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2010 Best Business Books

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Julian Birkinshaw, **Reinventing Management: Smarter Choices for Getting Work Done** (Jossey-Bass, 2010)

Jon R. Katzenbach and Zia Khan, **Leading Outside the Lines: How to Mobilize the (In)Formal Organization, Energize Your Team, and Get Better Results** (Jossey-Bass, 2010)

Richard T. Pascale, Jerry Sternin, and Monique Sternin, **The Power of Positive Deviance: How Unlikely Innovators Solve the World's Toughest Problems** (Harvard Business Press, 2010)

Srikant M. Datar, David A. Garvin, and Patrick G. Cullen, **Rethinking the MBA: Business Education at a Crossroads** (Harvard Business Press, 2010)

MANAGEMENT

THE Chorus Takes A Bow

by David K. Hurst

The profit-maximizing management framework that arose from the widespread adoption of the shareholder value model of corporate governance may end up as a notable intellectual casualty of the Crash of 2008. After 30 years of leveraging, downsizing, and outsourcing, this predominantly Western global economic system appears to be in decline. This could be a sign of a hemispheric financial cooling in counterpoint to the warming of the economies of the Far East.

The challenge this creates for management thought and education is as simple as it is stark. The prevailing business management framework, a set of practices and operating principles that was designed to produce stability and order in large, complex companies, and that has been successful enough in treating growth as "more of the same," no longer appears to work. How can it be modified — nay, rejuvenated — to accommodate innovation and invention, the new rallying cries for firms in the Western world?

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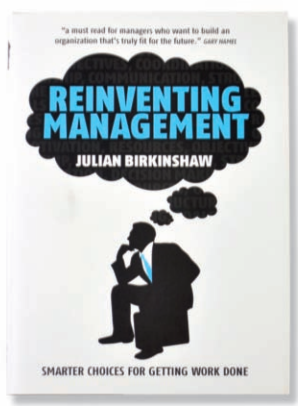
Although there has long been a Greek chorus of critics prophesying the doom of the current framework, a wide range of opinion exists on what is now required. Some say that the basic principles of management are still relevant and valuable, but they are poorly taught and applied. Others call for an entirely new paradigm. Nobody is satisfied with the status quo, nor should they be. In this year's best management books, some of the members of the chorus step into the footlights.

The Middle Way

In *Reinventing Management: Smarter Choices for Getting Work Done,* Julian Birkinshaw, professor of strategic and international management at the London School of

Business and cofounder of the Management Lab, contends that management has to change — but not radically. He charts what he claims is a middle way. According to Birkinshaw, companies need a management model that enables them to define objectives and motivate effort (the ends), as well as coordinate activities and allocate resources (the means).

Each of these four activities offers a spectrum of managerial options that range from tight to loose, writes Birkinshaw. For instance, activities can be coordinated tightly in a traditional bureaucracy, as they often are by firms in established markets, or loosely through an organizational plan that emerges naturally as a response to market opportunities and technical possibilities, such as Google uses. Resource decisions can be made hierarchically or by deferring to collective wisdom. In stable environments, objectives can be aligned tightly with corporate strategy; in turbulent situations, objectives can be pursued indirectly through the principle of "obliquity." Under this latter principle, to quote British military strategist Basil Liddell Hart, "The longest way round may often be the shortest way home." When it comes to motivation, employees can be attracted by a variety of material, social, and personal rewards.



Birkinshaw uses a two-by-two matrix to summarize four distinctive management models that represent combinations of these options: the planning model (tight ends, tight means), the science model (loose ends, tight means), the quest model (tight ends, loose means), and the discovery model (loose ends, loose means). Companies often begin their lives using a discovery model, but if they are successful, the majority of them gravitate to either a planning model or a science model. McDonald's, with its highly standardized delivery system, is an example of the planning model; consulting engineering firm Arup (the designer of such avant-garde buildings as Beijing's Bird's Nest Olympic stadium), with its holistic model of "total architecture" that embraces sustainability, humanitarianism, and quality, illustrates the science model. Some firms may try to hang on to the discovery model, as Google has, thanks to its phenomenal profitability. The least common model, that of the quest, is used by many investment banks.

These models may seem simplistic, but they do describe the management behavior of many companies, as well as reveal the traps they can fall into when they follow the models blindly. For Birkinshaw, the key to managerial effectiveness is for leaders to learn when changes to an organization's management model are necessary by identifying and analyzing the "blockers" that prevent people from doing their work, designing new methods for replacing or removing those blockers, and then experimenting with these methods.

The merit of Birkinshaw's approach is that it identifies the organizational context in which management models are practiced. By representing these models as decisions made by top management, however, Birkinshaw firmly places himself within the rational-choice approach of the academic world, stressing the "what" of corporate direction rather than the "how" of execution (and human involvement). His model is not a dynamic one: The pervasive use of two-by-two matrices tends to freeze everything, making the resulting choices look more like calculated trade-offs than creative integrations. Perhaps these are the starting positions of a dance between the polarities he identifies, with the steps and tempo yet to come.

Some clues to the steps and tempo can be found in *Leading Outside the Lines: How to Mobilize the (In)Formal Organization, Energize Your Team, and Get Better Results,* by Jon R. Katzenbach, a senior partner at Booz & Company, which publishes *strategy+business,* and Zia Khan, vice president for strategy and evaluation at the Rockefeller Foundation. They take a much more fine-grained approach to managing that is based on finding the right combination of the "logic of the formal" and the "magic of the informal."

In the three-part book, the authors focus on how individual managers can use informal connections and conversations to enhance the formal incentives and structures of a company — and, in the process, motivate individual performance and mobilize organizational change. Managers who can draw on both the formal and the informal as required have a high "organizational quotient" (OQ). This is a combination of intelligence quotient (IQ) and emotional intelligence (EQ) that balances disciplined and spontaneous actions, and rational and emotional thinking, depending on the demands of the situation.

The objective is *consilience,* which literally means a jumping together of the formal and the informal, a creative integration of "both…and" that harks back to Mary Parker Follett, the early-20th-century pioneer of organizational theory. This is the first of several evocative metaphors that the authors use to describe one of the most desirable but elusive phenomena in organizational life — those times when decisions, actions, and emotions jibe with strategic intent, when dynamic routines are constantly being improved upon, when employees are proud of their company, and when the company as well as the members of its ecosystem (partners, suppliers, and customers) all succeed.

Katzenbach and Khan stress that a managerial focus on the informal is not just a matter of being nice. People work and perform much better when they are treated with care and respect as individuals. The challenge for managers is how to accomplish this within the constraints and abstractions of a formal system that is designed to achieve scale by treating everything and everyone in the same way. Part of the solution, according to the authors, is to connect corporate values to work using stories and customers at the local level.

It is the managers' behaviors that matter most, but these are effective only if all the elements of the formal system enable the employee behaviors that managers are trying to encourage. Thus, for example, metrics should not be consumed purely by the upper levels of the hierarchy, or used only to judge performance against goals handed down from above. They should also serve as feedback signals for those responsible for doing the work; they should be crafted accordingly and understood in the context of everyday goals and priorities.

The Power of Context

The importance of context as a determinant of behavior is the central feature of *The Power of Positive Deviance: How Unlikely Innovators Solve the World's Toughest Problems.* One author is the redoubtable management writer and consultant Richard T. Pascale. The other two are Monique Sternin and the late Jerry Sternin, who passed away during the writing of the book. In the 1990s, as workers with the U.S. nongovernmental organization Save the Children, the Sternins pioneered the application of the positive deviance (PD) method of change to some of the world's most intractable social problems. PD is now being used to tackle complex social problems that defy technical or externally imposed solutions, such as societal inhibitions or cultural mores that cause people to refuse smallpox vaccinations or reject the use of mosquito nets.

PD is not a method for transmitting knowledge or sharing best practices; it involves changing behavior by changing social contexts. It recognizes that organizational habits, both good and bad, are sustained by subtle cues and triggers of which the actors themselves are usually unaware. When these cues and triggers are brought to the surface and actors' responses to them are changed, complex problems can be solved. The catalysts for this process are so-called positive deviants, the few people or small groups within a troubled community who obtain consistently better results while living and working in the same context (in other words, with access to the same resources and subject to the same constraints). The trick is to get everyone else to consciously choose to follow their example.

The catalysts for solving problems are positive deviants, the few people who obtain consistently better results while working in the same context.

The authors take turns writing chapters that illustrate applications of PD, some of which are composite examples, combining several cases into one. Despite the drawbacks of such an approach, which makes it difficult to know exactly what happened at which site, the stories themselves are evocative and compelling. The most powerful one involves the grisly practice of female genital mutilation (FGM) in Egypt. In Vietnam, where PD was first used to alleviate child malnutrition, there was consensus that malnutrition was an undesirable condition. In Egypt, on the other hand, there was no such agreement on the perniciousness of FGM. The traumatic ritual was rarely discussed, but it was deeply embed-

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ded in the culture; as of 1997, 97 percent of Egyptian women had been circumcised in some way. Then Monique Sternin and her colleagues began asking the positive deviants — uncircumcised women and the men married to them — to talk about their lives on videotape, offering social proof that such people were just like everyone else. This step required a good deal of informal discussion and socialization before anyone was comfortable appearing on camera. The PD team chose a Coptic monastery far from Cairo — a safe place both physically and psychologically — to bring together small groups of women. Here they showed the women the tapes, and discussed the idea of changing the practice in choreographed conversations that used variations in space and pace and the palliative power of humor to reduce tension and put people at ease. The participants shared their stories and talked about their families, gradually breaking the code of silence surrounding FGM. Over time, the program spread: By 2000 the incidence of FGM among Egyptian women was down to 93 percent, and today official FGM abandonment programs are increasingly supported in that country.

The best way to think about the PD approach is as process consulting rather than content consulting. In the latter, the general assumption is that the organization has questions and the expert consultant brings answers. Process consulting turns that assumption upside down: The organization has the answers, but has not heard the questions. That's because the questions have not been posed in the right form and context — in a manner, in other words, in which any answers have clear implications for action. Positive deviance helps address these issues by providing the example of small groups of people who already have part of the solution in hand, and whose examples help their colleagues discover the solutions for themselves.

PD works as change does in nature. It affects a part of a system, but preserves the whole; it is incremental in the short term, but capable of producing dramatic evolution in the long run. This is the same way in which nature balances stability and turbulence with a complex set of interlocking and ever-changing dynamics. It's insights like these that make *The Power of Positive Deviance* this year's best business book on management.

Back to School

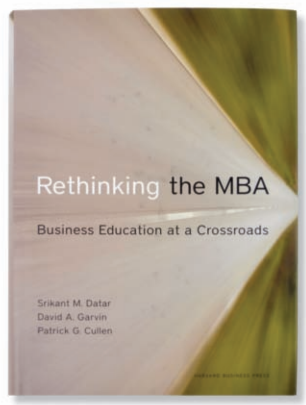
Business schools were subjected to repeated criticism before the economic meltdown, but the volume and frequency of the complaints have increased as the deleterious side effects of the profit-maximizing framework have become clearer. In 2007, Harvard Business School professor Rakesh Khurana wrote the instant classic *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). (See "Uncategorical Insight," by James O'Toole, *s+b,* Winter 2008.) This year, a team of Khurana's colleagues at Harvard Business School, Srikant M. Datar, David A. Garvin, and Patrick G. Cullen, deliver *Rethinking the MBA: Business Education at a Crossroads.* This tome reports the findings of a cross-sectional academic study of the leading business schools in the U.S. and Europe.

The target audience for the book is deans of business schools and administrators of business programs, but the book is relevant for anyone interested in the evolution of management ideas and the way they are deployed. The authors address four broad themes: the need for change in management education, the need for a new balance between the "rigor" of research and the relevance demanded by practitioners, the redesign of the MBA curriculum, and the challenge of implementation.

Reinforcing Khurana's charge that academic pretenses have dwindled in business schools, the central metaphor used here is the business school as commercial enterprise, with value propositions (MBA programs) designed for different customer segments. Viewed as an industry, business schools have done well, with their production of MBAs rising sixfold over the past 30 years, and their revenues becoming an increasingly large portion of the overall financial base of their universities.

So what is the problem? Today, the demand for the core product of business schools — the two-year, full-time MBA — is sputtering, especially at the second-tier schools, and the gap is being filled by a host of competing products, such as part-time and executive MBA offerings and substitute qualifications. This has led to what the authors characterize as a "hollowing out" of the degree. In addition, considering that up to 75 percent of the graduating classes of some schools go on to careers in finance and consulting, the postcrash shrinkage of these sectors further threatens the future demand for MBAs. But the authors appear to have few concerns about business schools recovering their institutional purpose or mission: Instead, they think that business schools need to reassess and rebalance their commercial offerings in response to changes in the marketplace.

Rethinking the MBA makes the cut as a best business book this year because its conclusions, grounded in data and assembled coherently, present a clear, persuasive case for change in business school curricula — and because they are likely to be taken seriously in management academia. This book evokes an ambitious future for business schools themselves. The authors use the Be-Know-Do leadership triad, made famous by the U.S. Army at West Point, as a handy framework on which to base their primary contention: that ever since the Ford Foundation and Carnegie Foundation reports of the 1950s, business schools have overemphasized the facts, frameworks, and theories of the "know" component at the expense of the skills, capabilities, and techniques of "do" and the values, attitudes, and beliefs of "be." And they identify eight unmet needs of students, many of which are related to "being" and "doing." These include gaining a global perspective; developing leadership and integration skills; acting creatively and innovatively; and understanding the limits of models, markets, and other frameworks.



The authors acknowledge that the most effective ways to teach many of the topics they recommend are still not well understood; at a minimum, MBA students require teaching methods very different from those used in business schools today. Nonetheless, both the authors and the people they interview appear sanguine about the ability of business schools to deliver on these needs. Indeed, the new offerings from the six leading institutions the authors examine are impressive on paper: There are integrative global management courses, overseas campuses and exchange programs, experiential programs, and leadership laboratories, as well as integrated curricula and courses in integrative thinking.

The language is right, but as the unmet needs are matched with their corresponding solutions, one becomes concerned that these may be what longtime Harvard Business School professor Fritz Roethlisberger used to call verbal wands — fine phrases that may not be accompanied by the behavioral changes necessary to deliver on their promises. Rewriting the marketing brochures of business schools is easy enough, but how much change can one really make in the schools themselves, and over what time frame?

The typical business school is a siloed fortress, most of whose professors and deans prefer a fragmented, discipline-based curriculum because it gives them maximum freedom to pursue their own research interests. It's why many of them were attracted to the institution in the first place and how they have earned tenure. Changing their incentive schemes will not be easy. How realistic is it to expect such "disciplinarians" to deliver the integrated experiences designed to promote creativity and innovation that the authors describe? Team teaching is probably one of the keys to providing such experiences, but the authors acknowledge that its implementation has proved very difficult, and that the deans surveyed were almost all against it. Yet leading firms in the private sector mastered effective teamwork across the functional silos decades ago. If the business schools cannot handle this, can they really change? And if they cannot change, what is to be done about management education?

To answer that question, *Rethinking the MBA* should probably be read as part of a trilogy with two other books: the magisterial *From Higher Aims to Hired Hands,* and Matthew Stewart's acerbic critique of management philosophy, *The Management Myth: Why the Experts Keep Getting It Wrong* (W.W. Norton, 2009). (See "The Clay Feet of Management Science," by David K. Hurst, *s+b,* Spring 2010.) Readers of these three books might well conclude that the true objectives of management education are indistinguishable from those of the liberal arts: to provide an interdisciplinary education in literacy, numeracy, and an understanding of people, so that one can marshal all these competencies in the service of creating and running sustainable institutions.

Ironically, a model for this kind of education already exists outside business schools: It appeared in the form of politics, philosophy, and economics programs pioneered as the "modern greats" in England in the 1920s to train members of the civil service. Perhaps the reduced role of the business school might be to supervise students' trajectories through the entire university, organize the appropriate experiences, and teach only the technical finance and operations subject matter not available elsewhere. The bulk of the faculty could return to their true homes in other parts of the academy (economics, sociology, engineering, psychology), and stop duplicating the liberal arts and sciences under the guise of an MBA. Instead, the teaching of business would be integrated with the general arts and sciences, under the assumption that everyone who learned to be a generally capable individual would need to apply this knowledge to making a living.

In the process, the business school might even recover its sense of purpose. Such a resolution would support the conclusion that rigor and relevance can be neither reconciled nor balanced in theory. It is the role of science to separate the real from the relevant; it is the role and the craft of the manager to bring them back together again in the human enterprise. But this can be accomplished only through action. The antinomy between rigor and relevance does not require a choice to be made; it is a dilemma to be lived, and the best preparation for that is preparation for life itself. +

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Alan Brinkley, **The Publisher: Henry Luce and His American Century** (Knopf, 2010)

Warren Bennis, **Still Surprised: A Memoir of a Life in Leadership** (Jossey-Bass, 2010)

Daniel Okrent, **Last Call: The Rise and Fall of Prohibition** (Scribner, 2010)

Sarah Rose, **For All the Tea in China: How England Stole the World's Favorite Drink and Changed History** (Viking, 2010)

BIOGRAPHY AND HISTORY

True Tales OF Fortune

by James O'Toole

We read biography to better understand ourselves much as we read history to better understand our times. Four engaging new books admirably aid us with both those tasks. As so many things do these days, our review of the year's best business-themed biographies and histories begins — and ends — in China.

One Man's Life, Time, and Fortune

Editor and publisher Henry Luce (1898–1967) presided over the golden age of general-interest magazines. He

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