Photograph by Brad Wilson

Knowledge Review
by David K. Hurst

Straight from the Brain

Jack Welch's autobiography has plenty of emotion. For introspection, however, consider the new books by Boyle, Coyle, and Tedlow.

"Those who cannot remember the past are condemned to repeat it."

Most people know philosopher George Santayana's famous quote, but one wonders how many people, especially business managers, agree with it. Managers and organizations are notoriously reluctant even to glance backward, let alone contemplate the past. So it's not surprising that a common criticism of Jack Welch's book, *Jack: Straight from the Gut*, has been that it lacks any hint of reflection, let alone introspection. In his final speech to the GE troops, the recently retired Mr. Welch was unsentimental: "I got this job 20 years ago and together we changed a lot. It has been a fun, wonderful journey filled with great memories and lasting friendships. For much of what we've done, forget it. Today's clippings wrap yesterday's fish."

Yet in its staccato tempo and inexorable pace, the book does capture the reality of life at the top of a large, dynamic corporation. This life is a relentless series of brief encounters with diverse people on disparate topics in a huge variety of settings. In a process that threatens

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to consume any calendar, it is all that a CEO can do to keep track of events, let alone pursue an agenda.

How do CEOs do it? If one understands Jack Welch correctly, it's by surrounding themselves with good people and focusing on the present. In a process where the time demanded always exceeds the time available, every decision concerns people, their performance, and the allocation of their (and the organization's) time — who is doing what and how well are they doing it; stop this, start that; that's important, this doesn't matter. From this perspective, reflection and introspection are the province of intellectuals — those with a taste for the task and time on their hands. Such tasks are not for people of action.

Great empires are not built by people who see two sides to every question. What we read in Jack Welch's corporate memoir is what GE got: Jack, straight from the gut. Yet people of action like Jack Welch would do well to pay more attention to authors of more contemplative business books, such as the selection discussed in this Knowledge Review. For each book offers knowledge and perspective that even the most time- and information-challenged of executives will appreciate.

"Forget about yesterday," Jack Welch says. And, indeed, many managers might agree with similar words attributed to Henry Ford by the *Chicago Tribune* in 1916: "History is more or less bunk. It's tradition. We don't want tradition. We want to live in the present, and the only history that is worth a tinker's damn is the history we make today." Ford always claimed that he had been misquoted and that what he meant was that the average history textbook, crammed with dates, battles, and names, left him cold.

But the antipathy toward tradition expressed in the quote was certainly consistent with his position as an outsider in Detroit at the turn of the century. Because, as Richard S. Tedlow shows, Henry Ford — in his devotion to the hard, the real, and the tangible — always identified with the workingman and was permanently estranged from Detroit's upper crust.

In his latest book, *Giants of Enterprise: Seven Business Innovators and the Empires They Built*, Professor Tedlow, the Class of 1949 Professor of Business Administration at the Harvard Business School, uses a series of powerful vignettes to cover the lives of seven business titans from three business eras. Andrew Carnegie (1835–1919; U.S. Steel), George Eastman (1854–1932; Eastman Kodak), and Henry Ford (1863–1947) are from the era when America rose to a position of global economic power. Thomas J. Watson Sr. (1874–1956; IBM) and Charles Revson (1906–1975; Revlon) belong to the mid-20th century. Sam Walton (1918–1992; Wal-Mart Stores Inc.) and Robert Noyce (1927–1990; the Intel Corporation) are from the present era.

Professor Tedlow selected entrepreneurs who are no longer living because he wanted to be sure of the judgment of history on their contribution to society. Although he acknowledges that some believe Jack Welch to be the greatest businessman of the 20th century, the author suggests that the jury is still out on his legacy at GE (the book was published just before the collapse of the Honeywell Inc. takeover). Indeed, Professor Tedlow cheerfully pleads "guilty" to the charge that historians know what they know only because hindsight is 20-20. In a field dominated by fads and quick fixes, he argues that a study of business history can prompt an executive to ask of each new "solution," How really lasting is this approach, this idea, this company?

It's difficult to detect any patterns common to the lives of the seven entrepreneurs profiled in this book. They were all risk takers, innovators, and experimenters who saw opportunity where others saw only constraints. Adversity in youth and the sense of being "outsiders" seemed to fuel the intensity and passion that they all displayed, but the sources of this energy varied.

In Andrew Carnegie's case, for example, the fuel seems to have been his impoverished background and an asymmetrical relationship with his parents. He was the son of a shy, placid father whose career would be directionless and a mother who lived in what the author describes as a state of controlled rage. "Life had dealt her a heavy blow. She would get back her own and more than her own." In 1848 the family borrowed money to emigrate from Scotland to America and ended up in "Slabtown" — Pittsburgh, the city that would become the center of the steel industry. Here her eldest son would be the instrument of her redemption: Andrew Carnegie had the energy and optimism that fitted perfectly with the spirit of the era. "Next to Carnegie," writes Professor Tedlow, "Norman Vincent Peale was a clinically depressed pessimist."

One suspects that the same could be said of Jack Welch, who, interestingly, also describes his intensity and passion as being fueled by his relationship with his mother: "…many of my basic management beliefs — things like competing hard to win, facing reality, motivating people by alternately hugging and kicking them, setting stretch goals, and relentlessly following up on people to make sure things get done — can be traced to her."

It's a recipe for tough love, but where there isn't love it can be very tough. In *Giants of Enterprise*, Professor Tedlow quotes a respected executive at Revlon who recalls a meeting when he tried to remonstrate with CEO Charles Revson's bullying behavior. Revson reached over, put his hand on the executive's, patted it, and said, "Look, kiddie, I built this business by being a bastard. I run it by being a bastard. I'll always be a bastard, and don't you ever try to change me." The executive soon left the company.

"If ever I get to be CEO," Jack Welch once said, "I'll kill this strategic planning process because it's all BS." And when he became CEO, that's exactly what he did. "People first, strategy second" was his mantra, with strategy itself being seen not as a lengthy action plan but as "the evolution of a central idea through continually changing circumstances." One feels that Jack Welch would like *Strategic Thinking for the Next Economy*. The book consists of a selection of recent articles from the *MIT Sloan Management Review* edited by Michael A. Cusumano and Constantinos C. Markides, who are professors at the Massachusetts Institute of Technology and the London Business School, respectively. The concept of strategy has come a long way since Mr. Welch took over as CEO of GE, and the articles in the Cusumano–Markides book document its progress.

The formal, analytical schools that once ruled have been augmented, if not overthrown, by a multiplicity of perspectives. The emphasis has moved from the content of strategy to the contexts and processes that lead to sustained, effective action. Formulation (what to do) and implementation (how to do it), previously separated, are now inextricably intertwined. Conceptual inspiration has come from several fields, but the influence of chaos theory and the theory of complex systems is particularly marked in this useful collection. The ideas have appeared before, but it's nice to have these articles together in one volume.

"More often than not, business is smell, feel, and touch as much as or more than numbers," writes Mr.

Resources

Works mentioned in this review.

David Boyle, *The Sum of Our Discontent: Why Numbers Make Us Irrational* (Texere, 2001), 200 pages, $24.95.

Diane Coyle, *Paradoxes of Prosperity: Why the New Capitalism Benefits All* (Texere, 2001), 316 pages, $27.95.

Michael A. Cusumano and Constantinos C. Markides, *Strategic Thinking for the Next Economy* (John Wiley & Sons Inc., Jossey-Bass, 2001), 317 pages, $19.95.

Richard S. Tedlow, *Giants of Enterprise: Seven Business Innovators and the Empires They Built* (HarperCollins Publishers, HarperBusiness, 2001), 512 pages, $30.00.

Jack Welch with John A. Byrne, *Jack: Straight from the Gut* (Warner Business Books, 2001), 496 pages, $29.95.

Welch. "If we wait for the perfect answer, the world will pass us by." You can't run a business without numbers, but neither can you run it with only numbers. In *The Sum of Our Discontent: Why Numbers Make Us Irrational*, British journalist David Boyle addresses this central contradiction: "If we don't count something, it gets ignored. If we do count it, it gets perverted. We need to count, yet the counters are taking over our lives."

Mr. Boyle identifies many associated paradoxes and takes the reader on an erudite tour of many views on numbers and measurement. The problem seems to boil down to this: Reality is what we pay attention to, but measurement requires classification and classification requires abstraction. By paying attention to abstractions, we grasp the generic, but only at the expense of understanding the particular. This means that we lose the smell, feel, and touch of what's going on right here, right now. And with that loss of the sensual, we lose our ability to respond quickly to events as they happen. It's a bit like going to a fine restaurant and eating the menu instead of the meal! I am not sure that Mr. Boyle has many answers, but he has certainly articulated many of the questions.

There are some helpful aphorisms in his book. I particularly like the quote from economist John Maynard Keynes: "…once we allow ourselves to be disobedient to the test of an accountant's profit, we have begun to change our civilization." Substitute *corporation* for *civilization* and there will be many managers who will say "Amen" to that observation.

"Business is a series of paradoxes," concludes Jack Welch. And he proceeds to enumerate some of them — paying the highest wages while having the lowest costs, managing long term while eating short term, being "hard" in order to be "soft," and so on. In this part of his book one senses the influence of some of the management academics to whom Mr. Welch has been exposed over the years. Intellectuals love paradoxes: They are something to be savored like good food and fine wine. Paradoxes puzzle and stretch the mind, and sometimes out of the confusion comes new and broader understanding.

In *Paradoxes of Prosperity: Why the New Capitalism Benefits All*, English economist Diane Coyle grapples with some of the paradoxes of what she contends is the "new capitalism" that is based on the increasingly "weightless" economies of the 21st century. Her theme is that, while this new dynamic will bring prosperity for all, it will also undermine established political power bases just as surely as the "old" capitalism of the "heavy" industrial era undermined the land-based aristocracy that preceded it.

Thus the first paradox is that our economic prosperity will be accompanied by social and political anxiety. Paradoxically, again, some of this anxiety — that of the street

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protesters in Seattle and Genoa, for example — seems to be based on a concern that the new capitalism is not really new, but merely a continuation of the old, with a corresponding entrenchment of the existing elites. Ms. Coyle does, however, persuasively describe a new economy she sees emerging, by going beyond the bubble and hype of the stock market to look for the keys to human prosperity, in our treatment of the environment, in the global sharing and development of technology, in the diversity of cultures.

However, establishing a statistical link between technology, productivity, and quality of life has proven difficult. Statistics can't accurately measure quality and diversity of choice, and, in any event, the lag between the introduction of a technology and its full impact on the economy is often long. The effects are variable and usually apparent only when social and political institutions have changed, and this takes time — it took 50 years (from 1870 to 1920) for electricity to penetrate 50 percent of houses and factories in the U.S. because it was just too expensive to incorporate it into anything other than new facilities. Electricity was what others have called a "yeast" technology, speeding up processes in many areas of the economy. Ms. Coyle argues that computer and information technology, with their associated developments such as bio- and nanotechnology, are also "yeast" rather than "mushroom" technologies (which have more limited effects in specific industries).

This book is not an easy read and badly needs some summary sections. Ms. Coyle introduces us to numerous commentators from many fields; at times the reader feels a bit like a gold miner crushing tons of rock to extract nuggets of wisdom. But there are plenty of nuggets. She cites with approval the late management scientist Herbert Simon's comment that "information consumes … attention. Hence a wealth of information creates a poverty of attention." Similarly, Plato bemoaned the spread of writing because he felt that people would lose their memories. And he was right. Although the supply of information has increased exponentially, its consumption has risen hardly at all — we don't have the time. Thus, paradoxically, relationships and trust — social capital — become even more important in the new economy than in the old one.

All of which brings us back to Jack Welch. Effective managers don't ponder paradoxes: They engage them. In the case of leaders like Mr. Welch, they embody them: The poor kid from Salem who made it big time; the incumbent who thought like an insurgent and tried to rally the intensity and passion of a small organization with all the resources of a big one. Mr. Welch clearly revels in the imperial trappings of Corporate America — the first-class travel, the great golf courses — but one senses that his Salem alter ego is always whispering over his shoulder, "Don't forget where you came from, Jack."

There's no recipe for managing paradox: Every embodiment must be unique, a creative integration. It seems to take an ability to focus on the present while using a vision of the future — not as an end in itself, but as a means to improve performance here and now. The secret is to be able to stay in the present, which is the only place, as T.S. Eliot reminds us, where past and future can be drawn together. +

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