



What Matters Now

How to Win in a World of Relentless Change, Ferocious Competition, and Unstoppable Innovation

by Gary Hamel

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304 pages

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Take-Aways

- Business in general and management in particular are facing widespread change.
- In light of such change, organizational leaders should consider five pivotal concerns: values, innovation, adaptability, passion and ideology.
- Capitalism operates best within a values-based framework.
- Leaders should guide and care for their workers, promote and protect their organizations' values, and conserve organizational resources.
- Businesses must become more innovative and adaptable to remain current.
- Firms should strive to make their employees care passionately about their work.
- Your company should function in accordance with its ideology, which you must constantly evaluate and update.
- Flatten your organization; eliminate bureaucracy and hierarchy.
- Worker empowerment and self-management are ideals for the emerging economy.
- To lead and inspire, focus your management practices on a higher purpose.

Rating (10 is best)

Overall
8

Applicability
8

Innovation
7

Style
8

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Relevance

What You Will Learn

In this summary, you will learn: 1) Why management needs to undergo change, 2) What five areas demand attention now, and 3) What new practices and structures will best serve your business.

Recommendation

Prolific management author Gary Hamel blends an almost nostalgic call for ethical action with tips for managing members of the Facebook generation. He cites case studies ranging from Apple to Morning Star to W. L. Gore & Associates. Though the book feels fragmented at times, it is an accessible, smooth read, and the title's imperative unifies its disparate, passionate pieces. *getAbstract* recommends this worthy treatise to Hamel fans, managers, innovators, those interested in corporate culture, and managers or workers struggling with change.

Summary

Big Ideas

Organizational leaders should consider their work in light of five pivotal, overarching concerns: values, innovation, adaptability, passion and ideology.

1. Why Values Matter

Leaders should be stewards who guide and care for the people who work for them, who protect and promote their organizations' values, and who conserve organizational resources. A steward is loyal, fair, giving, accountable and prudent. As the world's economy becomes increasingly interwoven, actions in one area affect all others. If your company functions on a global scale, you must hold yourself to a higher ethical standard. Given the speed of word of mouth across the web, acting ethically and making sound decisions are always pragmatic. A firm's actions are no longer private; they affect the public sphere. Capitalist thinkers from Adam Smith to Ayn Rand have argued that capitalism creates a greater "common good" by leaving individuals free to pursue their self-interest. But that individualism works only within the framework of "ethical principles": You can't do anything you want, but you can do anything you want within moral boundaries.

Capitalism and business management exist in a state of paradox. Capitalists believe that capitalism produces the best possible economy and benefits everyone. Yet people expect businesses to act badly. In fact, some corporations do act badly – and get away with it. While people want the system to be more ethical and capitalism to be more compassionate, they accept that CEOs will maximize profit at the public's expense, and they seem willing to hold business leaders accountable for financial results alone and not for the implications of their actions. Most people are cynical about businesses' statements on values, ethics and the environment, and see them as pure rhetoric and only for show.

As a manager, you can change your firm and your staff by expressing the lofty ideas that motivate and engage employees. You may not usually talk about love, joy or meaning, but to increase your workers' engagement level, you must speak up for "the good, the just and the beautiful."

"The...decisions of global actors are uniquely consequential, [and so] their ethical standards must be uniquely exemplary."

"Why is it that as managers we are perfectly willing to accept the idea of a company dedicated to timeless human values but are, in general, unwilling to become practical advocates for those values within our organization?"

"If you are a leader at any level of any organization, you are a steward – of careers, capabilities, resources, the environment and organizational values."

"Our creedal beliefs [as managers] prevent our institutions from being more adaptable, more innovative, more inspiring and more noble-minded."

"A top-heavy management structure is not only tyrannical, it's expensive, in ways both obvious and subtle."

"Seek out the most discomforting facts you can find and share them with everyone in your organization."

2. Why Innovation Matters

New products flooding the market prove that innovation is an engine of economic success in this "golden age of innovation." Managers understand innovation and know that people are happiest doing creative work. Humanity is facing huge challenges, from climate change to terrorism. Only meaningful innovation can address these issues. Yet in a down economy, most businesses reject innovation and follow conservative practices.

Review the methods of the most innovative companies and adopt the ones that apply to your firm. Seek a model among the different kinds of innovative companies: "Rockets" are start-ups with innovation built into their strategies. They explode onto the scene but don't last. Innovation "Laureates" are dependable innovators, like Microsoft or General Electric, that regularly release new products. Laureates work in fairly narrow technological fields and maintain innovation with dedicated R&D. They differ from "Artistes" like the design firm IDEO. Artistes are creative and help others create. Google, Amazon and Apple are among the "Cyborgs," "purpose-built" for "superhuman" innovation. "Born-again innovators," like Ford or Procter & Gamble, are formerly conservative corporate giants who sparked new waves of innovation.

Great design can set your product apart by generating a "visceral reaction," because great design is "aesthetically exquisite, conspicuously conscientious, utterly unexpected [and] amazingly competent." To improve your design, study "how people actually get things done," what works and what doesn't. Every business has established best practices. Innovators challenge these beliefs, seeking unmet desires and products that frustrate users. They examine how people hear about a product, what makes them buy it, how they use it and what aspects of their lives the product touches. Innovators study the customer's experience so they can improve it.

3. Why Adaptability Matters

Future generations will define this as a time when change itself changed, when the world began to shift at an "exponential pace." Your organization must be adaptable despite the forces pushing you to be inflexible. When a business becomes successful, it tends to shift from exploring new possibilities to exploiting its wins. Once firms reach the top of their market, they turn toward trying to maintain that peak; they defend instead of creating. Years of following one practice, however sound, can solidify that practice into a creed. When firms succeed, their resources grow, and they tend to use them to compete. They outspend their competition rather than changing to follow consumer demands. Once they've been on top a long time, they feel entitled to stay there.

When your organization doesn't change internally to match its external environment, you lose relevance. As you fall out of touch, your customers can drift away. If you're a large company, you may find you cannot grow as fast as you once did. If you succeed by introducing a new strategy, some of your competitors will copy it and others will try to surpass it. The web – an external factor – affected this cycle. Before the Internet, you might have been able to retain your customers because they had no way to learn about their alternatives. Now customers can find cheaper, faster or better options, and that puts continual pressure on your organization.

To survive, you must adapt; that requires "future-proofing your company" by anticipating change. Track trends and realize when the market shifts away. "Learn from the fringes," where unorthodox customers and competitors already do things differently or even weirdly. Run scenarios of alternative futures. Nourish "intellectual flexibility." Identify your company's assumptions and challenge them. Hire a diverse workforce and encourage

"Thank God for screw-ups. If life had adhered to Six Sigma rules, we'd still be slime."

"To be an innovator you have to challenge the beliefs that everyone takes for granted – the long-held assumptions that blind industry incumbents to new ways of doing business."

"What limits innovation in established companies isn't a lack of resources or a shortage of human creativity, but a dearth of pro-innovation processes."

"What's true in nature is true in business – a lack of diversity limits the ability of a species to adapt and change."

internal debate so that you hear multiple points of view. Open your firm to ideas from the outside and dismantle hierarchy as much as you can. Smaller units are more nimble, so consider breaking your company apart. Give different people control over small portions of the budget for new products. Try little projects to make experimentation cheaper. Don't define your company in terms of one customer or product. Think of yourself as a collection of "deep competencies and broad platforms."

4. Why Passion Matters

Around the world, only a fraction of workers – around one in five – say they are "truly engaged in their work." This means that managers – those responsible for getting the most from their employees – are not doing a good job. In the global labor market, you can find trained people to follow procedures, but that's never enough. To excel, you must tap your workers' creativity and initiative, and that means igniting their passion. Like Apple, embrace such passion as integral to your culture. Your firm should not be an end unto itself, but a channel through which individuals can affect the world. To make this more likely, decentralize. Accentuate community; de-emphasize hierarchy. Strive for transparency and inclusivity. Involve everyone. Use peer review and reward people according to their contribution rather than their rank or title.

W. L. Gore & Associates, makers of "high-performance" Gore-Tex fabrics, regularly ranks as an innovative company and a great place to work – all without a formal hierarchy. The company is structured as "a lattice or network." To lead at Gore, you have to earn a reputation and persuade people to join your project team. Everyone engages in peer review, and employees grow into taking leadership roles. This organizational format can breed chaos, and projects can take longer to launch because you have to educate people about what to expect. But once they are aboard, you can achieve total worker buy-in – which is far more productive than a formal declaration of radical change no one believes in or understands.

5. Why Ideology Matters

Most companies don't discuss their ideologies. You might not even hear that word at work. To free your organization from old mind-sets, ask whether the "creedal beliefs" in your "management ideology" could be blocking innovation, adaptation and inspiration.

The history of the world is the history of clashing ideologies: One side believes in a certain stance, like independence and democracy, while the other side believes in some other position, say, fealty and monarchy. The two sides fight. The truth rarely resides wholly on one side or the other. Instead, seek ways to move appropriately between conflicting positions. For example, parents must continually balance "love and discipline." Always giving in to your kids won't work, but neither will making them obey rigid rules all the time. A helpful parent moves dynamically between one tactic and the other. Such an approach requires continual attention and monitoring and differs greatly from the blanket policies governing many corporate decisions.

Go beyond challenging any single rule or decision. Challenge the very ideology of bureaucracy. As a management tool, bureaucracy functions exceptionally well, allowing large organizations to accomplish complex tasks in a regular, standardized fashion. But bureaucracy also fundamentally opposes creativity and stifles organizational energies you need most. Classical hierarchical structures are also expensive. They cost your business directly – because you are paying layers of managers to control everything – and indirectly – because they make big decisions riskier and because almost no one reviews senior

"Finding an accommodation between competing ideologies isn't about compromise; it's about getting the weighting right in every circumstance and at every moment."

"People can't be self-managing without information."

"A leader has to confront the future, not discredit it."

"Hunkered down is the new normal."

managers' decisions. Often, hierarchy insulates decision makers "from frontline realities," so their judgments aren't practical. Imposing decisions from above generates friction, so hierarchical structures by their nature bear a "management tax."

Worker empowerment is an alternative to traditional hierarchical management. This means giving employees autonomy to make their own decisions and trusting them enough to allow their experiments and modifications to unfold. If this sounds idealistic, consider Morning Star, which handles 25% to 30% of the tomatoes processed annually in the US. You might expect a company operating at the intersection of industry and agriculture to follow standardized, even mechanistic, processes. However, the opposite is true. Morning Star practices "self-management." Each "colleague" belongs to a business unit and must negotiate an individual "Colleague Letter of Understanding" detailing a personal mission and how he or she will achieve it.

All employees are responsible for their own actions and can make purchases for the firm – though they do consult with one another, especially on costly purchases. If two colleagues disagree, they enlist a third to mediate. They engage in extensive peer review, and any hierarchy that emerges results from expertise. These practices spread initiative, know-how, judgment and flexibility. Morning Star's staff members are loyal and feel part of a team. This comes at a price, though. Not everyone is suited to the structure of accountability and creativity, and such responsibility and open-ended growth can be challenging. New hires often take a year to acclimate fully.

Management "Moonshots"

Far too often, managers settle for far too little. They accept politics, hierarchy, bureaucracy and a pervasive lack of engagement as the way things have to be. Management can become more, but only by embracing a vision. The dream of putting a man on the moon galvanized America. Attempting management "moonshots" can reinvigorate a company. Ambitious goals will raise the people you manage to a higher level of commitment and enthusiasm. Help people reach a greater purpose by making "the language and practice of business more human" and by emphasizing "community and citizenship." Encourage individuals to excel by having confidence in them and by reducing the level of fear in the workplace. Find new ways to control and measure work.

Encourage play and "leaps of imagination." Seek diversity for its own sake and for creativity's sake. Try many small experiments. Rather than having a few executives approve new products, let many people decide. Practice innovations within "internal markets." Take politics out of business policy and engage more of the organization's people in decision making. Give staffers more autonomy and flatten the organization. Let your only hierarchies be "natural" ones, wherein people who know more and do a better job gain more attention. Share information. Give dissenters time to speak. Lengthen the time frame managers use to evaluate projects and measure performance more holistically. Recognize that current management practices were meant for an old economy in another world. Inventing "management for an open world" will require managers to become reflective, and even philosophical, as they examine their ideology.

About the Author

Gary Hamel, founder of The Management Lab think tank, has written many works on management and innovation, including *The Future of Management*.