The Best Business Books of the Millennium
t takes only one powerful idea to change your life, bring light into darkness, and — most importantly to strategy+business readers — breathe new life into your organization. As long as printed words have been bound by covers, books have been a source of fresh thinking that regularly and impressively inspires business leaders to build leading businesses. Whatever physical form books take in the future, their power will remain paramount.

Still, finding the big ideas isn't easy, especially in a business-book market that has seen roughly 10,000 new titles in the last three years, according to the New York Times. As a service to our readers, s+b invited 12 opinionated, acclaimed strategists, scholars, and writers to look beyond the best-seller lists to identify and assess the most important business books in strategy, management, and their subcategories. We also asked our contributors to explore the realms of fiction, history, economics, science, and more. Some were published in this millennium (2000 and 2001); many are from the rather important century that recently ended.

Read on to find out which 12 books the management philosopher Charles Handy recommends for a year’s worth of challenging reading, what leadership scholar James O’Toole has to say about CEO memoirs, and which capitalist characters novelist Kate Jennings finds most important in fiction. Join us in our celebration of the books for business leaders that inspired us during this millennium and the last.
In a memorable scene in the movie Patton, George C. Scott, in the title role, having successfully anticipated a German attack, shakes his fist at the advancing panzers and yells, “Rommel, you SOB, I’ve read your book!” Patton was a voracious reader, but the film’s producers were exercising a good deal of artistic license. The incident never happened, and there is no evidence that Rommel’s actions were predictable from his writings. In fact, Patton himself believed that all that could be learned from such works were “the eternal verities of leadership, morale, psychological effects and the difficulties and confusion which battle entails,” as he was quoted in Roger H. Nye’s The Patton Mind: The Professional Development of an Extraordinary Leader (1992).

Our modern concept of strategy emerged in Europe during the 18th century. Prior to that era, few writings on strategy existed other than those of the Chinese scholar Sun Tzu and the Italian philosopher Niccolò Machiavelli (1469-1527). Sun Tzu lived in the fourth century B.C., and his book The Art of War, which first appeared in Europe in the 1770s, is widely available today. He and others like him came to prominence in China as war changed from small-scale family feuds to battles between states. Bands of itinerant scholars — Sun Tzu may have been the first consultant to write a book — peddled practical solutions, promising wealth and power to any who would adopt their complex schemes. Those whose clients prospered could do very well. A variety of unpleasant fates awaited those whose advice failed. They were liable to be pickled alive, boiled in oil, or torn apart by chariots — courses of action that some managers might wish were still available to them today!

The Art of Generals
In Europe at the dawn of the Enlightenment, however, scholars of strategy had other objectives. Flush with their success at explaining physical phenomena using scientific principles, theorists started to examine the art of successful generals using similar frameworks. Their first great exponent of strategy was Frederick the Great of Prussia (1712–1786), whose small, well-drilled armies dominated Central Europe. Under King Frederick, military strategy took on a chesslike quality that allowed the early writers to bolster their arguments with mathematical formulas and elaborate geometrical designs. It must have been a huge shock to them when, at the end of the 18th century, armies built on the Prussian model were crushed by Napoleon’s massed columns. New scholars scrambled to explain this phenomenon and to revise their principles.

Two of these interpreters of Napoleon were hugely influential in the development of the concept of strategy. The name of the first, the Prussian general Karl von Clausewitz (1780–1831), is still well known in military circles; the name of the second, the Swiss-French general Antoine-Henri de Jomini (1779–1869), is scarcely remembered. It is a tribute to the durability of von Clausewitz’s ideas that his famous work On War has recently been excerpted for business readers. In Clausewitz on Strategy: Inspiration and Insight from a Master Strategist (2001), consultants Tiha von Ghyczy, Bolko von Oetinger, and others like him came to prominence in China as war changed from small-scale family feuds to battles between states. Bands of itinerant scholars — Sun Tzu may have been the first consultant to write a book — peddled practical solutions, promising wealth and power to any who would adopt their complex schemes. Those whose clients prospered could do very well. A variety of unpleasant fates awaited those whose advice failed. They were liable to be pickled alive, boiled in oil, or torn apart by chariots — courses of action that some managers might wish were still available to them today!
and Christopher Bassford have done a fine job of condensing von Clausewitz's massive, unfinished book and have coupled it with an excellent commentary.

Von Clausewitz’s greatest value to business readers is probably his philosophical attitude to the relationship between theory and practice. For him, “real” war was a dynamic process. Every situation was unique, and no theoretical system could possibly tell a commander what to do: “Theory should ... guide [the future commander] in his process of self-education, but it should not accompany him to the battlefield.” Von Clausewitz argues that theory can help us focus on and summarize a topic — to understand history — but theory is inherently descriptive rather than prescriptive. The editors of this book suggest that he regarded principles as rungs on the ladder of imagination — aids to judgment and intuition in what was fundamentally a creative activity. In von Clausewitz’s view, principles could not be foundational pillars for action.

Von Clausewitz’s contemporary and rival Antoine-Henri de Jomini, on the other hand, saw actionable principles as central to any science of strategy. Regarded as the founder of the modern concept of strategy (as opposed to politics and tactics), de Jomini was the most widely read interpreter of Napoleon’s genius. He had a Platonist’s faith that behind the confusion and chaos of war were a few immutable scientific principles. The use of prescriptive principles appealed strongly to military educators, and de Jomini wrote for a wide audience that was eager to understand the “secret” of Napoleon’s success. Military ties between France and the fledgling United States had grown close during the War of Independence, and generations of West Point engineers had been trained by the “principles” approach. De Jomini’s influence remained strong in the military academies outside Germany until his reputation collapsed in the bloodbaths of the First World War. He had always opposed to politics and tactics, de Jomini was the most widely read interpreter of Napoleon’s genius. He had a Platonist’s faith that behind the confusion and chaos of war were a few immutable scientific principles. The use of prescriptive principles appealed strongly to military educators, and de Jomini wrote for a wide audience that was eager to understand the “secret” of Napoleon’s success. Military ties between France and the fledgling United States had grown close during the War of Independence, and generations of West Point engineers had been trained by the “principles” approach. De Jomini’s influence remained strong in the military academies outside Germany until his reputation collapsed in the bloodbaths of the First World War. He had always insisted that his principles were independent of technology. In the American Civil War, when defenders had rifles instead of muskets, the Napoleonic principle of massed attack had proved merely expensive for the attacker. During the 1914–1918 war, against machine guns, it proved to be suicidal.

Schools of Strategy
The use of principles that simplify, reduce, and prescribe is an enduring feature of writings on business strategy. The writings of von Clausewitz and de Jomini outline a continuum between descriptive and prescriptive approaches to strategy. The Canadian management scholar Henry Mintzberg uses this distinction in his book, which is a guided tour through the wilds of strategic management (1998), written with Bruce Ahlstrand and Joseph Lampel.

Mintzberg and his colleagues classify the voluminous writings on management strategy into 10 different “schools.” The first three of these, in order of their emergence, include the design school (mainly associated with Professor Ken Andrews and the Harvard Business School), the planning school, and the position school (of which Harvard’s Michael Porter is the best-known exponent). These schools are analytical and prescriptive. For example, H. Igor Ansoff’s Corporate Strategy: An Analytic Approach to Business Policy for Growth and Expansion (1965), the classic planning text, is full of complex flow diagrams. For those with the planning mind-set, strategy is formulated through a controlled, conscious, explicit process conducted by the CEO (and a group of planners) in a top-down, formal fashion and emerges fully formed from this process ready for implementation.

However, this classic planning approach to strategy suffered a deathblow in the 1970s when corporate icons like General Electric redeployed most of their specialist planning staffs. Ever since then, the rational, prescriptive views of the first three schools of strategy have been steadily augmented and supplanted by a number of descriptive approaches. Mintzberg sorts these into seven other schools, ranging from the entrepreneurial and the cognitive, to the learning, power, and cultural, to the environmental and configurational schools. The objective of these schools of strategy is not to instruct like de Jomini but to inspire the imagination like von Clausewitz.

An excellent example of the inspirational use of principles is Jim Collins’s Good to Great: Why Some Companies Make the Leap ... and Others Don’t (2001), the follow-up to his highly successful Built to Last: Successful Habits of Visionary Companies (1994), coauthored with Jerry I. Porras. For Good to Great, Collins and his research team studied the financial records of 1,435 firms that belonged to the Fortune 500 from 1965 to 1995. They searched for firms that had produced mediocre (or worse) returns for 15 years and then had outperformed the market by a factor of three times or more for 15 years. They found only 11 such companies and labeled them “good to great.” This elite group consisted of Abbott Laboratories, Circuit City, Fannie Mae, Gillette, Kimberly-Clark, Kroger, Nucor, Philip
Morris, Pitney Bowes, Walgreens, and Wells Fargo. Collins’s team then identified two comparison groups: a direct comparison group of companies in the same industries that had not improved their performance, and another group that had produced superior returns for a while, but had been unable to sustain that improvement. Collins and his team then studied the differences among the groups. Their findings are fascinating.

They found that good-to-great companies had leaders who combined a self-effacing humility with a fierce professional will to succeed rather than larger-than-life celebrity leaders, a feature of the comparison groups. In the good-to-great companies, these leaders first assembled a team of disciplined people and then, through disciplined thought and action, decided what should be done (as well as what they should stop doing) and how to do it (or stop it). “Who” came before “what” or “how.” The good-to-great group did not spend more time strategizing than did the others (all the firms had well-defined strategies), and they paid scant attention to managing change, motivating people, or creating alignment. With the right people, these issues seemed to just melt away.

A central finding of the study is that the good-to-great firms disciplined their thought with what Collins calls a Hedgehog Concept, named after writings by the Greek poet Archilochus about the hedgehog, who knows one big thing (as opposed to the fox, who knows many small things.) A Hedgehog Concept is a deep understanding that flows from the intersection of three circles:

1. What you can (and cannot) be the best in the world at
2. What drives your economic engine
3. What you care passionately about

Collins suggests that this understanding is not a one-time achievement, but an evolving product of an iterative process best conducted in leadership councils of the right people, who engage in dialogue and debate guided by the three factors.

**Unsuspected Strategies**

Iterative processes, discipline, and focus are also central features in *The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment* (2001), the latest in the Balanced Scorecard (BSC) series of books from Harvard Business School Professor Robert S. Kaplan and consultant David P. Norton. The Balanced Scorecard began its life as an attempt to help corporations escape the short-term tyranny of financial measurement. It has now expanded into a strategic management system. “We do not claim to have made a science of strategy,” write the authors. “The formulation of strategy is an art and will always remain so. The description of strategy, however, should not be an art” (authors’ emphasis). The authors may be too modest, however, for it’s clear that when vision and strategy are communicated so that people throughout a firm can grasp them, it creates a favorable context that often leads to the emergence of new and unsuspected strategies. And, as we shall see, those contexts can be constructed systematically.

Kaplan and Norton describe in detail how organizations in both the private and the public sectors have used the BSC to translate strategy into operational terms, align the organization with it, make strategy everyone’s everyday job, turn strategy into a continual process, and mobilize change through executive leadership. The authors’ criteria for success are far less stringent than those in *Good to Great*, but their list of firms is impressive (Fannie Mae is the only organization that appears in both books), and the stories are compelling. It’s refreshing to find a chapter on the pitfalls of introducing the Balanced Scorecard technique, supported by cases of where and how it went wrong. An obvious danger is that a BSC project can degenerate into a bureaucratic form-filling exercise, a fate experienced by so many management-by-objectives programs.

The authors were at first surprised to learn that two of their most successful adopters were ex-Marine officers, considering that the military are often stereotyped as command-and-control freaks. But the best soldiers, like the most effective managers, understand that the purpose of measurement is not control over others but communication that leads to a decentralized self-control focused on a common cause — the implementation and, where necessary, the modification of strategy.

This theme of management by self-control has, of course, long been central to the writings of Peter F. Drucker. He stated it best nearly 30 years ago in his massive *Management: Tasks, Responsibilities, Practices* (1974). The ultimate objective of management, he argued, is to produce a “self-governing work community,” which requires productive work,
feedback for self-control, and continuous learning. Perhaps this is why so much writing on management during the past decades reads like footnotes to Drucker.

The Myth of Excellence

*Creative Destruction* (2001), by consultants Richard N. Foster and Sarah Kaplan, casts new light on the organizational environments that produce superior performance. The subtitle of the book, *Why Companies That Are Built to Last Underperform the Market — and How to Successfully Transform Them*, summarizes their message. They use a custom-built database to track 1,008 companies in 15 industries from 1962 to 1998 and show that long-lived corporations typically underperform market averages as represented by the S&P 500. Thus the notion of excellence, of a corporation surviving indefinitely while producing superior returns, is revealed to be a myth. It’s the new entrants into an industry that produce superior returns and then usually go through an aging process accompanied by declining performance as they enter “cultural lock-in.” Thus markets produce better returns than corporations.

The authors suggest that creative destruction is necessary within corporations if they are to mimic the scale and pace of change of a marketplace. They cite the venture-capital firm Kleiner Perkins Caufield & Byers and buyout specialists Kohlberg Kravis Roberts & Co. as examples of organizations that create, operate, and trade in ways that encourage creative destruction. The example of the process within a single firm is drawn from the authors’ work with Johnson & Johnson, where they ran a series of corporate dialogues that resemble in spirit, if not in mechanical detail, the councils espoused by Jim Collins in *Good to Great*.

Foster and Kaplan’s significant contribution is the analysis that shows the existence of the process of creative destruction in the American economy and, in fact, shows that its pace is increasing. In the 1920s, a corporation on the S&P 500 could expect to be there for 60 years or more. Today that expectation is down to 20 years, and if the acceleration continues, it could be as little as 10 years by 2025. Such knowledge should concentrate the minds of senior managers wonderfully! Foster and Kaplan’s recommendations for how companies can avoid dropping from the S&P 500 are less detailed and compelling than those offered in *Good to Great* and *The Strategy-Focused Organization*, but one wonders whether any of them can do anything other than stave off the inevitable decline.

Harvard Business School Professor Clayton M. Christensen, in *The Innovator’s Dilemma: When New Technologies Cause Great Firms to Fail* (1997), has examined in detail why organizations seem incapable of reinventing themselves. He was fascinated by the experience of the computer disk-drive industry, where the leaders in one generation of drives seemed incapable of staying atop the market in the next generation. Smaller entrants who attacked from “underneath,” using what Christensen called “disruptive technology,” displaced the older players. Christensen has since regretted using the term and now prefers to talk about “disruptive business models,” for often the new technology was not radically different from the old. Rather, the differences lay in the resources, processes, and values required to exploit the new technology. Thus Christensen has outlined what is effectively a corporate process of maturation and aging whereby the strengths and relationships developed to exploit one situation turn out to be weaknesses and constraints in other contexts. Capability and disability are two sides of the same coin, and one is replaced by the other as contexts change.

All the current books cited above emphasize the implementation of strategy rather than its formulation, the topic that so preoccupied the early business writers on strategy. The separation between formulation and implementation always was an artificial one, done for pedagogic purposes only, or so its proponents claimed. Now practitioners are bringing the two together again. One feels that Napoleon would have approved of that. The great general disliked the word *plan* because of its connotations of fixed, unchanging design. Instead, he liked to talk about strategic “preparations.” And he believed to the end of his life that “The art of war is simple, everything is a matter of execution.”

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The last time I checked, there were 393 current books with the words leader or leadership in their titles. Although that’s evidence of an almost insatiable appetite for information on the subject, it doesn’t tell us what, if anything, can be gained from reading about leadership.

Indeed, a scan of the hundreds of leadership titles listed on the Internet is more amusing than edifying: Some are laughably over-prescriptive (The 21 Irrefutable Laws of Leadership) and many promise the world (How You Can Create Growth and High Performance in Your Company). When one peeks between the covers of such texts, disappointment soon sets in. The sad fact is that leadership manuals deliver mainly truisms, pap, and gross generalizations. There are exceptions, of course, and the reader’s challenge is to find the few grains of true sustenance among the tons of dispensable roughage. But where to start?

Several years ago, when my colleagues and I at Booz Allen Hamilton formed the firm’s Organization and Strategic Leadership Competency Center, we began by reviewing the extensive literature on leadership — both current books and classics. Being practical sorts, we wanted to know if there was data that explained why some leaders succeed and others fail; why some leaders move successfully between organizations and others don’t; and why a few organizations enjoy a seamless succession of great leaders, in contrast to the majority of companies, where selection and succession processes are uneven at best.

Over a two-year period, my partners and I read and discussed hundreds of cases, articles, and books on leadership. Putting each to the test of experience, we asked, “Does the theory advanced square with what we observe in real organizations?” Only a smattering of the books we reviewed withstood the tough-minded scrutiny of the few hundred professionals who spend their careers observing and counseling leaders in business and government. The few books that resonated with our collective experience also
improved our understanding of why some leaders we observed were more effective than others. We distilled these lessons into a practical framework that we have shared with global leaders at the last two World Economic Forum meetings in Davos, Switzerland, as well as readers of strategy+business (see “Beyond the Cult of the CEO: Building Institutional Leadership,” by Bruce A. Pasternack, Thomas D. Williams, and Paul F. Anderson, s+b, First Quarter 2001).

Here’s what we learned from all our reading and analysis: Organizational performance is the result of individual actions and behaviors. That is, in successful companies, people up and down the line do the “right things.” Those companies have effective leaders who create conditions under which their people have the information, authority, and incentives to make the right decisions. When leadership is effective, behavior at all levels of the organization is both aligned and adaptable, and, thus, the organization performs to its potential. We call this an institutional capacity for leadership.

What Leaders Do

Obviously, the trick is for leaders to learn to create the conditions under which this behavior can occur. In our extensive survey of the leadership literature, we found a few good books that helped to define precisely what leaders do to create those conditions. Here are some of my favorites from Booz Allen Hamilton’s list of useful books on leadership, together with a few of the important lessons we’ve taken from each.

Many leadership books focus on the characteristics of individual leaders, and to my mind the best in this category is Warren Bennis’s On Becoming a Leader (1989). Bennis writes that leaders “dream with a deadline.” By focusing on what’s important, they help their followers to realize goals that they couldn’t achieve on their own. In the process, leaders and followers become “intimate allies.” In Bennis’s view, leaders have a guiding vision, a passion that allows them to communicate a sense of hope to followers. The key to this communication is not charisma (as many experts have maintained); what is required is integrity. Leaders with integrity have a heightened sense of self-awareness and an unshakable understanding of what they believe in and what they stand for. According to Bennis, leaders with integrity are palpably at ease with themselves, and this self-confidence, sensed by their followers, forms the basis of a bond of trust between them.

In The Leadership Challenge: How to Keep Getting Extraordinary Things Done in Organizations (1987), James M. Kouzes and Barry Z. Posner also conclude that trustworthiness is the key to leadership. Using a database of more than 60,000 leaders, they conclude that the most important individual trait of leaders is honesty. They identify five fundamentals of leadership: challenging the status quo, inspiring a shared vision, enabling others to act, modeling through personal example, and “encouraging the hearts” of followers. Leaders, they say, live their lives backward by imagining a future state and then creating the path to get there. Their followers then adopt both that goal and the process for achieving it because they trust the leader’s motivations.

The insights of Bennis, Kouzes, and Posner resonate with our experience at Booz Allen. We have witnessed the unraveling of promising leaders when they have betrayed the trust of followers. These aspirant leaders had many flaws, but almost always the path to ruin was the betrayal of trust. This betrayal took several forms, such as telling their followers one thing and then doing another; putting their personal agendas ahead of those of their organizations; and failing to hold themselves — and their followers — accountable for promises made. Invariably, the result of this duplicity was that leaders became unable to enlist followers in the activities needed for organizational success. We have seen leaders succeed against overwhelming odds, however, when they have put aside their egos and understood that the purpose of leadership is to enable others to achieve their goals and the goals of their organizations. Thus, the most successful leaders we have observed are dedicated to creating other leaders. That is why even the best books that deal with the “character” of the individual at the top fail to tell the whole story of leadership.

An Institution’s Capacity for Leadership

On this score, James O’Toole, in Leadership A to Z: A Guide for the Appropriately Ambitious (1999), draws a useful distinction between who leaders are and what leaders do. Through case studies and historical vignettes,
he demonstrates that leadership is, in the end, an institutional capacity. O’Toole doesn’t ignore the obvious fact that the character of individual leaders is important, but he shows that great leaders throughout history have also inspired others to lead.

These leaders achieved more than anyone thought possible at the time because they didn’t try to do it all themselves. Instead, they were able to transcend their individual limitations by sharing the power and responsibility of leadership.

O’Toole’s argument that an organization’s capacity for leadership can be both measured and enhanced through conscious effort meshes so closely with our experience that it has come to inform our entire approach to leadership. Instead of trying to change the basic styles and personalities of individuals, we have concluded it is almost invariably more fruitful to help companies create systems and practices that enhance their overall leadership capabilities.

Sumantra Ghoshal and Christopher A. Bartlett, in The Individualized Corporation: A Fundamentally New Approach to Management (1997), focus on how to build that leadership capacity. They argue that corporations need to move from a philosophy of “contract, compliance, control, and constraint” to one of “stretch, support, discipline, and trust.” Ghoshal and Bartlett argue that even a casual observer can tell the difference between organizations by the “smell” of the place. The poorly led organization reeks like Calcutta on a steamy summer day; the well-led company smells like springtime in the forest of Fontainebleau! When organizations are “fresh,” they are more likely to adapt successfully to a fast-changing environment. The authors contend that as companies are transformed from “foul” to “fresh,” they engender learning, initiative, commitment, collaboration, confidence, and successful execution.

Failure to Adapt
It is now well established that all corporations go through an aging process as they progressively fail to adapt to new circumstances. Sadly, in our business, we have seen many bastions of the Fortune 500 show symptoms of rigor mortis … and then vanish from the list. In Leadership without Easy Answers (1994), Ronald A. Heifetz describes three forms of such failures to adapt: when organizations misperceive threats; when they see threats, but don’t have the resources and/or capabilities to do anything about them; and when they feel that it is too painful to adapt.

Heifetz argues that the role of leaders is to encourage their people to face up to such challenges — to adjust their values and beliefs, to change perspectives, and to develop new habits of behavior. In Heifetz’s framework, the task of adaptive leaders is to let followers “feel the external pressure for change” and to maintain their disciplined attention to the problem at hand. Leaders are “responsible for direction, orientation, managing conflict and shaping norms.” But they delegate the work itself to followers because “it does no good to be swept up in the field of action.”

In our experience, the toughest part of leadership to master is that very ability to stand back and not be swept up in the field of action. As O’Toole, Ghoshal, Bartlett, and Heifetz all show, the greatest leaders are fundamentally teachers who spend their time building leadership bench strength in their organizations, creating a cadre of other leaders willing to assume the responsibility for getting directly into the fray.

The acknowledged master at building such leadership capacity is Jack Welch. His approach to developing others to create organizational adaptability is chronicled by Noel M. Tichy in The Leadership Engine: How Winning Companies Build Leaders at Every Level (1997). Perhaps the most important leadership lesson to be learned from Welch (and from the likes of Roger Enrico of PepsiCo and Andy Grove of Intel) is that true leaders are not just teachers — they also have teachable points of view. That is, they help the leaders they mentor to see the world more clearly, to articulate vision and values simply, and to motivate their own followers to confront reality and make tough decisions. Thus, the most important concept in Tichy’s

The authors of Hidden Value take issue with the conventional wisdom that companies need to win the war for talent.
Everyone Can Lead

For my money, the most inspirational recent leadership book is *Hidden Value: How Great Companies Achieve Extraordinary Results with Ordinary People* (2000), by Charles A. O'Reilly III and Jeffrey Pfeffer. The authors' willingness to take issue with the conventional wisdom that companies need to win the war for talent is particularly on target.

We've heard that old refrain before: Our schools would be better if only we had better teachers, and government would be better if only there were more competent civil servants. In fact, such conventional wisdom is more often than not a rationalization for poor leadership. Because the top 10 percent of any group is a finite number, it is incumbent on leaders to create conditions that produce extraordinary results from ordinary people. From that perspective, a company that creates talent and uses it well is better led than one that expends all its energy on the futile task of hiring only great people. The authors illustrate that point with examples from AES, Southwest Airlines, NUMMI, and the SAS Institute, which show that leaders who create the environment in which all their people can do their best are those whose organizations are most successful.

And so we come full circle with leadership books. As Tolstoy wrote, “Happy families are all alike; every unhappy family is unhappy in its own way.” Clearly, there are numerous ways leaders can cause companies to fail, but all effective leaders must create the conditions under which the efforts of their people are aligned and under which each follower can become a leader. The latter dynamic is essential because successful organizational adaptation occurs only when every person in the organization is attuned to meeting the challenges of an ever-changing competitive arena.

In the final analysis, not many books can teach you to be a great leader. But it would be foolish to ignore the wisdom contained in this selection.
writers see just the gold and jewels, others see only the cobra, and a few deal with both the dazzle and the menace — and with the complexities of their interaction.

**Mostly Snakes**

In *The Silent Takeover: Global Capitalism and the Death of Democracy* (2001), Noreena Hertz notes that of the world’s 100 largest economies, 51 are now corporations, and only 49 are nation-states. She argues that, silently and stealthily, corporations are taking over world affairs. In her view, the riots in London, Melbourne, Seattle, and elsewhere are desperate attempts by scattered, often disparate, groups to draw our attention to this danger. We ignore them at our peril.

Hertz builds a compelling case that the cobras in globalization are real. And she displays considerable personal courage in exposing them, since her thesis is unlikely to delight the Judge Institute of Management Studies at Cambridge University, with which she is affiliated. Her passion makes her partisan, however, making the reader cautious to trust her judgment.

She writes that it is not simply the politicians who are powerless against world market trends. With wars now effectively banished to the fringes of affluent economic systems, nations rise and fall in world esteem not by carrying out successful military adventures, but by gaining market share and generating growth rates in excess of rival nations. This has reduced politicians to mere referees of the rules of global capitalism and cheerleaders for private enterprise’s initiatives.

Hertz’s strongest case is that there are real dangers in the corporation’s expanding global influence, but she is a polemicist at heart and tends to ignore the cases where corporations have been brought to task. Some of these events are quite significant. Monsanto’s development of genetically modified (GM) crops prompted protests in Europe that have virtually halted the company’s GM tests. Indeed, multinational corporations do not win all these conflicts, but Hertz does not adequately explain why. Although she does not allege a worldwide corporate conspiracy, one is left with the impression of a concerted push by “bad people,” and she is very much on the side of demonstrators, with whom she has mingled and whom she defends on television.

She is also a trifle weak on remedies, on how to challenge and control the corporations. She recommends that the Internet be used to organize critics and boycott the products of those who misbehave. Wal-Mart and Nike have both been gored in this way by the “electronic herd.” She has some faith in ethical investing, but the idea that markets might organize to reward corporations who train employees, promote women, sustain stakeholders, employ minorities, diversify out of tobacco, etc., seems to have
passed her by. Yet corporations might be motivated to do much of social and environmental value if they were rewarded in the marketplace for doing so and received credit ratings for their social performance. The problem is, the author is too indignant to contemplate making peace with her corporate enemies.

**All Treasure**


In his youth, Schwartz was a student radical. His enthusiasm and idealism have metamorphosed into advocating certain key technologies and arguing the following: a) these technologies are responsible for the present and future success of the Long Boom, which we dictate the fuel cell will, in less than a decade, halve automobile emissions and soon thereafter eliminate them altogether, when the hydrogen-gasoline fusion system gives way to the hydrogen cell. Automobiles will be much lighter and less noisy. Economics will shift to local manufacture in far smaller runs, and customized brands will proliferate.

The fuel cell, already in research laboratories in a dozen advanced economies, is not the only eco-friendly technology the authors acclaim. They have high hopes for nanotechnology. Its tiny engines promise an eco-friendly form of biological wealth and life creation. They have attracted the attention of the Japanese, whose love of miniaturization has deep roots. Indeed, one of the pleasures of this book is its readiness to utilize cultural diversity in a global system. In the authors’ vision, every country specializes in what it loves and makes it available to the world. Such technologies swim in a new ideological infrastructure suspended between left and right wings of the political spectrum and transcend both.

Very few books tackle the interdependence of technology and values as well as *The Long Boom* does.

have been enjoying (and which is now a trifle shaky); and b) these key technologies can serve society well only if we apply them with the appropriate values. Together, it is argued, emerging technologies have the power to create global prosperity, save the environment, emancipate women, eradicate want. Even if we do not share the authors’ upbeat assessments, the fine details of their argument are full of gems and gold pieces. Only the cobra is missing.

The authors are inevitably most bullish about the Internet, which they call “The Great Enabler.” When PCs were joined together in a World Wide Web, a “new paradigm,” long emergent, took its most influential form. Schwartz has been an advocate of new paradigms since his early work at SRI International in the late 1970s. Indeed, scenario planning, with its coherent visions of alternative futures in place of the traditional forecast and attempts by corporations to predict and control specific outcomes, is one of the manifestations of the new paradigm.

The Internet is only one form of “benign technology” in which the authors have faith and which they see as leading to a positive aspect of globalization. They pre-through a kind of “ethic of originality” that stems from a common quest for a richer and more diverse globe.

If all this seems too utopian, too like the Age of Aquarius on which several Global Business Network members were weaned, some skepticism is in order. The authors do not consider the spread of lethal technologies or of technologies with predatory values attached to them, although the United States government sponsors these selectively.

The problem with their thesis is that it strengthens the notion that technology will somehow save us from earlier mistakes, from those technologies that spurred global warming and unsustainable economic development and condemned sizable sectors of our global citizenry to employment at very low wages. Nevertheless, very few books tackle the interdependence of values and technology as well as this one, even if values are too often regarded as dependent variables or “enablers” of high tech.

**Economics 101**

Economics fundamentally concerns choice and how people make decisions, so it’s not surprising that it
should serve as a framework for balancing the promises and perils of globalization. *A Future Perfect: The Challenge and Hidden Promise of Globalization* (2000) is an engaging book by two journalists for *The Economist*, John Micklethwait and Adrian Wooldridge, and it is a primer on neoclassical economics as the only discipline of genuinely global application.

This perspective is close to being the “official future,” expected to happen based on conventional economic wisdom, and it is generally dismissive of danger and compassion. When any issue clashes with economic orthodoxy, Micklethwait and Wooldridge brush it deftly aside. For example, on the subject of child labor, they stigmatize all attempts at “fair trade” as protectionist. What those who object to six-year-olds working in Pakistan’s sweatshops “really” want is to protect American textile industries, they argue. Interestingly, they approve of protesting these practices if the protest takes economic forms — labeling textiles as free of child labor, for example. Where they found the moral radar to examine the child-labor critics’ “real” motives they do not say.

I regard child labor as both morally abhorrent and stupid, saddling nations with unschooled adults for the rest of their natural lives. An economy like Singapore’s, which has risen from a gross domestic product per person of $450 in 1967 to $28,000 today, has educated every citizen to the hilt and punished companies paying low wages to its citizens with an education tax. We do not hear of these kinds of regional adaptations.

The authors’ reluctance to let go of their purely economic perspective and even consider what the information revolution might be doing to economic “science” limits the book’s value. Not surprisingly, they criticize Schwartz’s new paradigm and anyone who suggests that 19th-century economic metaphors of great machines might need revision.

This book is at its best in exploding myths. These include “size trumps all.” The authors relate cases of smaller players running rings around lumbering giants. McDonald’s is often thought of as an example of the universal product; in fact, the company has survived via its international division and its infinite variations across the globe. Another myth is that globalization is a zero-sum game. The authors argue convincingly that additional value is created, even if some players lose.

**The Precarious Balance**

One of the best books discussed here is *The Lexus and the Olive Tree: Understanding Globalization* (1999). Author Thomas L. Friedman has two Pulitzer Prizes and one National Book Award and has worked for many years for the *New York Times*. Most noticeable about his writing is his wonderful way with metaphors, of which the Lexus and the Olive Tree are but two, powerfully contrasted.

Although metaphors are generally regarded as forms of literary license and style — more common, perhaps, in journalism than in academia — Friedman uses them brilliantly to capture the major tensions between global forces. The resulting work, in contrast to the one-sided views of Hertz, is balanced and well reasoned, which is of real value to puzzled executives.

Friedman dates the globalization phenomenon from the fall of the Berlin Wall in 1989, which ended so dramatically the principle of division that had ruled the world since 1945, when the Iron Curtain descended. If the metaphor for the Cold War period was “the Wall,” the metaphor for globalization is “the Web.” “Your threats and opportunities increasingly derive from whom you are connected to,” Friedman writes. Hence the overnight failure of 56 of Thailand’s 58 investment houses, all doomed by the falling baht and the withdrawal of American funds. “Globalism is the triumph of free-market capitalism. The technologies driving globalization are computerization, miniaturization, digitization, satellite communications, fiber optics and the Internet, which reinforce its defining perspective of integration,” argues the author.

Friedman uses opposing metaphors to create a powerful play of ideas. Whereas the defining measurement of the Cold War was “weight” (e.g., the throw weight of missiles), the defining measurement of globalization is “speed.” The defining question used to be, Whose side are you on? Now it is, Who are you connected to? There are similar shifts between “Big Missile” and “Fast Modem,” “The Treaty” and “The Deal,” “Taming Capitalism” and “Unleashing” it.

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In Thomas Friedman’s wonderful book, neither the Lexus (modernization and globalization) nor the Olive Tree (“a place called home”) wins an outright victory.
Friedman does not just use metaphors, but also recounts many stories. Stories tell of a clash, conflict, or contradiction that reaches a crisis point and is then resolved. The structure is of two opposites and their struggle to reconcile. Which brings us to the central metaphor and plot line of this book.

The Lexus stands for speed, modernization, movement, luxury, and globalization. The Olive Tree “stands for everything that roots us, anchors us, identifies us, and locates us in this world — whether it be belonging to a family, a community, a tribe, a nation, a religion, or, most of all, a place called home.” Friedman sees the world, the nation, the town, and even the person as divided between building the Lexus and disputing who owns the Olive Tree. If the Lexus is driven too heedlessly, the Olive Tree will block its path. Those who download for a living will find themselves confronted by those who upload.

Globalization is not a zero-sum game, argue the authors of *A Future Perfect*. Value is created, even if some players lose.

It is the virtue of this book that it clearly dramatizes through stories that neither the Lexus nor the Olive Tree wins an outright victory; rather, both reach intricate and creative accommodations. For example, the Kayapo Indian village in the Amazon rain forest, which has for years been trying to resist the encroachment of modernization, has found a common cause with the environmental group Conservation International, whose biological research station is dedicated to the biodiversity of this unspoiled region.

Sometimes the Lexus acts as a moderating force on the violent nationalism of the Olive Tree. Friedman was in India at the time the BJP nationalist party took power and began testing nuclear weapons. Almost unnoticed, two officials from Moody's slipped into town and lowered India's government securities to “speculative grade.” The BJP promptly switched its priorities to the economy.

On other occasions, the Lexus can actively assist the Olive Tree. On Gulf Air planes, an onboard compass indicates the position of Mecca so that five-times-a-day Muslim worshipers know in which direction to kneel. On other occasions, the Olive Tree disables the Lexus. The author left his briefcase on a sidewalk in Israel for a couple of minutes and got it back from the police later with a bullet hole through its center — the standard treatment for all suspect packages.

Of course, so-called free markets have their rules. Friedman calls this “the Golden Straitjacket,” a one-size-fits-all requirement that squeezes and pinches some, but accelerates growth while shrinking politics and diminishing left–right polarities. The author ends up as a traditional liberal type. He wants to unleash the creative chaos of capitalism on a global scale, but create a safety net to catch those mangled by the Lexus careening through the Olive Tree groove.

The Trade Gap
What none of our books addresses is that not one single affluent economy has reached the top by way of free trade. Obviously, once you are at the apex of economic power you want all markets open to you, but neither the U.S. nor Britain, Japan, Korea, or Singapore “made it” in the manner idealized. Britain invented mercantilism and crown colonies and sold its merchandise to captive markets in its empire. The United States used the Monroe Doctrine to keep European trade away from its shores while it built up domestic industries. Thus, the highway to successful globalization is not clearly defined: “We build the road as we travel,” as Spanish poet Antonio Machado put it.

There may well be a treasure chest at the end of our journey toward a globalized economy, but this pathway has not been trodden before, and no doubt we will encounter many snakes along the way.

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A curious collection of essays was published last year under the auspices of the Institute of Economic Affairs, a London-based organization dedicated to broadening the public understanding of a free economy. Titled *The Representation of Business in English Literature*, the collection contains a foreword by John Blundell lamenting that capitalism has received “three centuries of bad press” from writers of fiction. To demonstrate this negative bias, he works his way through the dictionary for adjectives to describe how he believes writers portray businessmen: “…abnormal and antagonistic; corrupt, cunning and cynical; dishonest, disorderly, doltish, dumb and duplicitous; inhumane, insensitive and irresponsible; ruthless, unethical and unprincipled; and villainous to boot.”

To temper such antibusiness characterizations, Blundell proposes sending emerging writers to “a factory or similar capitalist institution” and offering financial incentives for novelists who treat business as “an honourable, creative, moral and personally satisfying way of life.” He even entertains the idea of endowing an Oxbridge Chair of Literary Capitalism.

Poor Mr. Blundell. Someone should tell him that character and conflict are the stuff of stories, and polemic is second only to unalloyed virtue in sinking a novel. Next he will be asking novelists to write about happy families!

Blundell’s free-market viewpoint is as simplistic and skewed as that of the extreme anticapitalist populists who see making money solely as a dirty game and businessmen as ripe for vilification in fiction. In truth, beginning with Daniel Defoe, novelists have served up treatments of businessmen and commerce that are as varied, nuanced, and complex as they are in life, resulting in an engrossing, invigorating literary genre. Unfortunately, these days, with modern readers preferring the narrowly personal or entertainingly exotic, the business-novel genre has fallen on hard times, to the detriment of not just literature but all social discourse.

**Portraits of Moneymen**

Novelists worth their salt have always been drawn to human behavior in all its glory and inadequacy. Take, for example, Anthony Trollope. In *The Way We Live Now* (1875), he created Augustus Melmotte, the best-known of all fictional businessmen. A financier peddling shares in an American railroad scheme, Melmotte bursts on 19th-century London society with the radiance of a comet, and, as comets do, burns out. Melmotte, who eventually commits suicide, is a study in overreaching ambition, in greatness gone awry, but Trollope doesn’t make him a figure of contempt. Melmotte, as his faithful servant Croll says, was “passionate, and did lose his ‘ead; and vas blow’d up vid bigness…. ’E bursted himself.” In this story, the real villains are the amoral, gormless, prejudiced, blue-blooded fops who sneer at Melmotte while taking advantage of his prosperity. Trollope wanted to illustrate venality in all its venues, not just in the City.

If Melmotte is a comet, then Theodore Dreiser’s nonconformist magnate Frank Algernon Cowperwood is a sun that shines steadily through an entire sequence of novels: *The Financier* (1912), *The Titan* (1914), and *The Stoic* (1947). Cowperwood is a corner cutter and opportunist in the Melmotte mold, but Dreiser, a journalist by training, wasn’t interested in passing judgment, or in being arch or satirical. He admired his hero, he understood his faults, and although he...
was awake to the social injustices of Cowperwood’s era—post–Civil War America—he couldn’t resist the cavalcade, either. His detached but vigorous reportorial style, particularly in *The Financier*, where the writing is the sharpest, results in an adamantine portrait of a moneyman. In no other book is the truth of Calvin Coolidge’s remark “The business of America is business” so well brought to life.

Rivaling Melmotte and Cowperwood in double-or-nothing risk taking is Octave Mouret, the pioneer department-store merchant in Emile Zola’s *The Ladies’ Paradise* (*Au Bonheur des Dames*) (1883). A marketing and public relations genius, Mouret sees himself as being in the business of creating desire. Not for him anything as plebeian, as dull, as satisfying customer needs; he wants Parisian women to swoon with covetousness.

In achieving his goal, Mouret is forcing small neighborhood businesses into bankruptcy, but Zola, while sensitive to their misfortune, doesn’t wallow in it. Instead, he uses lush, lyrical prose that mimics the dazzle of Mouret’s window displays and the sumptuousness of the piles of merchandise in his emporium. The descriptions of the sales themselves border on the orgiastic. Mouret is a triumphant creation: the ultimate seducer.

Zola strives to write “the poem of modern activity.… Don’t conclude with the stupidity and sadness of life. Instead, conclude with its continual labor, the power and gaiety that comes from its productivity.” A sample of that “poem” describes, of all things, the chute down which trucks discharge their goods in the store’s receiving department:

[The goods] were weighed and then tipped down a steep chute; the oak and ironwork of this shone, polished by the friction of bales and cases. Everything entered through this yawning trap; things were being swallowed up all the time … falling with the roar of a river. During big sales especially, the chute would discharge an endless flow into the basement, silks from Lyon, woolens from England, linens from Flanders, calicoes from Alsace, prints from Rouen.… The parcels, as they flowed down, made a dull sound at the bottom of the hole, like a stone thrown into deep water.

As he was passing, Mouret stopped for a moment in front of the chute. It was in full activity: rows of packing cases were going down on their own, the men whose hands were pushing them from above invisible; and they seemed to be rushing along by themselves, streaming like rain from some spring higher up. Then some bales appeared, turning round and round like rolled pebbles.… Never had [Mouret] been so clearly aware of the battle he was engaged in. His task was to launch this deluge of goods all over Paris.

At the turn of the century, in *Tono-Bungay* (1908), H.G. Wells limned another master marketer: a roly-poly chemist named Uncle Ponderevo. He concocts a quack medicine, names it *Tono-Bungay*, adroitly advertises it—“Are you bored with your Business? Are you bored with your Dinner? Are you bored with your Wife?”—and makes a fortune. His nephew, George, joins him in the enterprise and discovers the satisfaction that can be found in making a business “hum.” Muses George, “It sounds wild, I know, but I believe I was the first man in the city of London to pack patent medicines through the side of packing cases [to prevent breakages], to discover there was a better way in than by the lid.”

A dabbler in socialist politics, George is not without his qualms and tells his uncle that *Tono-Bungay* is “a damned swindle … selling the cheapest thing possible in the dearest bottle.” Uncle Ponderevo rebuts him: “I’d like to know what sort of trading isn’t a swindle in its way. Everyone who does a large advertised trade is selling something on the strength of saying it’s uncommon.… It’s the modern way! … The point is, George, it makes trade. And the world lives on trade. Commerce! A romantic exchange of commodities and property. Romance. ‘Magination. See?” As he prospers, Uncle Ponderevo makes the transition from commerce to finance, from humble abodes to ever-bigger mansions, and in such excesses lies his downfall. Like Melmotte, he “bursted himself.”

Flawed though they might be, Melmotte, Cowperwood, Mouret, and Uncle Ponderevo have reserves of energy and...
drive, a capacity for self-invention and outsized dreams, an ability to cut to the chase and gauge the future. Uncle Ponderevo puts it best when, early in *Tono-Bungay*, he says of the inhabitants of the sleepy village where he has a pharmacy, “But Lord! They’ve no capacity for ideas, they don’t catch on; no Jump about the place, no Life. Live! — they trickle…. It doesn’t suit me…. I’m the cascading sort.”

One could continue in this vein through the 20th century. Some outstanding novels containing businesspeople who spill over with an abundance of ambition: Sinclair Lewis’s *Babbitt* (1922); Upton Sinclair’s *Oil!* (1927); Christina Stead’s *House of All Nations* (1938); Frederic Wakeman’s *The Hucksters* (1946); Sloan Wilson’s *The Man in the Gray Flannel Suit* (1955); John Braine’s *Room at the Top* (1957); and Louis Auchincloss’s *The Embezzler* (1966). These writers might have been making larger statements about avarice, conformity, social class, boosterism, the rat race, yes-men, and so on, but their businesspeople are not straw men or cartoon characters; even Babbitt is portrayed with warmth and psychological acuity.

The Proper Stuff

Gradually, though, as the century progressed, the fecund field of business fiction was all but abandoned by serious novelists. In fact, the problem in the last 25 years is not one of novelistic “bad press” but hardly any press at all. To be sure, there have been a number of satires, some of them brilliant, that fall under the business-novel rubric: Martin Amis’s *Money: A Suicide Note* (1984); Tom Wolfe’s *The Bonfire of the Vanities* (1987) and *A Man in Full* (1998); David Lodge’s *Nice Work* (1988); Bill Morris’s *Biography of a Buick* (1992); Po Bronson’s *Bombardiers* (1995); Douglas Coupland’s *Microserfs* (1995); Julian Barnes’s *England, England* (1998); and Kurt Andersen’s *Turn of the Century* (1999). Nothing wrong with satire, but when it gets too broad, too silly, played only for yuk, it loses resonance. If we set aside these works, sober fictional treatments of business, such as Philip Roth’s *American Pastoral* (1997) and Richard Powers’s *Gain* (1998), are scarcer than Republicans who are proregulation.

Why has this genre all but dried up? First, around the turn of the previous century, aesthetic tastes in fiction began to change, which was best illustrated by a long-running argument between H.G. Wells and Henry James over what constituted “the proper stuff” of novels: Wells championed discursive novels about the larger world, and James, “the intensified rendering of feeling and characterization.” Wells, commenting on *Tono-Bungay*, said that it was “extensive not intensive. That is to say, it presented characters only as part of a scene.” James won, you might say. As did Virginia Woolf. She labeled Wells a “materialist,” concerned with “the body and not the spirit”: “…the sooner English fiction turns its back upon [the materialists] and marches, if only into the desert, the better for its soul.” Legions of novelists obeyed her call — and James’s call — and marched into the desert. They rejected “scene” and focused instead on dysfunctional families, psychological malaise, affairs of the heart, eccentricity, freaks.

Compounding the situation, universities in the latter part of the century discovered the profit in teaching creative writing. Drovers of budding novelists still head for these writing schools, and then turn to teaching to support themselves until the lucky day when they have a breakthrough book; their familiarity with the wider world and the means of production is necessarily limited. This is an altogether different path from that taken by earlier generations of novelists, who learned trades, entered professions, took to the road or the sea, became journalists or magazine editors. For example, Trollope was a post-office administrator; Wells, a draper’s apprentice and then a science teacher. To revive business fiction, the dictum “write about what you know” should perhaps be amended to “get out into the world and then write about what you know.”

The interest in stories about business hasn’t disappeared. If anything, it has increased, with nonfiction writers using fiction-writing techniques stepping into the breach. Business is now “covered” by magazine and newspaper writers like Connie Bruck, Michael Lewis, Joseph Nocera, Ken Auletta, and Roger Lowenstein. As good as these journalists are, their books about Wall Street and Silicon Valley are no substitute for unflinching works of fiction that engage our public and private selves, our intellect and emotions. More able to inhabit the skins of its characters, fiction can capture the ambiguity and caprice inherent in human behavior and then give it context and causality in ways that nonfiction rarely can. As Norman Mailer is fond of saying, “A novel is a big lie to get at the big truth.”

In *American Pastoral*, Philip Roth gets inside the life
and mind of a Newark glove manufacturer, with unsettling and provocative effect, creating a far wider readership than a nonfiction book on the decline of manufacturing in New Jersey could achieve. Here is Roth’s hero, Swede Levov, railing unstoppably against the self-satisfied intellectuals who make assumptions about his work:

These deep thinkers were the only people he could not stand to be around for long, these people who’d never manufactured anything or seen anything manufactured, who didn’t know what things were made of or how a company worked, who, aside from a house or a car, had never sold anything and didn’t know how to sell anything, who’d never hired a worker, fired a worker, trained a worker, been fleeced by a worker — people who knew nothing of the intricacies or the risks of building a business or running a factory but who nonetheless imagined they knew everything worth knowing.

American Pastoral is the blistering story of an American family that makes good in three generations. But with the fourth generation, the worm turns with a vengeance, as it did to the utter incomprehension of so many well-meaning strivers in the 1960s:

For [Merry, Swede’s daughter], being an American was loathing America…. How could a child of his be so blind as to revile the “rotten system” that had given her family every opportunity to succeed? To revile her “capitalist” parents as though their wealth was anything other than the unstinting industry of three generations. The men of three generations, including even himself, slogging through the slime and stink of a tannery…. There wasn’t much difference, and she knew it, between hating America and hating them.

The Embodiment of Nothing
This private tragedy is mirrored by the decline of Newark, New Jersey, as an industrial center. “It’s the worst city in the world…. Used to be the city where they manufactured everything. Now it’s the car-theft capital of the world,” Swede tells Nathan Zuckerman, the author’s alter ego and narrator, who has made the mistake of thinking that Swede, an old classmate, is “a human platitude … the embodiment of nothing,” because he is, well, a good guy and a glove manufacturer.

The English satirist David Lodge has resurrected the term “Condition-of-England Novels” to describe books like Tono-Bungay in which the narrative is shaped by social and economic issues. American Pastoral, then, could properly be called a “Condition-of-the-United-States Novel,” as could Richard Powers’s Gain, in which two stories are juxtaposed, one relating the rise of the Clare Soap & Chemical Company from its humble origins as a chandler, the other about Laura Bodey, a real-estate agent in a Clare company town, who develops ovarian cancer, which might or might not have been caused by using Clare products or living near a Clare plant. An elegant writer of formidable intelligence, Powers creates from the two stories a novel of considerable impact. (Incidentally, the dull cover and blurb on the U.S. edition don’t begin to hint at the imaginative energy in Gain, a paradox for a book revolving on the kind of business that lives or dies by marketing.)

A vast conglomerate, Clare Soap & Chemical was founded by three brothers whose father, Jephthah Clare, was a merchant trader: “That family flocked to commerce like finches to morning. They clung to the watery edge of existence: ports, always ports. They thrived in tidal pools, half-sweet, half-brackish. They lived less in cities than on the sea routes between them.” The Clare family fortunes rise and fall, too, with tides pulled by war, taxation, and competition, for “no blooded aristocracy matched the economic meritocracy for harshness.”

Chance leads the brothers to chandlery and also to a medicinal herb that gives their soap its marketing advantage. Persistence causes the firm to shoot up “like a backwoods boy fed on bear meat.” However, unlike Trollope’s Augustus Melmotte and Wells’s Uncle Ponderevo, the Clares are a cautious lot: “Our wives know us. Our children will answer to us. And we’ll never get mixed up in social caprices.” Even more important, they distrust “extreme profit. Too fat a margin meant something was wrong. Today’s excess spelled tomorrow’s liability. Profit bred complacency, and complacency bred the death of endeavor. Advantage existed only to be reinvested.” Guided by this business philosophy, they prosper nicely, weathering economic downturns, to the point that Powers says of one Clare that his death certificate might have indicated natural causes, but “he died, in fact, of fulfillment.”

Eventually, Clare Soap & Chemical adopts a charted management structure...
and incorporates. For the first time, the Clares have leisure at their disposal, and one of them uses it to read. He comes across the following definition of a corporation in Ambrose Bierce’s *The Devil’s Dictionary*: “An ingenious device for obtaining individual profit without individual responsibility.”

And there we have it: a family-owned company one century, a corporate colossus the next, paralleled by characters dying of fulfillment, and then environmentally caused cancer. Powers, though, like Dreiser, is not judgmental; he is inclined to wistfulness, not anger. If only it didn’t have to end this way, he seems to be saying, with the Clare brothers’ legacy of prodigious mercantilism marred by the murky issue of corporate accountability.

**Timely Issues**

In their wide-armed embrace of economic history and their narrow-bore focus on feeling and motive, *American Pastoral* and *Gain* are extensive and intensive in execution, combining the best qualities of Wells and James. In this respect, these works differ from early business novels. At their core, however, is the theme that has always driven business narratives: the effect of economic upheaval on social fabric. This is no small attribute because it gives readers nuanced ways to think about forces of change and encourages understanding of the motives of movers and shakers.

If only more novelists would follow the example of Roth and Powers and engage in the major economic issues of our time. Instead, subjects of tremendous importance — globalization, technology, multinational corporations — and riveting (and riven) personalities — Bill Gates, George Soros, John Malone, Phil Knight — go begging. To be sure, Michael Crichton ventures into this territory, but he leans toward caricature and sensation. All the same, he is at least alert to another overlooked aspect of the genre: the pure storytelling pleasure to be had from the extraordinary business dramas unfolding around us. As Uncle Ponderevo says, “Commerce! A romantic exchange of commodities and property. Romance. ’Magination. See?”

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My grandmother’s brother Abraham Lowenhaupt — Uncle Abe, we called him — got his education when human capital really flourished in America. Raised in a rural Indiana town, he migrated to St. Louis as a young man and read about law as an apprentice at a law firm. He had a knack for math, and when the 16th Amendment to the Constitution authorized the income tax in 1913, Uncle Abe, putting math and law together, soon became the city’s most successful, most erudite corporate tax lawyer. The firm he established survives to this day, taken over in turn by his son and grandson. Neither achieved Uncle Abe’s prominence, despite their Ivy League schooling.

Alfred D. Chandler, Jr., an economic historian, would have loved my Uncle Abe. He would have been a wonderful example for Chandler’s classic history *The Visible Hand: The Managerial Revolution in American
Best Business Books

Business (1977). The book is filled with achievers, most of whom, without the benefit of higher education, responded resourcefully to the circumstances of their time. The modern corporation is essentially the invention of tens of thousands of Uncle Abes who exploited the business opportunities that materialized in America between 1880 and 1925, railroads and the telegraph having finally tied the nation together, creating the world’s first mass market.

The new companies that arose — DuPont, GE, and Sears Roebuck, to cite several examples — were true pioneers. They invented mass production, mass distribution, and mass marketing. How could they resist? How could Anheuser-Busch, a local brewer in Uncle Abe’s hometown, refrain from multiplying production many times over when the railroad and refrigerator car allowed the brewer to ship its beer to distant markets?

A unique hierarchy of managers, distributors, and outside experts, like my Uncle Abe, developed to operate these increasingly complicated companies. It was expensive to hire all these managers, but the economies of scale that came out of mass production and mass marketing generated more than enough in revenues and profits.

They still do. The paradigm has not changed. Despite all the alternatives that the New Economy seems to offer, today’s most successful companies thrive by achieving economies of scale. Chandler continues the story of the modern corporation in Inventing the Electronic Century: The Epic Story of the Consumer Electronics and Computer Industries (2001), a sequel to The Visible Hand. “Talk about economies of scale,” Chandler told me in a telephone interview. “IBM’s first PC had 200 clones. But everyone [who bought a PC] had to purchase an Intel chip and a Microsoft operating system. That is real scale.”

How can a corporate manager protect himself or herself from the beguiling idea that the New Economy or any marvelous new technology represents a radical departure from the past?

Well, start by throwing out the countless books published in recent years heralding the everything-is-different-and-better nature of the Information Age, then take a look at the past. History is rarely on the curriculum at the graduate business schools that prepare executives for their futures, and in this do-it-yourself exercise, Chandler’s two books are a good starting point for the otherwise well-schooled corporate manager. Two more books round out your crash course in history: Robert L. Heilbroner’s The Worldly Philosophers: The Lives, Times, and Ideas of the Great Economic Thinkers (1953) and Jared Diamond’s Pulitzer Prize–winning Guns, Germs, and Steel: The Fates of Human Societies (1997). They will illuminate your slot in history and sharpen your intuition and skepticism as a top executive.

Reading the Terrain

If only The Visible Hand had been available in the 1960s to David Sarnoff and his son Robert, RCA might still be the king of consumer electronics, replicating its great successes in radio and color television. Instead, the Sarnoffs, particularly Robert, converted RCA into a different paradigm — a paradigm out of sync with its time, Chandler argues in Inventing the Electronic Century. RCA became a conglomerate, wasting resources to acquire the car rental company Hertz and other alien operations.

From the late 1930s into the 1960s, no company matched RCA’s prowess in bringing new consumer electronics products to the mass market. Color television was a spectacular technological breakthrough and a very profitable commercial success for the company. But in the mid-1960s, RCA tried to get into computers, going up against the corpo-
rate establishment in that field, above all IBM. This new push came at the expense of consumer electronics, which got less funding just as Japanese companies were achieving breakthroughs in the field, particularly in video recording.

By the 1970s, the Sarnoffs had lost sight of their place in history. As innovators in consumer electronics, they had reaped huge profits from economies of scale in marketing these products. They then put the profits back into research and more innovation. But, “as Robert Sarnoff took command [in 1968], he was persuaded by Andre Meyer, a member of the RCA board of directors and senior partner at Lazard Frères and one of the most respected investment bankers of his day, to embark on a second strategy of growth. That was one of product diversification through acquisition of companies whose businesses were only distantly related, if related at all, to [RCA’s] learned technical, functional, and managerial capabilities,” as Chandler tells the story in his new book.

How could the Sarnoffs have known that becoming a conglomerate, for all its dazzle, was a doomed route for them to take, and that RCA would disintegrate? They could not have known, of course. But a greater acquaintance with history would have made them more aware of RCA’s potential problems. Plow through Chandler’s sometimes dense and often anecdotal prose, and you come away with a sophisticated appreciation of the historical forces that shape outcomes. Not answers, but an awareness that, in the Sarnoffs’ case, might have saved them from the advice they got on Wall Street.

As Peter Cappelli, a management expert at the University of Pennsylvania’s Wharton School of Business, put it in an interview: “What you are trying to develop in a manager is a kind of inductive skill in reading the terrain; of knowing intuitively when the paradigms are about to change or bust up — or endure.”

**Insights of History**

Like Chandler, Robert Heilbroner is an economic historian, but a far better writer. He offers wonderful anecdotal biographies of the great economists, starting with Adam Smith, and in the process takes the reader almost painlessly through Western economic thought. His message is blunt: The seminal economic theories sprang from the times in which they were conceived. When circumstances changed, every generation or two, so did economic theory. But not entirely. Each new worldly philosopher built on the theories of his predecessors.

Adam Smith, of course, described the dynamics of the Industrial Revolution starting all around him. Karl Marx, building on Smith, witnessed the unfolding plight of the new industrial work force and tried to give workers as important a role as capital in the new market system. As a byproduct, Marx was the first economist to describe a business cycle and to perceive that business cycles were inherent in capitalism. And so the evolution of economic theory continued. John Maynard Keynes explained the Great Depression to our parents, and Joseph Schumpeter became known for his descriptions of “creative destruction” in a market system — a bit of consolation for the bankrupt.

“The worldly philosophers,” Heilbroner writes, “taught us to see the evolution of society as a drama whose meaning could be grasped by individuals who would otherwise have felt themselves merely swept along by over-mastering and incomprehensible forces. The ultimate objective of their economic thinking was social understanding.”

That, in the end, is Chandler’s value to America’s corporate managers, and Jared Diamond’s, too. Although he earned a Ph.D. in physiology, Diamond is a polymath, and his book draws on many fields of scholarship in telling the story of humankind’s innumerable responses to innumerable changing circumstances over the past 13,000 years.

Almost always the responses are optimal, given the circumstances. Or certainly they seemed so at the time. Indeed, with the benefit of hindsight, Diamond suggests that the Chinese might have colonized Africa and the Americas before the Europeans did, and even Europe itself. The Chinese had the technology. By the early 15th century, they had built hundreds of ships up to 400-feet long, and they had sent them “across the Indian Ocean, as far as the east coast of Africa, decades before Columbus’s three puny ships crossed the narrow Atlantic Ocean to America’s east coast,” writes Diamond. Those ships could have crossed the Pacific to colonize America, or they could have proceeded “around Africa’s southern cape westward and colonize[d] Europe, before Vasco da Gama’s own three puny ships rounded the Cape of Good Hope eastward and launched Europe’s colonization of East Asia.”
Why did China fail to capitalize on its technological superiority? As Diamond explains it, a power struggle erupted between two factions at the Chinese court; the one that opposed oceangoing ventures won. In China’s top-down, rigidly unified political and social structure, the voyages were stopped, and shipbuilding ceased. This outcome was probably inevitable: Given the power of political and cultural forces, China missed its empire-building opportunity.

In contrast to the Chinese, the Europeans emerged from the Middle Ages independent, adventurous, and competitive, particularly the merchants in the growing cities. Embracing technologies born in China and the Middle East, the Europeans gave birth to the Industrial Revolution, improvising as they went and dominating commerce until the late 19th century. From England, in particular, came the concept of the factory and the first high-speed industrial machinery.

All this industrial activity quickly crossed the ocean to America, and then the Americans added the missing ingredient: people. The Europeans had the technology, the same unifying railroads and telegraph as the Americans. But Europe’s numerous national borders and tariffs meant there could be no single mass market. In America, in contrast, a huge, energetic consumer population, swollen with immigrants and spreading westward, was ripe for the picking by the end of the Civil War.

In response, the modern corporation and its management techniques came to life, first in the railroad industry, then in the fields that new technologies made possible, particularly the telephone, electric motor, and gasoline combustion engine. Only after World War II did Japan and Western Europe become mass-production powerhouses. Increasing world trade, falling tariffs, instantaneous communication, and rapid, inexpensive transportation gave their corporations access to a global marketplace. America finally had to share its windfall.

Today, the United States struggles to regain its global economic preeminence and, ignoring the insights that history offers, focuses on minor shortcomings. For example, policymakers wring their hands over the poor reading and math skills of so many young Americans, as if that were somehow the problem. We insist that if only we could hit on the right formula for repairing the schools and sending more children to college, enhanced human capital would revive the golden days.

That is not the way education has worked for America. For Uncle Abe and his generation, education was not a cause; it kicked into gear as a natural and enthusiastic response to the new circumstances that arose in the late 19th century. The first mechanical engineers did not think of themselves as educated men. Forced to build new machines and to constantly modify older ones for the ever-evolving factories, they wrote about their achievements in new professional journals with such names as American Machinist and Engineering News. Colleges and universities trained subsequent generations in the accumulated engineering knowledge, “although many mechanical engineers continued to preach that the shop apprenticeship was of more value than formal book learning,” writes Chandler in The Invisible Hand. American capitalism in its formative years, particularly with the rise of the giant corporation, forced education on the populace. So, for that matter, did the electronic age. The modern computer engineer evolved (from the garage) much as Uncle Abe and the mechanical engineers evolved: opportunistically, in response to the prevailing circumstances. While colleges trained engineers, an expanding secondary-school system provided a necessary basic education for millions of production workers. By 1950 a high school education had become nearly universal.

After the war, the GI Bill met the training needs of a surging peacetime economy. Scientific research also flourished, in response to the Cold War and the Soviet Union’s launching of the first Sputnik in 1957. E-mail and the Internet had their beginnings in this research.

But today why should Americans push themselves to become engineers or skilled workers when corporations are relocating operations to Asia or Mexico, where these workers are abundant and inexpensive? American-owned auto and engine plants in northern Mexico, for example, are state of the art, staffed by thousands of engineers and skilled workers trained in the colleges and vocational schools that have multiplied in that country in response to new circumstances, particularly that mass production and mass marketing now belong to the world.

We cannot know the next link in history’s chain of events. But from Chandler, Heilbroner, and Diamond come insights that will bring corporate managers’ decisions and reactions closer to the mark.

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From Meek to Mighty: Reforming THE Boardroom

by Jay A. Conger and Edward E. Lawler III

You might remember the old story of Charles Atlas, a weak runt who grew tired of having sand kicked in his face by muscle-bound men on the beach. Through determination and hard work, he transformed himself first into a bodybuilder and then into a muscle-marketing powerhouse.

This may seem like an odd place to start a discussion of recent books on the state of corporate boards, but there are some striking parallels. For one, it was not long ago that corporate directors were relative weaklings sitting on the equivalent of a tropical beach while receiving high pay and numerous perquisites. Although the muscle-bound CEO did not kick sand in the faces of board members, he used his insider knowledge and his personal relationships to control them. The press did the sand tossing, along with a few big institutional investors dissatisfied with their returns.

After several decades of weak boards being bullied, and a recent spate of books about making boards more effective, it seems timely to ask whether boards have gotten out of their beach chairs and begun to build some muscle. Certainly all the buzz about new governance initiatives suggests that behind those closed boardroom doors may be a group of corporate Charles Atlases who are powerful contributors to corporate performance. Ram Charan’s Boards at Work: How Corporate Boards Create Competitive Advantage (1998) optimistically shows good examples of boards that are becoming more powerful and effective.

But, as with bodybuilding, it has taken time for boards to build their strength, and motivation often waxes and wanes in the process. Moreover, the hunk in most boardrooms may still be the CEO.

Waves of Reform

The waves of reform began regularly breaking in corporate boardrooms in the 1980s. Three muscle men appeared on the beach: foreign competitors, corporate takeover artists, and institutional investors. Foreign competition exposed the flawed and outdated strategies of many major American corporations. Blame was laid squarely on the shoulders of senior managers, and ultimately on the board. The takeover movement, with significant help from leveraged-buyout firms, forced
boards to choose their allegiances — were they beholden to management, or to shareholders? In most cases, the shareholders won.

The third muscle man was the institutional investor pressuring CEOs and boards to sustain performance improvements — especially the pension funds that tended to take long-term positions in firms. These investors supported initiatives to enhance board authority and make CEOs more accountable. The most popular governance initiatives included having a majority of directors be outsiders rather than insiders (a majority of insiders had been the norm), a separate compensation committee composed of independent directors, and formal performance evaluations of the CEO.

During this time of turmoil in the boardroom appeared a research-based book by Harvard professor Jay W. Lorsch and his colleague Elizabeth MacIver titled *Pawns or Potentates: The Reality of America’s Corporate Boards* (1989). It raised the timely question: Were the overseers of corporations doing their duty? From intensive interviews with executives and directors, the authors concluded that most boards were relatively powerless. Lorsch and MacIver’s data revealed that boards were hindered by several critical weaknesses. First, the norms of polite boardroom behavior and the pervasive presence of insiders discouraged most directors from openly challenging or questioning the CEO’s performance.

Boardroom meetings were more akin to Japanese tea ceremonies than strategic debates and critical reviews of performance. Second, directors had a strong dependence on the CEO. After all, the CEO had far greater information and knowledge about the business than any director could possess. The CEO usually controlled the meeting agenda and the discussion process. He or she played a pivotal role in selecting each of the directors. In many cases, directors were also providing consulting services to the company or were subordinates to the CEO.

Finally, formal leadership of the board almost always rested in the hands of the CEO, since most held the title of board chairman. These factors gave the CEO enormous influence in the boardroom, which prevented boards from acting against the desires of the CEO.

Directors found it difficult to leverage their one strength, sheer numbers. Although the outside directors often outnumbered the CEO and insiders, there were few, if any, formal mechanisms for collective action. Outside directors were seldom a cohesive group; they met infrequently and were only casually acquainted with one another. Their strongest relationship was usually with the CEO: He or she was the hub to which the directors connected.

To make matters worse, directors had busy lives outside the boardroom, with little time to spare, so few objected to the boardroom norm discouraging contact other than at the regular meeting. Inevitably, there was no process for tapping a leader from the pool of directors in times of crisis, and boards were often ill-prepared to take quick, decisive action when it was needed.

The Lorsch and MacIver findings exposed these problems and sounded a loud alarm. Lorsch and MacIver themselves proposed several important changes. These included establishing nominating committees chaired by outside directors; limiting the number of board memberships a director could have; adding more retired CEOs as directors (they were to have more time to spend on company issues as directors); tying director pay to stock options or annual grants of stock; increasing the use of committees to govern; performing formal CEO reviews; and designating a lead or presiding director. Their most radical proposal was to choose a chairman from the ranks of outside directors who would play a strong role in setting the board’s agenda, conduct-
The groundwork laid by the challenges of the three muscle men of the 1980s did produce some boardroom empowerment in the 1990s. Formal CEO reviews, greater use of committees, and equity compensation for directors became popular practices among boards of the Fortune 1000. Boards showed their muscle by sacking some CEOs of well-known companies in the early 1990s — James Robinson of American Express, Rod Canion of Compaq, Ken Olsen of Digital Equipment, John Akers of IBM, and Robert Stempel of General Motors were all ousted by their boards. Lists of governance best practices emerged and were used by the press and investors to rate boards. In 1996, Business Week published its first report card on the best and the worst corporate boards.

The Long Shadow of Shareholder Value
By the mid- to late 1990s, a single metric of corporate performance, shareholder value, overshadowed all the others and became the focus of most CEOs and their boards. Judging solely by this metric, many boards were apparently doing their job well. An exuberant stock market and a few corporate stars reinforced this focus on shareholder value. There were the General Electrics, the Cisco Systems, and the Microsofts, along with the skyrocketing and then crashing stars of e-commerce like Amazon and Yahoo.

With his myth-building best-selling book Mean Business: How I Save Bad Companies and Make Good Companies Great (1996), turnaround artist Albert Dunlap, better known as Chainsaw Al, became the poster boy for shareholder value. Wherever Al worked his downsizing magic, shareholder returns skyrocketed. He also became one of the loudest advocates for paying board members purely in stock.

From the vantage point of Charles Atlas’s beach, the new muscle man on the block is now the shareholder. Indeed, research reported in our new book, Corporate Boards: New Strategies for Adding Value at the Top (2001), written with David L. Finegold, shows that today most directors see their primary role as enhancing shareholder value.

However, as we enter a new century, it is a good time to question whether the ’90s fascination with shareholder value was misplaced or perhaps overdone, and whether it has actually led to more effective boards. Al Dunlap’s star has fallen, exposing a checkered management past, because he stumbled badly at Sunbeam. A slowing economy has also raised the question of whether continuing annual eye-popping jumps in a company’s share value are feasible. Meanwhile, board intervention is often late — serious red ink or major crises have to surface before boards mobilize for action, as the example of Xerox highlights. Moreover, the formal leadership of most boards remains vested in the hands of CEOs; nonexecutive chairmen and lead directors are still rare.

Muscle-Building Ideas
Allan A. Kennedy, in The End of Shareholder Value: Corporations at the Crossroads (2000), argues that the board’s preoccupation with shareholder value has led companies to mortgage their futures for today’s higher stock price. It also has created a class of entrepreneurs who, for a brief time, were able to sell companies to a gullible investing public at unsupportable stock prices. From Kennedy’s perspective, the CEOs of large public companies deserved most of the blame.

But the story is more complicated, and here is where the boardroom enters into it. Kennedy says that the world of corporate boards has changed little in the years since Lorsch and MacIver’s book. He points out that CEOs of large companies still belong to an exclusive club, since almost two-thirds of the board members of most companies are current or former CEOs of another company. Within this snug club, favors are often exchanged. The lucrative stock-option program supported in the confines of one CEO’s boardroom is promoted at another CEO’s board meeting. And a board’s capacity to be vigilant, in Kennedy’s view, is seriously compromised by the nature of its relationship to the CEO.
Today’s boardroom, he argues, is just a more insidious version of earlier ones, because rising share values have provided opportunities for CEOs and boards seemingly to collude in order to create outrageously generous compensation packages. According to Kennedy, those puny fellows on the corporate beach are really muscle men in disguise, helping one another kick sand in the face of everyone else who has a stake in today’s corporations. While some might question the extent of purposeful collusion, CEO pay packages have, in many cases, gone through the roof. It is also clear that boards sign off on these pay packages, and, as we point out in our book, board members are dramatically improving their own compensation.

Are board members weaklings in need of muscle building, or are they wheeling-and-dealing muscle men in need of policing? Kennedy says policing is the answer. He would start by changing the membership requirements for the clubhouse. Specifically, he would ban all CEOs of large public companies from serving as directors of other large public companies. In addition, under Kennedy’s plan, board members would be selected to represent the interests of customers, suppliers, communities, and employees — not just shareholders. Any board insiders would be nonvoting members. Finally, a respected outside agency would conduct regular audits of the effectiveness of board members and the board’s overall performance. This agency, or another independent body, would also develop tough standards for boards and mandate that all new board members attend an intensive orientation program.

Ram Charan’s *Boards at Work* provides a dramatic contrast to Kennedy’s views. Charan starts by arguing that a handful of boards have proven themselves to be the Charles Atlases. From these role models, the rest can learn. Unlike those who see boards as either 97-pound weaklings or colluding muscle men, Charan sees board members largely as critical untapped strategic resources, potential stars who must perform. From his perspective, boards need CEOs and processes to recruit, train, and harness talented, wise strategists who can help the senior management of companies be successful.

He believes it all starts with the CEO, one who wants board members’ help and then is prepared to engage them in productive dialogues. From there, Charan argues for a simple regime. Keep committees to a minimum, have fewer but longer board meetings, and get rid of executive committees along with lead directors and nonexecutive chairmen.

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**Eight Elements of an Effective Board**

1. Independent directors (with no formal business or family ties to the firm prior to joining the board) constitute a clear majority (at least two-thirds) of all board members.

2. Each director’s knowledge and abilities are assessed regularly against the firm’s changing market and technological demands.

3. Independent directors chair and control key committees (compensation, audit, and nominating/corporate governance). The compensation committee consists solely of outside directors.

4. Chairman and CEO roles are separate; there is a lead director, and regular executive sessions are held without inside directors present. This helps outside directors bond and establishes clear leadership of the board itself.

5. Employees, customers, suppliers, and investors have direct communication channels to the board, independent of management.

6. The board’s staff and/or resources allow it to conduct its own analysis of issues (e.g., in benchmarking executive compensation); individual directors who perform significant extra duties are recognized and rewarded by the board, not by company management.

7. The CEO has specific performance targets relative to key competitors; a formal annual evaluation of the CEO includes clear written and oral feedback.

8. Succession planning reaches down several levels of management.

Source: Adapted from *Corporate Boards: New Strategies for Adding Value at the Top*

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**Pawns and Potentates**

In *Corporate Boards*, we say directors are potentates and pawns. The potentate role stems from the fact that board members are likely to be CEOs or retired CEOs who have a deep appreciation for the chief executive’s leadership challenges in a turbulent and complex world. Board members who are experienced CEOs are also acutely aware that micromanagement by a board can be as detrimental as a completely hands-off approach. They much prefer playing the occasional coach to playing the watchful judge.
This very capacity to empathize, however, can turn them into pawns.

As Charan and Kennedy’s contrasting views show, boards must deal with the conflict between the two main roles they’re asked to play: strategic partner with top management in formulating strategy and independent overseer of management. The best way for boards to succeed in their multiple, sometimes conflicting, missions is to put structures and practices in place that make the board strong and independent. With structures to ensure careful ongoing oversight, individual directors and the board as a whole can work closely with top management to enhance strategy and organizational effectiveness. Our research suggests eight key elements to make boards more effective in their oversight roles. (See “Eight Elements of an Effective Board,” page 95.)

**Independent and Accountable**

Our corporate board muscle-building practices are less radical than those proposed by Kennedy, but they increase the likelihood that boards will have the knowledge, information, power, and time to provide effective oversight that serves multiple stakeholder interests. But we don’t answer the question, To whom should the board itself answer?

Corporate boards are in the relatively unusual position of assessing their own performance and setting their own rewards. Relying heavily on the firm’s top managers to hold the board accountable — the de facto solution in many companies — is, as Kennedy points out, fraught with problems, because it compromises the independence the board needs to establish.

Our research suggests boards should consider several steps to ensure that they will respond to the firm’s multiple stakeholders:

- Link a significant percentage of board members’ rewards to long-term firm performance through the use of stock grants and options.
- Conduct a regular evaluation of the board and its individual members that includes input from directors themselves, key stakeholder groups, and the firm’s managers.
- Use the results of the evaluation and benchmarking of other firms to review corporate governance procedures on a regular basis.
- Require directors to resign when they change their primary job or take on additional board memberships.
- Have board members who can speak for stakeholders other than shareholders (e.g., employees, customers, and communities).

Once these fundamentals for an independent and accountable board are in place, directors can, as Charan suggests, concentrate their efforts on helping to identify potential threats to and opportunities for the organization, and on shaping the firm’s strategy to fit its changing environment. They can also build effective external relationships that extend the organization’s capabilities. Indeed, with the right safeguards in place, a board that is more actively involved in the strategy process and the formulation of strategic alliances can, potentially, provide more effective oversight of the organization than one that is not.

Without this involvement and the additional knowledge and information it provides to directors, boards are effectively confined to reacting to top managers’ decisions well after they have been made. In today’s rapidly changing global economy, such delays, even with the most independent and well-intended stewardship, may have dire consequences — far worse than a little sand in the face.
Would it make sense for Hewlett-Packard’s board to appoint Tom Peters as its CEO, or for General Motors to install Peter Drucker at its helm, or for IBM to give Stephen Covey a shot at running its shop?

If management gurus and best-selling authors seem miscast for those executive roles, that’s probably because there’s little correlation between having the ability to write clearly on the subject of corporate leadership and being a successful CEO. Yet, over the years, when the CEOs of such companies as HP, GM, and IBM have dipped their pens in ink, enthusiastic book buyers have made their scribblings bestsellers. Apparently, many readers believe top executives are as capable of writing useful books about management as they are at running big businesses.

That may explain why a first-time author like Jack Welch got a publisher to fork over a $7.1 million advance for his new memoirs (working the back of an envelope, that’s some 20 times the heftiest advance Peter Drucker ever pulled down). But it’s harder to fathom the shared belief of both publishers and book buyers that CEOs have something new or valuable to say — and, if they do, that they can communicate it effectively.

Having recently plowed through more than a dozen CEO memoirs, I’ve concluded that the publishing and purchasing of such books represents the triumph of hope over experience. With precious few exceptions, books by top executives are ego trips, at worst, and thin gruel, at best. Presumably, we turn to executive memoirs because we want to learn to be better leaders ourselves. There’s the rub. The art of becoming a leader has more to do with insight than with mastering a set of how-tos, and writing a good book requires more understanding than it does experience. Most executive authors are long on experience but short on insight (and draw blanks when it comes to the introspection that makes for great autobiography). Thus, the only value we should expect from executive memoirs is a little practical advice based on experience. Oddly, most books in the genre fall short within this dimen-
sion, as well. So what we get for our money is platitudes and self-serving war stories. Below, I review a few exceptions to these rules. But, sadly, these are among the few diamonds to be found in a vast pit of coal.

Doers, Not Thinkers

That few CEOs are insightful about their craft should not be surprising. After all, they are paid to be doers and not thinkers. This isn’t an antibusiness rap: The same holds true for politicians, actors, artists, and athletes who write books. In general, people who are extremely talented at doing something are seldom as adept at theorizing about it or at teaching their skills to others.

Consider an unintentionally hilarious interview with the late sculptor Alexander Calder, which is occasionally replayed on public television. The artist is asked to explain the thought process that went into the creation of his famous mobiles, those fantastic works composed of pieces of brightly colored metal Calder dangled magically on thin pieces of wire, one under the other, in precarious balance. “Sure,” Calder growled, “you take a hunk of metal and some shears, and then you keep cuttin’ the metal ’til the damn thing ain’t tippy when you hang it.” Like many creative geniuses, Calder could innovate, but he couldn’t articulate.

The same was true for the late David Packard, cofounder of Hewlett-Packard. Packard was as much an innovator in his field as Calder was in his. Packard created a marvelous corporation that he led brilliantly over some three decades, during which he introduced numerous managerial techniques — Management By Walking Around (MBWA), for example — that have become standard operating procedure in many businesses. In light of his manifest accomplishments, Packard’s 1995 memoir, The HP Way: How Bill Hewlett and I Built Our Company, is paradoxically unsatisfying. We go to the book expecting to learn more about the reasoning behind MBWA, why he adopted it, how he practiced it, and its pitfalls and appropriate applications. But we don’t find answers there. Not only does Packard fail to offer a clear exposition of his influential leadership practices, he doesn’t provide practical advice. To gain both insight and useful information about the “HP Way,” we are better off reading one of the many accounts of the corporation prof ered by management gurus over the last two decades.

The Packard paradox has been endemic to executive memoirs, starting with the first example of the genre, A New View of Society, written in 1813 by a visionary textile entrepreneur, Robert Owen. In an era when “dark, satanic mills” were the norm, Owen took young children out of his Scottish factory and put them in a school he funded. He invented day care, unemployment insurance, contributory sickness and retirement plans, and a credit union. He reduced his employees’ workdays from 13 to 10 hours, gave them job security during recessions, and established their right to appeal supervisors’ ratings of their performance. Most radical of all, he provided a clean, safe working environment. As a result, Owen became fabulously rich — and he shared the wealth with his employees.

Had Owen also been able to explain effectively the rationale behind his practices to his fellow leaders of the Industrial Revolution, the world might have been spared the trauma of Marxism. But, alas, Owen was no storyteller. Not only was his prose style overblown and his presentation of subject matter quirky, he was incapable of putting forth a rational argument that other businessmen found convincing.

Sloan’s Value System

It turns out that writing is a core incompetence of many a great executive. A century after Owen’s death, GM’s fabled CEO, Alfred P. Sloan, Jr., addressed that all-too-common shortcoming with a generic solution: the ghostwriter. Sloan’s “as told to” 1963 opus, My Years with General Motors, stands today as the clearest expression of the managerial philosophy that dominated American corporations for most of the 20th century. Sloan (and his ghostwriter) got it right: Sloan documents in insightful, authoritative, and useful detail how, under his leadership, General Motors grew from a nearly bankrupt enterprise in the early part of the century to the world’s greatest industrial corporation when he retired in 1956.

To the contemporary reader, what is particularly striking about Sloan’s book is its unintentional expression of a value system. Only in the writings of F.W. Taylor is there such a relentless commitment to the engineering world view. Profit and growth are stars in his firmament of values, but efficiency is his Polaris. Sloan’s language is that of the calculating engineer working with calipers and a slide rule, his words as cold as the steel he bends to form cars: “economizing,” “utility,” “facts,”...
“objectivity,” “rationality,” and “maximizing” constitute his working vocabulary. He writes:

And since, therefore, no one knew, or could prove, where the efficiencies and inefficiencies lay, there was no objective basis for the allocation of new investment…. [So we developed] statistics correctly reflecting the relation between the net return and the invested capital of each operating division — the true measure of efficiency.

Sloan’s bugbear is the human element that threatens to gum up the efficient operation of his intricately organized and smoothly functioning corporate machine. In the book’s one acknowledgment of his family life, Sloan makes a passing reference to his wife (he abandons her on the first day of a European vacation in order to return to business in Detroit). And only two individuals at GM are portrayed in human terms. The first is Billy Durant, the entrepreneur who masterminded the creation of the company, who is dismissed by Sloan as a relic of outmoded thinking: “Mr. Durant was a great man with a great weakness — he could create but not administer.”

The second is the researcher Charles F. Kettering, who is treated with gentle disdain for his failed attempts to develop an air-cooled engine. Sloan details at painful length how Kettering’s attempt at creativity was simply bad business, concluding that “it was not necessary to lead in design or run the risks of untried experiment.” And true to his word, GM was never again a technological leader. Instead, it became the domain of the engineer and not the creative scientist, the arena of the marketer and financier and not the innovator, and, especially, the world of the administrator and not the entrepreneur.

To this day, My Years with General Motors remains the definitive text on how, in the early 1920s, Sloan solved the problem of how to organize a giant corporation by decentralizing manufacturing and, at the same time, centralizing corporate policy and financial controls. With this stroke of genius he laid the groundwork for an organizational model that dominated American industry for more than half a century. More important, he advanced a managerial mind-set — and set of values — that has pervaded the world of big business over the four decades following World War II.

**Up the Humanist**

It wasn’t until 1970 that a successful corporate leader would write a bestseller that offered a philosophy of management contrary to Sloan’s. That iconoclast was Robert Townsend, whose *Up the Organization: How to Stop the Corporation from Stifling People and Strangling Profits* turned Sloan upside down by advocating “the human side of enterprise,” a concept put forward in 1960 by the scholar Douglas McGregor. Townsend also embraced Peter Drucker’s dictum that effectiveness was a more appropriate managerial metric than efficiency. Although Townsend gave due credit to McGregor and Drucker, more remarkable than the granting of generous acknowledgments was the fact that here, at last, was a CEO who wrote his own book.

Bob Townsend (confession: he was my mentor) was also the funniest CEO who ever made big bucks in big business; at least, he wrote the funniest executive memoir (“Reorganizing should be undergone about as often as major surgery. And should be as well planned and as swiftly executed.”). It was Townsend who, in the 1960s, made Avis “Try Harder,” and in the book he distills the essence of that corporate transformation to help other executives stop their corporations “from stifling people and strangling profits.”

Prior to Townsend, Fortune 500 companies had been headed by Sloan clones in gray flannel suits or would-be Harold Geneens steeped in finance, strategy, and dictatorial habits. Townsend’s greatest accomplishment was to turn the focus of executive attention away from administration and toward leadership.

The publishing world actually was surprised when Townsend’s easy-to-digest bits of advice were accepted as a breath of fresh air by young leaders of that time who were persuaded by his argument that it makes sense for leaders to treat their people the way they would want to be treated themselves. Moreover, Townsend’s mocking of bureaucracy
Continental CEO Gordon Bethune’s *From Worst to First* is noteworthy for its practicality and sound advice.

Over the last two decades, several CEOs have written about leadership from the same perspective as Townsend and DePree, but few have been as original, and only one (that I am aware of) has been written by the leader’s own hand. Two recent ghostwritten memoirs are noteworthy for their practicality and sound advice. Gordon Bethune’s *From Worst to First: Behind the Scenes of Continental’s Remarkable Comeback* (1998) describes in useful detail what he and his colleagues at Continental did to bring that airline back from the brink of extinction. Bethune destroys the myth of the CEO as a grand strategist who single-handedly devises a brilliant plan to save a company. Instead, he argues that leadership is about execution and implementation. What leaders actually do is reframe the thinking of followers, focus their attention on doing what counts, and reward them when they do it. Bethune shows that leadership is not about power or charisma. Instead, it comes down to creating conditions under which all employees routinely do what is needed to create and retain customers.

The ghostwriter did an admirable job of capturing Bethune’s attractive wit and informality, but did the CEO a disservice by failing to acknowledge that most of Bethune’s practices had been pioneered by other executives. Perhaps we can’t expect CEOs to be as generous as Bob Townsend in acknowledging their debt to scholars, but shouldn’t they recognize other leaders, especially those in their own industry, who paved the way for them? Bethune could have easily tipped his hat to SAS’s Jan Carlzon, whose *Moments of Truth: New Strategies for Today’s Customer-Driven Economy* (1987) brilliantly documents the process by which he changed the culture of his airline. Indeed, Bethune might have gained credibility by mentioning Carlzon because, although he did basically the same things as the Swedish CEO, Bethune appears to have done so with greater, and certainly more lasting, effect. (Incidentally, Carlzon’s book was better edited than Bethune’s annoyingly repetitious text.)

What Bethune accomplished in a glamorous service industry, Nucor Steel CEO Ken Iverson equaled, if not surpassed, in a dirty “old economy” industry. In his ghostwritten 1997 memoir, *Plain Talk: Lessons from a Business Maverick*, Iverson explains how he and his colleagues created the most productive American steel
company and, more impressively, figured out how to compete against low-cost foreign producers. In essence, they did it the old-fashioned way, as pioneered by Robert Owen and made contemporary by the likes of Townsend and DePree: In Iverson’s words, “What we did was push aside the notion that managers and employees have inherently separate interests. We’ve joined with our employees to pursue a goal we can all believe in: long-term survival.”

Nucor’s methods are twofold: participation by everyone in decision making, and concomitant participation in the financial gains (and losses) that result from the joint efforts of all employees. Although there is nothing new in that, what is unusual — and invaluable — is Iverson’s warning that, once leaders have adopted the course of participation, they must discipline themselves to stay on it. He warns managers who deviate from the path they have set that they risk creating mistrust. In the current business environment, Iverson is a managerial maverick in that he constantly thinks long term: “Can we expect employees to be loyal and motivated if we lay them off at every dip in the economy, while we go on padding our own pockets?”

Because Iverson practiced what he preached, he earned the right to boast that Nucor had the lowest labor cost per ton of steel and the highest-paid workers in the industry (and that, during Nucor’s only bad year, he was the lowest-paid Fortune 500 CEO). Although admirably concise, Plain Talk leaves the reader wanting more details about how Iverson handled the inevitable conflicts and complexities entailed in worker participation.

Almost as Hard as Learning

I have saved the best-written book for last. Katharine Graham’s 1997 Personal History, produced by her own hand, is the only book authored by a woman CEO of a then-Fortune 500 company. (In 2001, the Washington Post Company ranked 610.) It is also the only CEO memoir that treats readers as intelligent beings (rather than illiterates who need everything spelled out for them in the imbecilic style that publishers dictate as appropriate for business books). She tells her story masterfully and engagingly, and leaves it to readers to decide what, if anything, is applicable to their own careers and businesses. And, as the leader of the Washington Post Company during the Watergate era, she has a fascinating story to tell.

In contrast to other (male) executives, Graham is insightful about herself and others, introspective, willing to admit mistakes, and ready to own up to her fears and insecurities. Why is it that the men who write executive memoirs never make mistakes, never have doubts, and are unfailingly certain they are right? In my view, almost every business leader, male or female, would profit from Graham’s wise interpretations of her experiences as head of the Washington Post Company.

The only thing unique about her situation was the way Graham found herself in that job: She was thrust into the position in her 40s when her husband, the company’s CEO, committed suicide. Working from that tragic beginning, Graham documents how she set out to learn what corporate leaders must know and do in order to succeed. We are taken along as she seeks advice, listens to her people, and reflects honestly on the relative effectiveness of her own (initially halting) efforts to lead. We see how, through her willingness to change herself, she quickly grows into one of the most respected CEOs in her industry. As she becomes a leader, Graham belies the myth that one must be a testosterone-charged ex-hockey player like Jack Welch to be a strong, successful CEO.

As Maureen Dowd of the New York Times wrote in a tribute to Katharine Graham when she passed away last July at the age of 84, “she was The Man in the quintessential man’s town. She was so imposing and respected that even though she told people to call her Kay, they always ended up calling her Mrs. Graham. But the really cool thing about America’s most powerful woman was that she was a girl [who] loved to flirt with men and seek their counsel and chat about clothes and perfume with women.”

Parenthetically, she also caused me to question the rationale so often put forward by CEOs to justify their exorbitant salaries — to wit, that they are “indispensable.” Her ability to learn and to grow on the job should demonstrate to would-be leaders that, with the will to lead, almost anyone with integrity, humility, and respect for his or her followers can learn to be an effective leader. If nothing else, Katharine Graham shows us that with the investment of a little practice and self-discipline, running a successful company may not be much harder than writing a great book. +

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Some 20 years ago, the Department of Extra-Mural Studies of Cambridge University in England decided to investigate the possibility of offering a management course for senior executives during the summer vacation. Cambridge at the time had no business school within the university. The organizers asked me for a list of possible speakers and teachers, expecting, I imagine, a catalog of the currently fashionable globe-trotting gurus.

I suggested an alternative approach: The last things these already successful executives needed were yet more formulae for managing money and people. Rather, now that they were moving to the top of their organizations, they needed to focus on the trends and the domains outside their immediate world of business that could affect their company in the future. Executives needed to meet scientists, political theorists, cultural anthropologists, philosophers, creative thinkers, poets, and dramatists — people who could talk to them about emerging issues in their fields and expose them to different ways of thinking about the human experience. Cambridge, I pointed out, already had an abundance of teachers from a variety of disciplines. It needed no outside resources to offer the course I proposed.

Nonetheless, Cambridge rejected my suggestion and eventually created its own more conventional institute of management studies. Last year, however, the oil multinational BP, as part of its executive development program, arranged a seminar series at Cambridge for a select few future leaders that was much like the course I had envisioned.

**Power, Responsibility, and Ethics**

You do not, however, need to go to these lengths to meet such thinkers. You can read their books, even after they are long dead and gone! As an integral part of the year-long Sloan course for executives I was responsible for starting at the London Business School, we structured an ongoing seminar based on books and readings on power, responsibility, and ethics. The perplexed executives were confronted on their first day in the classroom with two books: *The Meaning of Company Accounts* (1971), and *Antigone*, the Greek tragedy by Sophocles. Antigone, I pointed out to them, was faced with the choice of obeying the law passed by her uncle, the ruler of Thebes, or the religious laws of her gods. It was a choice between authority and conscience, and between two conflicting obligations, the kind of choice that confronts many executives at one time or another. Antigone went with her conscience and would pay for it with her life, but felt her choice was right. Should executives sacrifice career to family, or vice versa? Or is there a better path between two often conflicting duties?

*Antigone*, fascinating though it is, can be heavy going for those not accustomed to reading plays, particularly plays written in another age, language, and tradition. In looking for a selection of books to provide an alternative to the Cambridge experience, I avoided the temptation to recommend a list of Great Books, a mix of, for instance, Shakespeare, Plato, Aristotle, and Stephen Hawking. Some people may believe these books encompass much of what we need to think about in troubled times. I looked, instead, to books that could be comfortably read over a free weekend.

Likewise, the books I chose to discuss in this essay are accessible yet thought provoking, enjoyable yet challenging — books that have forced me, in my own life, to look again at some of my assumptions and stereotypes. In total, I propose a selection of 12 books, enough for a year, perhaps.

**Periscopes into Other Worlds**

To enlarge my horizons, I started, as I now always do, with novels. Great novels act as periscopes into other worlds. No one, for example, can understand Europe today without appreciating what two devastating wars in the last century did to the minds and attitudes of its peoples. Sebastian
Faulks’s riveting love story *Birdsong: A Novel of Love and War* (1993), set amid the traumas of the first of those wars, makes the huge statistics come alive in all their horror. It makes one aware, too, of how easy it is for those at the top of things to reduce humanity to numbers, and so to ease their consciences. Wars, of course, are not the only occasion when it becomes uncomfortable to put names and faces to those “human resources.”

If you prefer biographies, try Nelson Mandela’s autobiography *Long Walk to Freedom* (1994). It is an eloquent and personal evocation of the long decades of apartheid in South Africa, essential for any visitor or businessperson to understand before going there. It is also, of course, an example of courage and endurance in pursuit of a dream, a story to humble all lesser mortals. It is also an example of how one deeply caring person can influence enough people to change an entire nation.

A biography of another sort, of a city, Antony Beevor’s wonderful *Stalingrad: The Fateful Siege, 1942–1943* (1998) tells the story of that city’s fight for survival against the Nazi armies in the Second World War, of the staggering loss of life among the Russians, and of their amazing fortitude. It is an engrossing read, one that helps to explain why Russia, having lost 20 million people overall in that war, will never want another one and has always overspent its resources to arm itself, surely not for attack but for defense. The book also stands as a case study of a strategy gone awry. It went wrong on the German side because they forgot that wars, whether of nations or of organizations, are ultimately fought by humans rather than machines, and humans, uncared for, die or give up.

**Science or Science Fiction**

Science or science fiction can help executives gain entry to a world that might be, if we don’t shape it ourselves. Kurt Vonnegut, Jr.’s *Player Piano* (1952), published almost 50 years ago, is still a spine-chilling forecast of a world where top scientists and technocrats run society, while those with redundant or nonexistent skills are forced into the Reconstruction and Reclamation Corps. Underneath the surface, however, revolution seethes. Proclaimed an instant classic of satirical, prophetic science fiction when it first appeared, *Player Piano* still rings uncomfortably true today.

Science has always been a missing part of my educational jigsaw puzzle. Luckily there are now some gifted writers, often journalists, who can help to fill that gap. The most fluent of them, perhaps, is Richard Dawkins. His book *The Blind Watchmaker: Why the Evidence of Evolution Reveals a Universe without Design* (1986) is a compelling description of a revolutionary theory. By the middle of it you begin to wonder why you bother getting up in the morning if everything is so preordered by our genetic inheritance. But Dawkins is at pains to emphasize that we are still masters of our actions, even if we are not masters of our inheritance. Knowing which is which becomes the real issue, and understanding of evolutionary theory is key.

Evolution is an old science, albeit still developing. Complexity theory, with its mix of physics, mathematics, economics, and, inevitably, computers, is a new and exciting area of science, and one that is increasingly relevant for people in business. I am hard put to understand complexity theory, but M. Mitchell Waldrop’s *Complexity: The Emerging Science at the Edge of Order and Chaos* (1992) does an excellent job of explaining it, largely via stories of the people from the Santa Fe Institute. By so doing he gives this science a human touch, and also shows how the intellectual ideas of a few individuals can change the world. Ideas, we need to remember, last longer and can be more powerful than any regime or organization.

**The Political Philosophers**

Back in the world of human interactions, of political and economic ideas and ideologies, we often need to jerk ourselves out of our familiar ruts in order to see the world as some others see it, or have seen it. It is eye-opening to read Karl Marx’s first attempt to describe the reasons for Communism in *The Communist Manifesto* (1848), written in collaboration with his businessman friend Friedrich Engels. This 38-page pamphlet glows with indignation and helps one to understand some of the passions that the socialist creed can unloose. It is arguably the most influential political call to arms ever written, and the world has been shaken repeatedly by those who sought to make its declamations a reality. Too many of Communism’s enemies never read it, so never understood it.

Alexis de Tocqueville’s *Democracy in America* (1835)
is another book that is much quoted and seldom read, although it should be. Choose from its many provocative chapter headings, such as “What Causes Almost All Americans to Follow Industrial Callings” or “Peculiar Effects of the Law of Physical Gratifications in Democratic Times,” because this is too big a book, in every sense, to be read in a single weekend. Fluently and eloquently written by a young Frenchman, it is an insightful picture of America’s democratic strengths as opposed to what he saw as the corrupted regimes of Europe. There were flaws in America, too. The author worried that corruption in political circles meant that “the ablest men in the United States are rarely placed at the head of affairs,” and he worried about the growing numbers of the “rabble” in America’s cities. Much of what he saw back in 1835 still rings true today, but some of the strengths he celebrated, the social cohesion that bonded communities, may be eroding. The book is a reminder of all that America stood for and promised — and must not abandon.

Marx and de Tocqueville were writing 160 years ago. Naomi Klein, a young Canadian, is writing today. Her book *No Logo: Taking Aim at the Brand Bullies* (1999) could be called a business book were it not for the fact that she is delivering a blistering attack on global capitalism, its exploitative corporations, its all-enveloping brands, its cultivation of desire and envy, and its overtones of greed. Most businesspeople won’t want to read it, but they miss an important perspective by avoiding it. Apart from anything else, it is a riveting read, leading you around the world from vivid image via personal story to staggering statistics. Whether you agree with her or not, Klein is the voice of many of the people who protested in Seattle, Prague, and Nice. Anyone interested in the future of capitalism needs to listen to this articulate child of capitalism who has come to scorn the world she was born into.

If, however, you are looking for some solutions to the deeper problems of capitalism, particularly the endemic poverty of the developing world, you should turn to Hernando de Soto’s *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* (2000). De Soto is a Peruvian economist who puzzled over the paradox that you have to be truly entrepreneurial to survive in the slums of Lima and other cities in the developing world — yet this entrepreneurial energy doesn’t flow into economic growth.

The explanation, he suggests, lies in the difficulty the poor have in turning their assets into usable capital because they often have no legal claim to their homes and shops. They have homes but no titles, businesses but no statutes of incorporation. They cannot borrow against assets that have no legal form. The advanced nations discovered in the Industrial Revolution how to leverage their property assets to create new capital, but it is one lesson that has, thus far, not reached people in poverty in the developing world. De Soto shows that in Egypt, for example, the unrecorded assets of the poor are worth 45 times as much as all the foreign investment ever sent to that country.

Some traditional economists have criticized de Soto’s work, but he resonates with many others. Margaret Thatcher said that this book should be compulsory reading for all in charge of the wealth of nations. It is exciting because, unusually, it links analysis of a problem with obvious things that can be done. It might even happen that de Soto’s ideas could provide a benevolent alternative purpose for the profusion of lawyers in affluent nations. Executives of multinationals, too, might be encouraged to look afresh at the entrepreneurial energies that de Soto suggests lie hidden in the emerging markets of developing countries.

**Poetry and Drama**

Capitalism and its future is serious stuff, but not necessarily the most important. For that I turn to poetry and drama. These both play on the perennial chords of our lives. They confront our human predicaments, our mixture of hope and despair; they offer us no solutions but give us images we can ponder late into the night, images that sink into our subconscious. Great poetry and great drama remain relevant across time. Keats and Yeats still tingle our senses; Shakespeare and Sophocles continue to be performed today.

We each have our favorites. My own chosen poet would be John Donne, the 16th-century poet priest who wrote some of the loveliest love poems ever. For a sampling of his work, try *John Donne: A Selection of His Poetry* (1950). I first fell in thrall to his language as a college lad, but, unlike most youthful infatuations, this one has lasted all my life. On change Donne writes:
To live in one land is captivity,
To run all countries, a wild roguery;
Waters stink soon, if in one place they bide,
And in the vast sea are more putrified:
But when they kiss one bank, and leaving this,
Never look back, but the next bank do kiss,
Then are they purest; Change is the nursery
Of music, joy, life and eternity.

I love his mix of the earthy and the spiritual, his struggle between his desires and his aspirations, his honesty with himself and the way he is always arguing and thinking aloud in his poems, even when he is distressed. Donne’s doubts and conflicts mirror mine, while his language turns them into music for a troubled heart. We all, I think, need comforters like these to turn to.

As for drama, I have been profoundly affected by Arthur Miller’s Death of a Salesman (1949). It is better to see this performed in the flesh than just to read it if the opportunity is there. Watching it, you are forced to realize that to make your life into a sort of lie is catastrophic, both for yourself and for those who love you, or once did. It is also a reminder of how heartless organizations can be, or sometimes have to be. It is the sort of play that leaves the audience so drained at the end that they almost forget to applaud. This is the gutsy reality of life, laid out before you, not entertainment as most people understand it, or escapism.

In a busy life it is easy to bury oneself in one’s work and ignore the wider world. At a peak moment of my professional career my wife commented that I had become the most boring man she knew. I realized then that I was in danger of focusing too narrowly on the immediate rather than the possibly more important. Preparing this essay has made me realize even more how much these particular books have shaped my own view of the world, enlarged my horizons, and, with luck, made me a less boring companion.
First, from 1989, is Charles Handy’s *The Age of Unreason*, a “guidebook to the new country” of knowledge-intensive business. Handy’s power — then and now — is his comprehensive vision of the interrelated changes in business, work, and society. In 2000, John Seely Brown and Paul Duguid bridged the gap between Handy’s vision and today’s cynicism with *The Social Life of Information*. Consistent with Handy’s vision, detailed and pragmatic, it gives a clear-eyed assessment of the 1990s — the hollow hype, the lessons learned, and the near-term opportunities. With those two books framing the question, Ikujiro Nonaka and Hirotaka Takeuchi’s 1995 *The Knowledge-Creating Company: How Japanese Companies Create the Dynamics of Innovation* gives us a deep view into innovation and a different organizational vision, that of the Japanese. Finally, in 1998, from Gary Klein, a cognitive psychologist, we have *Sources of Power: How People Make Decisions*, the results of 10 years of research in how experts in a variety of professions learn and use knowledge to make critical decisions.

**The Voice of Reason**

In 1989, Handy wrote, “Increasingly, organizations consist of clever people doing clever things.” They are places where “fewer people, thinking better, helped by clever machines and computers, add more value than gangs or lines of unthinking human resources.” According to Handy, the source of superior organizational performance has shifted; it is no longer scale, business processes, or knowledge per se, but people, thinking and acting.

People are especially advantaged during periods of rapid change because they can learn. “Those who are always learning are those who can ride the waves of change and who can see a changing world as full of opportunities rather than of damages.” Humankind, Handy tells us, “is born to learn.” More than the simple transfer of answers from teacher to student, true learning is discovery. When we learn something, it changes us. Real learning, according to Handy, is a continually turning wheel. It starts with a question or problem, however immense or trivial. Why does the sun rise in the east every day? How much should a policyholder claim for a demolished car? How can I make a culinary miracle out of the leftovers in the fridge?

From the question we move to theories or possible answers, using the knowledge and information at hand. Common knowledge is that the sun moves around the earth. My company’s models suggest the car is worth $3,000. My sister is a good cook, I’ll call her.

Next, the theories or answers have to be tested, tried out, and reshaped. If the sun is moving around the earth, why does it rise on a different point on the horizon each day? Maybe the earth goes around the sun. My client can’t replace her car for $3,000; the claim should be for $3,500. My expert sister says make meatloaf and salad. Finally, we reflect — why did that work or not work? This is where learning takes hold. The meatloaf was dry. We won’t forget the eggs next time.

Since the friction of human nature slows the wheel of learning, Handy offers three “lubricants.” First, be “properly selfish”: focus learning on your own talents and abilities. Next, continually reframe questions and propose trial answers; embrace new perspectives; don’t get stuck in the box of your past ideas and approaches. Finally, get comfortable with uncertainty and change: Dealing with rapid change and discontinuity is where your added value is greatest.

All this learning demands a new organizational model. “Clever people have to be managed rather more sensitively than were the hired hands of the old factory days,” Handy tells us. People need to participate in decisions, both to improve the business’s results and to motivate individual learning. Senior managers have to delegate decision making. Building on the Roman Catholic concept of subsidiarity, Handy admonishes, “to steal people’s decisions...”
is wrong.” For business units to be agile, they need to be smaller and more focused. Smart machines support smart people, helping improve the quality of decisions. The manager’s role is increasingly to set collective goals, to define who gets to make what decisions, to coach individuals, to ensure that individual objectives are aligned with the organization’s goals, and, ideally, to shape and share a vision that gives purpose to the work of others.

Since organizations are being challenged to raise their performance, companies will, in turn, demand more and more from their knowledge workers. Not everyone will desire to — or be able to — keep up. Long before the Web redefined the world of work, Handy described many of the changes we see today: the end of lifelong employment, the rise of part-time work, differentiation between core players and fringe players, multiple careers, outsourcing of specialized knowledge work.

Handy’s comprehensive vision of the knowledge economy was prescient. But The Age of Unreason is only an insightful sketch. No one yet has offered an actionable blueprint.

The Bright Light of Hindsight
The impractical knowledge management advocates of the 1990s make an easy target for criticism: learning organization theorists focusing on individual enrichment and group dynamics while neglecting business results; information technologists trying to “manage knowledge” through knowledge repositories that ignored the dynamics of learning and decision making; the majority of the world’s largest corporations pursuing knowledge and learning initiatives and only a tiny fraction achieving any meaningful bottom-line impact. But, in The Social Life of Information, authors Brown and Duguid go beyond mere criticism to explain what really went wrong.

“The way forward is paradoxically to look not ahead, but to look around,” Brown and Duguid tell us. The authors argue that knowledge and information can’t be separated from context — from the details and subtleties of how people communicate; how they learn; how they use and understand both what they know and the information they have; how they use the tools they have; how knowledge moves across regions; and how relationships between people and companies work and don’t work. Disregard for the realities of how people interact individually and together with information and knowledge explains why the breathless predictions by techno/info/knowledge enthusiasts have fallen flat.

Brown and Duguid provide powerful stories of learning and improved results grounded in context and actual work practice. Knowledge, they argue, finds value only in practice, in use. For example, Xerox’s field service reps relied on informal collaboration and individual expertise to fix machines in the field, ignoring the explicit knowledge-based tools and processes provided by the company. Ultimately Xerox helped the reps improve performance by embracing how they already learned: The company provided mobile telephones so reps could discuss problems with each other while on the job, and also provided more opportunities for them to socialize and exchange stories about work.

Through theory and practical examples, Brown and Duguid breathe life into Handy’s sketch of the knowledge-intensive world. They give us a theory that adeptly links knowledge, information, and learning, while keeping humans squarely in the middle. They show us the pitfalls of unraveling the theory. Realism. No hype.

Knowledge Creation and Innovation
In The Knowledge-Creating Company, Nonaka and Takeuchi give us an in-depth view into organizational knowledge creation in innovation. Organizational knowledge creation, the authors explain, occurs in a spiral, moving between tacit and explicit knowledge, “starting at the individual level and moving up through expanding communities of interaction that cross sectional, departmental, divisional, and organizational boundaries.”

Matsushita’s development of a bread machine in 1987 illustrates the spiral. First, a team of people knowledgeable about bread making and technology created a prototype machine based on their tacit and their explicit knowledge about markets, technologies, and baking. The first output, the authors relate, didn’t pass as bread; it was raw on the inside and hard on the outside. After an unsuccessful attempt to learn from a master baker, one team member worked in a bakery to develop tacit understanding about kneading dough. The next prototype incorporated this understanding and delivered a good loaf. Finally, the team reflected on ways to enhance the consumer value proposition, ultimately reducing the machine’s cost by eliminating an expensive yeast cooler.

The Knowledge-Creating Company complements Brown and Duguid’s arguments for context and work practice with an understanding of innovation that is
consistent with Handy's wheel of learning. However, the organizational vision offered by Nonaka and Takeuchi differs significantly from that of the other authors; it is much more institutional, less focused on individual learning and decisions. “The role of the organization is to provide the proper context for facilitating group activities as well as the creation and accumulation of knowledge at the individual level,” they tell us. It is a model especially suited to Japanese companies. Together with Nonaka’s subsequent research about *ba* (the context or place for creation, available in working papers through the University of California, Berkeley), *The Knowledge-Creating Company* provides a cross-cultural leavening of our thinking about knowledge.

**Real-Time Decision Makers**

In a knowledge-intensive world, clever people deliver better results by making better decisions. In *Sources of Power*, Klein challenges conventional decision theory by concentrating “not on the limits of decision makers, but on the human strengths and capabilities that have typically been downplayed or ignored.” Klein studies high-pressure “naturalistic decision-making settings” where information is inadequate, time is of the essence, and change is constant: firefighters battling flames; doctors saving babies’ lives; chess masters staying cool.

Skilled decision makers are experts who recognize patterns and run rapid mental simulations to test alternatives and make judgments, Klein tells us. For example, a doctor, unable to find an air passage through a newborn’s tumor-choked throat, remembers another doctor’s story of locating a passage in an adult’s crushed chest by looking for bubbles. As the child turns blue, the doctor looks for bubbles. He finds the passage. The baby lives.

People become experts through the experience of successfully confronting difficult situations. “Skilled problem solvers and decision makers are themselves scientists and experimenters,” writes Klein. “They are actively searching for and using stories and analogs, personal as well as borrowed from others, to learn about important causal factors.”

Klein offers two paths to better decision making: Develop experts and get them in front of important problems, or equip people with tools that enable them to make expert-quality decisions (like Handy’s vision of smart people using smart tools). For example, in a project for the U.S. Air Force, Klein and his team developed a decision-support tool that improved the performance of weapons directors who fly in the AWACS (Airborne Warning And Control System) airplane, achieving a 36 percent decrease in missiles fired that missed their target; 9 percent increase in the overall kill ratio; and 15 percent reduction in friendly aircraft shot down.

Building on both the literature in his field and his experience with clients, Klein provides a practical, empirically sound theory for how to make good decisions in fast-paced environments. Like the other authors’ theories, Klein’s theory is built on an integrated view of learning, knowledge, and people. Klein is unique, however, in unlocking the psychology of individuals and groups to show us the expert way. For example, he explains the importance of communicating intent in team decisions; of trust; of stories, metaphors, and analogies. He warns that although great decision makers are creative, exercises in creativity won’t yield great, insightful decisions. Neither will rational planning. In pointing us to experts — to how they use knowledge to make decisions — Klein helps us avoid the trap of trying to understand knowledge on its own, distinct from its use. From Klein, we learn how to start with the question, the decision, the objective — we learn how to operationalize Handy’s wheel of learning.

**In Search of...**

Newton? Giants? A practical grand unified theory of knowledge in business? None found yet. However, for practitioners, these four books together provide a powerful foundation: high-level vision and practical advice, business case studies and deep empirical research, Western and Japanese perspectives — all sharing remarkably consistent frameworks about learning, knowledge, technology, decision making, and people.

Instead of an Isaac Newton, perhaps we should be in search of a businessperson — an Alfred Sloan or an Akio Morita — who will create a dominant company using a new organizational model. A company that wins because its clever people do clever things, because they make better decisions, and because the organization itself learns. A knowledge-intensive company that others emulate and that changes the way we live and work. We haven’t seen one yet. Have you? 

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The financial Internet “bubble” was inflated on August 5, 1995, when a company called the Netscape Communications Corporation held its initial public offering. On that day, Netscape’s stock rose 107 percent. Netscape ended the trading day with a market capitalization of $1.03 billion on quarterly pre-IPO revenues of $11.9 million and losses of $1.6 million. At the time, that made Netscape’s IPO the most successful in history. Over the next five years, hundreds of Internet-related companies went public, raising billions from the public markets.

Netscape is an apt symbol for how quickly the Internet raged into public consciousness. After all, it was only two years earlier, in the summer of 1993, that Netscape’s cofounder, Marc Andreessen, an undergraduate computer science major at the University of Illinois, had released Mosaic, the free beta version of the first Internet browser. A simple piece of software, it instantly mutated the Internet’s look and feel, from arcane Unix commands to the point-and-click world of WYSIWYG (What You See Is What You Get). Two years later, as the bell closed on Netscape’s first Nasdaq trading day, Andreessen’s stock was worth $58 million.

Just as it was easy to justify the wild valuations and IPOs of the period from August 1995 to the Nasdaq crash in April 2000, today it is equally easy — and naïve — to claim that the whole Internet phenomenon was merely some sort of bubble economy, fueled entirely by greed and the willful naïveté of investors looking for one sure bet after another. Anyone involved in the New Economy, be it journalists like myself (at the time, and still, a contributing editor to Wired), new Internet start-ups, or divisions of “old economy” companies hoping to profit from moving into the dot-com side of business, had an interest in claiming that an economic revolution was at hand. Implicit in this notion of a historic transi-
tion to a new economic era was the premise that the Internet was not merely a technology, but rather the next step in human, and social, evolution.

**Analysis by Analogy**

Today, many of the same cast of characters have an interest in seeming sagacious and prudent: After the orgy, probity rules.

Nonetheless, something happened from 1995 to 2000; it wasn’t just a case of one confidence game after another. Forget the social impact of the Internet for a moment, which is real and ongoing, regardless of what the Nasdaq might have us believe. What, if any, new business lessons were learned from this period? What, if anything, was new in the New Economy? With this in mind, it is time to revisit some of the New Economy books that came out toward the end of the 1990s, when enough publishers, trailing the investment bankers, had figured out that there was something to cash in on.

Where to begin? On Barnes & Noble’s Web site I found 49 titles that matched the criterion of “economic aspects of information technology of information society,” which is a search engine’s way of saying “books about the New Economy.” Even more can be found if you search by “digital” and “business” — 200 titles match that combination. The titles were peppered with the requisite “big change” buzzwords: *Practical Strategies for Competitiveness in the New Economy*, *Succeeding in the Digital Culture of Tomorrow*, *Unchained Value: The New Logic of Digital Business*, and so on.

It all seems a bit suspect by today’s standards; most of these books are embarrassing to carry around. I was seen on the beach reading *Evolve! Succeeding in the Digital Culture of Tomorrow* (2001), and my companion, whose dot-com went bankrupt, laughed at me, rolled over, and continued reading *Vanity Fair*.

If there’s a fundamental critique to many of these New Economy books, it’s the precept that there ever really was such a thing as a “new” economy between 1994 and 2000. More realistically, there was a complex financial Ponzi scheme, the U.S. version of the schemes that brought Albania and Russia to their knees in the early 1990s. Whereas tricksters in those countries willfully defrauded the public by promising astronomical rates of returns on deposits while embezzling the deposited funds, Internet IPOs were more rational. After all, these IPOs had been filtered through the hands of seasoned investors, starting with venture-capital funds, ending with blue-chip investment banks. If these people put their money into TheGlobe.com, why shouldn’t you?

Implicit in the New Economy was the idea that no one over the age of 30 could understand the Internet, and that the economic precepts that had guided finance were no longer valid. There were new rules, and just because an investor didn’t understand them didn’t mean he shouldn’t invest in Internet-related companies.

As the house of cards collapsed in 2000, leaving persistent rumbles that the U.S. Attorney’s office in the Southern District of Manhattan was preparing to let loose a hard rain of indictments on some of the best-known investment banks on Wall Street for collusion and price fixing between analysts and underwriters, publishers disgorged one last flow of New Economy books to bookstores across America. It’s no wonder they haven’t sold.

In general, the majority suffer from a single flaw — analysis by analogy. Because there’s so little quantitative information on the New Economy, so little evidence of successful companies, writers are often left to string together case studies: first-person descriptions of working at somedotcom.com and how the under-30 management relates to their over-30 colleagues.

**Better Takeaways**

So, which, if any, New Economy books are worth buying? We could dissect the bad, but it’s more relevant to examine the good, and at least two books stand out as taking a more rigorous approach than many.

*Unchained Value: The New Logic of Digital Business* (2000), by Mary J. Cronin, is one. Cronin, a professor of management at Boston College, breaks out the “new value system” of the “digital economy” into a set of discernible processes that are still valid today. According to her model, the New Economy is really a new value chain grounded in information management and relationships with vendors and customers. Cronin’s central thesis is that monolithic, centralized enterprise resource planning (ERP) systems are giving way to disaggregated, modular information systems, with aspects of the information flow con-
trolled by various players (both competitors and partners) that all have to share information to maximize the value of the network.

Where her thesis gets wobbly, in hindsight, is the conclusion that this will level the playing field between large and small corporations. Where once large corporations enjoyed an economy of scale from their IT infrastructure, Cronin writes, this “is well on the way to being commoditized as high-powered vertical marketplaces provide end-to-end online trading, distribution, and supply chain management services that are open to all.” The prime example she cites of this phenomenon is a company called OpenSite Technologies, which was acquired by Siebel Systems Inc. in May 2000 for $542 million in Siebel stock. Siebel’s primary line of business is selling ERP software, albeit software that now runs on Web servers as opposed to mainframes.

The open, dynamic trading networks forecast in Unchained Value are looking more and more like the old model of ERP systems, with companies making tremendous capital expenditures expecting to get proprietary information, thereby increasing their competitiveness and raising barriers to entry against new players. With this in mind, it’s hardly worthwhile to study Cronin’s rules for launching a “digital value system,” when the rules for networked systems are the same ones that shaped ERP in the 1980s. Just because enterprise data is in XML (the flexible computer language used to create common information formats and enable sharing of both the format and the data using Internet technology), as opposed to an arcane COBOL format, doesn’t mean it’s open to the world. It just means it’s easier to import and export information. Whether one chooses to make a system open, regardless of the standard it’s coded in, is a business issue, and it seems that, by and large, closed COBOL systems have merely been replaced by closed XML systems.

Given the healthy cynicism that the reader, circa fall 2001, now feels toward New Economy books, it’s refreshing to pick up a volume from 1999 that opens with a hearty dose of curmudgeony. The authors of Information Rules: A Strategic Guide to the Network Economy, Carl Shapiro and Hal R. Varian, are both professors at Berkeley, and together they’ve written a surprisingly age-free book that holds up admirably in today’s bruised times: “The thesis of this book is that durable economic principles can guide you in today’s frenetic business environment. Technology changes. Economic laws do not.”

What distinguishes Information Rules is a rigorous attempt at quantifying change through economic models, as opposed to models-by-analogy. Since no one, certainly not New Economy business managers, has time to read books anymore, it’s best to cut to the chase, and get to the “takeaway,” as PowerPoint jockeys put it.

The takeaway in Information Rules is that what makes the New Economy new is the confluence of two powerful forces — supply-side economics and demand-side economics. The first, and older, force, supply-side economics, is the traditional effect of economies of scale. It simply states that larger companies tend to have lower unit costs. General Motors is a classic example of traditional economies of scale at work. What complicates things, however, is that companies have a natural “ceiling,” a point at which the complexity of running and maintaining the organization starts to undercut whatever economies of scale exist (again, General Motors is an example). Or, as the authors of Information Rules put it:

Positive feedback based on supply-side economics of scale ran into natural limits, at which point negative feedback took over. These limits often arose out of the difficulties of managing enormous organizations. Owing to the managerial genius of Alfred Sloan, General Motors was able to push back those limits, but even Sloan could not eliminate negative feedback completely.

Enter a new force: “network economics.” This force, a creature of the Information Age, is driven by demand-side economics, as opposed to the supply-side economics inherent in the economies-of-scale theory. In the economy of networks, demand creates efficiency. The authors cite Microsoft as a classic example:

Microsoft’s dominance is based on demand-side economies of scale. Microsoft’s customers value its operating systems because they are widely used, the
It's just not much more difficult to sell 10 million copies of MS Word than 1 million, especially when it comes bundled and preinstalled on other companies' computers, such as those sold by Dell and Compaq.

The kicker here is not demand-side economies of scale in action. They've been around for a while, as evidenced by earlier standards wars, such as Betamax versus VHS (where the “better” technology lost out to the more “open” technology; consumer demand preferred the openness of VHS to the picture quality of Betamax).

What really makes the New Economy new is the convergence of supply-side and demand-side economics into one powerful force. The trick is finding an industry that is naturally subject to this convergence of effects. Most are not, and probably never will be. Either they move too many atoms (General Motors, for instance), so the complexity of supply-side management will always stalk them and constrain growth, or they're just too “virtual” and can't function by being “closed.” This is the plague of so many dot-coms — in the attempt to get eyeballs, they never charged for anything, and thus, while enjoying certain demand-side effects, couldn't monetize everyone's attention. Examples of a company that enjoyed the “double whammy,” as Shapiro and Varian put it, are rare. They cite Nintendo (more than 100 million Game Boys sold to date). Others I would add: eBay, ICQ (now AOL Instant Messenger), AOL itself, Microsoft, and possibly Palm.

**To Have and to Hold**

It's revealing that all of these examples, with the exception of eBay, are tied into physical, real-world products. Windows ships on a physical PC. AOL either ships on a PC or, rarely now, comes on CD-ROM or diskette. The Palm OS comes on a PDA, built by Palm, Handspring, or companies like Kyocera, which makes hybrid PDA/cell phones. ICQ, if it hadn't been for its acquisition by AOL, was probably doomed to a death spiral, as it had no sources of revenues other than rapidly falling banner ad CPMs.

What's new in the New Economy is the ability to combine a proprietary standard that serves as a barrier to entry (be it the Nintendo operating system or the AOL application) with easy economies of scale and a proven revenue source from a physical object (Game Boy units and cartridges; Dell laptops with Windows on them; Visors with the Palm OS). People like to pay for atoms. They'll pay for bits, but those bits are best tied to a physical object, as the audio CD versus MP3 battle demonstrates: A kid will pay $16.99 for Madonna's new CD, but won't pay anything close to that for its MP3 equivalent. Why? Because with an MP3, there's nothing to hold.

Ultimately, eBay is the most interesting phenomenon of all. If there is one true New Economy company that only the Internet could have created, it is eBay. It embodies all the elements that every business student has ever aspired to: minimal production costs that stay effectively flat in proportion to escalating demand; no inventory or distribution costs; inherent word-of-mouth marketing; pricing decisions managed entirely by its customers. What is there to do at eBay? I'm sure managers there would tell me that they have lots to do. But compared with Microsoft or General Motors, or just about any other profitable company on the planet, it seems that aliens could swoop down and kidnap all of eBay's work force, and the place could just run itself on auto-pilot for a long while, until someone noticed the return of guns and human organs for sale. Other than that, we'd never be the wiser.

How do we make more successful companies like that? For some reason it's very hard. *Information Rules* doesn't have the secret formula for success, but it comes closest to giving us a primer on how to think about these issues. Especially today, as emphasis has shifted from the completely virtual company to hybrid atoms-and-bits companies that sell something tangible, *Information Rules* emphasis on linking traditional business models to the opportunities and challenges of a networked economy remain insightful. If there is one New Economy business book that has the shelf life to make it through these economic times, that's the one. Of course, if you're looking for the magic potion that will solve all your Internet problems, there isn't a book out there with the recipe. If there were, one thing is certain: The author wouldn't be in the book business.

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de facto industry standard. Rival operating systems just don't have the critical mass to pose much of a threat. Unlike the supply-side economies of scale, demand-side economies of scale don't dissipate when the market gets large enough: if everybody else uses Microsoft Word, that's even more reason for you to use it too.
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### BUSINESS LEADERSHIP


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### BOOKS PUBLISHED IN 2000 OR 2001

- **Biography of a Buick (aka Motor City)**, by Bill Morris (Granta Books, 1992). Page 86.

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- **Biography of a Buick (aka Motor City)**, by Bill Morris (Granta Books, 1992). Page 86.
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