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Best Business Books 2008

by Phil Rosenzweig, Nell Minow, Catharine P. Taylor, Michael Schrage, Jon Gertner, Marc Levinson, Sally Helgesen, Margaret Wheatley, Carole Schwinn, David K. Hurst, and James O'Toole

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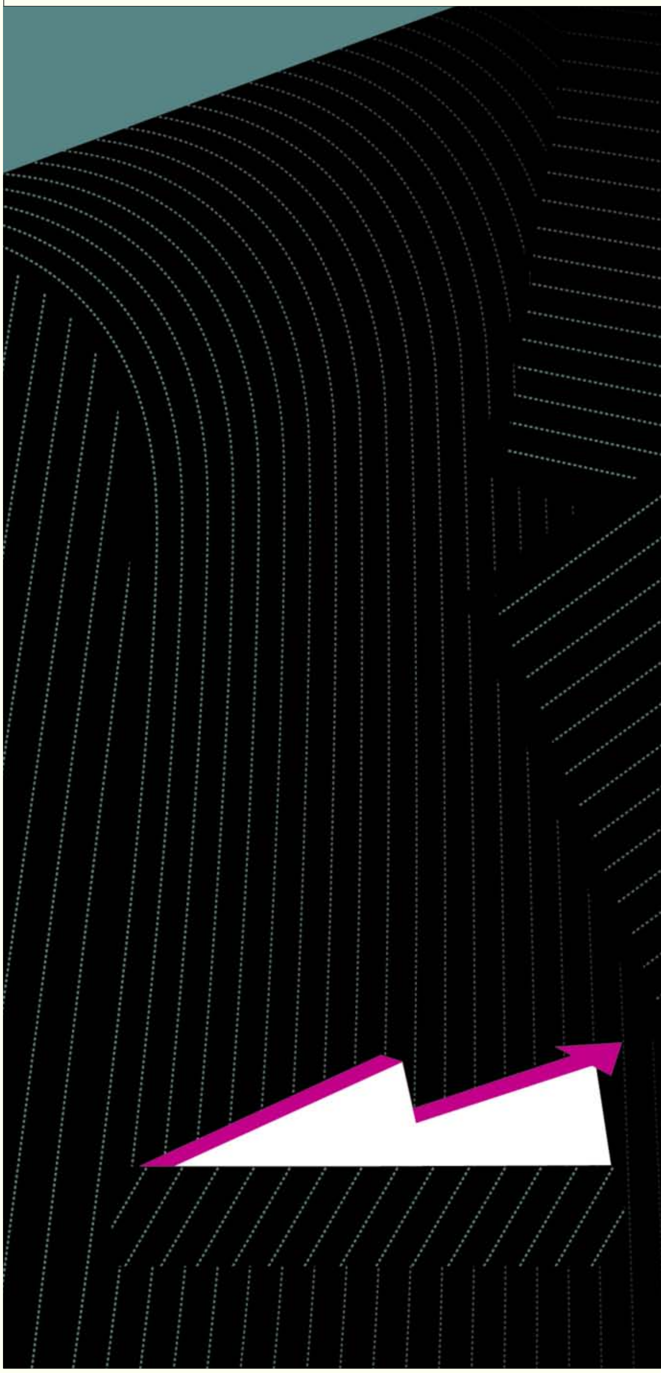
MANAGEMENT

Greg Niemann, **Big Brown: The Untold Story of UPS** (Wiley, 2007)

Steve Miller, **The Turnaround Kid: What I Learned Rescuing America's Most Troubled Companies** (Collins, 2008)

James M. Kilts, with John F. Manfredi and Robert L. Lorber, **Doing What Matters: How to Get Results That Make a Difference — The Revolutionary Old-school Approach** (Crown Business, 2007)

Grant Gordon and Nigel Nicholson, **Family Wars: Classic Conflicts in Family Business and How to Deal with Them** (Kogan Page, 2008)



Narratives AND Paradigms

by David K. Hurst

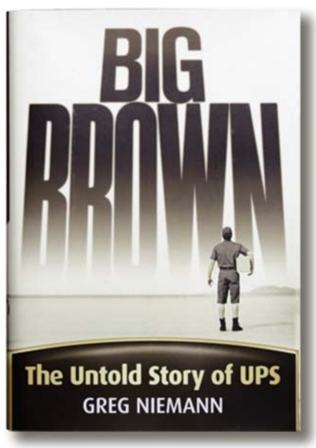
Psychologist Jerome Bruner contends that individual learning requires the construction of a mental model of reality to make meaning of our lives. In *Actual Minds, Possible Worlds* (Harvard University Press, 1987), he suggested that there were two complementary ways of building such models. The first is the narrative method, or the telling of stories, and the second is the paradigmatic method, or the formation of logical arguments and conceptual frameworks. To learn to manage better, we need to employ both.

Without conceptual frameworks, we easily become addicted to "war stories" and overloaded with vicarious experiences. Unable to distinguish what is relevant to our individual situations, we may simply stumble from fad to fad, mindlessly copying someone else's best practices. Without narrative, on the other hand, we cut ourselves off from the past, our only database. Indeed, British historian R.G. Collingwood called his field "the science of human action." The study of history in the corporate world shows how strategies (effective ways of dealing with the world) are developed from competencies (clusters of good habits learned over time, often through a process of guided trial and error). This year's best management books are worth reading because they are combinations of narrative and paradigm.

Competency to Strategy

In *Big Brown: The Untold Story of UPS,* journalist Greg Niemann explains how a messenger company founded in Seattle in 1907 grew into the world's largest package delivery company, United Parcel Service Inc. It is the story of how clusters of competencies, acquired through detailed on-the-ground experience, slowly evolved into strategies that could be applied on a global scale.

The drive, focus, and character of founder Jim Casey (1888–1983) are central to the story. Casey's early life is reminiscent of that of Andrew Carnegie — a bright boy born into indigent circumstances and forced to work at a tender age to support his family. The Caseys moved to Seattle just as the Klondike gold strike of 1896 created an economic boom in the city. With his father ailing, Casey left school at age 11 and took a job as a driver's helper making deliveries for a department store. Then, like Carnegie before him, the boy went to work at a local telegraph office, getting an inside view of the message delivery business.



In 1907, Casey and a close friend founded the American Messenger Company, offering the best service and the lowest rates. From the start, they hired and trained the most talented people they could find. Soon they partnered with a local motorcycle-based service and offered Seattle's department stores an opportunity to outsource their delivery activities. It was the upscale nature of this business that persuaded the partners to adopt a close variant of Pullman Brown, the elegant color of the railroad sleeper cars, as the finish paint for their trucks.

Niemann, who worked for UPS for almost 35 years, does a fine job of conveying Casey's monk-like devotion to the business and his belief that service is "the sum of many little things done well." This intense focus on the elements of service excellence — systems, operations, and people — meant that UPS was well prepared to respond to the contingencies of the 20th century. As the demands of World War I on the American workforce crimped the ability of department stores to make their own deliveries, UPS expanded along the length of the Pacific Coast. The post–World War II population migration in the U.S., as people moved from cities to suburbs, and the rise of the personal automobile limited the growth of the retail delivery market, and UPS entered the wholesale common carrier business, at which, aided by deregulation, it soon excelled.

Not all new ventures succeeded. A move into Germany in the mid-1970s attempted to export too much of UPS's American culture and led to substantial losses before the firm could adjust. The rise of the FedEx Corporation, beginning in 1973, with its hub-and-spoke air-based model, took the company by surprise (the model was the antithesis of UPS's city-by-city approach). It required eight long years before UPS could match FedEx's Memphis hub with its own massive center in Louisville, Ky.

Missteps aside, by the end of the 20th century, UPS found itself ideally positioned to exploit the new emphasis of global business on logistics and supply chain management, and it offered a plethora of services to organizations ready to outsource these functions. After an agonizing decision-making process, the company decided to go public in 1999, a decision with both beneficial and problematic consequences. Many insiders earned huge premiums on their stock holdings, but employees could no longer rely on the steady appreciation of an internally set, conservative stock price, and now had to cope with shareholders who did not share their devotion to the company. Nevertheless, UPS's continuing ability to learn from its own experience, which harks back to its founder, would seem to stand it in good stead.

Mr. Fix-it

There was concern in some quarters over the timing of the release of Steve Miller's *The Turnaround Kid: What I Learned Rescuing America's Most Troubled Companies.* The large auto parts manufacturer Delphi Corporation, Miller's last project, was unexpectedly delayed in its emergence from Chapter 11 bankruptcy, and it was feared that Miller's unflattering comments about both the United Auto Workers and the General Motors Corporation might jeopardize the firm's progress. These fears seem overblown. Miller's comments are hardly incendiary, and it is highly unlikely that the parties concerned were unaware of his opinions of them. Miller's corporate clients were typically in extremis, and although many inside the firms may still be in denial about the gravity of their plight, such denial was a luxury that Miller, as an outside turnaround expert, could not afford.

It is Steve Miller's capacity for acute assessment of corporate situations and blunt statement of issues that resonates throughout the book. His candor applies equally to his personal life. In most businessmen's memoirs, the executive's wife is a shadowy figure, if she is mentioned at all. But Maggie, Miller's wife for nearly 40 years, is front and center, a true partner in his career. Miller is brutally honest about both the joys and the woes of the family life of a busy executive. Maggie, who died in 2006, was his mirror, feeding his ideas back to him and giving her own clear, candid assessment of situations and people. She also had deep insecurities that led to erratic behavior when she was under stress. Anyone who has lived the corporate life, with the immense strain that it can put on family relationships, will hear the ring of truth in this.

The ideas Steve Miller extracts are straightforward: Tell everyone the truth, especially if it hurts; don't study things to death; listen to your customers.

Although many of Miller's clients are in essentially the same straits, he offers no formula for success. The ideas he extracts from his experience are straightforward: Tell everyone the truth, especially if it hurts; don't study things to death; listen to your customers as well as your people, and so on. There is nothing new here; the magic is in the ability of executives to apply these ideas consistently in situations where there will be multiple distractions and immense pressure to do something else.

Miller closes his book with some thoughts on public policy in three areas closely related to his corporate rescue activities: pensions, health care, and energy. In pensions, for example, he applauds the shift to defined-contribution plans from defined-benefit plans, with their open-ended implications for corporate support. He also warns that the regulation of pension plans needs to be tightened to prevent firms from underestimating their future obligations.

Miller is highly critical of the rules used to determine corporate average fuel economy for automakers in the U.S., and the ways they have been distorted through lobbying: Mileage is determined with the air conditioning off, for example, deterring work on more efficient cooling systems. Miller says that if he were energy czar, he would add a dollar or two in taxes to the price of a gallon of gas as a way of stimulating adaptive change.

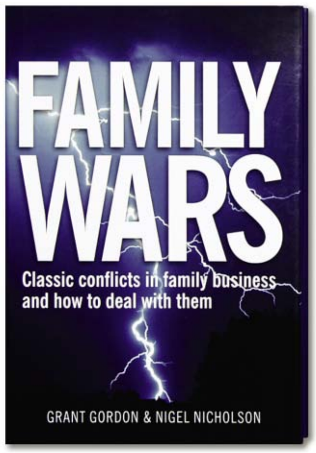
Short of a national emergency — a political version of Chapter 11 — this is unlikely to happen. But Miller's success at getting companies to focus on what makes them successful only underlines the fact that it is not a lack of good ideas that hinders a nation's ability to develop and implement coherent public policy, but an inability to get things done.

A Close Shave

James M. Kilts, the former chairman and CEO of Gillette Company, together with two former business associates, John F. Manfredi and Robert L. Lorber, has melded business autobiography with management advice in *Doing What Matters: How to Get Results That Make a Difference — The Revolutionary Old-school Approach.* Kilts's career in the U.S. consumer goods industry, starting at firms such as General Foods and culminating with stints as CEO, first of Kraft Foods Inc. and then of Nabisco, seems to have been the ideal preparation for his spectacular turnaround of Gillette between 2001 and 2005. After a career spent in this quintessentially American industry, he clearly understands its priorities.

A conceptual framework consisting of four elements provides the structure on which the book's stories are hung. These elements, according to Kilts, are the ones that matter for business success: fundamentals, attitudes, and people; leadership; the future; and doing the right things. This is an effective way of organizing the book, but a problem arises because the overall story is one of unalloyed success. Kilts seems never to have made any mistakes (except when he was very young), and as a result he comes across as a curiously flat figure.

It is true that the turnaround Kilts executed at Gillette is stunning. When he was appointed CEO in 2001, the first outsider to run the firm in 70 years, Gillette had missed its earnings forecasts for 15 straight quarters and entered what Kilts calls the "circle of doom." This is a vicious circle in which management, beguiled by Wall Street, issues unsustainable growth forecasts, overspends on capital and overhead, and then, when the unrealistic sales fail to materialize, hikes prices, cuts marketing expenses, and stuffs the trade channel with special offers. Trade customers swiftly learn to game this system by delaying their orders until the end of the financial period, which further hammers margins, disrupts production schedules, and sucks up working capital to fund large inventories and bloated receivables. Insiders are usually helpless to escape the system in whose design they have been complicit, and it takes an outsider like Kilts to break the cycle. Kilts did: By 2005, he and his team had created more than US$26 billion in value for shareholders; he then sold the company to Procter & Gamble Company. Kilts prospered, too. He earned more than $160 million for four years' work.



There is a vicarious thrill to reading *Doing What Matters* and following along as a manager with deep industry knowledge and competencies recharts the course of one of America's iconic marketing companies. But how applicable to other situations are the lessons here? At some level, like Steve Miller's lessons, they are nothing but applied common sense. The larger challenge for many managers is to be able to get into situations where they have carte blanche to act, as Kilts and Miller did. Even then, there may be only a few businesses where such rapid transformations are possible.

On another front, the Gillette story is instructive for its demonstration of how malleable consumer desires are in the hands of skilled marketers. In 2002, Gillette's archrival, Schick Wilkinson-Sword, came out with a four-blade razor to counter Gillette's three-blade Mach 3 Turbo. Gillette, with its next real razor development more than a year away, responded with a flashy advertising campaign featuring the Mach 3 Turbo Champion, identical to Turbo except for the color of the handle. The Schick Quattro was stopped dead in its tracks. Similarly, a repositioning of Procter & Gamble's Duracell battery line was all that was needed to revitalize the brand and restore real growth.

It would have been satisfying if Kilts had squarely addressed the controversy that arose over the outsized rewards he received at the end of his four-year campaign at Gillette and its sale to P&G. After all, he and his team did not create value in Gillette so much as they released it. And although Kilts argues that Gillette's factories in the Boston area were preserved, there is no doubt that the loss of headquarters functions, and the local purchasing they generated, represented a significant loss to the community.

Hamlet at Work

In this year's best management book, *Family Wars: Classic Conflicts in Family Business and How to Deal with Them,* Grant Gordon, director general of the Institute for Family Business in the United Kingdom, and Nigel Nicholson, professor of organizational behavior at the London Business School, amply illustrate the latter part of Tolstoy's maxim: "All happy families resemble one another; every unhappy family is unhappy in its own fashion." The twist here is that the families whose unhappy stories are told are the founders and owners of some of the most successful businesses in the world.

Family businesses are the backbone of most economies, and many public companies began as family businesses. There is much to be learned from them, for the family is a cauldron in which emotions, responses, and behaviors are heightened. Their spontaneity, openness, and passion have the potential to create benefits for a business, but when problems arise that involve issues such as identity and self-esteem and fairness and sibling rivalry, great harm can result.

Believing that the lessons learned from failure are more powerful than those learned from success, the authors examine 24 family businesses in Europe, North America, and the Far East, organizing their stories into five sections that reflect a continuum of family strife that ranges from warring siblings to total "uncivil" war among family factions. In the process, they explore the issues with which these businesses grapple, including the nature of familial warfare, how such conflicts arise, how relatedness affects conflict, and how the key dynamics within families unfold.

The conceptual framework in *Family Wars* is a loose amalgam of evolutionary, family, and individual psychology. Parenting styles seem to be particularly important, with entrepreneurial drive often being accompanied by an authoritarian style that continually employs top-down power and offers little emotional support for the children. The effect of this varies. For instance, if the family is small and has male children whose ages are close together, it can lead to intense rivalry, as seen in U.S.-based Koch Industries Inc. and India's Ambani family empire, Reliance Industries Ltd.

Gordon and Nicholson conclude the book with a summary of the five major risk factors for family businesses and some remedies for dealing with them. For countering nepotism, they suggest formal hiring policies and development programs for family members, regular appraisals and feedback, and the hiring of outsiders of the highest caliber. Intergenerational struggles can be mitigated by ownership continuity plans and the use of nonfamily professionals in governance and leadership roles. Disagreement over remuneration and rewards can be avoided by liquidity and exit policies that allow family members to access their capital and diversify their holdings. Sibling rivalry can be reduced by the clarification of roles, constant communication among the siblings, and even the appointment of an ombudsman. Finally, the major challenge of getting strong founders to let go can be addressed by setting enforceable retirement ages while providing the opportunity for founders to play senior statesmen roles. +

David K. Hurst (david@davidkhurst.com) is a contributing editor of *strategy+business*. His writing has also appeared in the *Harvard Business Review*, the *Financial Times*, and other leading business publications. Hurst is the author of *Crisis and Renewal: Meeting the Challenge of Organizational Change* (Harvard Business School Press, 2002).

MISCELLANY

Charles Handy, **Myself and Other More Important Matters** (AMACOM, 2008)

Richard Sennett, **The Craftsman** (Yale University Press, 2008)

Rakesh Khurana, **From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession** (Princeton University Press, 2007)

Robert Coles and Albert LaFarge, eds., **Minding the Store: Great Writing about Business from Tolstoy to Now** (The New Press, 2008)

Uncategorical Insight

by James O'Toole

In an era when even the dividing line between fiction and nonfiction is blurred, it has become difficult to precisely define the business book. Should David Nasaw's *Andrew Carnegie* (reviewed here last year) be shelved in history, biography, or business? Similarly fuzzy are distinctions between subcategories of business books. Is

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