

The Future of Work podcast is a weekly show where Jacob has in-depth conversations with senior level executives, business leaders, and bestselling authors around the world on the future of work and the future in general. Topics cover everything from AI and automation to the gig economy to big data to the future of learning and everything in between. Each episode explores a new topic and features a special guest.

You can listen to past episodes at www.TheFutureOrganization.com/future-work-podcast/. To learn more about Jacob and the work he is doing please visit www.TheFutureOrganization.com. You can also subscribe to Jacob's [YouTube](#) channel, follow him on [Twitter](#), or visit him on [Facebook](#).

Jacob 01:00

Hello, everyone. Welcome to another episode of the future of work with Jacob Morgan. Today I have a very, very special guest I'm sure a lot of you know his name, Gary Hamel. He is one of the world's most influential business thinkers according to The Wall Street Journal. He's on the faculty of the London Business School for more than 30 years, author of many, many books, including a brand new one, which I think is coming out in August, called Humanocracy: Creating Organizations as Amazing as the People Inside Them. Gary, thank you for joining me.

Gary 01:27

Thank you. It's a pleasure. Nice to meet you.

Jacob 01:30

So I actually remember reading a lot of your stuff when I was in college. At the University of California, Santa Cruz. A lot of my economics professors and business professors would assign us Gary Hamel reading and I don't know if you remember this, but we actually spoke at the same conference five years ago, The Staffing Industry Analyst Conference.

Gary 01:52

Oh, gosh, okay.

Jacob 01:54

Yeah, yeah, it was it was a while ago now. And now here you are. So I'm so glad to be able to speak with you and talk to you about your brand new book.

Gary 02:01

Yeah, same for me, Jacob looking forward to it.

Jacob 02:04

So why don't we get started with just a little bit of background information about you? Because, you know, a lot of people are really interested in, in the guests that I bring on. And so how you grew up? How did you get to become Gary Hamel advising some of these world's top organizations today?

Gary 02:20

Well, I guess the real short history is, I did get an MBA and I went to work in a hospital as an administrator. And after I guess, the first or second week, I knew I didn't want to spend my whole life inside one organization. So I went back got a PhD. This was at the University of Michigan in the late 1970s. That'll date me. And that was the first time American industry started getting hammered by global competitors, particularly by the Japanese, Toyota, Honda, and so on. And I watched that play out in the community there in Southeast Michigan. I saw people lose their jobs. I saw communities deteriorate, and it really hit me kind of the personal consequences. have poor decisions or have organizations that aren't able to adapt and change as fast as the way as fast as the world around them that give them the kind of lifetime interest in that problem of building organizations that were capable and that had at their core this energy of innovation and change and for getting the best out of people and that's that's really informed my my work ever since.

Jacob 03:23

So what was the first full time job you ever had working for somebody else?

Gary 03:29

Well, yeah, I think that was that was probably after I got my MBA. I went from straight from college into an MBA got that moved out to California ended up working as a hospital administrator at Loma Linda University Medical Center, and lovely people and amazing organization, but but it wasn't for me, but I had enough time there was actually there a year although it didn't take me that long to make up my mind into something else. But I also got a great sense of what it is like to be in the trenches every day and do you know feel sometimes that you were just filling out forms or that you have to spend you know too much of your time dealing with bureaucratic Bs and of course I work in and for many organizations since so I hopefully acquired a little bit more wisdom but I do have a heart for people who are every their everyday are trying to do the best to one innovate, who come to work filled with ingenuity and passion but really struggle often to have the chance to to make their biggest impact.

Jacob 04:28

So after after that job, did you go off on your own full time? Or did you have a couple other full time jobs before you kind of made this?

Gary 04:36

No, I went straight from there into the Ph. D. program and then straight from the Ph. D. program to London Business School, moved to the UK fabulous experience there for a decade. Got tenure after a first decade there. Spent a little more time at that point. I was doing a lot of work with companies in the US I think the last year I lived in London I made 70 trips across the Atlantic, so I figured, well, I guess I just have to do the inevitable I moved back to the US. But obviously, I've continued to work with organizations around the world. And I've been on the faculty of the London Business School since 1983.

Jacob 05:12

Wow. And that was the year I was born, fun fact.

Gary 05:15

Okay.

Jacob 05:17

So, I mean, you've been in this space for a long time. So if you were to look at, if you remember your perspectives on leadership and management, when you first got started, maybe in the late 70s, early 80s, to where we are now. Has your perspective on leadership changed over the last 30-40 years?

Gary 05:36

Yeah, it sure has. I mean, I've been on this kind of a journey of understanding and you peeling an onion, and you just go deeper and deeper. And I guess to put that also in a bit of a nutshell. You know, I came out with really a PhD focused on strategy. And so a lot of my early work was on strategy and the things that were always the most interesting questions to me. My strategy was one, where do they come from? How do you find a new rule breaking strategy that will make a difference? And number two, how do you change a strategy that is past its due date. And for some of your listeners who might have that B school background or track management a little bit, you remember that Michael Porter made the seminal contribution helping us understand why some strategies create, you know, are more profitable than others is a brilliant piece of work. And I really saw his shoulders and ask those next two questions, where, you know, how does this work? How does a strategy like Google what how does that work? How does that occur to somebody? And can you help people build a capability to find really groundbreaking strategies, so I spend a lot of time on that. Of course, what you learn as you dive in and out of a lot of organizations is that most organizations really struggle to see the future they struggle to innovate in fundamental ways, which is why it's usually the newcomers who come along as a newcomer to create Airbnb or Google or YouTube or whatever. Maybe. And so I started to ask that next level question like, why is it so difficult? Not for just a few. But for virtually every organization? Why is it so difficult for innovation? Why does that usually happen despite the system, rather than because of it? And then you start to unpack that you realize that at some deep level, most organizations are alike, they're all running with that same kind of bureaucratic model where big leaders appoint little leaders where strategy trickles down and so on. And, and so, you know, what I began to realize was, there was a kind of DNA level problem here that inside every organization, there was a management system that had been built to ensure compliance and discipline and efficiency, but there wasn't much there that supported adaptability, or innovation and, and, and bearing courage. And so that ultimately led me to really understand the bureaucratic roots that we have inside most organizations, and thinking about how do we how do we pull those roots up and build something better?

Jacob 07:58

I'm actually I don't know if you know But where did the kind of history of this come from, like this, this whole concept of bureaucracy? I mean, it seems like it's been around for hundreds and hundreds of years. And we just, I don't know, just keep building and building on top of that. And it's a very, and you've talked about this, that bureaucracy and a hierarchy is perhaps one of the most resilient structures that we've ever created. And it's such a hard, hard problem for us to solve to move away from it.

Gary 08:25

For sure, Jacob, I guess the word goes back to 19th century France. And it's simply meant the rule of desks right where in a hierarchy positions, titles, you know, a rule of desks and you go up the pyramid. Obviously, its roots are much deeper than that it goes back in military command structures as far back as we can go. But the kind of bureaucracy you find in most organizations today is a mash up of command and control structures that go back as far as we can back and then the more recent disciplines of industrialized Engineering, which goes back to Frederick Taylor, the early 20th century, you know, Taylor believed that there was a one best way of doing any job and that you can come in with a stopwatch and figure that thing out and then you and then the goal was to get everybody to do exactly the same way. So it's really it's the technology of control is the technology of conformance. And and it made sense in an age where most employees weren't very well educated, if they were educated at all, and where you wanted them to be as reliable as the machines they serve. But here we are, you know, hundreds of years later, when most people are pretty well educated at work where change is happening, kind of a split second speed, where information is very cheap and easy to move around and share. And so that technology, which maybe made sense then certainly doesn't make sense today.

Jacob 09:49

Okay, that was what I was gonna ask you this for the time it seems like the the hierarchy made sense because like you said, there weren't a lot of educated people. And so it was very kind of routine focused on tasks, but nowadays It's so easy to learn about pretty much anything. We have a very educated workforce and we still haven't gotten out of that hierarchy bureaucracy mentality. And part of me wonders, do you think there's also like a trust issue? Do a lot of leaders just not trust their people and so they just want to keep all the control themselves?

Gary 10:19

Yeah, I think that's the case. And and as you might suspect, that lack of trust kind of becomes the self fulfilling prophecy when you don't ask people it means that you infantilized them right you put all these controls all the report, what are you doing? I mean, you know, I'm make the point in the book that there's there's a great irony in the fact that most of us, you know, at some point in our life, we're going to buy a car or two or three as we go through life, many of us will ultimately buy a dwelling of some sort. And yet those same human being to work can't requisition a \$300 office chair without somebody's permission. And we know from a kind of academic research that when you shrink somebody's autonomy, you also shrink their creativity, you shrink their courage and people just Kind of give up. And so where are they may be very engaged in other parts of their life, they're not very engaged at work. And of course, the data backs that up. We know from Gallup and other surveys that far less than 20% of employees are truly engaged in their work. And when you put that together with other data, you really have to conclude that the average organization wastes more human capacity than it uses. But but the dilemma is, you know, if you don't give people a lot of scope to probate, if you put them in a narrow job role, if you only expect them to do with that JOB, JOB requires, if there's no incentives for them to think bigger, then it's easy to come back and and edit the video say, well, gee, those people didn't do much anyway, they just kind of sat there and did the bare minimum. But that was more a function of the job than that it was the inherent capabilities of those people. I'll just add one other thing. I'm very frustrated when I hear economists and others talk about low skilled jobs, because I do not believe there's any such thing as low skill jobs, I see people, you know, working on the front lines at Southwest Airlines or

New Core, the big steel company, people have extraordinary talent, very innovative doing amazing things. But what has happened is we think of these jobs as low skill. So we give the people in those jobs, very little capacity to grow and to contribute. And then we go wall, and most of these people are kind of commodities. They're lunk heads. And so, you know, it becomes a self fulfilling prophecy. But it really says nothing about the capacity of the people in those roles.

Jacob 12:32

Yeah, it's sort of a challenge of looking at human potential as opposed to just kind of the role that they were assigned, which I think is a challenge. So your new book, Humanocracy, I think it's coming out August 18, I believe, why did you write this book?

Gary 12:48

Well, I wrote it really from two very different perspectives, which will probably be apparent to anyone who reads through it. What is kind of the more competitive corporate perspective, you know, why is it better organizations around the world seem to suffer from from the same disabilities, they tend to be inertial, that deep change happens belatedly, usually in crisis. And I, you know that that's just not acceptable in a world of hyperkinetic change. I was frustrated that that organizations are not very innovative when that is so important. We know for example, from research that while while 87% of CEOs think innovation is the top three priority, 94% tell you, their organizations aren't very good at it. And it was clear they weren't getting the best out of their people. So part of my goal in writing this was we need organizations that are fundamentally more capable than the ones we have now. But you can't build something that's more capable. If you start with the same structures and the same principles, you're only going to get incremental gains. So part of it was driven from that kind of almost like a CEO logic of how do I build a company that can go out and rushes out to meet the future that never takes refuge in denial that innovates faster than its peers? But the other part was a much more Jacob more human centered kind of argument. You know, if you think about where we are right now, as a moment in history, in fact where we've been now I think for a few years, establishment around the world has been taking a beating, you know whether that it's it's drained the Trump drain the swamp, with Trump voters, or whether, you know, it's the folks on Bernie's side who wanted to give socialism and other go, whether it's the Brexit voters in Britain, the yellow jacket protests in France, whatever side of the political spectrum you're on, people agree on one thing, they agree that in many ways the system has not been working for them. And, you know, a recent poll, this has just been a recent Paris poll. Only 29% of people in America agree with the statement that the current system works for ordinary Americans, only 29%.

Jacob 14:54

Yeah, scary.

Gary 14:56

All kinds of policies that have been suggested a deal with that. But it seems to me a lot of that comes back to how people are treated at work. So if if less than 20% of people are engaged at work, if, as we know, and we have the data, if only one out of 10 employees feel that they have the freedom to experiment at work, if only one out of five believes their opinions matter at work, they don't work, people are not going to find much dignity, they're not going to find much opportunity, and they're not going to

find much equality, much equity. And so that is, I think, a fundamental challenge for us today, we are up against some incredible problems in our world, from racial injustice, to the threat of automation, to ethnic strife, to climate change, and so on. And at attack of those we need every bit of human imagination and initiative that we can access. And it was clear to me that our organizations were misusing or not using an enormous quantity of human initiative and ingenuity and that seemed to me like an uncommon only an uncompetitive situation seemed also unconscionable and, and needing to be addressed if nothing else is just a matter of basic human rights and opportunity.

Jacob 16:08

So one question that we just got from someone who's watching, he says, Is leadership also considered part of the system?

Gary 16:15

Yeah, for sure leaders are consistent are considered part of the system. One of the arguments I make in my book, though, is we have to really be careful using this word leader, because I think what's happened over the last couple of decades is the word leadership or the word leader and manager have become completely conflated. So for example, we'll often talk about is, you know, we'll talk about the leadership team in a company, which by the way, I think that word is mostly an oxymoron. But I can tell you what if by leadership team, you mean the top dozen or 20 people in a company, I can tell you, for sure, most of them are not leaders. And for sure, it's not a team. For me. The definition of leadership is pretty simple. And any of your readers can kind of read of your list or sorry, can I kind of do this as a personal inventory. Ask yourself if you had no budget at work, if you if you had no title after name, what can you get done. And so people who need the stick of bureaucratic authority to get something done, I don't think most people as leaders, maybe very good administrators are not leaders. Leaders are people who know how to mobilize the people around them know how to get folks to move forward together, can can can can be catalysts and making that happen. But they're not necessarily defined by a particular place in the organization. So probably, since Drucker was writing, we really know how to train managers, I don't think then or now we really know how to train leaders. But we kind of gave everybody a battlefield promotion when we started referring to managers and leaders. My argument is there not a lot of managers who are leaders, anybody can be a leader. It has nothing to do with credentials. It has nothing to do with hierarchy, whether you have the courage, the compassion, the sense of community to step up and and make sense thing happen, even when you lack that positional authority.

Jacob 18:04

I love that the example of how you define leadership because one of the things that I did so my book came out a couple of weeks ago or a couple months ago, I should say on leadership, and I interviewed 140 CEOs, and I asked all of them to define leadership. And they all gave me very, very different responses. Some were very focused on numbers and dollars and cents others had their definitions had nothing to do with business metrics or goals at all. But yours is the most unique one that I've heard so far. And I just want to repeat it for people. So if you had no, no budget, and no title, would you be able to still get things done inside your company? I love it. I think that's a great example. But you also bring up a really interesting point on management and leadership. And I know there's a huge, huge debate between this and I know I had a Bob Chapman. He's a CEO of Barry wehmiller 12,000 person

manufacturing company. And when I had him on my podcast a few months ago, he said that they They don't actually like they don't even use the word manager or management in their company, they banned it altogether. Because their rationale is nobody wants to be managed and quite honestly, nobody wants to even be manager at the company. Do you think we need both? Should we get rid of this concept of management and managers all together and just train everybody to be leaders?

Gary 19:22

Well, for sure, we are prisoners of our language and, and, you know, and over time, language has a gets used in a particular way, which, you know, then then we're kind of hostage there. I mean, the reality is, in our personal lives at work, there are a lot of things that need managing, you know, there are a lot of things that just like, don't happen spontaneously. And, and and, and so let me back up a step. For me the word management does not refer to a layer, and it doesn't refer to a set of individuals. For me, management is simply the tools and methods the structures we use to do together. What we can't do alone. So anything that helps us combine our efforts, do something consistently with purpose effectively, multiply, multiply our individual case, that that is the work of managing. And in that sense, I think of management as the technology of human accomplishment. So it's, you know, it's always going to be necessary to marshal resources to make some sort of plans to track performance to give feedback to think about how we improve to coordinate desperate activities, efforts. You know, when I when I look at something like, like the latest semiconductors and laser systems on a chip that are going to be in the next generation iPhone, I think this is going to be built at about five or seven nanometers of scale. Well, five nanometers is the distance your fingernail will grow in the next second. So So you think about how how much control do you need over how many variables to be able to do something as extraordinary as that there's a lot of things that need managing to make that happen, I think I think I think what happened and it's and it's a product of bureaucracy and what it was born is, we ended up creating managers as kind of a superclass of employees. And so, you know, the, the role of the manager was to get compliance to set standards to make sure you know, there was discipline to to do tasks and assess performance. And and I don't think we need that role in that way anymore. I think most people, most teams today are capable of managing themselves. And yet, you do have to do we do as human beings we have very complicated things involving thousands of people. I think about the the ATLAS detector at CERN, the underground huge project at the Large Hadron Collider. Well, you have a piece of equipment with 10 million parts. The amount of coordination and problem solving that it takes to build something new to the world with 10 million parts is extraordinary. So we need systems and processes and ways of managing together. What we don't need is multiple ranks of managers who see their primary role as control and oversight. I think that that just you know, that that functionality we can achieve in other ways, without all the costs that come from, you know, the infantilizing and the extra layers and all the costs that we see every day around us and bureaucratic structures.

Jacob 22:26

It's interesting. So when I was doing research for my book, I was looking at the average age that somebody enters a leadership development program. And I was fascinated to find that most people actually become leaders of some sort, you know, whether your supervisor in a retail store or, you know, in the back office, most people actually become leaders at some point in their mid 20s or early 30s. But they don't actually get leadership development training until they are in their late 30s, mid 40s. So you go for a period of like 15 in some cases, even 20 Many years before you were actually even taught

how to lead people. And so at that point, you're just kind of cobbling things together. You're, you're probably influenced by all the weird stuff that's happening around you. And that's just to me is insane. Like, I don't know why that's the case. I suppose it's just kind of this traditional mentality that leadership is this exclusive, you know, only a couple people, you have to be the company for 20 years before you get into this training program. But it seems like that's changing nowadays.

Gary 23:31

Well, Jacob, I I share that same frustration and exactly right. You know, in most organizations, you're probably into your 30s before you get any, like quotes, leadership development, we can come back and debate whether any of that is effective at all. But often, often, if you look at how that leadership, it's all it's all kind of stratified, right? When, when when you're a new leader, it may be you know, how do you manage your team or sometimes even how do you manage yourself, manage team and then the other one more senior, like how do you manage a business unit? And then if you're more senior Now, how do you manage in a corporate setting in a corporate role, but the whole the whole inference behind that is that your potential impact in the organization is almost entirely defined by where you sit. And also that the complexity of the problems you're going to address come with, with with seniority and with promotion. So the organization's high profile in my book, let me give an example. Nucor steel, by far the most innovative and successful steel company in America. One of the leaders I talked to there said and this was echoed by many other leaders, he said, being a manager what we would typically call leader being a manager at Nucor is the least noble work, the least noble work, and I was talking to that to the ex CEO. He just said, I just retired as a CEO John Variola. And he said he had an interview was asked him so John, how many people work for you? And he said, What a stupid question. Nobody works from my work for everybody else. So what you see it Nucor small teams on the front lines. these are these are blue collar boys really hard hat blue collar. They are responsible for process improvement. They're responsible for winning customers. They are responsible for innovating steel, they are responsible for proposing and justifying capital investment. They are responsible for setting up shift hours and dealing with personnel issues. So what I see a lot of the organizations that I'm working with that that impressed me, Jacob, they have taken the work of managing and they've distributed that down into every single individual. Right? There's reason that hired the largest domestic appliance maker in the world, which I profile on the book based in Qingdao China, hires that 80,000 person organization with three layers. The average company that size has eight layers. And so they've taken most of the work that that managerial class the bureaucratic class would have done and they've distributed that to people are close to the customers close to competitors on the front lines. And so the whole goal is to upskill those individuals, or let me say this to put manager responsibility down rather than that escalate issues up the chain of command.

Jacob 26:10

So we actually had a question come in from somebody else. And they were asking if you work for someone who is kind of the stereotypical control manager, is there anything that you can do as an employee working for that person to try to get them to change? Or Or how do you get those types of people to change inside of a company?

Gary 26:31

Wow, that's a super good question. I mean, the first thing is maybe put my new book on their desk or their workplace, like, some time when you can sneak it in there. I actually do think that will help. But but it's a real challenge. And let me talk let me just go deeper for a moment on the challenge and then an idea or two on how we might address that. You know, the challenge is bureaucracy is a massive multiplayer game, and it's played for the stakes of positional power, right. The way you get ahead is to move up from Team Leader to department head department, head unit manager and On up the chain of command, and each time your salary goes up and your prerogatives go up and so on. And unfortunately though playing that game does not correlate very well with with creating value. Because the way you get ahead in a bureaucracy is you hoard resources, you get better at negotiating targets, the better at managing up. You you manage the optics of your own performance, you learn how to deflect blame, you learn how to pat a budget, and Jacob in one in one survey we did for Harvard Business Review. And this was a sample of 10,000 people in organizations around the world. 76% of them said the primary way to get ahead in my organization is to become better at bureaucratic infighting.

Jacob 27:41

That's insane.

Gary 27:43

And you know, is that really true or not? I don't know. But think about if you believe it's true, if most people believe the way to get ahead, is not by creating a new business by building a better product, not by demonstrating personal mastery, the way you get ahead. is like learning to play that game. It is toxic. And and so, but here's the thing, I don't think anybody ever really, really wants to play that game you find yourself in a setting where those are the rules. And so you kind of have to learn how to play it. I argued in my book that the problem with bureaucracy that makes assholes, it's all and we find ourselves behaving at work, you know, in ways that we probably wouldn't with our friends or with our family. So I wouldn't start with the assumption that whoever that boss appears that that, that they're having a good time as well. In fact, Gallup data says the average manager is less engaged in their employee because nobody, very few people really get off by micromanaging other human beings. So I think the big the big challenge is, is to help that leader understand there's another way and there's several ways of doing that first, you may 1 of all with your team and figure out what could you do that would take some load off of a few bosses plate, right? Right. What does that person leaves enjoy doing what's getting in the way of their ability to add value or, or work on higher value out of problems, and go go with that attitude of, Hey, boss, we think we can help you here, we think we can take some of this burden off of your shoulders. Let us do that there's a wonderful story in the book about how that's been happening at Michelin, the second largest tire company in the world, I think the second thing that you can do is you can just ask to have an honest you and your team, I would go on together and ask to have an honest conversation about where your leader where some of their behavior is, is is demotivating you where it gets in the way of you doing the best job. In the book, we kind of lay out this this almost personal scoresheet, where at the end of the week, you can look at yourself and say, you know, how often did I act out that old bureaucratic mindset and how did it affect my colleagues and people around you? And you have to step up and have a little bit courage. Go have that conversation with your boss and say, you know, listen, there's some things you're doing that are disempowering, or there's decisions you're making that you don't really take into account of our best interest, but you have

Have the courage to go have that conversation, maybe not one on one, maybe you go in with with with a few colleagues. But I would start by by by asking, we're going to take a certain, a certain load off your boss's plate, they're probably going to be grateful for that, that gives you a chance to demonstrate some broader competence. And then we'll get the ball rolling.

Jacob 30:19

It's funny, there have been so many different experiments with structures. Now we had holacracy, which I think has since disappeared. There's companies like Valve, which I believe have just a completely flat structure where everybody is just kind of responsible for building their own teams. I think you talked about Morningstar in your book, they have a Colleague letter of understanding, which I think is fascinating. And I actually had one of the people who created that at Morningstar six years ago as a podcast guests five years ago, um, but for some reason, this hasn't become mainstream and and everybody's still stuck to kind of these old ways of doing things, and I know things like holacracy largely, I think failed kind of disappeared, you know, Zappos tried it kind of didn't go very far. So some people might say, you know, Gary, the concept is nice but bureaucracies working, we're making money and IT companies are more profitable. So how do you respond to some of the naysayers out there who are just like, you know what it is what it is?

Gary 31:21

Well, you know, it is easy, it is pretty easy to be pessimistic about all of this. If I remember sitting probably more than a decade ago with one of the great management theorists full time, I'm not gonna mention his name, you know. In fact, I think he was also an economist, maybe even a Nobel Prize winner. And I talked about this quest of creating organizations that are fully capable and fully human. And he kind of just said, Gary, I don't think it's going to happen. And then there's kind of this attitude that like bureaucracy is is a is a cosmological constant, right, that it's just like it's just there and it can never be changed. Well, I don't agree because human beings invented it, and I think we can reinvent it by Won't it won't be easy. So let me say just a word about why I think somebody's past things didn't fail and what might be an alternative. Because believe me, we've looked at as we've gone back and looked at the last 60 years of organizational innovation, before a lot of your listeners were alive, right up to agile teams, and mindfulness and holacracy. And those things. And let me give it a couple of reasons. I think they haven't work. Number Number one, most of them did not really start with new principles. They were actually they were set of techniques and set of practices. And so we tried to graft those new practices onto the old bureaucratic rootstock on the old, you're proud of principals. They weren't really DNA level change. And so this is what I see for example, right now with agile so we go in and we set up the scrum teams, we give them new goals, we have Scrum masters, but but we really haven't forced or challenged the entire organization to go back to the fundamental assumptions behind the bureaucratic model to embrace a new set of principles and then try to elaborate those so he we kind of graft these things. Do practices on that old root stock? And then are surprised with what it doesn't doesn't take. And believe me, I've done that plenty of times in my career, I've worked with organizations like I've tried to do, I put a new systems to make them more innovative, then I come back and you're doing nothing to show for that. And I, you know, the analogy I finally stopped me it was it was like trying to teach a dog to walk on its hind legs. So you can do that you can remove the distractions, and you can get a biscuit in front of the dog will take a few steps. But the moment you turn your back on the dog back on four legs, because it's a quandary, and goes like, like, What an idiot, like, What was that all

about? And so, so first, I would say, we'll come back to this if you want, but you have to go back to first principles.

Gary 33:43

You know, one of the things when you look at the long history of innovation and discovery is you get to the point where you cannot solve the new problems with old principles. So the folks who wanted to understand the subatomic world you they had to basically abandon Newtonian physics doesn't mean it's wrong, but it just wasn't going to be helpful and understanding of atomic world, they developed a whole new set of principles around superposition and correlation at a distance and so on. Um, you know, the individuals who invented democracy, you had to leave the whole idea of the divine right of Kings behind. And I think we're at a similar point, when we think about management. We have a technologies invented for the purpose of control, it did that job very, very well. Now, we're in a very different world. And now we have to look in new directions. And yet the principles of proxy stratification, standardization, specialization, and so on. Those are deeply baked into our structures, our systems are thinking incredibly, deeply vague. And unless you kind of go back and you know, I would argue that only new principles can be old principles. new practices will never be old principles. You can take a new practice and put it on site, just just like you can have an authoritarian regime. You know, I I can run elections, I can have Sham elections and authority. tariff regime, it does not make it a democracy. So I think that's the first problem is that we just we just kept grafting stuff onto old rootstock without really saying we got to start with a new set of principles, then we try to lay those out in the book. I would say the second problem Jacob is a political problem. If you look at people that really need this, this challenge that the problem you teed up for us, like why why haven't these things spread? Why would they take the people who really looked at that universally come to the same conclusion, which is the Empire struck back. The new models produce better results. They had huge advantages, but all of them required a fundamental redistribution of power. And you know, as you may have noticed, people have power are often reluctant to give it up often are able to more of it. And so whatever approach you have to making this change, and we perhaps can talk about that whatever your approach, it has to be one that overcomes the strong defenders, the entrenched defenders are quite happy with bureaucratic privileges, who do not want to be told that we are going to redistribute the work of managing, who don't want to be told that we need an organization where leadership means everybody that is able to lead another group, you know, and so if you don't have a way of getting around overthrew that political resistance, ultimately, whatever you do, will fail. And that's what's happened. For those two reasons. We haven't gone deep enough. And we haven't challenged existing political power structure.

Jacob 36:27

So you mentioned that you actually worked through an organization for a while. And while you were there, they made changes, and then you left and they kind of went back to the old ways of doing things. So do you personally ever get really frustrated and angry? Because you've been at this for 30-40 years talking about this stuff? And it seems like it's, I mean, it's a hard thing to do. So I would imagine that you're personally also getting a little, you know, frustrated, maybe angry with some of these companies who say they're going to change when you're there and then you leave and they kind of just go back to the old ways of doing stuff.

Gary 36:57

Well, I would say, Jacob, it's really only been You know, I wrote a previous book that was somewhat on this subject called the future of management in 2007. It's really been only over the last decade that I that in my own thinking, I've kind of unpacked this, at least for me down to the root causes. And so I understand I mean, along the way, I worked a lot of companies that I have to say we have produced billions of dollars in market value, since didn't have an impact, a lot of that huge impact is just that, three or four years later, you realize that what you've created was a project, you've done an initiative, but you hadn't changed the DNA of the organization, there wasn't something there that you know, it reverted to the bureaucratic type, if you like. And so it's only been in the last few years. And I have to say, the work we've been doing more recently, where we are, we go into organizations, we crowdsource this problem of reinventing management. We can go to thousands of people today simultaneously on technology platforms, and say, guys, here's the new principles. We have to have an organization open that's experimental that's meritocratic, that feels like a community, given that What do you think needs to change and you have thousands of people talking about practically what they would need to change to make this part of the DNA. And the wonderful thing is when you open up that conversation, and you have thousands of people participating, no small group of leaders, however, seriously can stand in the way. Right? You can't, you know, the old model of bureaucracy assumed the power trickles down. And a leader meant it being a leader meant anything, and you got to control the conversation. Yeah, well, that whole dynamic changes when you can when you connect people laterally. And we've been connecting people laterally for quite a while now, Microsoft Teams and slack and so on, mostly for the sake of just better managing white collar work. But when you connect them laterally, and you give them permission to hack the management model, then you see some pretty extraordinary things happening which, which literally, we simply couldn't have done this kind of bottom up, grassroots, socially constructed change even a decade ago. So we have amazing new tools. Let us do this, which makes me very optimistic. We have a generation coming to work for the first time in history, who did not grow up in a hierarchical environment. They grew up on the web, which is much more meritocratic, open and flat. That gives me great hope. And what also gives me hope is there more and more CEOs now almost all of my meet, who are who are finally willing to acknowledge Jacob, that the real problem is not the operating model, not logistics supply chain back office, the problem isn't even the business model. They're finally up against realities that lie outside the performance envelope of that old management model. And they're increasingly willing to admit it and say, my organization is too slow. We have too many layers. It's too conservative and too insular. How do we help this? So, you know, we live for a long time with the side effects gasoline engines and finally, kind of the time seems right to make right that jump to two electric vehicles and it's not gonna happen all at once, but it's probably now irreversible. I think we're at the same point. Man, I'm not going to happen all at once. But there's enough energy and enough possibility that I think now it is it is going to be irreversible.

Jacob 40:06

So you do a lot of work with organizations around the world and you don't need to name any company names. But do you have any stories or examples that you can share? You know, when a company reaches out to you, what is it that they asked for, you know, why do they want to bring you in? And when you do go in, you mentioned, for example, that you crowdsource ideas around management and leadership. Do you have any stories or examples around what what these employees in these organizations are asking for anything, any changes that you've been able to make based on these suggestions or feedback?

Gary 40:36

Sure. I'll give you a couple quick, quick stories. I got asked to get involved with one of the most respected technology companies in the world. It's a company that also has a lot of retail outlets around the world. And the question was, how do we turn on all the amazing innovation of thousands and thousands of associates we have around the world. You know, in most retail environments, the people on the front lines are just there to meet the customer and serve them and get the products out that are on. And they add people are very, very good at that. But what we also realize is every one of those stores is a laboratory, where you can where you can, you know, try new things and try new services and solutions and so on, but only if you give people permission to do that. And so in that particular case, we we built a platform, we built a technology platform that brought 10s of thousands of people together that in every single person, a voice that equipped them to experiment and try things locally. And that's had a big effect in that business, their pace of change the rate at which they've been able to evolve their model. And that was simply you know, recognizing that people on the frontlines have these skills we're under utilizing them, you need to give them a platform connect them together. So that was a pretty it was a pretty amazing thing to watch that and that's the most, the most fun thing is when you see somebody able for the first time in their career. To make a much bigger difference than they ever thought capable.

Gary 42:03

Another example where I can talk about the company is something we did for Adidas. Here in North America for years, they had lagged behind Nike and Under Armour, in growth and margins and so on. And a few years back, their new CEO Mark King said, Hey, would you come in and help us get rid of bureaucracy and build a more innovative culture in this place? So in that particular instance, we trained a couple of thousand employees how to think like, like business innovators, back to earlier point of why aren't we giving everybody this kind of training, we trained, you know, frontline people, retail people on how to think like this, opened up the conversation, they created thousands and thousands of ideas, they could then identify the themes across those that took the company into new opportunities. And so it was, you know, and I remember a story of the number two guy at the time and I do this North America sitting in the back of a room where we brought along these people together to share ideas, and the guy had tears. Coming down his cheeks because, you know, he saw these people so inspired and so excited, even asked for the first time in their career to to help plot the future of this organization. And then in a second round, we went back and said, okay, you generated tons of amazing business ideas Now tell us how we need to change our manager model and they did a similar amount of work brilliant ideas. So So again, though, the technology and the tools to do this are fairly fairly recent, and and a lot of skills I think, are still not quite courageous to do it. You know, it's, it takes a lot of guts to say, we're going to open up this conversation, we're going to get 3000 10,000 50,000 people the ability to help to re orient our business and to redo its management model. That's, you know, that's a fairly courageous thing to do. But But, but alternative is stases and debt. So I think more CEOs are are looking at this and I hope Humanocracy gives them the courage to try something but let me say this Humanocracy is not as It's not it's not a recipe book, it is not just go and implement this exactly this way. And then you'll get the result. I think that was one of the problems of holacracy. It was highly, highly specified, and a very certain set of procedures and structures. I don't think you can do that. I think you have to start with the principles. invite people to think how those principles might be applied in organizations give them

permission to experiment with them locally. Here our dream is that every employee thinks of themselves as a management hacker. If you see a system in a process, it's not working, you think you have a better idea that you could run an experiment right where you are in your organization without asking permissions. Don't blow anything up, but start where you are. And most employees do not scan even even fairly senior managers leaders do not see see that as a possibility. They believe that you know, unless you have a C in front of your title, your CSO, you can't really change anything meaningful. Well, my whole goal is to say that's not correct. You can make an enormous difference wherever you are. If you come out with the right mindset, and we kind of lay out how to do that,

Jacob 45:05

I like the approach of ask for forgiveness instead of permission.

Gary 45:09

Exactly. You know, I have to say I get I get frustrated, I go to a lot of conferences to the years, I hear a lot of people talking about these problems. And so often what you hear is the CEOs perspective. So you'll hear Elon Musk or you hear somebody else talk about what amazing things they did and like, well, that's like, great, you're, you know, you're the CEO, or you have you know, people like me or others come along and tell you how to do better in your job, you know, how to become a better market leader, how do you become a better digital marketer, whatever it may be. But what almost nobody tells you this is the whole purpose of our book, but nobody tells you this. How do you change the damn system when you don't own system? But if you look back all the people who change our world, that's what they do, they're not waiting to be asked. They do not assume they're helpless because they don't have a title after their name. They see a problem. They build a community. They go, they build They try something and they go from there. So these are the hackers. These are the activists who've changed things. And it's kind of amazing to me, Jacob that, you know, I hear I mean, all these CEOs to Gary, our organization needs to change faster. So I asked him a question, are you trained every employee to think that they know how to build a prototype? They know how to build a community around them to go try something new. We've never done that. So how can you complain that your organization can't change fast enough? Well, you haven't taught every single person how to be an agent of change in your organization. So you know, I don't want anybody when they finish reading human autocracy, or if they get it in advance, they can pick up a four hour online course. I don't want anybody at the end. Like saying I don't have the power to change my organization.

Jacob 46:45

Have you ever had any leaders that you've talked to whether you're giving a talk or doing advisory work say that you're full of it, say Gary you know what concepts are nice Not gonna happen here or they just flat out disagree with you say this is all BS.

Gary 46:59

Yeah. No, I guess maybe they're too polite to say so, usually, um, but I'm sure I'm sure there's a good number of people who think that I guess what makes it increasingly difficult for them is just, you know, a the amount of data that we Marshal, you know that the data that suggests we're seriously under utilizing human potential. It's just overwhelming. I, you know, I remember the first time I came across that that data to pick up from Gallup that said only it depends on the year, but somewhere between 13

and 17% of employees are engaged in that work. And, of course, the first assumption you make as well, it's the work, right, there's a lot of work that kind of sucks. And then I dug a little deeper and find that 89% of people enjoy their work. So okay, it's not the work. What else is it? Well, it's the way those people are managed at work. But I remember the first time seeing that data and to me, it was kind of scandalous, and I was thinking if I was a teacher, and somebody told me that at the end about an entire school year, only 17% of my students have gotten any smarter. That would be a problem. Or if I was a physician, and after I'd seen 100 patients in a week, only 17% of them gotten any better. Like that would be a huge problem. And so, you know, somehow we've learned to live with this thing year after year, decade after decade. And it's very difficult though for anybody to argue with the data, the data is there. And the data says that that our organizations are killing the things that are most important about human beings, our curiosity, our intuition, our love, our passion, our current effect, you know, and by the way, it's not by accident. Max Weber's, the famous German sociologist writing about bureaucracy 100 years ago, he said, bureaucracy succeeds to the extent it dehumanizes the organization.

Gary 48:48

So the data is there. It's hard for anybody to organize and argue with that. It's also increasingly hard for people to argue with the fact that there are organizations that have gone bureaucracy free and when you look them, whether it's finance, Google's banking in Europe, whether it's Nucor in the steel industry, whether it's Morningstar, you mentioned is higher. When you look at these companies almost without exception, they outperform their rivals on almost every metric of performance. So I guess there was probably a time and Gary the impute was that well, Gary is a bit of a romantic or a bit of an idealist. And this is practical. Like the data says, we got to change. And we have compelling, compelling examples of how this is possible. I think what was lacking for a lot of organizations was like, how do you go from here to there, and that's what we've tried to spell out in the new book.

Jacob 49:36

So there are a couple of principles that you talked about in the book. Obviously, we don't have time to go through all of them, but I'll kind of just read through these eight and maybe you could pick one or two of your favorite ones that we can go over. So there's principles of practices, power of ownership, power of markets, power of meritocracy, power of community, power of openness, power of experimentation, power of paradox. Do you have a favorite one or two there that you want to go over?

Gary 50:01

Well, gosh, let's take the first one, it goes back to what you were talking about earlier, our whole conversation about who is a leader. And that is the idea of ownership. Um, you know, again, we know from survey data that 77% of Americans would like to be working in their own business, right? We all in a sense, want to be our own boss and for good reason. And if you think about what ownership means, it doesn't mean just that you have a fractional ownership of the company legally, what what an entrepreneur has, what an owner has is essentially two rights. You have the right to make decisions, it's your business and have a right to the rewards that come from when you make a good decision. So let's call that autonomy and upside. And what we know again, from research is that for most employees, there's almost zero autonomy or upside in their organization. Less than 10% of American workers have any real financial upside in their job and we that data we talked about earlier, we know. But most don't

believe their opinions matter work and effect when you look at some data I saw in the UK from Britain said that that that tax discretion has been coming down workers are are less autonomous today than they were a decade ago. And we can perhaps talk about why. But what you see in all of these, this, this post bureaucratic Vanguard, is they built organizations where everyone feels like an owner. So let me go to one we haven't we haven't talked about svenska Havas funk and they it's based in Stockholm. 800 branches across the north of Europe. But for 49 years, they have beat their European peer group in return on 49 years in a row without an exception. So extraordinary performance. And yet in that organization, every little branch team is running their own business. They make decisions on how to price the loans on how to price deposits on how many employees to hire in that branch. They are responsible for marketing communications with their customers, as as a customer, you get the phone Have the local branch manager. And so they said we want we want the every little branch to be its own bank, they sail through the financial crisis, they're far more profitable people on the ground, make better decisions and feel more a sense of ownership. So you can do this. Even very large organizations hire divided their 80,000 person organization up into 4000 micro enterprises, and every micro enterprise, those leaders have those same decision rights, but a substantial financial upside, they can make a multiple, many times over their base salary for meeting ambitious targets, and they also get to run it as a business with all the decisions that go along with that. So, you know, I think we've, we've, we've thought that ownership is is about giving employees like, you know, point 0000 2% of the stock, so you have a few shares. That's a very pale definition of ownership. Ownership means I get to make decisions. And I have a financial upside. Nucor same thing, people on the frontlines making big decisions. And if you grow the profitability of your plant and your team with a new car, you get a huge proportion of those gains as an employee. And that's,

Gary 53:16

that's how it should be. And you find out that when you do that, you unleash all this discretionary energy and imagination that was there all along, but you haven't created any incentive for it to come to the surface. So ownership is is it's pretty foundational. I wonder, Jacob to a point we were talking about earlier about training. I really wonder why every single business doesn't teach every single employee the basic, you know, principles of being like a business person, you know, the p&l the balance sheet, but drives this, you know, if you get hired by if you're lucky enough to get hired by Southwest Airlines, which hires about 2% of their applicants, you get deeply trained on the economics of airline industry if you meet any employee, Southwest They can tell you last month how that airline was doing out a whole series of financial metrics and what that means for their likely bonus. And same thing a Nucor. So organizations are investing and building deep business competence very low in the organization. Because again, as I said, they believe in pushing competence down rather than pushing decisions up.

Jacob 54:22

Yeah, fascinating. I love those. I love those stories that you shared. So that's around the power of ownership. And maybe we can talk about one one more that you particularly like,

Gary 54:37

well, let's let's talk about paradox for a while. So this is slightly more subtle once again, um, you know, as as human beings we face paradox in our lives all the time. I'll come back to that in a moment. But organizations are not very good at paradox. If you think of these challenges, I need an organization that

is a paragon of Penny pinching efficiency, because there's no place in the world for inefficiency to hide today, but I also need an organization that is continuously innovating, and a champion of breakthrough innovation. Well, historically, we've seen these things as mutually exclusive. In fact, a lot of a lot of management pundits and theorists have said, there's this fundamental tension between explore and exploit, right between innovation and scale or efficiency. And they've gone on to say, the only way you deal with that is if you want to do something that's new, you have to ring fence it, you put it in an incubator and an accelerator, you kind of cut it off from that old, you know, organization that stuck in the mud and get this new thing, the right difference. Well, of course, that doesn't work because the old thing is 90% of your business. And if it doesn't evolve, know, your business dies. But we've been stuck in that view that you know, this is all either or, and you kind of make a choice. And so, and I think that's wrong. Our view is that you have to take that those fundamental tensions and every employee needs to be aware of And have the freedom to make the real time choices right where they are, and how to handle those those those deep trade offs.

Gary 56:06

So as an employee, I should have the right on a given afternoon to put my feet up on the desk and say, you know, I know that our revenue both is flat, we and we need some more items, and I sit for hours the next day, and really just try to be creative and try to think of some new things we can do to drive growth. Or that employee might say, you know, what, we are getting hammered by low cost competitors, our costs out of control, I really just need to put all my energy into thinking about how do we take some cost out where can I find some inefficiencies? So rather than doing that at the top and saying something like, well, we're going to have a headcount freeze, right? That's, that's the stupid way you manage paradox. You just have a blanket statement, no, suddenly, we need a headcount freeze. And then of course, you wake up, you know, six months, a year or two later, and you've the innovation pipeline is run dry, you're not growing and so you have to solve that problem. We think you have to Manage paradox in real time that those trade offs need to be localized. And let me give you a little example, I think everyone could probably relate to in some way. Think of what it means to be a parent. For those of you who've had toddlers, particularly or you watch parents with toddlers, you know, every parent understands the paradox of love and discipline, that a child needs both to grow up into the kind of human being you want them to be. And yet at any given moment, you're trying to balance that tension. So a child misbehaves, you put them in the corner, you take their toys away, you say, Listen, I need to see you just sit there for a while and think about what you did. And before you walk away, you give it a kiss, which probably confuses the hell out of the kid. But we trust parents to manage that paradox real time because they have the information they have the data. What we have on companies is something different. We have a vice president of parenting. So this is if you know you every month you had to file a report and then a month later, somebody says to you Oh, we noticed that tantrums Were up 30% last last month. So we think timeouts need to go up 30%. Like, how helpful is that to an individual parent in a particular situation. But that's how it happens at work we try to manage it's very subtle trade offs of blanket policies with top down mandates, it simply does not work, you have a very organized app, we are doing the wrong thing, not the right thing. So learning how to localize paradox and how to manage it in a more sophisticated way, which of course, means every employee has to have the tools and the information to make the smart real time decisions.

Jacob 58:34

Now, some might say and I've heard some people make this argument before that, by putting the business first and making as much money as you can for the business. That helps everybody because employees get more bonuses, shareholders, stakeholders are happy. So what's wrong with putting the business first and trying to make as much money as possible and not putting necessarily the people first?

Gary 58:53

Well, you know, I don't again, I don't think this is an either or, but I do think as the question implies, I do think there's sequence, when when you talk to these the organizations we profiled a little, almost universally, what they're going to tell you is our employees come first. And because they understand that, that only those people are turned on and excited and engaged to work, they're going to do their best. They come in for customers in chain and they do their best art, you're going to have loyal customers, and only then are you going to make money for shareholders. And I think though, of course, the business the goal of a business is is satisfied customers. But But as I said many years to come on another book, you know, the p&l is purely a scoreboard and you run into big problems when executives mistake the scoreboard for the game. Right? I used to have this image if you remember the old baseball scoreboards, but they were digital people up there behind there taking out numbers and putting them on their runs and hits and so on. You know, sometimes imagine half the leadership was up there like manipulating the scoreboard is forgotten about like the people down on the field. Who you know, have broken bats and, you know, whatever, and you haven't equip them to play the best game. So for sure, if I see an organization that is systematically losing money, they need to go out of business, right? Or they need a fundamental transformation. But I do believe that if you start by focusing on, on on profits, if you treat that as the game rather than the scorecard, everybody loses.

Jacob 60:22

Well, I know we're at the top of the hour. So maybe before we wrap up, and I can ask you where people can find your book. If you have one action item, besides getting your book that leaders can take after listening to this podcast? What's the one thing that leaders can do their organizations right after they listen to this to start implementing some of the concepts of Humanocracy?

Gary 60:43

Ask yourself a very simple question. In what ways and where are we treating people as if they're resources rather than fully developed human beings and then stop it, whatever that thing is. Stop it. So that's, you know, the heart of all of this is that Fundamental view again goes back to the industrial age, but looking at people as kind of expendable, replaceable, a resources. And I would hope that you know, one of my dreams this may be too much to hope for is that within a few years, no one ever again is going to talk about human resources. We're just going to talk about human beings at work, and how we create a work environment where they work environment that deserves the very best that they can get.

Jacob 61:27

Yeah, no, it makes a lot of sense. Well, Gary, where can people go to connect with you find out about your book, I know it's already available for pre order. So anything you want to mention for people to check out

Gary 61:37

Sure, if you go to Garyhamel.com that's real simple, and you can learn more about me and you can also order the book their office is for sale and all the usual online places. And there's also a website humanocracy.com. And I should say if you go to any of these sites if you keep a receipt of your book of your purchase Launching in mid July later this month, we are going to have an extraordinary free course that will teach you how to hack management in your organization. And all you're going to need to enroll in that course is to have a receipt send it to us, we're going to give you a free enrollment. As many of the people I talked about today that the CEO of new core and so on the CEO higher, they're all online here, you're going to be able to meet them learn from them. There's tools all free, just need to see that you bought the book. So buy it, hang on to it, visit the humanocracy.com or visit GaryHamel.com and we'll help you from there.

Jacob 62:33

Very cool. I love it. Well, Gary, thanks so much for taking time out of your day to speak with me and share some of the insights from your new book.

Gary 62:40

Jacob It was a super pleasure and thanks to all the listeners who've joined us today,

Jacob 62:44

of course, and thanks, everyone for tuning in. Again. My guest has been Gary Hamel. Check out his upcoming book humanoccuracy. And a big thanks to the sponsor for this week's episode WebEx, make sure to check out futureofwork.WebEx.com for some cool resources and I will see all of you next time. Gary, thanks again.