

Business Books: In Praise of the Modern Firm

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What was the best book about business published in the past 12 months?

THE question admits of no easy answer. Business books include "how to" manuals, treatises on microeconomic theory, biography, popular history and much more. But there is no manual on how to compare them. The judges of awards to works of fiction, such as the Prix Goncourt and the Man Booker prize, know roughly what they are judging and how. They are much like adjudicators at a prize marrow show. By contrast, anyone asked to compare a bunch of business books is being expected to compare marrows with leeks, carrots, tomatoes and runner beans.

So what stands out on the 2004 business-book stall? As usual there was a smattering of fine, well written stuff from North American academics. Henry Mintzberg, a consistently contrary professor of management at McGill University in Montreal, fired a rocket into the academic business community by arguing in "Managers Not MBAs" (published by Berrett-Koehler in America and FT Prentice Hall in Britain) that the MBA, the bread-and-butter of most business schools, "prepares people to manage nothing".

Synthesis, not analysis, Mr Mintzberg argues, "is the very essence of management". Failed leaders such as Robert McNamara (of Ford) and Jeffrey Skilling (of Enron) were star MBA students and brilliant analysts. That was not enough to make them great managers.

In "Pay Without Performance" (Harvard University Press) Lucian Bebchuk of Harvard and Jesse Fried of Berkeley set out to identify the failure of corporate governance that allows chief executives' compensation to carry on rising with little relation to performance. They point the finger firmly at board directors, arguing that "we should focus not only on insulating directors from the influence of executives [the direction of most regulation in the field so far], but also on reducing their current insulation from shareholders."

An imbalance always exists between the few good books and the piles of unreadable ones, made worse this year by an exceptionally poor crop of corporate histories and "inside stories". Nothing compared with last year's "The Smartest Guys in the Room" (Portfolio and Viking), a gripping account of the Enron story by two journalists from *Fortune* that should be a sort of "Barbarians at the Gate" for the early years of the 21st century.

Transport was the publishers' favourite sector this year. Two books came out about JetBlue, not a particularly remarkable low-cost American airline. "Flying High" (John Wiley), the worse of the two, could have been subtitled "How to Succeed Like David

Neeleman", the Mormon with attention deficit disorder and nine children who founded the company.

Books about car companies were little better. "Driven" (John Wiley), ostensibly about BMW, is stuffed with details about the carburettors and power-to-weight ratios of almost every model that the Bavarian manufacturer has ever produced. "There will never be a boring BMW," says the author, something not always true of books about BMW.

Every year produces a rich crop of management gobbledegook. "Journey to Lean" (Palgrave Macmillan), winner of an award from Britain's Management Consultancies Association no less, came up with examples like this: "Each value stream within the operating system must be optimised individually from end to end."

This reviewer's recent favourite, however, comes from "Ready for Anything" (Viking and Piatkus Books), a book subtitled "52 Productivity Principles for Work and Life" and glowingly endorsed by Arianna Huffington. "I think", says the author, David Allen, "there are basically two levels to handle for [sic] any unforeseen opportunity: 1. The spiritual. If God is all, and you're part of that, just relax. 2. All the rest. For this you must get your act together, so you can shift gears as required." Sound advice, no doubt, for anyone obsessing about those BMW power-to-weight ratios.

Some excellent books published during the year fell in the grey area where business and management overlap with economics. Martin Wolf's "Why Globalisation Works" (Yale University Press), as clear an explanation of its title as you could wish to find, was one of them. Another was James Surowiecki's "The Wisdom of Crowds" (Doubleday and Little, Brown), a hymn of praise to the superior judgment of the many in an age when the individual expert is prized above all.

This reviewer's choice as the best book of the year, however, goes to a slim volume put out by Oxford University Press that deserves to be a classic. "The Modern Firm", written by John Roberts, an economics professor at Stanford Business School, lays out in wonderfully lucid and jargon-free language a framework for thinking about corporate structure, given that "any organisation is multifaceted, and the range of organisational variables is mind-boggling".

With an economist's discipline, the author introduces the reader as gently as possible to some demanding and stimulating ideas, ones that have already been tested by the likes of BP. Nobody, it can now be said, is fully fit to run a modern firm until they have read "The Modern Firm".