

The Future of Management

Introduction

This reading is based on a presentation by Mr. Gary Hamel. The views presented in this essay are based on Mr. Hamel's theories and do not represent the totality of management theories.

On May 20, 2011, Gary Hamel spoke at the University of Phoenix's Distinguished Guest Video Lecture Series. The title of his presentation was "Reinventing Management for the 21st Century." Mr. Hamel is a management expert and is the author of numerous books and articles on the subject. This presentation was filmed at the de Young Museum in San Francisco.

Mr. Hamel begins his presentation by talking about how we must develop organizations that are ready for the future and that also address our professional, emotional, and changing lifestyle needs through modern sound management practices. He takes us back in time and mentions the most important inventions of the past 100 years.

- Combustion engine
- Semiconductor
- Modern medicine
- The Internet
- Electric motor
- Telephone
- GPS
- Cars
- Plastics
- Television
- Gene sequencing

Even with all of these innovations, Mr. Hamel believes that the single most important invention is management. He says that we do not generally think about management as an invention. However, if we consider all of the tools needed to bring people together and gather materials to produce end products, then we must look at management as an invention.

This reading will explore Mr. Hamel's ideas about the future of management and why management must evolve.

The Early Years of Management

Mr. Hamel believes that we now have to reinvent management, because organizations are facing many challenges that they have not faced before. He uses the example of the developed world of 1890. At that time, 90% of our

economy was based on agriculture. Manufacturing companies were very small and had less than five employees. By 1915, Ford and US Steel had become giants in their industries.

Within the short period of time between 1890 and 1915, merely one generation, modern management had been invented and implemented. Management practices put in place included:

- pay for performance,
- capital budgeting,
- task design,
- division of labor, and
- brand management.

In fact, these management practices—processes that was invented 100 years ago by people who were born in the 1800's—are still being used today.

There were great innovations in management at its inception, but then the process leveled off. Mr. Hamel feels that if we compare management practices today with those of 100 years ago, we find that there have been hardly any changes at all, though problems that need managing have evolved. Keep in mind that other theorists may disagree with Mr. Hamel's position. Mr. Hamel calls our current management practices hand-me-downs from days long ago and believes that it is time to make a change.

Current Management Challenges

Mr. Hamel cites three challenges that current management practices face. These are:

1. *Rapid changes* – Mr. Hamel points out that the rate of change has changed. While change is constant, this rate has accelerated. In all categories of industry and life, changes are occurring exponentially. Some areas that have experienced accelerated change include:

- CO₂ emissions,
- Internet connections,
- data storage,
- mobile devices with Internet connection, and
- genome sequencing.

The rapid rate of change is a new phenomenon. Things did not change exponentially 100 years ago.

2. *Hyper competition* – In the past, there were barriers to market entry which protected companies' positions in the marketplace. As barriers

have come down due to advanced technology, changes in business practices, and greater ease of entry, companies must seek new ways to protect their positions. The only way to do this in an increasingly competitive environment is through innovation. Increased change requires companies to be on the top of their game every day.

3. Knowledge as a commodity – Shared knowledge has made it harder for companies to have a unique advantage over their competitors and to bring new products and services to the marketplace. Knowledge advantages are no longer something that an organization can rely on. Employees take their ideas and information to new jobs with competitors. Global consultants share information with organizations worldwide so that everyone is working on a level playing field of knowledge. Business people are all networking together and using the same business partners and vendors.

So, it is not about the kind of knowledge that an organization possesses, but it is about how quickly a company can create new knowledge.

Mr. Hamel posits that meeting these three challenges is essential to the future of management. The companies that will change their models of management more quickly than their competition will be the companies that are successful.

Moving Management Forward

The next question to ask is “How can we move the process forward?” Mr. Hamel talks about an IT company in India called HCL Industries. This company is successful and creative by using a management model called *reverse accountability*. In this model, employees rate their bosses, they rate their boss’s bosses, and all ratings are published online. In doing so, all employees who participate are involved in developing the company’s strategy.

An example of how HCL uses reverse accountability can be seen in how employees address internal issues and problems. If an employee, at any level, has an internal organizational problem (i.e., with his or her manager, with human resources, with accounting, etc.), the employee writes out a ticket. The ticket is visible to everyone in the organization, adding a level of transparency to this process. The department in question is required to resolve the ticket within 24 hours and only the employee who wrote the ticket can close it out. If it is not resolved within the 24 hour time period, the issue goes to a higher level. In this way, individual managers are held accountable for their actions.

Interestingly, HCL Industries’ mantra, as stated by the company DEO Vineet Nayar, is “Employees first; Customers second.” Mr. Nayar believes that if his

employees are not happy, they will not be able to take good care of the company's customers.

New Management Practices

Mr. Hamel does not believe that following the current examples of other companies' best practices is effective any longer. He cites three actions that companies can take to advance their management efforts.

1. *Have aspirations.* – Companies must actively seek to innovate their management practices.
2. *Be a contrarian.* – Companies must be willing to challenge traditional management principles that limit us today. The management problems of 100 years ago have changed. Processes used to solve these problems 100 years ago may have been successful then but are no longer effective.
3. *Learn from the fringe.* – New ideas come from the edges, not from the mainstream. Follow the ideas from the innovators who dare to employ new practices.

Mr. Hamel also suggests that we look to the Web for innovation. He believes the values that are pervasive on the Web will lead the way for new management practices. The deep values of the Web—openness, meritocracy, flexibility, and collaboration—need to also be the deep values for our organizations.

He cites the examples of several business leaders, Jeff Severts, Ross Smith, and Jordan Cohen, who have taken the principles of the Web and incorporated them into their organizations. Jeff Severts of Best Buy implemented a plan whereby rank and file employees were able to purchase imaginary stock for new products and services based on information they obtained from management. This became a *prediction market* to determine the success or failure of a product. The information was then compared with initial sales figures to determine if product changes were needed. Ross Smith has created an environment that builds trust at Microsoft through the use of gamification to increase productivity and to encourage innovation at every level. *Gamification* is the use of traditional game design principles in non-game situations to create a more fun experience. The rewards of achievement are easily seen and provide motivation for reaching higher levels. Jordan Cohen at Pfizer enables employees to make the decision to outsource the boring aspects of their jobs without asking for permission.

Conclusion

In order to build future successful companies, organizations must be better suited for human beings.

Original management processes and models did not consider the importance of us as human beings. We no longer live in that world. People can change; we are

adaptable and resilient. We often see this when people change careers, return to school, relocate to other countries, and cope with personal challenges.

How is it that we can change, but the organizations we work for cannot? Mr. Hamel's views are that companies are still using management models that were designed for different reasons such as getting the most work out of farm hands, laborers, and craftspeople. Mr. Hamel believes that current management practices are embedded in the early management practices of "How do you turn human beings into semi programmable robots." He feels that these beliefs are not being challenged by organizations' in their current management practices.

Mr. Hamel encourages us to think about the future of management and to take on the challenge of being management innovators. We should respect every worker and embrace what each employee has to offer.

Summary:

- Gary Hamel is an author and management expert.
- He believes that the single most important invention of the last 100 years is management.
- Management must be reinvented, because organizations are facing many challenges that they have not faced before.
- The three major challenges that organizations face are rapid and exponential changes in the marketplace; hyper competition, which requires organizations to innovate every day; and the idea that knowledge is a commodity which must be newly created for competitive advantage.
- Successful companies will be the ones that will change their models of management more quickly than their competition.
- To advance management practices, companies must have aspirations, be contrarian, and understand that new ideas come from the fringe.
- The deep values of the Web—openness, meritocracy, flexibility, and collaboration—should be adopted for new management practices in organizations.
- Old management practices were designed for different purposes. New practices must consider the importance of human beings.
- All businesses should take on the task of being management innovators for the future.

Reference:

Hamel, Gary. 2011. "Reinventing Management for the 21st Century." University of Phoenix's Distinguished Guest Video Lecture Series.