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Harvard Business Review

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February 2004

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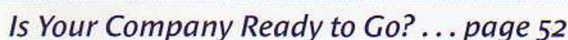

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1 You Got a License to Run That Company?

Management, for a brief period in the last century, was well on its way to becoming a profession. But managers have been retreating from that goal for the past 60 years, and we have an unparalleled wave of corporate scandals in recent times to show for it.

What is a "profession"? In ordinary parlance, the term refers to an occupation that requires a high degree of technical skill and competence. A more traditional definition, however, also encompasses mastery of an abstract, systematic body of knowledge – and a primary orientation toward ethical service to society.

It was that comprehensive notion of professionalism that inspired the founders of the Wharton School of the University of Pennsylvania, the Tuck School at Dartmouth, and Harvard Business School – America's first business schools – in the early years of the twentieth century. They intended not only to standardize the production of managers for the nation's corporations but also to professionalize the occupation of management itself. If they had succeeded, managers might have come to play a role in the business-dominated society of the twentieth century analogous to the role of the clergy in preindustrial America.

However, the "professionalization" project lost steam after World War II. As the demand for trained managers exploded, the number of business programs rose and their content became diluted. By 1959, both the Ford Foundation and the Carnegie Corporation had issued highly critical reports on the state of American business schools, decrying their purely vocational curricula. Both called for more emphasis on the social and behavioral sciences and on the use of quantitative methods. Those directives, along with the funding provided by the two foundations, led to the recruitment of new faculty, many of whom were trained in economics. This saw the development of many of the economic theories that form the staple fare of MBA courses today. By the time concepts like agency theory and efficient-market theory found their way into the classroom in the 1980s, another fundamental shift was occurring: Managerial capitalism was giving way to a new system of investor capitalism. MBA students were taught that as managers, they were merely agents, bound by arm's-length contractual relationships to a single set of constituents: shareholders.

What went unnoticed was that such a view of the manager's role and responsibilities was utterly incompatible with the traditional concept of professionalism. The postwar attempt to reform American business education had created unintended consequences. A Hobbesian ethic of pure self-interest, backed by the power of the highly abstract and systematic "science" of economics, replaced the professional ethics that the business schools had once tried to teach. That is particularly troublesome because business executives are unrivaled by any other group in their control over material and human resources and their dominance in American society. What's more, executives have succeeded in imposing their values, norms, and methods on older, more autonomous professions such as law and medicine.

It is time to reacquaint managers with the concept of professionalism. Along with that should come a fundamental reassessment of business education and how well it serves society's interests. The American business school has become an institution that serves a very different purpose than was originally intended. That transformation has had a profound effect on American management's evolution toward its present condition, where it is ripe for reexamination.

An ethic of pure self-interest has replaced the professional ethics that business schools once tried to teach.

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2 No Monopoly on Creativity

Creativity is a virtually limitless resource: Every human being has creative potential that can be turned to valuable ends. The number of people doing creative work – the scientists, engineers, technologists, artists, and designers and the various professionals in health care, finance, law, and other fields who make up the "creative class" – has increased vastly over the past century. In 1900, fewer than 10% of U.S. workers were doing creative work. In 1980, that figure was slightly more than 15%. But by 2000, the creative class included almost a third of the workforce. The creative sector accounts for nearly half of all wage and salary income in the United States – $1.7 trillion, as much as the manufacturing and service sectors combined. Imagine how much wealth could be generated if the creative capacities of the remaining two-thirds of the workforce were harnessed, too.

In the past year I've been hit by a harsh realization: The United States, while retaining an edge in this regard, is far from unbeatable. In fact, its position is more tenuous than commonly thought.

For most of human history, wealth came from a place's endowment of nat-

ural resources, like fertile soil or raw materials. But today, the key economic resource, creative people, is highly mobile. And it gravitates toward places with certain underlying conditions. To achieve growth, a region must have what I call the three Ts: technology, talent, and tolerance. So the Creativity Index that Kevin Stolarick and I created is based on three component scores, each a matter of objective counting. To determine, for example, if a place is likely to have a culture of tolerance, we look at the concentrations of gay, "bohemian," and foreign-born people and the degree of racial integration. The tolerance and openness implied by these concentrations form a critical element in a place's ability to attract different kinds of people and generate new ideas.

What's frightening is that, far from cultivating its creative advantage, our society at a national level seems determined to undercut it. Today in the United States, there is considerable concern over the outsourcing of software and information technology jobs to India and over China's rise as a manufacturing power. But the real threat to our competitiveness lies in new restrictions on research, scientific disclosure, immigration, and flows of people, because those limits are starting to affect our ability to attract creative and talented people from around the world. An eminent oceanographer in San Diego recently told me, "We can't hold a scientific meeting here because we can't get visas for people." No one seems to be thinking about the flow of people as the key to our advantage in the creative age.

The economic leaders of the future will not necessarily be emerging giants like India and China. They certainly won't be countries that focus on being cost-effective centers for manufacturing and basic business processing. Rather, they will be the countries that are able to attract creative people and come up with next-generation products and business processes as a result. With Irene Tinagli, a Carnegie Mellon University doctoral student, I recently compared 14 European and Scandinavian nations to the United States. Sweden, Finland, Denmark, and the Netherlands had Creativity Index scores that closely matched that of the United States, and Ireland is gaining quickly (see the exhibit "The Creativity Index"). Other research indicates that Canada, Australia, and New Zealand have built dynamic creative climates. Toronto and Vancouver, Canada, and Sydney and Melbourne in Australia compete very well with major U.S. regions like Chicago and Washington, DC.

Leads in the creative age are very easily won and lost – Austin, Texas, and Seattle have recently shot up the Creativity Index while Pittsburgh and Cleveland have fallen. No one place has a preordained position at the top of the heap. Americans must wake up to the fact that economies are fluid and that creativity is an asset that must be constantly cultivated.

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The Creativity Index

For a country or region to achieve growth, it must have the three Ts: technology, talent, and tolerance. The national and regional creativity indices are based on objective measures of those factors. (The scores for both rankings are on a scale of 0 to 1, but the two lists are not strictly comparable because of differences in the measures used to compile them.)

In the creative age, leads change abruptly: Austin, Texas, and Seattle have recently shot upward on the Creativity Index.

...for Nations

Rank		Score
1.	Sweden	0.81
2.	United States	0.73
3.	Finland	0.72
4.	Netherlands	0.67
5.	Denmark	0.58
6.	Germany	0.57
(7.)	Belgium	0.52 (tie)
(7.)	United Kingdom	0.52 (tie)
9.	France	0.46
10.	Austria	0.39
(11.)	Ireland	0.37 (tie)
(11.)	Spain	0.37 (tie)
13.	Italy	0.34
14.	Greece	0.31
15.	Portugal	0.19

Source: Richard Florida and Irene Tinagli, *Europe in the Creative Age.* Data are from various years within the period 1997–2000.

...for U.S. Regions

Rank		Score
1.	Austin, Texas	0.963
2.	San Francisco	0.958
3.	Seattle	0.955
4.	Burlington, Vermont	0.942
5.	Boston	0.934
6.	Raleigh–Durham–Chapel Hill, North Carolina	0.932
7.	Portland, Oregon	0.926
8.	Madison, Wisconsin	0.918
9.	Boise, Idaho	0.914
10.	Minneapolis	0.900
(11.)	Albuquerque, New Mexico	0.897 (tie)
(11.)	Washington, DC	0.897 (tie)
13.	Sacramento, California	0.895
14.	Denver	0.876
(15.)	Atlanta	0.873 (tie)
(15.)	Corvallis, Oregon	0.873 (tie)

Source: Richard Florida, *The Rise of the Creative Class* (forthcoming edition); index compiled by Kevin Stolarick of Carnegie Mellon University. The data cover the years 1997–2001.