

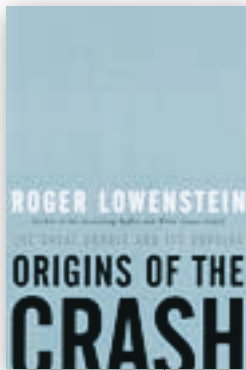
Bookshelf

Stock Market Shenanigans

If you want to feel discouraged, outraged, and simultaneously enlightened about the current state of the stock market and the corollary issue of corporate excess, turn to Roger Lowenstein's cynical and fascinating *Origins of the Crash: The Great Bubble and Its Undoing*. Carefully and clearly, financial reporter Lowenstein explains how the American financial system got to where it is today. He starts with a description of the stock market in the 1970s—an entity which at the time received only mild interest from the average American—and traces its evolution through junk bonds, stock options, the cult of the CEO, creative financial reporting, and colossal disasters like Enron and Tyco.

As presented by Lowenstein, the present abuses of the system become almost inevitable. Reacting to the ever more urgent cry of “shareholder value,” CEOs and CFOs begin managing their numbers to present favorable quarterly reports. Members of the press seem to be in collusion with insincere corporate boards. Auditors who question company practices are replaced. Companies that miss their financial projections see their stock prices fall—so they make sure not to miss. Because Internet technology makes stock market information instantly available to the smallest investor, in some instances it seems as if CFOs have no choice but to start lying in order to keep their investors happy.

While the subject matter is treated seriously, now and then the



author's sardonic viewpoint is genuinely funny, as when he discusses the astounding prevalence of the CEO in the financial media. “It became common to speak of how much an individual CEO had raised ‘his’ share prices—as if General Electric had not two hundred thousand employees but only Jack Welch, as if Eisner had not inherited the library of Disney cartoons but had personally drawn them,” he writes. No one is exempt from Lowenstein’s finger-pointing—not the CEOs, not the auditors, not the elite-school academics who praise corporate leaders in the new economy, not the investors themselves. It’s enough to make anyone rethink his portfolio—and his relationship with the stock market. (The Penguin Press, \$24.95)

Competitive Advantage

The very techniques that help a new company succeed most often will lead to its ultimate failure. Companies need to sustain continual growth in order to stay competitive, but for an established company, adding new products or opening new markets are risks that rarely pay off. Clayton M. Christensen explored some of these conundrums in *The Innovator’s Dilemma*. In his new book, *The Innovator’s Solution*, co-written with Michael E. Raynor, he provides some answers.

Christensen and Clayton first explain the different kinds of innovations that companies continually



produce—the sustaining innovations that improve current products; the low-end innovations that appeal to customers who don’t mind a lesser product that suits their needs; and new-market disruptions that target customers who typically didn’t buy anything in this market at all. Established companies have no motivation to fight for the low-end or nonexistent portions of their markets, so they tend to ignore innovators at those levels. But as soon as these innovators get a foothold in the market, they begin targeting higher-end consumers with better and better products—and then the whole market is likely to change.

So how do companies, both new and old, design new products that are disruptive and guarantee their hold on the market? Christensen and Clayton advise readers to ignore traditional marketing tenets like market segmentation and customer demographics. Instead, they advocate learning what “job” the customer has “hired” the product to do—and then finding a way to make the product do that job more effectively. The authors fill their book with real-life and imaginary scenarios of products that have succeeded or might succeed—or fail. Their formulas should give any brand manager fresh ways to look at his own product line. (Harvard Business Press, \$29.95)

A Positive Outlook

We’re all acquainted with good people—those who are positive, compassionate to others, quick to laugh, and quick to forgive. They seem happier and more productive than the pessimistic and paranoid people we also know. Strange as it sounds, there are also organizations that qualify as “good,” that embody

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—Positive Organizational Scholarship



specific virtues and have such positive outlooks that they can overcome disastrous events and

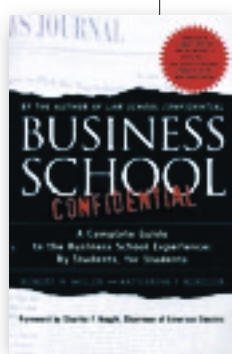
provide safe, friendly environments for employees.

In *Positive Organizational Scholarship*, editors Kim S. Cameron, Jane E. Dutton, and Robert E. Quinn focus on everything that can go right in business. They link their own work to studies done in related fields like positive psychology, prosocial and citizenship behavior, and corporate social responsibility. They believe that “the desire to improve the human condition is universal and that the capacity to do so is latent in most systems”—including corporations.

Lest the reader think this is just another motivational book, the authors support their theories with hard evidence. In the chapter on “Virtuousness and Performance,” Cameron cites studies that indicate that “virtuous companies” bounce back more quickly from negative events such as downsizing. Virtuous corporations also benefit by retaining productive, committed employees whose “upward spiral of positive feelings” toward their jobs “increase their pride in their organization.” Just as everyone wants to be around a happy person, everyone wants to work in a happy workplace. That conclusion is no surprise, but it might require a paradigm shift in thinking for less virtuous managers ferociously intent on the bottom line. (Berrett-Koehler Publishers, \$45)

Quick Looks

Working executives considering applying to business school should do themselves a favor and pick up a copy of *Business School Confidential*, a thorough and plain-spoken book that takes a close look at the entire business school experience. Early chapters urge potential students to think deeply about why they want to attend business school, and what they should consider when they apply, from a school’s official rankings to its perceived reputation to its



greatest strengths. Chapters cover a whole range of topics: prepping for the GMAT, writing a personal essay, funding the \$80,000-plus degree, choosing roommates, working with peer groups, handling interviews with recruiters. Written by Robert H. Miller and Katherine F. Koenigler, the book draws much of its hard information from a panel of “experts”—ten recent graduates from top schools. The whole book can be read in a couple of hours, but its thoughtful insights will stick with b-school candidates long afterward. (St. Martin’s Griffin, \$17.95)

Is your company planning some kind of expansion or upgrade in the near future? Are you considering adding new technology, going public, making an acquisition, entering a new market, or reorganizing your staff? Any or all of these initiatives could drive your company into “strategic gridlock,” in which your goals are in direct conflict with the realities of your company’s culture, abilities, and other “organizational realities.” In *Preventing Strategic Gridlock*, Pamela S. Harper outlines

the hidden roadblocks that cause new strategies and initiatives to fail: the “one-size-fits-all” mentality that makes managers believe past solutions will be successful again; the “management by lobotomy” solution in which personnel and programs are drastically cut; the “act now, think later” strategy that leads executives to move ahead without gathering sufficient information; and a handful of others. Harper gives real-life examples of companies that failed due to strategic gridlock—and a no-nonsense list of ways to break free of those traffic jams. (Cameo Publications, \$19.95)

The third edition of *How to Advertise* offers advice and text as elegantly simple as its name. The book by Kenneth Roman and Jane Maas, with expanded new-media commentary from Martin Nisenholtz in this edition, was first published in 1976 and continues to espouse some of the basic tenets of getting a product or company noticed. The book is cleanly written and presents concise chunks of easy-to-absorb information. It’s also both smart and fun. In the section on “Brands and Strategies,” the authors write: “Don’t forget to offer a benefit. Thousands of people buy quarter-inch drill bits, not because they want quarter-inch drill bits but because they want quarter-inch holes.” This no-nonsense guide to advertising makes it clear in the updated version why it’s still a classic. (Thomas Dunne Books, \$24.95) 

