edges, not in the core, and the major suppliers to the Detroit Three have been in dire trouble for decades. Japanese manufacturers usually see their suppliers as a source of innovation and systemic savings that should be nurtured and developed; U.S. automakers have typically seen them as resources to be consumed. Emblematic of this approach was the bizarre move of Wagoner's predecessor, Jack Smith, to install the "Basque bully," Jose Ignacio Lopez de Arriortua, as head of global purchasing. Lopez's arbitrary actions further poisoned supplier relationships and destroyed GM's drive to improve quality. An examination of this episode would have revealed more clearly the striking inability of GM's executives to see their organization as part of an ecosystem and their resulting habit of pursuing short-term fixes at the risk of long-term ruin.

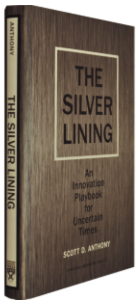
Legendary Green Bay Packers coach Vince Lombardi used to say that his team never lost a game, they just ran out of time. Certainly GM ran out of time. But in business, time — its use, its saving, and its waste — *is* the game. GM had too much time, and perhaps this is why its successive managers could never generate the urgency necessary to get things done — a discipline that is now being imposed by outside forces and agencies.

The Silver Lining: An Innovation Playbook for Uncertain Times
By Scott D. Anthony
Harvard Business Press, 2009, 220 pages

The concept of disruptive innovation, first proposed by Harvard Business School professor Clayton Christensen, continues to be a powerful one, with empirical evidence that it is a real phenomenon in the evolution of organizations. In *The Silver Lining: An Innovation Playbook for Uncertain Times,* consultant Scott Anthony, president of the

For the firms that make up the Dow Jones Industrial Average, the period 1999–2008 was just as disruptive as 1930–1939.

consulting firm Innosight (which was cofounded by Christensen), suggests that the current economic disruption is a useful catalyst for corporate innovation and that there is indeed opportunity in adversity.



He begins by suggesting that, for the firms that make up the Dow Jones Industrial Average, the period 1999–2008 was just as disruptive as 1930–1939, although the causes of the two disturbances were vastly different. He suggests that the current interlude might be called the Great Disruption, and goes on to demonstrate that many firms were founded during downturns, and that difficult times like the present create numerous openings, if only one can frame the issues correctly. The author continues with a series of compact frameworks for pruning a firm's innovation portfolio, identifying opportunities, and conducting strategic experiments to see if they offer potential.

Although cost cutting remains essential, Anthony notes that it can create damaging unanticipated consequences if performed in the traditional, top-down way. To avoid this hazard, cost-cutting tactics such as the reduction of product features should be informed by the findings from disruptive innovation. Any firm can learn how to make key trade-offs, "tuning" its product and service offerings to customer needs segmented in new ways. These new categories take into account the objectives and contexts in which the products are used, as well as the barriers to their application. This kind of cost cutting can be conducted much more systemically than the top-down, slash-and-burn approach, and it has the added benefit of engaging the energies of those on the ground.

The author's perspective throughout the book is that of the disruptive innovator, and he stresses the application of qualitative assessments to innovation, rather than the familiar quantitative financial evaluations that can so easily stifle creativity and generate widespread gaming of a measurement system. To be a disruptor is to "learn to love the low end," to focus on the customer rather than the elegance of one's existing solutions — it is to concentrate on discovery rather than delivery. As the descriptor "playbook" suggests, *The Silver Lining* allows quicker access to the comprehensive frameworks presented last year in *The Innovator's Guide to Growth.* (See "Books in Brief," by David K. Hurst, *s+b,* Spring 2009.) If it helps managers pay attention to their peripheral vision and the opportunities presented during these white-knuckled times, instead of fixating on cutting costs in their core business, then it will have done its job.

Rules of Thumb: 52 Truths for Winning at Business without Losing Your Self
By Alan M. Webber
Harper Business, 2009, 286 pages

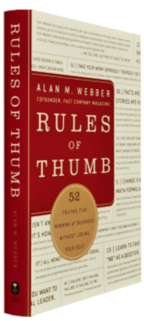
The *Economist* once published an article titled "How 51 Gorillas Can Make You Seriously Rich; Or, Why So Many Business Books Are Awful." It explained the formulaic nature of so much business writing and discussed the penchant authors and publishers have for putting animals and numbers in their titles. So, after scanning the title, it was with some trepidation that I opened *Rules of Thumb: 52 Truths for Winning at Business without Losing*

The role of emotion in decision making, after decades of denigration by management theorists, turns out to be prime.

Your Self, by Alan M. Webber, former editorial director and managing editor of the *Harvard Business Review* and cofounder of *Fast Company*. I needn't have worried. One of the problems with so many business books is that they are produced by people who don't write professionally. Webber does, and he has written a gem.

The book is an occidental version of the *I Ching* (*Book of Changes*), a connection the author makes explicitly but that would be apparent to anyone familiar with the ancient Chinese tome. Widely used in Asia by fortune-tellers and futurists alike, the *I Ching* "works" not by having any mystical connection to the future but by helping the inquirer understand the potential for change in the present. When asked a question, the *I Ching* suggests elements in the current situation that may have been ignored, and indicates their potential for being changed into their opposites. This perspective, which is based on an early systems view of the world in which the whole universe is seen as being in a continual state of flux, is appropriate for these turbulent times.

Instead of the *I Ching*'s 64 hexagrams, the author has his 52 Rules of Thumb, which are accreted from his long career of interviewing and writing about remarkable men and women around the world. Some were leaders in business and politics; others were entrepreneurs, sportsmen, teachers, writers, Nobel Prize winners, and spiritual leaders. Everywhere Webber went, he recorded such individuals' insights and hard-won truths on index cards. Bolstering this wisdom are four work experiences that were deeply transformative for both him and others. The result is a wise book about understanding the never-ending dialectic between life and work.

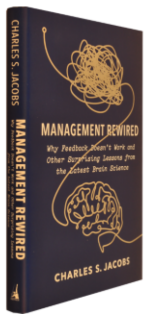


The rules can be read sequentially, scanned rapidly, or accessed randomly, which is encouraged by the absence of a conventional table of contents and index. But, as with the *I Ching,* it is best to approach the book with a burning issue, a dilemma, or a wicked question in mind. Each rule gets its own short chapter, which consists of the rule statement, the context from which it was derived, and a "so what" section, outlining the lesson to be learned. The significance of any given rule depends on the issue or question that you are grappling with. A rule that seems trite or obvious one day will take on a new significance the next. One of my favorites is #33: "Everything Is a Performance." Webber notes that he and Bill Taylor (the cofounder of *Fast Company*) used to look at every issue of the magazine as if it were a music album, matching the album's architecture of opener, chart buster, love song, blues, ballad, and upbeat finish. Now if we could only think of strategic plans in the same way!

Management Rewired: Why Feedback Doesn't Work and Other Surprising Lessons from the Latest Brain Science
By Charles S. Jacobs
Portfolio, 2009, 216 pages

Over the past 20 years, advances in brain science have revolutionized our understanding of how the mind works. Many of these findings have been published in popular books, but their implications for management have been less widely written about. In *Management Rewired: Why Feedback Doesn't Work and*

Other Surprising Lessons from the Latest Brain Science, management consultant Charles S. Jacobs presents a handy overview of developments in the field of brain science and their implications for managers' actions. (See "Managing with the Brain in Mind," by David Rock, *s+b*, Autumn 2009.)



Darwinian perspectives are everywhere these days, and the author suggests that in management, the old "billiard ball" Newtonian paradigm (in which people are moved by external forces) is being replaced by one based on natural selection. The human mind, as a product of evolution, functions on Darwinian principles; we don't record an external reality so much as we create it, making multiple drafts as we try to fit it into coherent patterns. The drafts that survive determine what we notice and what we accept, what we ignore and what we reject. And we hold on to these drafts with great tenacity, resisting external efforts to change them. As a result, management actions based on Newtonian dynamics have perverse outcomes. Rewards may be seen as punishments, and vice versa, because people continually use deeper contexts to interpret them. Extrinsic rewards, as well as incentives, may undermine commitment because they trivialize the behaviors they are designed to encourage.

In this upside-down, counterintuitive world, where actions often produce outcomes that are the opposite of those intended, the author suggests that managers have to think less like Aristotle and more like Socrates. The vehicle for progress, in other words, is not the answer reached through logic but the question addressed through stories. The objective is not to control but, as Peter Drucker suggested many years ago, to create an environment that promotes self-control. Managers need to reach back to the most ancient learning tool we have — the compelling narrative that engages us. The role of emotion in decision making, after decades of denigration by management theorists, turns out to be prime, in light of the recent research. It is impossible for us to make decisions if there is no emotional component to the process. Only stories can bring together context, relationships, and the emotional mind — the essential ingredients of this new approach, where the environment is seen as a source of opportunity to create the behavior one desires. These are also the ingredients of great strategy: Stymied outside Troy, the Greeks turned to the wily Odysseus, who created a situation, supported by a compelling story, that enticed the Trojans to bring the attackers into their city.

These tales of what one might call "ecological judo" are fun to revisit, and it is delightful to find examples in brilliant corporate strategies, where weaknesses are turned into strengths and underdogs can aspire to be top dogs. But this is a young managerial paradigm — a proverbial 97-pound weakling — whose conclusions challenge the hegemony of conventional managerial wisdom, which is still in thrall to neoclassical economics. It is to be hoped that, in combination with developments in other fields such as behavioral economics, progress in understanding the management implications of brain science will enable the emerging paradigm to stand up to the intellectual bullies who, at least up until the 2008 financial meltdown, continued to kick sand in everyone else's face. +

Reprint No. 09311

strategy+business magazine
is published by Booz & Company Inc.
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