

# Reviews

## The Next Global Stage

Challenges and Opportunities in our Borderless World

Kenichi Ohmae

(Wharton School Publishing, 2005)

In the early 1900s, German physicist Werner Heisenberg laid the foundations for quantum mechanics, a set of rules showing that at the subatomic level Newtonian physics was irrelevant. Just as quantum mechanics upstaged Newton, says strategist Kenichi Ohmae, a radical new model is upending old notions about the global economy. In this sprawling book, Ohmae warns that

governments, businesses, and leaders that cling to their Newtonian approaches will become irrelevant themselves.

The heart of Ohmae's thesis will be familiar to readers of his previous books, including *The Borderless World* (1990) and *The Invisible Continent* (2000): In the new global economy, the nation-state, and the protectionist economic thinking that goes with it, is obsolete. Nation-states have borders, armies, flags, currencies, and a development-stifling instinct to protect their economies from the outside world. As global economic players, they're being displaced by "region states"—borderless centers of vibrant economic activity that welcome global trade and investment, like the Shuto-ken metropolitan area of Japan and Guangzhou in China.

If the rules of the old economy no longer apply, Ohmae ventures, then neither do the old rules of business. Fair enough. The problem is, he says, no one knows, or can know, what the new rules are: "By the time any rule book or user's manual appears...the 'new rules' will already be obsolete." What business leaders can be sure of, Ohmae argues, is that massive change without requires massive change within. That means wall-to-wall rethinking of corporate mission, strategy, and organization. Companies must cut loose from their "ancestry" and, for instance, compete by selling the very products that threaten them. Clinging to the core, as Kodak did in the face of predation by digital-camera makers, is a recipe for failure in this new age.

Companies must cast off their sentimental attachment to the nation-states where they're headquartered and jettison their hierarchies and old approaches to markets. Their leaders must become visionary facilitators without preconceived attitudes about their roles—ready to embrace even the idea that the best leader may be a team, not an individual. There can be no half measures in this radical transformation, Ohmae says, no testing the waters before taking the plunge.

It's a strong prescription. Unfortunately, this lively book can't, by its own admission, give business readers what they want most: practical advice for competing in the global economy. But it does remind executives to pry their gaze from the present and set it firmly on the future. As Heisenberg well understood, the more doggedly you map where a moving target is, the less you know about where it's headed.

—Gardiner Morse

## The Bottomless Well: The Twilight of Fuel, the Virtue of Waste, and Why We Will Never Run Out of Energy

Peter Huber and Mark P. Mills

(Basic Books, 2005)

The spike in oil and gas prices has revived fears of an energy crisis, but regulatory scholar Huber and venture capitalist Mills aren't worried. Raw fuel, they explain, has surprisingly little effect on power costs, and technological advances in mining, engineering, lighting, and other processes, as well as alternative fuels, will make up for dwindling supplies. The authors are reassuring about every major issue except global warming, about which they warn that "going back to nature" through biomass and other such fuels will actually make things worse.

## The Embedded Corporation: Corporate Governance and Employment Relations in Japan and the United States

Sanford M. Jacoby

(Princeton University Press, 2005)

Human resource managers get no respect in the United States. By contrast, their Japanese counterparts wield so much power that critics blame them for the seniority system that's undermining the country's competitiveness. Jacoby, a historian, persuasively argues that the divergent American and Japanese attitudes toward employment arose from deep social and economic pressures and aren't likely to change much.

## Pay Without Performance: The Unfulfilled Promise of Executive Compensation

Lucian Bebchuk and Jesse Fried

(Harvard University Press, 2004)

Here's a book for anyone who thinks Sarbanes-Oxley will finally force American executive compensation in line with investors' interests. Bebchuk and Fried, both law professors, show that even independent directors inevitably end up serving CEOs. The solution, they insist, is to give shareholders the power to nominate their own slates of directors. Perhaps, but that won't happen until investors get fed up and start selling in droves, as the authors would probably concede.

—John T. Landry

