

BOOK REVIEW

THE FUTURE OF MANAGEMENT

By Bill Breen and Gary Hamel
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Reviewed by Erich Baumgartner

If you do not know Gary Hamel or Bill Breen you should. Gary Hamel is a graduate of the School of Business at Andrews University in Berrien Springs, Michigan. For this reason it is not a surprise that he was also the graduation speaker at Andrews in May of 2008. What may be more surprising to some of our readers is that he is also one of the world's most renowned management experts. The *Wall Street Journal* of May 5, 2008, listed him as #1, ahead of *New York Times* columnist Thomas Friedman and Microsoft chairman Bill Gates. Hamel hones his theories as Visiting Professor of Strategic and International Management at the London Business School, as the director of the Management Innovation Lab and as an international consultant to a wide variety of organizations and corporations. Bill Breen is the founding senior editor of *Fast Company*, the must-read magazine for many leaders trying to stay in touch with new ideas in leadership, strategy, innovation, and design.

The Future of Management shifts a paradigm-changing innovation focus on management itself. For many people innovation means, above all, new products. The current pace of product innovation is overwhelming. According to the World Intellectual Property Organization (WIPO), in 2005 alone there were 1.6 million new patent applications worldwide (WIPO Report, 2007). Products not even in existence a few years ago are now shaping the way we live, work, and think. My iPod allows me to carry a collection of music and audio books with me at all times. My laptop gives me access to my aggregated academic work for the last 20 plus years. The Internet allows me instant access to the work of others and to inexhaustible resources that used to be locked up in physical libraries. But as I am writing this paragraph, my son smiles about my glowing admiration of the innovations of yesterday. He has a second generation iPhone. Do I have to explain more?

Innovation can also mean new ways of structuring work. A few days ago I participated in the meeting of "Quantum Leap," a virtual learning group of global leaders in the Andrews University Leadership Program. The eight participants were scattered across three continents, from Hong Kong to Mumbai (India), from Berrien Springs (Michigan) to Berlin (Germany), and from sunny Loma Linda (California) to the plains of Alberta,

Canada. After catching up with each other, I shared some key learning concepts that integrate the work of learning groups with the assessment process of portfolio evaluation. A vigorous phone discussion allowed us not only to instantly share ideas and concepts, but to concurrently find authors and documentation of ideas on the web, build instant resource links for further study, post academic writing drafts on Moogler for peer review and critique, and do group planning. The fascinating thing about this meeting was that it cost nothing. Skype provided the conferencing technology, Moogler is an open source cooperative productivity tool available for free, and all the other tools used were the same as we use in our everyday lives.

Yet the work I do across the barriers of geography and time zones with the help of innovative technological tools is grafted into an organization that is structured by mid-20th century management processes, all built atop 19th-century management principles. This is Gary Hamel's starting point in *The Future of Management*. Most of the

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innovative products that we live with today come from companies still shaped by the management orthodoxies of the industrial age. Hamel contends that if management seems “stuck in a time warp” (p. 4) it is because its invention at the dawn of the 20th century was so successful in solving the problem of inefficiency that it created enormous economic prosperity. The problem 100 years later is that “the canonical virtues of modern management,” control, precision, stability, discipline, and reliability, are no longer adequate to guide the organizations we need in the turbulent global context of today (p. 14). The problem is that it has become a domineering paradigm

that holds us hostage to yesterday's management creeds and prevents us from seeing the new options needed to fulfill our mission today.

This highly readable book is Hamel's attempt “not to predict the future of management, but help you reinvent it” (p. 255). His goal is to help leaders approach the challenge of structuring organizations in a way that gets “more out of people”—thus amplifying human effort—and “then to compound those efforts in ways that allow human beings to achieve together what they can not achieve individually”—aggregating human effort, the two most fundamental functions of management (p. 250). While most of his examples are taken from the world of business, the principles discussed here are often highly relevant for non-profit organizations and Christian organizations whose desire to build more effective organizations has often resulted in adopting management principles that may be contradictory to their nature and mission.

The book is divided into four parts that move us from understanding why management innovation matters (Part I) to three intriguing case studies of highly profitable innovators, “management renegades” Whole Foods, Gore, and Google (Part II). By this

time readers may start imagining their own management innovation. Hamel helps them in this impulse in Part III by discussing a systematic approach, a methodology, to reinvent management consisting of (1) a process to “deconstruct” long-standing management orthodoxies that block the release of creativity and innovation in organizations, (2) new principles of organizational design, and (3) a collage of illustrative practices gleaned from actual innovators he calls “positive deviants” often found first “at the fringe.” Finally, in the last part of the book, Hamel ventures a guess at what the reinvented management might look like. Interestingly, he turns to the Web 2.0.

This is a book that helps readers understand the dynamics of innovations in organizations in a broader way, although the book assumes at most times the competitive business context, which may not be the usual environment of the Christian leader or educator. Not all innovation is equally effective in propelling an organization to sustain its innovative lead. In Chapter 2, Hamel shows that operational innovation often seen in “best practices” may allow an organization to temporarily move ahead of the pack. But best practices are readily diffused by consultants and soon copied by competitors, erasing the original advantage of the innovator. Product innovation may create a temporary lead for a company until upstarts leapfrog yesterday’s pioneers. Strategy innovation based on innovation in business models may be more difficult to decode and thus provide a longer-lasting advantage, but it is management innovation that creates the greatest potential for strategic advantages in the long run. By challenging concepts that have long become accepted wisdom and have risen to the level of unquestioned assumptions about organizational reality, companies are able to innovate at a level that is most difficult to duplicate by competitors. In other words, innovation in management is the ultimate strategic advantage.

What are the elements needed to enable organizations to create their own version of management innovation? In Chapter 3, Hamel describes three dynamics (“management challenges”) of a true management innovation agenda: (1) the need to accelerate the pace of strategic renewal, (2) the importance of making innovation the job of everyone in the organization, and (3) the challenge of creating an organization that is worthy of everyone’s best efforts (Chapter 3). Hamel illustrates these general principles, which are also relevant for non-profit organizations, in Chapters 4 through 6 by analyzing the compelling stories of three companies that seem to creatively incorporate these management principles so well that it has been difficult for competitors to copy them: Whole Foods, Gore, and Google. The case studies are well told and the lessons intriguingly applicable to a wide range of organizations.

Hamel’s crusade for paradigm-changing management innovation is not a neat step-by-step process; nevertheless, he sets out to describe the possible ingredients of a systematic approach to reinventing management thinking. How does a leader unearth and challenge long-held and mostly unexamined beliefs about management that blind leaders to new possibilities and hold them hostage to the status quo? In this fascinating seventh chapter, Hamel delves into the assumptions of scientific management that should give pause to Christian leaders who have copied secular management practices without examining its philosophical foundations. He shows that management is a

“social technology” created in part to “transform strong-willed human beings into docile employees” (p. 130). The America of the 19th century, says Hamel, (following research of Roy Jacques) was a “republic of the self-employed” that required managers to undertake a dramatic reshaping of human habits and values to fit the demands of the early

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20th-century industrial workplace in large-scale organizations. But in the process of manufacturing the modern employees, the once proud craftsmen or self-reliant farmers and artisans were turned into workers who were no longer connected to the final customer and the final end product. Instead they became disengaged cogs in the machinery of production that did not need their creativity or their best efforts. The data show that, despite enormous productivity of modern organizations, the result of this approach to structuring human organizations is nothing short of a “scandalous waste of human capability” (pp. 57-58): 85 percent of those at work worldwide admit that

they “are giving less of themselves than they could.” Would the typical congregation with its focus on weekly church services fare better in this assessment?

Modern management is built around a small core of principles: standardization, specialization, hierarchy, goal alignment, planning and control, and the use of extrinsic rewards to shape human behavior. These industrial-age principles have been applied successfully to maximize operational efficiency and standardize the work processes of large scale organizations whose enormous success has resulted in the creation of the current economic prosperity. But these principles are impotent to create highly adaptable and resilient organizations. So where do we go to find models of resiliency? Just open your eyes, Hamel says in Chapter 8, and you can see them at work every day: life’s capacity for adaptation and variety, the resource flexibility and strategic efficiency of markets, dissent-enabling democracies, religious faith enabling a sense of destiny, and the world’s most vibrant cities that thrive on creativity-generating diversity.

To illustrate how these principles have been applied to real-life management challenges, Hamel invites the reader to “learn from the fringe”—from uncommon places all around us with uncommon insights. One such “positive” deviant at odds with the prevailing management thinking of her time is Mary Parker Follett, a community organizer in Boston, who developed her views on management in the first quarter of the 20th century as a community organizer. She saw leadership as “not defined by the exercise of power, but by the capacity to increase the sense of power among those who are led” (servant leadership?) and advocated the power of diversity for effective decision making. She also viewed large organizations as a collection of self-governing local communities akin to today’s concept of self-organizing teams. Even today such concepts are cutting-edge thinking. No wonder Hamel calls her “the 20th century’s most prescient management thinker” (p. 186).

The book ends with two chapters that are looking into the future, attempting to show how all these ideas can be turned into profit-producing management practices that Hamel calls Management 2.0. His model is the Web 2.0, where everyone has a voice, the tools of creativity are widely distributed, it is 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, communities are self-defining, just about everything is decentralized, ideas compete on an equal footing, resources are free to follow opportunities, and decisions are peer-based (pp. 253-254).

How do these ideas help Christian leaders in their work? For starters, Christian leaders will probably be fascinated by the wealth of ideas they can glean from this book. Hamel is a master teacher who balances the explanation of theory with interest-gripping examples from corporate life. The examples are not always transferrable but the concerns behind them are. When Christian leaders, especially those working in church and volunteer contexts, read these examples, I suspect that they will feel a kinship with the underlying principles advocated by Hamel. For instance, Henry Ford's complaint that he needed hands but they came with minds attached to them illustrates how classic management structures tried to minimize individual variability to control outcomes. Workers were there to fill the production lines, but the managers were there to figure out how to structure the work in the most efficient way. Churches never had the luxury to separate the hand from the mind. They should know something about the creator-bestowed giftedness of its membership. Yet, are these same churches structured in a way that releases the creative potential of its members in ministry? Too often members are viewed only as pew-sitters and program supporters, with little creative involvement in between.

One question Hamel does not address, but that is of great interest to me as an educator at Andrews University, is the question of how to prepare leaders for management innovation? Hamel indicates that the traditional management paradigm has been perpetuated very successfully by the MBA programs of schools across the nation. But how good are they at fostering the skills and mind-set necessary for leading the challenge of innovation at the management level? Universities are at once the preservers of knowledge and the shapers of disciplines (e.g., look at doctoral programs). But what is their role in shaping a new organizational worldview that sees organizations as communities of continual learning and innovative practice? How good are they at listening to new ideas from the bottom up, learning in a cooperative mind-set in self-defining communities? How well do university programs integrate the everyday management realities into their academic curriculum? There are multiple institutions effectively experimenting with possible solutions, such as the Leadership Program (a PhD program) at Andrews University, the alma mater of Gary Hamel.

Throughout the book Hamel leads managers by suggesting processes to question conventional ways of thinking in order to open the door to new ideas and ultimately new practice. Even though he is hailed as one of the most forward-thinking management experts of our time, Hamel resists the temptation to prescribe precise formulas for innovation. Instead, he excels in creating learning spaces by suggesting ways leaders might get the ball rolling towards tackling the hard problems organizations face by

finding new ways to think about them and turn them into new profitable opportunities.

This book will be helpful to all who want to understand the dynamics of innovation in organizations and its relationship to management. This is not a how-to book but a more conceptual book that will help leaders to analyze the link between assumptions about

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reality and organizational practice. Flinging machine-inspired leadership practices on the church and expecting a more vibrant community of caring and friendship is like dumping water on a candle and expecting it to illuminate the sky. Too often Christian leaders have adopted popular management practices without reflecting on the life-dampening implications of these practices for their organizations. Hamel's premise that the most innovative organizations of the future will also be the most human should be food for thought for Christian leaders who sometimes struggle

to see the connection between organizational structures and human motivation. How do we create organizations that deserve to have people invest their most noble passions into them? This is a question reserved not only for businesses. Churches and non-profit organizations need to ask this question as well.