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IDEAS -- BOOKS

The Best Of 2005's Bunch



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Christmas season is upon us again, and with it, a host of Hollywood movie tie-ins, from the freebie King Kong masks at Burger King to *The Chronicles of Narnia* toothbrushes from Oral-B. Sometimes it's a bit much -- enough to make you wish for the simpler days of, say, *Snow White and the Seven Dwarfs*. But according to Edward Jay Epstein, that animated flick was a pretty far-reaching business proposition right from the get-go -- it was the first movie to have its own tie-in merchandise and soundtrack album. The *Snow White* model, first engineered by Walt Disney Co. () in 1937, has come to define Tinseltown's business, in which ancillaries are often key to profits.

With its meticulous documentation of the evolution of the modern global media giants, Epstein's **The Big Picture: The New Logic of Money and Power in Hollywood** (Random House) is one of the top 10 business books of 2005 as selected by *BusinessWeek* reviewers. Focusing on the "sexopoly" -- Viacom (), Fox (), NBC Universal, Time Warner (), Sony (), and Disney -- the author digs deep into Hollywood financial schemes. Reviewer Tom Lowry called *The Big Picture* "a fine adventure" for anyone who's a film buff.

A book that seems ripe for movie adaptation is **Conspiracy of Fools: A True Story** (Broadway Books). *The New York Times* investigative reporter Kurt Eichenwald offers readers a fastidiously detailed, you-are-there narrative of the Enron meltdown that "brings this Byzantine saga to life as never before," in the words of reviewer Wendy Zellner. We are present in ex-CEO Jeffrey Skilling's bedroom as he struggles with the news of his best friend's suicide and in then-Chairman Kenneth Lay's office as he prays over the phone with a bankruptcy lawyer who is asking Lay to surrender his job. One question: Can the book's reconstructed dialogue truly be accurate? Zellner thought that, given the author's heavy reliance on documents fleshed out with more than a thousand hours of interviews, Eichenwald "has likely come as close to reality as any outsider can get."

Another boardroom exposé is *The New Yorker* contributing editor James B. Stewart's **DisneyWar** (Simon & Schuster), an impressively researched account of CEO Michael Eisner's rise and fall and the near destruction of an American institution. Stewart draws upon mountains of documents and a high level of access to Eisner to paint a picture of persistent misjudgments, run-amok egos, and world-class paranoia in the Magic Kingdom. Among Eisner's missteps: the construction of chronically troubled EuroDisney outside of Paris. Eisner's personnel machinations are mind-boggling, including threats to fire longtime partner Frank Wells. The CEO's tyrannical ways finally led in 2004 to an open revolt among company directors -- and a 45% shareholder vote to remove Eisner.

An equally Darwinian if less squalid view of business can be found in **Winning** by former General Electric Co. () CEO Jack Welch with Suzy Welch (HarperBusiness). This advice book focuses on how one can succeed within a company, excel over the course of a career, and help your company prevail against the competition. The authors consider a broad range of topics drawn from questions posed to Welch on the speaking circuit, including how to operate in China's

autocratic business culture. Naturally, they expound on Welch's business philosophy, including the need to rate employees on the basis of their performance. One of the most unexpected sections concerns work-life balance. Even here, though, toughness prevails: Flexibility on the job, say the authors, is something you earn via superior performance.

Two books on investing should appeal to would-be Warren Buffetts. Jeremy J. Siegel's *The Future for Investors: Why the Tried and True Triumphs Over the Bold* and the New (Crown Business) itself offers a bold thesis: Putting money into hot tech companies, rapidly expanding sectors of the economy, and fast-growing countries may not be the best way to make money. The key issue, according to the Wharton School finance professor, is the temptation of investors to pursue hot stocks without giving sufficient thought to how much they cost. Crunching data on winning stocks of the past half-century, Siegel offers three portfolio recommendations: a high allocation of international stocks, good dividend yields, and reasonable price-to-earnings valuations.

Our Top 10*

THE BIG PICTURE *The New Logic of Money and Power in Hollywood*
by Edward Jay Epstein

BLINK *The Power of Thinking Without Thinking*
by Malcolm Gladwell

CONSPIRACY OF FOOLS *A True Story*
by Kurt Eichenwald

DISNEYWAR
by James B. Stewart

FAB *The Coming Revolution on Your Desktop—From Personal Computers to Personal Fabrication*
by Neil Gershenfeld

FORTUNE'S FORMULA *The Untold Story of the Scientific Betting System That Beat the Casinos and Wall Street*
by William Poundstone

THE FUTURE FOR INVESTORS *Why the Tried and True Triumphs Over the Bold and the New*
by Jeremy J. Siegel

THREE BILLION NEW CAPITALISTS *The Great Shift of Wealth and Power to the East*
by Clyde Prestowitz

WINNING by Jack Welch with Suzy Welch

THE WORLD IS FLAT *A Brief History of the Twenty-First Century* by Thomas L. Friedman

*In alphabetical order by title

Odds-making is central as well to **Fortune's Formula: The Untold Story of the Scientific Betting System That Beat the Casinos and Wall Street** (Hill & Wang) by William Poundstone. This is the sometimes Runyonesque, sometimes intellectually challenging account of the development of a "surefire" way to win at cards, roulette, and the stock market: the "Kelly criterion," first revealed in 1956 by a young Bell Laboratories physicist named John L. Kelly Jr. The system dictates how much of your money to bet to maximize the growth rate of your wealth while controlling risk. Some of Poundstone's book can be tough sledding for casual readers. But he eases the way with anecdotes about all kinds of characters, from mobsters Al Capone and Longy Zwillman to Nobel prize-winning economist Paul A. Samuelson.

A different gee-whiz account may be found in **Fab: The Coming Revolution on Your Desktop -- From Personal Computers to Personal Fabrication** (Basic Books) by Massachusetts Institute of Technology star physicist Neil Gershenfeld. Imagine "printing" various three-dimensional gadgets, such as cell phones, using only a computer and an ink-jet printer. Such is the promise of so-called fab labs -- personal fabrication systems consisting of small, inexpensive clusters of tools and software. Rather crude versions of such fab labs are in use today in far-flung, remote locations from Ghana to Arctic Norway. In the latter, herders of sheep and reindeer make little radio tags and wireless radio-relay stations to track animals' movements. One big drawback: A fab lab costs about \$20,000. *Fab* is a fascinating book that even nontechnophiles will love, found reviewer Otis Port.

Patience is a virtue, right? Not necessarily, says Malcolm Gladwell, a writer for *The New Yorker* and author of *The Tipping Point*. In **Blink: The Power of Thinking Without Thinking** (Little, Brown), Gladwell examines the process of snap decision-making and finds it often amazingly on-target. For example, he tells how, in a 2002 U.S. military war game, a "rogue commander" used

seat-of-the-pants reasoning to best a phalanx of technology-burdened, process-obsessed opponents. The secret of such abilities, says Gladwell, is "thin-slicing," or instantly homing in on a few key details while ignoring extraneous stuff. The case studies, which include such negative examples as the 1999 New York City police slaying of Amadou Diallo, are engrossing, even if, as reviewer Diane Brady found, the author's advice about how to improve our snap judgments is a bit vague.

Finally, two studies shed scary light on globalization. In **The World Is Flat: A Brief History of the Twenty-First Century** (Farrar, Straus & Giroux), *The New York Times* columnist Thomas L. Friedman often adopts a whistling-past-the-graveyard tone as he considers how the Web and other cutting-edge developments have reshaped industries, economies, and world politics, all in one generation. Friedman takes readers on a tour of innovation centers throughout Asia and America. As he nears the end of his account, though, the author exhibits increasing anxiety. Half of the world -- Africa, Latin America, and rural parts of India and China -- isn't benefiting at all from globalization, he acknowledges. Meanwhile, in the long run the U.S. may not fare too well, Friedman notes. There's a real possibility that all knowledge-based work will be offshored.

Clyde Prestowitz compounds our concern with his **Three Billion New Capitalists: The Great Shift of Wealth and Power to the East** (Basic Books). The former Reagan Administration trade negotiator proceeds from the observation that Chinese workers have "a fifteen to thirtyfold advantage" over Americans in the area of labor costs. Prestowitz sees China soaking up global investment unless the U.S. develops a federal industrial policy to nurture certain businesses. He says India, too, is a threat, with its emphasis on such sectors as software, computer services, and medicine. The U.S., he thinks, has to up its savings rate and improve secondary education, infrastructure, and worker training. Above all, he says, Americans need to face up to reality. Toward that goal, every one of this year's top books can make a worthy contribution.

Compiled by Hardy Green