

Book Review:

Why the Bottomline isn't – How to Build Value
through People and Organization

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Goodwill of organisations is a well-known term in business parlance, representing an intangible asset that is not accounted for in their financial statements. The difference between the market values of two companies in the same industry is explained by the goodwill enjoyed by each, which is also called the hidden value of an organisation. The book under review seeks to explain some major aspects of this hidden factor, its importance, how it explains the difference between the value of two different companies' worth, and how their respective worth can be improved by looking at the asset of goodwill or intangibles differently. The authors label this as the theory of intangible value. David Ulrich is known to have contributed immensely to literature on human resource management (HRM) and organisational effectiveness especially in the last decade. This is yet another of his books (that he has jointly authored with Norm Smallwood) containing new ideas and perspectives, which is bound to make an impact on the managerial world and further raise his stature as a consultant and academic in HR.

The central argument of the book is that the bottom-line is not just the earnings of an organisation but much more than that. The traditional viewpoint sees a firm as successful when it is earning more money and having rising stock value. On the contrary, this book argues that competitively successful organisations seek to constantly build long-term value through intangibles that are not accounted for in an organisation's financial statements. Thus, the authors explore the world of intangibles and a new bottom-line, which has the building long-term market value as its central theme. The authors have identified 7 key intangibles that have to be nurtured. They include the following: shared mindset, talent, speed, learning, accountability, collaboration, and quality of leadership. They have built their formulations on their own real experiences or a survey of the practices followed by globally successful organizations. The most striking part of the book is its making available to readers the tools to manage these intangibles in their organisation. The authors have built an architecture which is the central model on which the book revolves. This architecture contains four layers of intangibles in which leaders use the ideas with great impact.

The book is divided into 12 chapters. The first few deal with general and interconnected issues in organisational performance and effectiveness. The remaining chapters deal with each of the themes on intangibles envisaged in the central model. Various tools, exercises and techniques are provided to help managers deliver and communicate the value of each of these intangibles to different stakeholders including customers, investors and employees. The novel ideas presented in the book can be understood at various levels. Level 1 delivers earnings that are consistent and predictable; this being the 'most critical of all levels to achieve'. No success in building intangible value is possible without this at any other level. After beginning here, one can evaluate where one is most likely to experience success. Six guidelines have been proposed for delivering consistent and predictable earnings (chapter 2). These include: setting realistic expectations; building credibility by degrees; communicating frequently and publicly; accessing data frequently so as to know early indicators; making bold decisions when necessary to adjust; and level the

earnings, if possible legally.

Level 2 of the architecture seeks to articulate a growth vision and deals with developing a strategy for the future. When exigencies of current numbers are met, one is expected to have a clear strategy for growing the business in the future, both in terms of revenue and cost. A growth tripod of customer, innovation and geography is devised at this level to be used to communicate three alternatives for growth.

In Level 3 are envisaged 'future competencies aligned to strategy'. This level deals with core competencies of the organisation. Within an industry, a firm may take a strategic focus as a way to differentiate itself from its competitors. The intangibles that are the central focus of the book are envisaged in Level 4. These are aimed to create 'capabilities'; chapters 5 to 11 have elaborated these capabilities one by one in full details. The final chapter argued the necessity on part of the leaders to 'define and create intangible value' as also to 'track it'. The book is all about helping them to do so. An interesting aspect of the book is that it sees some of the accepted methods and procedures of yesteryears as viruses; the book explains in a convincing manner as to how they adversely affect market value. An impressive list of 27 such items is presented. The book makes another important point that relates to the 'balance scorecard' (BSC). It argues for the adoption of the BSC to measure effectiveness of intangibles because it helps in moving attention to business areas needing greater attention. In this regard, the book also reveals how the importance of intangibles has grown in a period of 18 years (1982 to 2000) from 38 to 85 per cent and that of tangible assets in the same period has declined from 62 to 15 per cent.

The hallmarks of the book are the tangible practicality of its approach and its insightful analysis of the authors' formulations from the general reader's point of view. The lack of any management jargon further increases the probability of its becoming a popular management text. In addition, there are other prominent features, which are as follows: First, the book explores a new bottom-line that is projected as a creator of real market value. As per this new idea, the intangibles are as important, if not more important, than hard strategies, systems and processes. It is the focus on the intangibles that helps build customer, investor, and employee confidence about the future. Second, the book should be seen as outlining an agenda to focus on for HR managers the aim of which is to charge them to increase the shareholders' value as measured in stock prices through helping develop each of the intangibles.

The present crisis of HR department globally emanates from the allegation that HR indulges in the wasteful expenditure of resources on non-measurable activities. The book envisages a set of actions whereby HR can make a tangible contribution to corporate value and allow its activities to be measured through a BSC so as to prove their competencies as business managers. Thus, the book suggests HR managers have to become coaches, architects, designers and facilitators of organisational capabilities; and will have pressure on them to allow all their roles to be measured tangibly for their effectiveness. Third, the observations and formulations of the authors are based on inter-disciplinary perspectives within management segments, and are not just reflections of organization theory or effectiveness or just better HR management. They draw from research in disciplines such as human resources management, financial management, IT, and leadership. Fourth, the book succeeds as a solid guide that makes a complex subject simple to the readers by putting before them the essence of various functional perspectives related to management of intangibles. Fifth, the approach of the authors is quite comprehensive. They deal with a seemingly 'soft side' of business that helps in a fuller understanding of the dynamics of long-term market value. The discussion helps in gauging what works and what does not, and why. Sixth, the book contains some interesting and effective tips on leadership building at the top as well as leadership-building as a way of organisational life.

The book helps define the intangibles and seeks to provide to the leaders a way as to how they can nurture their own organisation's capabilities and effectiveness. Leaders are advised to understand the new roles that intangibles confer on them so as to understand their dynamics more fully. The authors point out that when leaders identify and implement the seven intangibles identified in the architecture, they 'create intangible value'. Further, the last part of the book contains tips for

operationalising its central message. These tips are consonant with the changed business scenario at the global level and contain both hard and soft measures.

One of the central assumptions of strategic HRM in the post-globalisation world is that changes in organisational effectiveness can not be brought about through piece-meal steps. They have to be integrated as a coherent whole. This requires change of many existing definitions and altering of positions. Other strategic interventions too have to be so viewed. Literature on changing assumptions in the existing management theory is now becoming a flourishing industry. The book also acknowledges these changing paradigms. While doing so it gives particular emphasis on integration of different intangibles if they are to work as success factors for a company.

This book is not just for practitioners including CEOs and line and HR managers. It suggests strategies for initiating a new line of thinking in the direction and application of management research. The book is essential reading for executives who want to better handle the complexities of managerial life in 21st century organisations. The book helps the reader see a larger picture. The inclusion of framing quizzes, questions and process lists, tips and exercises of general managerial effectiveness further engages the reader and reinforces the salient points. The prescriptions made are valuable. The book argues that the ideas presented can be also be adopted by organisations such as, for example, churches, schools and government agencies.

Though the book has been written in extremely user-friendly way, perhaps a simpler its title would attract more attention from those browsing the shelves of management texts. Even so, the book has the potential to achieve popularity amongst those managers and leaders who aspire to build confidence in their organisation with regard to shaping their future in the chaotic business world.

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