

The Future of Management by Gary Hamel, 2007

(Italicized items are verbatim quotes from the above text)

New Challenges

- *As the pace of change accelerates, more and more companies are finding themselves on the wrong side of the change curve.*
- *Deregulation, along with the de-scaling affects of new technology, are dramatically reducing the barriers to entry across a wide range of industries.*
- *The digitization of anything not nailed down threatens companies that make their living out of creating and selling intellectual property.*
- *The Internet is rapidly shifting the bargaining power from producers to consumers. Today, consumers are in control as never before.*
- *Strategy life cycles are shrinking.*
- *Plummeting communication costs and globalization are opening up industries to a horde of new, ultra-low-cost competitors. New entrants are eager to exploit the legacy costs of the old guard.*

These new realities call for new organizational and managerial capabilities. To thrive in an increasingly disruptive world, companies must become as strategically adaptable as they are operationally efficient.

What distinguishes our age from every other is not the world-flattening impact of communications, not the economic ascendance of China and India, not the degradation of our environment, and not the resurgence of ancient religions. Rather it is frantically accelerating pace of change.

The goal then is to build organizations that are capable of continual, trauma-free renewal.

The real brake on innovation is the drag of old mental models. Long-serving executives often have a big chunk of their emotional capital invested in the existing strategy.

There seems to be something in modern organizations that depletes the natural resilience and creativity of human beings, something that literally leaches these qualities out of employees during daylight hours. The culprit? Management principles and processes that foster discipline, punctuality, economy, rationality, and order, yet place little value on artistry, nonconformity, originality, audacity, and elan.

Whole Foods Market – Creating a Community of Purpose

- Democracy with discipline, trust with accountability, community with fierce internal competition
- Self-managed, self-directed teams
- Transparency e.g., compensation data available to all employees as are sales, profits, etc.
- Mission = “Declaration of Interdependence.” *A community working together to create value for other people.*
- Purpose – capitalism with a conscience. Environment, sustainability.

W.L. Gore – Building an Innovation Democracy

- Influenced by McGregor’s “Theory X and Theory Y”
- No Management layers and no org chart
- At any given time there are hundreds of nascent projects under development
- No bosses, only leaders
- Self-selecting, self-directing teams
- “Dabble time” = ½ day per week.
- Commitment vs. compliance
- Peer reviews

Google – Aiming for an Evolutionary Advantage

- Wafer thin hierarchy
- Outsized rewards for outsized ideas
- Self-managed teams
- Put the user first
- Evolve as fast as the Web itself
- Fail forward – expect over 80% of new products will fail – rapid low-cost experimentation
- 70-20-10 = 70% of engineering resources focused on base business enhancements, 20% of resources on extending the core, and 10% devoted to fringe ideas.
- “Empowered to change the world!”
- Hire the best and the brightest
- Continuous company-wide conversation

Breakthrough Management Thinking and Innovation

...the fundamental truth about social systems: the more you consolidate power in the hands of a few senior leaders, the less resilient the system will be.

A lesson from Whole Foods, W.L. Gore, and Google... you don't need a lot of top-down supervision when you meet the following four conditions:

1. First-line employees are responsible for results
2. Team members have access to real-time performance data
3. Employees have decision authority over key variables that influence performance outcomes
4. There's a tight coupling between results, compensation, and recognition

The Old Management Principles:

- Standardization
- Specialization
- Goal alignment
- Hierarchy
- Planning and control
- Extrinsic rewards

The New Management Principles:

- *Life: Creating Variety*
 - *Experimentation beats planning*
 - *All mutations are mistakes*
 - *Darwinian selection doesn't need Senior Vice Presidents*
 - *The broader the gene pool, the better*
- *Markets: Flexibly Allocating Resources*
 - *Markets are more dynamic than hierarchies*
 - *Build a market and the innovators will come*
 - *Operational efficiency ≠ strategic efficiency*
- *Democracy: Enabling Activism*
 - *Leaders are accountable to the governed*
 - *Everyone has the right to dissent*
 - *Distributed leadership*
- *Faith: Finding Courage in Meaning*
 - *The mission matters*
 - *People change for what they care about*

- *Cities: Increasing the Odds of Serendipity*
 - *Diversity begets creativity*
 - *You can organize for serendipity*
 - *Pigeonholes are for pigeons, not people*

The Challenges

1. *How do you create an organization where everyone's voice gets heard and ideas compete solely on their merits? How do you build a democracy of ideas?*
2. *How do you turn ordinary employees into extraordinary innovators? How do you amplify human imagination?*
3. *How do you accelerate the redeployment of capital and talent? How do you dynamically reallocate resources?*
4. *How do you ensure that decisions fully reflect the collective knowledge of the organization? How do you aggregate collective wisdom?*
5. *How do you keep management's out-of-date beliefs from impeding strategic renewal? How do you minimize the drag of old mental models?*
6. *How do you turn an army of conscripts into a community of volunteers? How do you give everyone the chance to opt in?*

Rules for Innovative Management/Leadership

- *To solve a systemic problem, you need to understand its systemic roots*
- *At least initially, it's easier, and safer, to supplement an existing management process than supplant it (Run the new in parallel with the old)*
- *Commit to revolutionary goals, but take evolutionary steps*
- *Be clear about the performance metrics your innovation is designed to improve*
- *Start by experimenting in your "own back yard" where the political risks are the lowest*
- *Whenever possible rely on volunteers*
- *Diffuse potential objections by keeping experiments fun and informal*
- *Iterate: Experiment, learn, experiment, learn*
- *Don't give up, innovators are persistent*

Why is the Internet so adaptable, innovative, and engaging?

- *Everyone has a voice*
- *The tools of creativity are widely distributed*
- *It's easy and cheap to experiment*
- *Capability counts for more than credentials and titles*
- *Commitment is voluntary*
- *Power is granted from below*
- *Authority is fluid and contingent on value added*
- *The only hierarchies are natural hierarchies*
- *Communities are self-defining. Individuals are richly empowered with information.*
- *Just about everything is decentralized*
- *Ideas compete on equal footing*
- *Its easy for buyers and sellers to find each other*
- *Resources are free to follow opportunities*
- *Decisions are peer-based*

Fit for the Future

For the first time since the dawning of the industrial age, the only way to build a company that's fit for the future is to build one that's fit for human beings as well. This is your opportunity – to build a 21st century management model that truly elicits, honors, and cherishes human initiative, creativity, and passion – these tender, essential ingredients for business success in this new millennium.

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