BOOK REVIEWS

Consulting Demons: Inside the Unscrupulous World of Global Corporate Consulting

Lewis Pinault (HarperBusiness, New York; 2000) $26

Reviewed by Robert H. Schaffer CMC

On a recent assignment in Australia, I encountered several consultants working for the same client. One was a former McKinsey consultant now off on his own. Another belonged to an industry-specific firm. The third was from a small U.S. firm. They came from different parts of the world and very different specialties, but they all had in common a strong interest in helping the client be more successful. They argued strenuously with the client about decisions that needed to be made and argued with each other about what the best decisions would be. This group was similar to most of the consultants I have encountered over the decades. Sure, I have found the methods of many consultants to be lacking. And sure, many of them are too preoccupied with selling more business. But most share a strong interest in contributing to the success of their clients.

By contrast, this book is populated with consultants who evince virtually no interest in their clients' welfare. These are the employers and associates that author Lewis Pinault encountered in his 12-year consulting career. They were, as he puts it, his fellow sufferers. Changing jobs every two or three years, Pinault rotated among various firms and between the United States and Asia. He worked for the Boston Consulting Group, Gemini, Arthur D. Little, and others. He ended his career at Coopers and Lybrand, where he became a partner—the Holy Grail that apparently liberated him so he could quit consulting.

The book is an anecdotal history of his time in these firms, reconstructed conversations with colleagues, sketchy descriptions of client projects, and miscellaneous stories of hiring, firing, transfers, promotions, job assignments, and various feats of derring-do by the author. The project descriptions serve mainly to reveal the foolishness of clients and the self-serving manipulations by which consultants exploit this foolishness. The number of cases about which Pinault felt happy with the outcome is, in round numbers, none, zero. That utter negativity, combined with the apparently fictionalized nature of much of the material, raised in my mind the question of just what has been reconstructed, what has been deconstructed, and what has been just plain constructed.

To test my perceptions, I sought the views of KEM, a bright colleague who had read the book. He liked it. His comments: "I enjoyed reading the book. The author's technique of following an introductory narrative with dialogues of his meetings with his consulting colleagues created the sought-after atmosphere of conspiracy. He did a good job of describing how (excepting his positive description of Coopers) the clients' interests had long ago receded into the distance. He showed how consulting methods were developed mainly to translate new concepts (such as core competencies) into maximum revenue. In the United Research story, the manipulation of clients moved to a level of ruthlessness."

My response was, yes, but how much of the demonology is in the consulting he witnessed and how much is in his way of viewing the world? He is obviously a very smart fellow. He clearly was aware of what was happening all along. This is not the country lad suddenly waking up to the fact that he was led astray by the city slickers. He was a more-than-willing co-conspirator in all of the demonic activity he describes. He details, for example, the well-organized theft of files and other material from a firm he and some colleagues were leaving as though it were a college prank rather than pure larceny. Same with a dose of industrial spying that involved lying to and manipulating gullible victims. When he recounts these stories, he emphasizes the skill and effectiveness with which he carried out the skullduggery rather than any moral issues. He implies, "what the hell, everyone does it."

KEM responded by reminding me that I have criticized the ineffectiveness of many consulting methodologies and that this book reinforces those views by showing that the real preoccupation of these firms is to make money and aggrandize the egos of their partners. KEM especially liked the categorization of consulting personalities and the survival techniques the author and his associates used in the absence of more meaningful relationships and more satisfying work.

Another feature KEM found fascinating was Pinault's description of how economic pressures inherent in big firms have, almost by necessity, led to building selected senior partners into gurus with widespread brand recognition. KEM said this description helped him understand the emergence of certain star players based on a few *Harvard Business Review* articles and tons of publicity.

He also liked the Consulting Demonology Tracts that end each chapter with small bits of thought and occasional wisdom. One starts: "Inordinate faith in weight of data: Cases that begin to show obsession with large quantities of data also run a high danger of fractured expectations." Another is a series of descriptions of Pain-Management Archetypes (what KEM refers to as consulting personalities). For example, the bon vivant is

> not a workhorse but at times brilliantly inspired. Most often but not exclusively male, and ideally suited for random travel, recruiting, and unsavory client entertainment.

We can also read in this list about the connoisseur, the family man (but no family woman), the dilettante, the addict, the terminator, the self-abuser, and others. And at the end of the last chapter, the Demonology Tract details "Modern Magic for Surviving the Consulting Storm"—a combination of serious, semiserious, and cynical bits of advice.

KEM did have some criticism of the book as well as praise. One was of Pinault's concept of the consultant as an expert providing the magic cure rather than a partner helping the client succeed. KEM said that such a stance limited Pinault's perspective on how consultants might provide real value. Thus the involvement of clients in the consulting project is viewed in the most cynical terms. As Pinault puts it:

> [Enlisting] a large portion of the client's organization in the task of execution and expansion [of a project is nothing more than a method whereby] senior consultants learned to better shield themselves from accusations of practice incompetence and the ever-present danger of burnout.

So much for actively involving clients in projects!

KEM also questioned Pinault's description of process consulting as a superficial strategy for manipulating clients into participating in meaningless exercises. KEM felt this was a narrow view of how strengthening through work processes can provide value.

Referring to the consistent theme of client incompetence and gullibility, KEM asked: "Where are the organizational leaders in all of this? Where are the clients who are supposed to be evaluating the consultants and holding them accountable for making contributions that justify their fees? If Pinault is to be believed, this is a serious indictment of the managers who are hiring the consultants."

But that's the point. Is Pinault to be believed? If yes, then this book provides a devastating description of a nefarious gang of cynical con men, creaming income from naive clients by almost any means at their disposal. But I doubt that critical readers will believe Pinault for the reasons already cited and others as well. Pinault too often casts himself in the role of hero, ladies' man, and Sir Galahad. Typically, he quotes one of his bosses complimenting him on his role as staff morale-builder:

> I'd like you to catch up with your friends, blow off some steam tonight, get them excited about coming out to Asia. They miss you, you know. I've heard about your dinners and nightclub escapades . . . . It might tone down the complaints if they know you're still with the program and inviting them to join you in Asia.

Some of the stories have the feeling of fantasy. Here's one example: Pinault is in Sydney with his boss. The two are out strolling after a long, late-night meeting. Although overweight, Pinault removes his coat and shoes and agrees to relive his rock-climbing days by scaling the face of the Sydney Opera House. Once at the summit, they rest while his boss gives him a Dutch-uncle performance review. Could this have happened as described? It could have. But the reader would have to be gullible to swallow it whole.

Another story contrasts Pinault, the hero, with the fools he must associate with. He goes to pick up a colleague to visit a client the day after some late-night carousing. "Werner stood naked at the door, a mess of blubber and vomit." As the story continues, "Werner bolted into the men's room, where I was relieved to see that he unleashed prodigious amounts of vomit." Later: "Unaccountably, there were no airsickness bags on the plane, and in desperation he unrolled his wet hand-towel and quickly overwhelmed it." Later, at the client office, "I began to speak an apology, but was interrupted by the . . . clear sound of Werner's splattering and gasping, again with full echo effects." Later, "About every ten minutes he would sheepishly smile, exit, and treat us to another chorus of up-chuck." Was the job lost? Of course not. Our hero won again. On another occasion, Pinault must go to Bangkok to make a client presentation on a subject he claims to know virtually nothing about. Does he bomb? No way. He saves the day.

So the question is, where are the demons? If you accept Pinault's account, they are all in the consulting profession and its people. If you are more of a skeptic, as I am, you may wonder whether the demons are not a product of the author's unique perspectives of himself and of life around him.

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Collaborative Change

Mary V. Gelinas and Roger G. James (Jossey-Bass/Pfeiffer, San Francisco; 1998) $149

Reviewed by John Quay

This is a large, how-to loose-leaf workbook on collaborative change based on the authors' consulting work with seven (mostly) large clients and on their extensive research of the literature (mostly) in the behavioral sciences. The book starts with identifying a need for change and has three parts:

- Developing the Foundation for Change
- Designing Change
- Implementing Change.

Each part has methodically outlined chapters that cover purpose, organization, and how to use the material. Each procedure states its purpose, the preparation required, and the specific steps to be followed. Chapters are replete with tips and examples. All in all, a consultant's complete guide to collaborative change!

Of the many good ideas in this book, the following impressed me:

- Clients, in partnership with consultants and/or staff, should make decisions about what data to gather, how, and by whom and should be intimately involved in gathering and analyzing the data. This collaborative approach is the theme throughout the book and is, I believe, the basis of most good consulting work today.
- Meetings and interviews with employees serve to gather data, to involve employees in understanding the issues, and to gain their commitment to change.
- Remain alert to any feelings of shame or embarrassment on the part of clients for the problems they may have caused. We consultants can play a vital role here in getting such feelings expressed, reassuring clients about their courage in confronting these problems, and laying the groundwork for commitment to change.
- When implementing change, aim for some quick wins to demonstrate the usefulness of change and to motivate people to continue the process.
- Prior to implementation, clients would do well to ask, "A year from today, if this project is a total disaster, what did we do to create that disaster?" Then ask, "And if this project is a roaring success, what did we do to create that success?"

There is a useful section on closing engagements, including the use of questionnaires and discussions with key individuals and groups. The authors point out the need for full and candid evaluations of the project from both clients and consultants.

An extensive bibliography includes standard classics and more recent writings by scholars on behavioral science and organizational change.

One downside of this workbook is that it's too academic. While the pedagogical style and organization make it easy to read, in many ways *Collaborative Change* is simplistic, talks down to knowledgeable readers, and is unnecessarily repetitive. We are reminded again and again to prepare well, to have certain documents on hand, and how to use each one (a diskette of exhibits is included in the package). And we are advised repeatedly to communicate to make sure everyone has a chance to participate in the change process and to get consensus before proceeding.

Another detraction is the authors' naïveté about large bureaucracies. For example, they recommend borrowing key employees from the units that will be affected by the changes. These employees are designated as change agents and will spend 60% to 80% of their time on the project for eight months or more. During and after this period they are to convince their bosses of the need for and advantages of change. Their units' failure to meet goals because these key people are absent is not seen as an obstacle!

The authors also don't understand the limits to collaboration in large enterprises. In one place they say that without everyone's commitment and ability to change, change will not occur. That is simply not true—a fact the authors recognize elsewhere when they refer to the need for critical mass and substantial agreement as essential for change. Toward the end of the book they conclude that leaders must convince employees that changes are needed and will improve profitability. If changes have failed in the past, leaders are coached to say, "You doubt my sincerity don't you? You know how the last change failed—but this time we mean it." I say agreements are hard enough to come by in political democracies. One Achilles' heel of this book is the authors' faith in industrial democracy.

Even so, many factors support a more participative approach to leadership today:

- Higher education in the Information Age means many employees want to know about and participate in key policies and decisions.
- Today's labor shortage means companies must work harder at satisfying employees lest they lose them to more collaborative employers.
- Many studies show significant improvements in performance when employees feel empowered by participative and collaborative processes.

Yet, other factors limit the effectiveness of collaboration. Most changes hurt some people. Some changes hurt many people. Getting a critical mass—let alone everyone—to see the advantages of change is like trying to herd cats. Furthermore, many markets and industries can't or won't wait three or more years for a change process to run its course. And top executives earn big bucks these days to develop mission statements, visions of where they want their companies to go, and the strategies to get there. They must then sell those concepts to the rest of the organization—and demand the changes if others don't buy.

That brings me to these recommendations: For those unfamiliar with the literature, theory, and evolution of the collaborative approach, read Chapters 1, 6, and 10 on developing the foundation for change, designing change, and implementing change. For those familiar with the process of collaborative change, pick out the pieces easily within your time and cost limits and get to work on implementation. For all, make good use of the directions, checklists, tips, and exercises. Whether you use the collaborative approach with top management to define mission, vision, and strategy or whether you use collaboration to solve specific operational problems in a division or department, using input from all who need to change is generally the best way to go whenever you can. There's plenty here to help you do that.

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Alliance Advantage: The Art of Creating Value Through Partnering

Yves L. Doz and Gary Hamel (Harvard Business School Press, Boston; 1998) $29.95

Reviewed by Ron Ashkenas

In the past decade we have witnessed a sea change in the competitive environment for corporations. Shifts in geopolitical alignments, the opening of free markets around the world, and the emergence of communication and other technologies have created unprecedented opportunities and challenges. Many of these opportunities, however, are now beyond the scope and scale of any one organization. The day is past of totally integrated behemoths like the Ford Motor Company of the mid-20th century—which controlled its own mining, shipping, steel making, railroads, parts production, assembly, and distribution. No organization today, no matter how large or successful, has the knowledge and resources to dominate a total global value chain that way. And with technologies and opportunities changing so quickly, corporations also do not have the resources or the creativity to stay up-to-date on everything they need to know to compete effectively.

With these new realities in mind, organizations are looking for other strategies in order to manage across the global value chain and stay current with new technologies. In many cases, this means forging with other organizations various kinds of combinations, such as mergers, acquisitions, partnerships, and alliances. For large firms, such combinations provide new reach and capability; for small firms, they provide instant resources and credibility. That is why the pace of mergers and acquisitions is greater than ever before. And that is why companies are increasingly forging alliances with others.

For those of us who work with firms that want to follow the alliance path to competitive advantage, Alliance Advantage is a rich guide and resource. Based on years of consulting, research, and teaching at Insead, Harvard, and elsewhere, the authors provide frameworks, guidelines, checklists, models, and cases that can help conceive, shape, and manage successful alliances. In fact, for any of us working with a company that is even thinking of an alliance, this is a must-read.

Unfortunately, it is not an easy read. It is dense—packed with models, ideas, tables, suggestions, and illustrations. Dozens of real-life examples are cited. Anyone who tries to follow all the advice, weave through all the subjects, and walk through all the decision trees and models will probably give up. It is intimidating. It seems that putting together and managing a successful alliance is impossible. There is just too much to think about, and there are too many contingencies to consider.

So, how do you wend your way through the thicket of possibilities?

- First, don't give up on this book. Just take it in smaller chunks. You might, for example, want to start with the last chapter, which provides clear advice about a firm's readiness for an alliance. Then, based on the results of your analysis, work through the sections that are most relevant.

- Second, keep in mind that alliances are not just strategic challenges. Alliances, as much as anything, are organizational challenges. Sure, the strategic fit and intent need to be correct and aligned. Yes, sufficiently compelling returns on all sides are needed to warrant the investment of money and resources. But strategic perfection will not make an alliance successful if the organizations involved do not have the skills, culture, and capabilities to work collaboratively and well together. Thus, if you are struggling to manage across boundaries, start there. Are there ways you can help the companies capture business opportunities together? Can you organize collaborative efforts with customers and/or suppliers to take costs out of the supply chain? Efforts like these not only have their own rewards, but also serve to prepare the firms to more competently manage alliances in the future.

- Third, if your client is ready to pursue an alliance or wants to make an existing alliance more successful, there is no need to leap all at once. Find ways of testing the relationship first. Start the alliance small and build on success. For example, an automotive parts supplier started an alliance by locating outside engineers and designing certain parts together. That led to an agreement to build a plant together. Eventually, other functions were included. But each step was based on a foundation of success and experience. In essence, before your client ties the knot and gets married, recommend living together in a less-binding relationship.

- Finally, think about alliances as a process of development and evolution rather than an end state. The cases presented by Doz and Hamel all illustrate that alliances evolve and emerge but rarely end as originally planned. In even the best cases—such as Motorola's alliances that created Iridium—unexpected events, technological developments, and functional misses caused some of the best-laid plans to fail. So consider alliances to be evolving entities. And as such, keep feeding what's learned from the alliances back to the partners. That way, even if the alliances themselves do not succeed, the learning and capability that the alliances generate provide enduring value.

For consultants to management, alliances provide exciting opportunities to help clients think beyond their own boundaries. We can help our clients consider their overall value chain, the competitive landscape, and emerging technologies. Everything is open. But as we do this, we must keep in mind that the intellectual excitement of conceiving alliances needs to be matched with the hard work of building organizational and managerial capability. If we can help our clients do this on a foundation of step-by-step success, then we ourselves will have forged alliances with our clients that will stand the test of time.

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The Lexus and the Olive Tree

Thomas L. Friedman (Random House/Anchor Books, New York; 2000) $15

The Challenge of Global Capitalism

Robert Gilpin (Princeton University Press, Princeton, NJ; 2000) $29.95

Reviewed by Charlton R. Price CMC

How global is the global economy? What's driving its further development? Who are the players? Which nations, enterprises, and individuals are shaping, are adapting to, or are victims of globalization? What opportunities and challenges does globalization create? What do consultants to management need to know, and know how to do, regarding globalization? These two books have some good answers to these questions and also draw attention to other questions about globalization that we must ask ourselves and our clients.

Friedman's book is the best readily available source of conventional wisdom about globalization, and a real page-turner. It has everything we didn't know we needed to know, and should ask, about globalization, a.k.a. the New World Disorder. Friedman is the international affairs correspondent of the *New York Times,* and he sees globalization driven by increasingly free markets, free trade, high-tech, and the Internet. He considers it inevitable, irreversible, and stressful—yet on balance, a boon to humankind.

He sees an apparently irresistible force colliding with an apparently immovable object. Lexus automobiles symbolize the irresistible force. Computerization, robotics, miniaturization, satellite communications, the Internet, and similar technologies ever more completely shape manufacturing, marketing, services, consumer products, finance, trade, and consulting services worldwide. At a plant in Toyota City south of Tokyo, for example, it takes only 55 people to monitor 310 robotic devices and systems that turn out 300 Lexus sedans per day.

The olive tree symbolizes the immovable object—everything that roots, anchors, identifies, and locates us in the world. That is, our homes, families, communities, tribes, and nations. The collision between the forces of the Lexus and those of the olive tree is caused by rapidly expanding worldwide electronic communication. The Internet instantaneously transfers information about making, buying, selling, managing, and scheduling; and it moves money with the click of a mouse. Half the world seems intent on building a better Lexus—that is, trying to modernize, streamline, and privatize in order to thrive or just survive. And half the world—sometimes half the same country, sometimes half the same person—is still arguing or warring over who owns which olive tree.

Robert Gilpin, a Princeton University professor of political economy, challenges much of this conventional wisdom about globalization. He believes that advocates and opponents exaggerate both the present and potential benefits and dangers.

Advocates of globalization, he says, tend to be free-marketers who believe globalization promises increasing worldwide prosperity and international cooperation, and who want unrestricted flow of goods, services, and capital. Opponents and critics worldwide attack globalization for causing unemployment, job flight, illegal immigration, growing economic inequality within and among nations, loss of national self-determination, and other evils. As they see it, globalization foists capitalist tyranny, imperialist exploitation, and environmental degradation upon the peoples of the world. They believe that faceless bureaucrats at the World Trade Organization, the International Monetary Fund, and other organizations do the bidding of capitalists by pushing policies and taking actions that destroy national independence and democratic self-rule.

The professor makes two general points about the assertions of the cheerleaders for and the crusaders against globalization. First, the so-called global economy isn't all that global. It really involves production, trade, and financial transfers only within and among the economies of the United States, Western Europe, and Japan, along with some other countries of East Asia. It excludes most of the world's people. Second, there are obviously many extremely serious social and political problems in the world. It does no good, and could even do harm, either to claim globalization is all good or to just wish it would go away. We must make changes in governmental and business policies and actions to deal with these problems responsibly and effectively.

Despite their differences, Friedman and Gilpin agree on the key imperatives and consequences of globalization:

- Nations, enterprises, communities, and even individuals either shape or adapt to the ever-more interdependent national economies and societies. Shapers define rules and procedures that govern activities—products, policies, markets, and even wars. Adapters adjust to rules or systems shaped by others. They learn to profit from constant changes by carving out their own niches. Those who neither shape globalization nor adapt to it are nonplayers and potential victims of it.

- The U.S. economy is the biggest and has the widest reach. Globalization serves American political and security interests as well as its economic interests. But the United States is not meeting the responsibilities that go with its dominance. Both authors come down hard on this point. As Gilpin puts it:

> Leadership must be based on power, but American economic and military power are not identical to American leadership. . . . The United States has not yet formulated a national strategy based on the [economic, political, military] realities of the post–Cold War world.

- Not just international organizations and national governments, but individual shapers, such as business executives and consultants to management, must collaborate more with their colleagues and customers to broaden the benefits and minimize the dangers of globalization. In an increasingly interdependent and higher-tech world with instantaneous communication, where it seems everyone is online but no one is in charge, the future depends more and more on the moral or immoral choices and mouse clicks we make as individuals.

Will globalization be sustained? Will it be increasingly beneficial to all? Friedman and Gilpin are both somewhat optimistic. Gilpin trusts that some specific changes will be made in U.S. governmental policy to meet the obligations that the United States, as a leader in globalization, must accept and meet. The changes he recommends would respect and deal with differences in the economic circumstances and cultural values of the various shapers of and adapters to globalization. He especially urges vigorous efforts to restore renewed support for economic openness and free trade, which he sees as alarmingly eroded in the United States, Europe, and East Asia. Unfortunately and amazingly, he says way too little about the responsibilities and obligations of the private sector!

Friedman, on the other hand, convincingly argues that our very future depends on our individual actions and behavior. All current and potential participants in the global economy must come to understand and accept the responsibility to bridge national and cultural borders and barriers, and move to a world that balances economic gains with political, cultural, and personal freedom.

Inevitably, consultants to management have become—and will continue to be—important drivers of globalization. The effect of consultancy on clients' mind-sets, their enterprises, and their national economies is no small thing. Yet at the Management Consultants 1996 World Conference in Yokohama, for example, most attendees took a "don't worry, be happy" view of the immediate future. The typical attitude was: "Our clients want to go or have to go global. We consultants want to or have to go global to serve them, because they can't do it without our help. So there will be a seller's market for management consulting, especially in East Asia. Let's capitalize on it." Within months, the economies of East Asia and the Little Tigers of the Pacific Rim imploded. Many of the clients advised by big-name international consulting firms were battered and taken down.

Are we now doing better for our clients? Do we now collaborate with them more responsibly to help them cope with problems, identify opportunities, and anticipate possible indirect consequences of their efforts to globalize? For their sakes and ours, let's hope so.

The Asian Advantage: Key Strategies for Winning in the Asia-Pacific Region

George S. Yip (Addison-Wesley, Reading, MA; 1998) $38

Reviewed by Charlton R. Price CMC

Here is detailed information and sophisticated analysis of economic, government, social, and cultural structures and trends in the area within the Japan-India–New Zealand triangle. George Yip, a professor of international business and strategy at the University of California in Los Angeles, organized and directed the work of 15 regional and country experts over a study period from 1994 to 1997. The focus is on implications of the situation for multinational corporations and consultants who develop strategies for current or contemplated business operations, within the region generally and within individual countries.

The end of that study coincided with the start of current and continuing economic turmoil in the region and a variety of business, financial, and political problems in individual countries. These changes may invalidate some of the study's findings and conclusions. However, the analytic framework still seems appropriate and useful for developing international business strategies. That is, the framework remains valid even though more recent data may change country rankings on some variables or might lead consultants to recommend altering strategies for starting, continuing, or withdrawing operations in specific countries.

The analysis, too much to detail here, ranks countries in the region on the relative importance of such factors as

- market opportunity
- cost of doing business
- quality of human resources
- governmental intervention in or influence on business activity
- competitive environment.

Such data and comparisons provide consultants ways to evaluate the potential of countries as markets, production sites, and/or sources of raw materials. The information can also help consultants evaluate the desirability of recommending the use of local managers or imported management. It suggests that companies should consider particular variations in their global strategy for operations in specific countries. And it contains information on the operating experience in specific countries of both local companies and multinational corporations; in particular, the experience of a few especially prominent U.S. and Europe-based multinational corporations.

Most valuable for consultants are the detailed suggestions on how to apply the study's findings to develop business strategies for global, regional, and individual countries. For example, for marketing, the study points to the factors favoring participation in a given market and how a business should plan to penetrate that market. An analysis of local costs of doing business suggests criteria to decide how and where to locate specific kinds of business activities. The study can also help estimate the relative risk to a business that would be likely from local government intervention, political corruption, and other factors.

A concise appendix lists all the measures used to describe conditions and trends in the region as a whole and to rank the countries of the region. Though the report is dense with data, it is very readable and seems well designed to meet the needs of its intended users, namely, multinational corporate strategists and their advisors.

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Getting It Done: How to Lead When You're Not in Charge

Roger Fisher and Alan Sharp (HarperBusiness, New York; 1998) $23

Reviewed by Bradley E. Hosmer CMC

The subtitle of this book describes us consultants. We do not have the authority to demand that our recommendations be implemented. If we do, we're managing, not consulting. We consultants must rely on good ideas, influence, and persuasion to get things done.

One of the book's authors, Roger Fisher, should be taken especially seriously.

The last book he coauthored, *Getting to Yes,* has sold more than three million copies; and not because it's some fad, but because it's a very useful little book.

This, too, is a very useful little book. The authors identify five strategies for getting things done when we're not in charge. They are:

- Make sure we have a clear purpose that motivates us to achieve results.
- Organize our thinking around information, diagnosis, general approaches for overcoming the problems, and specific actions to take.
- Learn by integrating thinking and doing; get ourselves and others fully engaged by framing our work in ways that really challenge us.
- Learn how to give and receive supportive feedback.

Each of these strategies for getting things done is discussed in its own chapter.

Those chapters are crammed with useful and practical counsel. For example:

- The benefits of getting started far outweigh the benefits of further delay while plans are being polished.
- A cycle of *prepare, act,* and *review* repeated again and again as work progresses is a sound approach in almost all cases.
- When a goal seems distant and unreachable, we can get to a practical next step by asking by what means we will achieve our goal.
- When a proposed action seems to lead nowhere, ask to what end? That clears our thinking and leads to action consistent with our objectives.

For lack of space here, I'm not doing justice to the wisdom in this book. So I close with this: As a primer on collaboration as opposed to telling others what to do, this book can't be beat.

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Rembrandts in the Attic: Unlocking the Hidden Value of Patents

Kevin G. Rivette and David Kline (Harvard Business School Press, Boston; 1999) $27.50

Reviewed by John D. Trudel

This book is perhaps the first of a new genre—books that treat the protection of intellectual property as integral to corporate strategy and economic policy. Though it has some of the flaws often found in pioneering works, and though it contains one glaring omission, it is worth reading. It discloses the secrets surrounding the use of patents in business competition today and shows how leading firms such as Gillette and IBM use patents to boost profits and enhance their success. The authors are commended for making a breakthrough; moving an esoteric and arcane subject into the mainstream and getting Harvard Business School Press as a publisher are significant accomplishments.

For 200 years the United States had the world's best patent system. It was open and fair, and it helped spawn 95% of the commercial innovation in the world.[1] The Japanese, for example, attribute America's phenomenal success at creating prosperous new industries (Silicon Valley, the Internet, the PC, semiconductors, and on and on) singularly to its patent system. Indeed, 99% of the U.S. manufacturing base and 50% of its exports exploit patents.[2] It should therefore be no surprise that knowledge assets are fiercely contested during trade negotiations and that the post–Cold War era is becoming the era of the Patent War.

If this book had come out a year earlier, it might have changed history; but in late 1999, the U.S. Congress totally rewrote the laws on patents. Legislation to do so having been blocked for years, a quorum of America's Nobel laureates (including all those in economics, regardless of political stripe) requested extensive open debate in the Senate and warned of potential lasting economic harm. That debate never happened, and legislation finally passed. Thus this book is marred as an early work by being outdated.

Critics say the new legislation sells out the U.S. patent system to accommodate Japan and that it removes oversight and invites improper influence.[3] Advocates claim the American Inventor's Protection Act of 1999 was reform needed to help inventors.[4] Whatever labels and spin one prefers, how fairly the new law will treat emerging firms is an area of major concern. Software and Internet companies want to be shielded from junk patents that may block them from doing business—for example, the infamous Amazon.com patent on clicking a mouse to place an order on the Web.[5] Conversely, new ventures and independent inventors want to own their innovations, and venture capitalists want their investments protected. Anything that might compromise that ability threatens them. In any case, the book omits discussion of this controversial new law.

Still, while the new law may impact the ability of some firms to implement a patent-based strategy, the book's other points are valid. It correctly sees intellectual property as a strategic asset and competitive weapon of enormous value. Indeed, without patents, the future of a business may easily be owned by someone else. Consider what Intel would be like without its patents on microprocessors, or Disney without the rights to Mickey Mouse or Fantasia, or Monsanto's dilemma as its patents on Roundup, expire. Indeed, the new knowledge-based economy makes intellectual property important as never before. IBM, for one, gets a billion dollars a year in free cash flow from patent licensing. And there has been an explosion of patents in recent years. Microsoft, for example, had only one patent a decade ago; now it has some 800.

The book does tend to make intellectual property issues seem genteel. That's wrong. Unreported, for example, was IBM's aggressive strategy of using its massive arsenal of patents to pressure customers into buying its OEM products. That gets IBM over $30 billion a year. As N.C. Wellman of Cisco said, "They get you to [agree to] buy more products from them, [so] they will issue a cross license."[6] The game is hardball, and the stakes are high.

IBM and Microsoft get it. They led the lobbying to rewrite U.S. patent law. They say they acted to help inventors. I say they used political influence to tilt the playing field to their advantage. That was a clever move that exploited the inattention of their competitors.

Even now, surprisingly few CEOs even know the rules have changed, and fewer still grasp the implications. Most U.S. firms are careless about intellectual property assets. Despite notable exceptions such as Microsoft, IBM, and Intel, most large companies are inept in this area. Many ignore patents or make them a clerical exercise, a box for project managers to check and for lawyers to process. Worse, top management routinely delegates policy matters on intellectual property to its lobbyists and lawyers. That helps explain why half of all U.S. patents go to foreign firms, and most of the rest go to small firms, universities, and individual inventors.[7]

In the Information Age, wealth is found primarily in knowledge. Today's value is in nontangible assets, and those drive prosperity. A 1997 Coopers and Lybrand study noted that two-thirds of the then $7 trillion market value of publicly traded companies was not shown on balance sheets—because it lies not in real estate, plant, or equipment but in intangible assets. That is why the ratios of stock prices to book value have soared from a traditional 1.6 or so for most of the last century to about 5.3 today.

One of the authors of this book formed a software company that makes mapping software to chart "patent space." It is a spreadsheet for patent issues that tracks and analyzes patents for strategic planning purposes. That tool helps managers visualize opportunities. For example, one hot technology is digital video. Using the author's mapping techniques, one can see that Intel has twelve patents in image analysis, but only three in digital audio and cryptographic encoding. Intel's patents aid video conferencing, but they miss the areas that help video gaming.

Another hot area is e-commerce transactions: Citibank holds 12 patents and IBM holds 7. A surprising amount of the high ground on this is Japanese-owned. The Japanese have tracked the intellectual property activities of individuals and firms for decades. They are notorious for "bracketing" their patents. As a simple example, imagine that you patent a wagon and that there is a hot market for it. Japanese firms would patent a red wagon, a blue wagon, a green wagon, a wagon with wire wheels, and a dozen other types of wagons. Dare to market your wagon and you'll find yourself at a real disadvantage. Computerized intellectual-property mapping tools greatly facilitate such strategies. They could easily be used to track patent applications (formerly held in confidence, but no longer), and to preempt disruptive upstarts by blocking or delaying their pending patents.

In any case, using patents for strategic clout demands that companies shift their focus and organizational structure. Companies must make patents a corporate issue, instead of a project or a techno-legal issue. Most will use outside consultants to effect those changes—so to create more value from new products and services. We and our clients should search the corporate attics for Rembrandts. The threats and opportunities are real. The rewards are high!

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Notes

1. See, for example, John D. Trudel. 2000. The Patent Wars, *Analog Science Fact and Fiction* (Jan.), pp. 52–61. This article, along with more information about this topic, is also posted on www.trudelgroup.com.
2. John D. Trudel, The Patent Wars," loc. cit.
3. The new law makes the patent office director a czar, appointed by the President for a five-year term. It allows patent office functions to be contracted offshore and allows the patent office director to accept property. The previous wording, "gifts and donations," was stripped from the bill that passed. The privatization of the patent office removes patent examiners from liability for corruption, for example, and for long jail terms.
4. This includes virtually all the mass media reports on the new legislation. See *Fortune Small Business,* April 2000; *Electronic Business,* January 2000.
5. The patent office has been increasingly granting patents on everyday items. These are called "junk patents." One article about this is James Gleick's "Patently Absurd," *New York Times Magazine,* March 12, 2000.
6. Lisa Dicarlo. 1999. IBM Cashes In. *PC Week* (Sept. 20).
7. From Congressman Dana Rohrabacher's office during the HR 400 debates. Data is from about 1996.