

CHANGE MANAGEMENT

HUMANOCRACY

Gary Hamel is one of the most influential figures in modern management and author of several bestsellers. In addition, he has been a professor at the London Business School for more than 30 years. Below, he explains how to reinvent management to build what he calls an evolutionary advantage.

Today I want to challenge you to do things in your organizations that perhaps nobody else is doing. Usually, as leaders we suffer from ADD - Ambition Deficit Disorder. The first challenge to do something new, the first question to ask yourself is: who has done it before? I will give some case studies but I think our challenge, what we have to do, is to reinvent the very technology of human achievement.

Management has to do with the tools, the methods, the structures that we use to bring people together and collectively do what we cannot do individually. Management then is the way we rally, we organize resources so that things are done, it is the technology of human achievement. But we have to radically reinvent the way we think about how our organizations work.

They are made up of people, but in many ways companies are less capable than the people within them. Many years ago I wrote a piece called "The core competences of the corporation". If I had written that article today, I would have given it another title: "The core incompetence of the

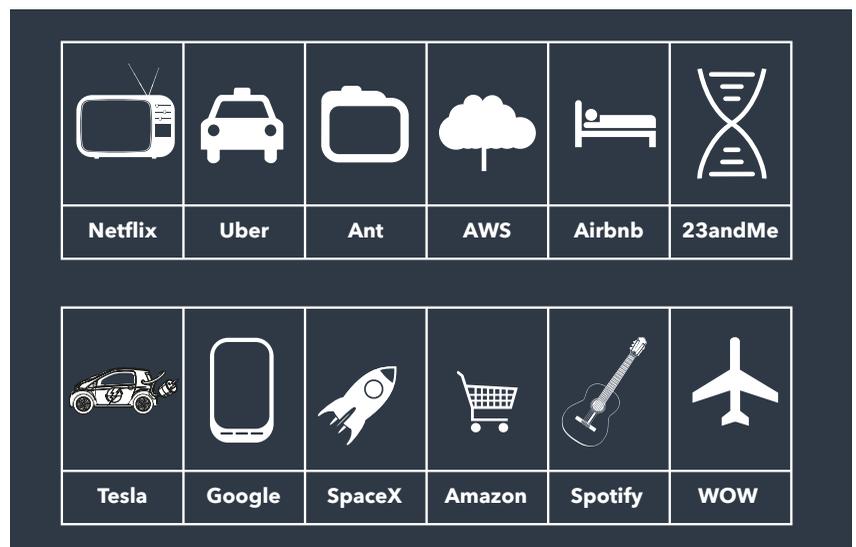
corporation", because speaking with different organizations throughout the world, I concluded that most of them suffer from the same disabilities, the same incompetencies. And I will try to tell you what they are and how to cure them.

Most people are adaptable, not so organizations. I often hear leaders say to me: "Gary, people are against change." I do not think it is so. There is a lot of change in the world today, who do you think is generating it but human beings? We are not against

change. Organizations struggle to change and that is a problem in an era of turmoil. We live in a world in which change has changed, where human knowledge doubles every 12 or 18 years, and where the most important question for any country, organization, person is "are we changing as fast as the world around us?" Today, the dividing line between being a leader or a laggard is not measured in months but based on who is creating the future. And currently young companies are doing it.

Industry by industry, these young and aggressive organizations are turning the markets around and large corporations are trying to reach them.

Take the example of the mobile revolution. In the last five years mobile data has increased by 80 or 100%, and there are 8 million mobile





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devices connected to the web, that is, changing our lives. Ten years ago, four of the most powerful technology companies in the world were HP, Microsoft, Dell and Intel. All were led by famous CEOs and worked with the best consultants in the world, but they completely lost the mobile revolution. In 2009, 90% of the devices connected to the Internet ran the Microsoft operating system, and yet, in 2016, only 13% did so.

Twenty years ago I wrote in an article that the Internet was not a new means of advertising or a new marketing channel, but the foundation of a new industrial order. At that time I was not the only one who saw this and said it. How do you explain then what happened with some companies in the retail industry? In 1998, for example (the year I wrote that article), Amazon had revenues of just one hundred million dollars, while those of Walmart were one hundred billion. However, at the end of the day, Walmart missed the ecommerce revolution [and Amazon became one of the most valuable companies in the world, along with Apple and Google].

In most organizations the changes occur during a crisis or after a long period of low performance, and almost always in the same way as in poor authoritarian regimes: very late, in a kind of revolution, with a huge cost for the people.

When we talk about strategy we usually think about the competitive advantage. I want to suggest something different: the evolutionary advantage, that is, how I build an organization that can change as fast as change itself, that never takes refuge in denial, that is relentlessly optimistic, that changes before it has to, that can hire the most dynamic people in the world who want to work in the most dynamic organization in the world.

The human body changes automatically, spontaneously and reflexively, as when we go to the gym or fall in love; this does not happen in large organizations. Huge evidence of a problem is needed to finally get the CEO's attention. Then people design a program for the change and all the training manuals as well as the job descriptions are rewritten. But when everything is ready, the world has changed again. In almost all organizations, change programs are rather "catch-up" programs. Therefore, inherited inertia is the first disability common to almost all organizations, and the challenge is how to overcome it.

Second, we find the disability to innovate and the challenge of building an evolutionary advantage. Humans are creative, and organizations are not so creative. Every day, five hundred thousand hours of new content are uploaded to YouTube, three million

blogs are published in Wordpress, thousands of new projects are launched on micro-patronage sites, hundreds of applications are uploaded to Google Play and forty million photos are uploaded to Instagram. At the same time, most organizations, on the other hand, struggle to innovate. In 2015, according to a Boston Consulting Group survey, innovation was a strategic priority for 75% of executives. And of course it is, innovation is the only insurance against irrelevance, it is the only protection against commoditization and the only guarantee for customer loyalty in the long term.

In another study, done by McKinsey, 94% of leaders said that organizations were very good at innovation. I'm not surprised, since most of the CEOs I talk to, tell me that their companies take innovation very seriously. When listening to this, I usually recommend doing the test with the front-line employees, in the call centres or technical support, in the factories, where they are, I suggest asking these three questions:

Have you really been trained as a business innovator? Has the company invested anything in your creative capital? The answer to this first question is usually "no".

- Do you have quick access to an experimental fund? If you have an idea, is there any kind of internal "kick-starter" version that makes it easy to get funds to experiment with? Or you rather have to fight against bureaucracy to get a minimum investment? Is it easy to launch an experiment? Again, the answer is "no".
- Are you and your boss clearly responsible for innovation? Are there clear measures and a number of quality ideas in the agenda? Do innovation metrics



impact on your salary or compensation? "No".

- Then I go back to the CEOs and I tell them that they do not teach their people to innovate, that they do not make things easier for them and that they do not make them accountable for innovation.

Are they really serious about the subject? We all need to become serious. Innovation needs to become an instinctive activity in our organizations. Because you cannot build an evolutionary advantage without an innovation advantage. In business as well as in biology, innovation is the fuel for renewal.

The third disability has to do with the fact that humans are passionate, organizations are not. Why is it that we don't see passion (like the one seen in fans of a sports team, for example) in an organization? The fact is that most people do not take their passion to work. A global Gallup study found that around the world only 13% of employees are highly engaged in their work, 24% are not committed at all, and the rest is in one way or another stuck in the middle. This is a scandal, because what this is telling us is that most people are not bringing their passion, their creativity, to work every day. And I think I know why. According to another study, also based on a survey of different employees around the world, the majority of respondents admitted that they are rarely consulted before work objectives are defined, that they seldom influence on important decisions regarding their work and that they can rarely comment when selecting colleagues who will work with them. If we take away autonomy and freedom from people, we can never get their commitment.

I think many leaders fear that the

Innovation is the only sure thing against irrelevance.



fate of organizations depends on the ability of team members to use their judgment. That's why they fill them with rules and bureaucracy, and then they are surprised because they do not come happily to work. If we want to have an innovation advantage, we first need an inspiration advantage, so that people have a passion for what they do, so they come to work with enthusiasm and use their creativity. So this is what we have to solve.

Causing deep change

We need to build organizations that are adaptable, innovative and inspiring. How do we do it?

Let's think for a moment what the problem is. It does not lie in how to achieve large-scale efficiency but in how to achieve creativity and adaptability on a large scale. That leads me to talk about bureaucracy, which - in general - grows faster than the company. As it gets bigger, a company becomes full of rules, layers of management, increasingly long decision cycles. Less risk is taken, the Legal department must sign

everything and employees lose their voice. Quoting Jamie Dimon, CEO of JPMorgan Chase, "bureaucracy is a disease. It expels good people, slows decision-making, kills innovation and is often the Petri dish of bad politics." Bureaucracy has to die; and it is possible, we can kill it. To achieve this, we have to make some profound changes.

First, we must change the very architecture of our organization, the architecture of power. The traditional pyramid is nothing more than the skeleton of bureaucracy, a system of intellectual caste that empowers a few and "disempowers" the majority, which assumes that the thinkers are at the top and that those who do/execute are in the base. This generates a kind of creative apartheid. If the strategy starts at the top, the future of an organization depends on the willingness of a small number of people to unlearn and relearn.

There is a wonderful story about a Microsoft engineer who saw the Google threat, but it took him 5 years to get



“We encourage employees to become entrepreneurs because people are not a means to an end, but an end in themselves. Our goal is to allow everyone to become their own CEO ... to help everyone achieve their full potential. ”

Zhang Ruimin is a Chinese businessman and CEO of Haier Group. He is known for his work to turn a little-known and bankrupt refrigerator manufacturer into the fourth largest household appliances company in the world.

an audience and convince Bill Gates that the company should do something. Only then did they invest a hundred million dollars to build their own search engine. Like all companies, Microsoft thought that strategy and direction began at the top. The problem, moreover, is that almost all leaders have their emotional equity invested in the past, and that was also Gates’ model in the computer industry. “We sell computers to CIOs, with our software in between, we make money charging for licenses and updates ...”. They got stuck at that and could or did not want to see further in time. However, the future is surprisingly indifferent to our preferences. Steve Ballmer, the Bill Gates’ successor, said in 2007: “There is no possibility of the iPhone having a significant market share. No possibility”. I am not criticizing Ballmer, it

must have been very difficult to see a world in which a small handheld device could be sold for seven hundred dollars.

Later the current CEO, Satya Nadella, who finally said: “A big mistake we made in the past was to think of the PC as the centre of everything for the future.” Being hostages of the past is something that happens in most organizations, it is a fact.

In addition to changing the architecture of power, in the second place the management ideology must be changed, because behind each management there is always an ideology. Management is the control technology to enforce rules, policies and procedures. Control is a good thing, but going back to the idea of bureaucracy as a cancer, control is

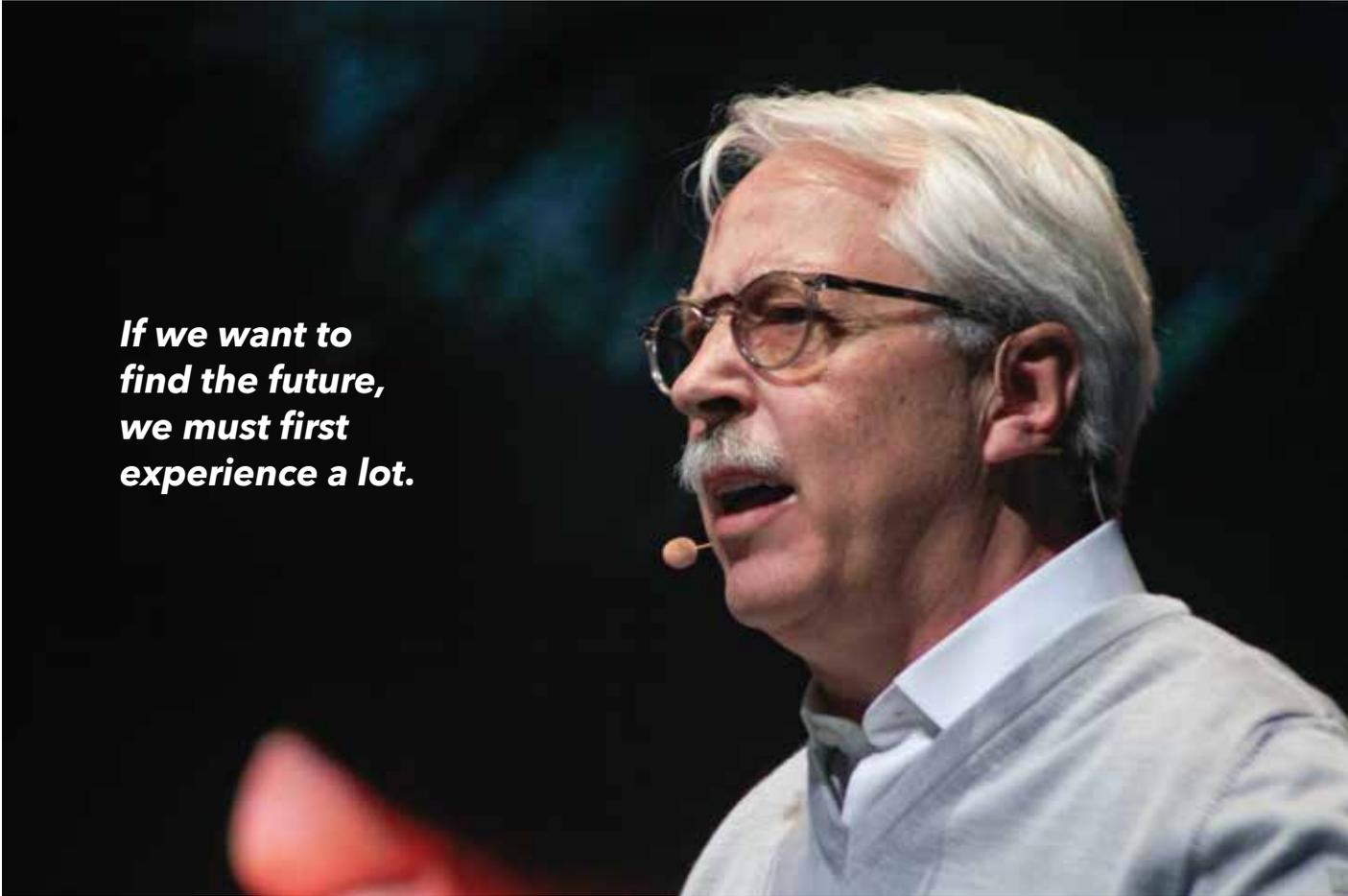
a cancer. We are able to buy a car, for example, and yet in the office we must ask permission to buy a chair. We cannot have innovation or adaptability without freedom.

Reinventing management

Can we challenge the way our organizations work? The important thing here is to move from bureaucracy - which has the focus on how to maximize human compliance, how to turn humans into robots - into humanocracy, which focuses on how to maximize human contribution. In this way, not only diligence, obedience but also initiative, creativity and passion are obtained.

Companies must begin to measure the cost of bureaucracy and to be responsible for reducing bureaucratic resistance. For this, they can learn from those companies that are at the forefront. The future of management lies in building a company based on the principles of the internet: open, adaptable. And it is important to understand that human beings are a source of resources; that is the fundamental guideline for management. It is not about hiring people to manufacture products and profits, but about understanding that people join our organization to grow and contribute. Because, paraphrasing Zhang Ruimin -CEO of Haier Group- people are not a means to an end.

To eliminate bureaucracy you do not start with practices. Companies, rather, must embrace new principles. In general, we do not spend time thinking about the deep foundations on which our organizations are built. But it is important to understand here that we cannot solve new problems based on old principles. For example, to create democracies the starting point was not based on the assumption that the king has the divine right to govern.



***If we want to
find the future,
we must first
experience a lot.***

Among the new principles for management 2.0, we find experimentation, the key to building an adaptable company. Companies must try many things; it takes thousands of crazy ideas to find a hundred that have potential and then ten of them that can be used as experiments. Only then is when that single idea is finally found, that idea which will change our business.

Most companies do not have any process to generate hundreds or thousands of strategic options every year. While we often hear the phrase “strategic planning”, planning and strategy have nothing to do with each other. The latter refers to generating truly novel alternatives. It is not surprising then that today Amazon is perhaps the most innovative compa-

ny in the world. Jeff Bezos, its founder and CEO, stated that his mission is to make Amazon the world’s largest laboratory.

According to what he wrote in the annual letter to shareholders in 2016: “I think we are the best place in the world to fail (we have a lot of practice!), and failure and invention are inseparable twins. To invent you have to experiment, and if you know in advance that it will work, it is not an experiment.” The only way to progress is to experiment. Top management, in general, does not know where the opportunities are, and when it finds it out, it’s already too late.

Another of the management 2.0 principles is freedom. You cannot innovate without the freedom to

break some rules, take some risks and waste some time. In most organizations, freedom is seen as dangerous because it is supposed to imply a loss of control. However, it is important to increase the autonomy of the teams that are on the front line. In companies such as Hire Group, for example, people have a lot of freedom to create but at the same time they are responsible for the results and their compensation depends on them, with which - at the same time - there is a lot of control too. One of the challenges in building a post-bureaucratic company is precisely to reinvent control. There is no doubt that discipline, responsibility, alignment, and focus are needed, but how to achieve them can change. ▽

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