

Coming in 2007 from Harvard Business School Publishing

The latest management blockbuster from the co-author of
Competing for the Future, and the author of *Leading the Revolution*.

Gary Hamel

The Future of
Management

With Bill Breen

Harvard Business School Press

The Economist magazine labels Gary Hamel “the world’s reigning strategy guru.” *Fortune* calls Hamel “the world’s leading expert on business strategy,” and the *Financial Times* says Hamel is “a management innovator without peer.” As the author of such concepts as “core competence,” “strategic intent,” and “industry revolution,” Hamel has changed the language and practice of management around the world. Now, in his boldest book to date, Hamel sets out the agenda for management in the 21st century.

Calling for nothing less than a revolution in how large organizations are structured, managed and led, Hamel provides a clear blueprint for building companies that are:

*As nimble as change itself,
innovative from top to bottom, and
awe-inspiring places to work.*

Drawing on his latest research, Hamel demonstrates that it is innovation in management—rather than in operations, products or strategies—that is most likely to create long-term advantage. Building on this insight, he describes in detail how a company can get a head start on the future by building tomorrow’s best practices today.

In *The Future of Management*, you will gain a detailed understanding of . . .

- The make or break challenges that will determine competitive success in an age of relentless, head-snapping change.
- The toxic effects of the industrial age management beliefs that still predominate in most companies.
- The unconventional management practices that are generating breakthrough results in a handful of “modern management pioneers.”
- The radically new management principles that must become part of every company’s “management DNA.”
- The ways in which the Internet will turn traditional management roles upside down and inside out.
- The practical steps your company can start taking *now* to build its own 21st century “management advantage.”

The Future of Management is richly illustrated with examples from Google, W.L. Gore, Whole Foods, IBM, Samsung, Best Buy and other blue-ribbon management innovators. And, like Hamel’s previous path-breaking books, it overflows with penetrating insights and essential advice.

Excerpts from
The Future of Management

“As much as we might deplore “bureaucracy,” it still constitutes the organizing principle for virtually every commercial organization in the world, yours included. And while managers here and there may work to ameliorate some of its stultifying effects, there are few who can imagine a root-and-branch alternative.”

“When it comes to innovation, most companies have a barn-sized blind spot. Perversely, the sorts of innovation that are *least* likely to produce long-term competitive advantage—operational innovation and product innovation—are those that get the most attention. Yet if you accept the lessons gleaned from 700 years of military conflict and a century-plus of industrial competition, it is management innovation that yields the biggest, longest-lasting performance advantages.”

“Management innovation yields an enduring advantage when one or more of three conditions are met: the innovation is based on a *novel management principle* which challenges some long-standing orthodoxy; the innovation is *systemic*, encompassing a range of processes and methods; and/or the innovation is part of an *ongoing program* of rapid-fire invention where progress compounds over time.”

“Over the coming decades, an accelerating pace of change will test the resilience of every society, organization and individual. Luckily, perturbations create opportunities as well as challenges. But the balance of promise and peril confronting any particular organization will depend on its capacity for adaptation. Hence the most important question for any company is this: Are we changing as fast as the world around us?”

“Turns out that in an age of wrenching change and hyper-competition, the most valuable human capabilities are precisely those that are least *manage-able*. Nerve. Artistry. Élan. Originality. Grit. Non-conformity. Valor. Derring-do. These are the qualities that create value in the 21st century. Self-discipline. Economy. Orderliness. Rationality. Prudence. Reliability. Moderation. Fastidiousness. These are the human qualities modern management was designed to foster and reward. No wonder most organizations are less resilient and inventive than the people who work for them.”

“My guess is that the most bruising skirmishes in the new millennium won’t be fought along the battle lines that separate one competitor, ecosystem or economic bloc from another. Rather, they will be fought along the lines that separate those who seek to defend the prerogatives, power and prestige of their bureaucratic caste from those who hope to build less structured, less tightly managed organizations that elicit and merit the very best that human beings have to give.”

“Not surprisingly, most managers believe you can’t manage without managers. This is the mother of all management orthodoxies.”

“To a large extent, managers play the role of parents, school principles, crossing guards and hall monitors. They employ control from without because employees have been deprived of the ability to exercise control from within. Adolescents outgrow most of these constraining influences; employees often aren’t given that chance. The result: disaffection. Adults enjoy being treated like 13-year olds even less than 13-year olds.”

“New problems demand new principles. Put bluntly, there’s simply no way to build tomorrow’s essential organizational capabilities—resilience, innovation and employee engagement—atop the scaffolding of 20th century management principles.”

“Have you ever asked yourself, what are the deepest principles upon which my management beliefs are based? Probably not. Few executives, in my experience, have given much thought to the foundational principles that underlie their views on how to organize and manage. In that sense, they are as unaware of their managerial DNA as they are of their biological DNA.”

“One can fairly describe the development of modern management as an unending quest to regularize the irregular, starting with errant and disorderly employees. Increasingly, though, we live in an irregular world, where irregular people take advantage of irregular events and use irregular means to produce irregular products that yield irregular profits.”

“Look around you; what things have demonstrated their adaptability across decades, centuries and eons? What sets the benchmark for adaptability? From my vantage point, life, markets, democracies, faith and cities all seem surprisingly adaptable. Each of these biological and human systems has proven itself to be far more resilient than any large corporation. They must become the role models for 21st century companies.”

“The more one learns about what it is that makes things adaptable, the more one is tempted to question the very foundations of modern management theory. After all, when compared to large companies, the most resilient things on the planet are significantly *under-managed* or, *mon Dieu*, even *un-managed*. A distressing thought for managers, perhaps, but an essential insight for those who are eager to build companies that are fit for the future.”

“How do you discover *radically* better ways of leading, organizing and managing? The short answer: You look far beyond the boundaries of today’s “best practice.” You look someplace weird, someplace unexpected. To glimpse the future of management, you must search out the “positive deviants,” organizations and social systems that defy the norms of conventional practice.”

“Try to imagine what a *democracy* of ideas would look like. Employees would feel free to share their thoughts and opinions, however politically charged they might be. No single gatekeeper would be allowed to quash an idea or set the boundaries on its dissemination. New ideas would be given the chance to garner support before being voted up or down by senior execs. The internal debate about strategy, direction and policy would be open, vigorous, and uncensored. Maybe this sounds hopelessly romantic, but such a *thoughtocracy* already exists—not in any big company, but on the web.”

“If you want to dramatically increase the quality of dialog—and decisions—in your company, you have to think boldly. What if your company *encouraged* people to write critical in-house blogs? (And allowed them to do so anonymously if they wished.) What if it encouraged employees to read and respond to those blogs? What if it tracked the number of responses each blog or post generated (its “authority index”) and required senior executives to respond to those that generated the most traffic? What if it appointed an employee jury to award a \$25,000 prize each year for the best blog—as a way of rewarding the most thoughtful, amusing or courageous contributors?”

“Many companies devote 5, 10 or even 20 percent of their revenue to R&D. Why not set aside a small share of discretionary funding for ideas that don’t pop up at the right time, or in the right place, to make it into the formal budgeting process? My guess is that a community of hundreds of mid-level managers spread out across a large company would, in the aggregate, make better investment decisions than a few folks in a corporate new ventures unit.”

“An ideal management system would be one in which power was automatically redistributed when environmental changes devalued executive knowledge and competence.”

“If there was a single question that obsessed 20th century managers, from Frederick Taylor to Jack Welch, it was this: How do we get more out of our people? At one level, this question is innocuous—who can object to the goal of raising human productivity? Yet it’s also loaded with industrial age thinking: How do *we* (meaning “management”) get *more* (meaning units of production per hour) out of *our* people (meaning the individuals who are obliged to follow our orders)? Ironically, the management model encapsulated in this question virtually guarantees that a company will *never* get the best out of its people. Vassals and conscripts may work *hard*, but they don’t work *willingly*.”

“The web has evolved faster than anything human beings have ever created—largely, because it is *not* a hierarchy. The web is all periphery and no center. In that sense, it is a direct affront to the organizational model that has predominated since the beginnings of human history. No wonder managers feel a little queasy when they venture into the far reaches of cyberspace, like space travelers who’ve arrive on a planet where up is down and down is up.”

“We must now face the obvious question: What is the chance that tomorrow’s most successful organizations will be as different from today’s corporate behemoths as the Internet is different from plain old telephone service? The answer: A lot higher than you think. Unlike your company, the Internet already *is* adaptable, innovative and engaging.”

“We have for many decades been living in a “post-industrial” society. I believe we are now on the verge of a “post-managerial” society, perhaps even a “post-organizational” society. Before you start hyper-ventilating, let me assure you that this doesn’t mean a future without managers. Just as the coming of the knowledge economy didn’t herald the death of heavy industry, a “post-managerial” economy won’t be entirely free of executives, supervisors, administrators and overseers. But it does imply a future in which the “work of management” is less and less the responsibility of “managers.” To be sure, activities will still need to be coordinated, individual efforts aligned, relationships nurtured, objectives decided upon, and knowledge disseminated. But increasingly, this work will be distributed out to those on the periphery.”

The Preface from The Future of Management

On Christmas eve, 1968, the Apollo 8 command module became the first human-made object to orbit the moon. During its journey back to earth, a ground controller's son asked his dad, "Who's flying the spacecraft?" When the question was relayed up to the homebound crew, astronaut Bill Anders replied, "I think Sir Isaac Newton is doing most of the driving now."

Like that curious lad, I'd like to pose a question: Who's managing your company? You might be tempted to answer, "the CEO," or "the executive team," or "all of us in middle management." And you'd be right, but that wouldn't be the whole truth. To a large extent, your company is being managed right now by a small coterie of long-departed theorists and practitioners who invented the rules and conventions of "modern" management back in the early years of the 20th century. They are the poltergeists who inhabit the musty machinery of management. It is their edicts, echoing across the decades, that invisibly shape the way your company allocates resources, sets budgets, distributes power, rewards people, and makes decisions.

So pervasive is the influence of these patriarchs, that the technology of management varies only slightly from firm to firm. Most companies have a roughly similar management hierarchy (a cascade of EVPs, SVPs, and VPs). They have analogous control systems, HR practices and planning rituals, and rely on comparable reporting structures and review systems. That's why it's so easy for a CEO to jump from one company to another—the levers and dials of management are more or less the same in every corporate cockpit.

Yet unlike the laws of physics, the laws of management are neither foreordained nor eternal—and a good thing, too, for the equipment of management is now groaning under the strain of a load it was never meant to carry. Whiplash change, fleeting advantages, technological disruptions, seditious competitors, fractured markets, omnipotent customers, rebellious shareholders—these 21st century challenges are testing the design limits of organizations around the world, and are exposing the limitations of a management model that has failed to keep pace with the times.

Think about the great product breakthroughs over the last decade or two that have changed the way we live: the personal computer, the mobile phone, digital music, e-mail, the Internet. Now try to think of a breakthrough in the practice of management that has had a similar impact in the realm of business—anything that has dramatically changed the way large companies are run. Not easy, is it? And therein lies the problem.

Management is out of date. Like the combustion engine, it's a technology that has largely stopped evolving, and that's not good. Why? Because management—the capacity to marshal resources, lay out plans, program work and spur effort—is central

to the accomplishment of human purpose. When it's less effective than it could be, or needs to be, we all pay a price.

What ultimately constrains the performance of your organization is not its business model, nor its operating model, but its management model. Hence this book. My goal is to help you become a 21st century management pioneer, to equip you to reinvent the principles, processes and practices of management for our post-modern age. I will argue that *management innovation* has a unique capacity to create a long-term advantage for your company, and I will outline the steps you must take to first imagine, and then invent, *the future of management*.

Having said a few words about what this book is about, let me comment briefly on what it's *not* about. While there are plenty of examples and anecdotes in the pages that follow, this is not a compendium of best practices. It's not filled with exhortations to "go thou and do likewise." Frankly, today's best practices aren't good enough. Even the world's "most admired" companies aren't as adaptable as they need to be, as innovative as they could be, or as much fun to work in as they should be. My assumption is that when it comes to the future of management, you'd rather lead than follow. So this is a guide to inventing *tomorrow's* best practices today.

Neither is this book one person's vision for the future of management. While I will point you to what I believe are some of the most promising opportunities for reinventing management, I'm humble enough to know that one person's imagination and foresight is no substitute for that of a multitude. So rather than try to sell you *my* point of view about the future, I want to help you build your own. If you want an analogy, imagine a course in entrepreneurship where the instructor's goal is to teach you how to create a killer business plan. Well, my goal is to give you the thinking tools that will allow you to build your own agenda for management innovation, and then execute against it. I can be a coach and a mentor, but in the end, the vision must be yours.

Nevertheless, I do have a dream. I dream of organizations that are capable of spontaneous renewal, where the drama of change is unaccompanied by the wrenching trauma of a turnaround. I dream of businesses where an electric current of innovation pulses through every activity, where the renegades always trump the reactionaries. I dream of companies that actually deserve the passion and creativity of the folks who work there, and naturally elicit the very best that people have to give. Of course, these are more than dreams; they are imperatives. They are do or die challenges for any company that hopes to thrive in the tumultuous times ahead—and they can only be surmounted with inspired management innovation.

So this is a book for dreamers *and* doers. It's for everyone who feels hogtied by bureaucracy, who worries that the "system" is stifling innovation, who secretly believes that the bottleneck is at the top of the bottle, who wonders why corporate life has to be so dispiriting, who feels that individual competence and positional power should be more tightly correlated, who thinks that employees really are smart enough to manage themselves, who knows that "management," as currently practiced, is a drag on success—and *wants to do something about it*. If that's you, then welcome.