

# The Innovation Generation

by Tricia Bisoux

**W**hat's new in management? If you ask Gary Hamel, everything. Or at least it should be. The world, he says, is leaving many traditional assumptions about management practice in the dust.

Well known for his incisive and often sharply critical perspective on the modern practice of management, Hamel recommends swift and sweeping change in business and business education.

In his 2002 book, *Leading the Revolution*, he called for companies to exchange old systems that rely on incremental change for more innovative business models, technologies, and approaches. In his

latest book, *The Future of Management*, co-authored with Bill Breen, Hamel urges business leaders to abandon “command-and-control” management hierarchies to build more democratic workplaces that give everyone a chance to lead, innovate, and effect positive change. He describes organizations in Darwinian terms—to survive, he argues, companies must reinvigorate their employees’ creative DNA. “Commit to revolutionary goals,” he writes, “but take evolutionary steps.”

As a visiting professor at London Business School in the United Kingdom and Harvard Business School in Boston, Massachusetts, Hamel has taken his work outside the business school. He founded Strategos, a strategic consulting company with offices in Chicago, San Francisco, and Lisbon; he now serves as chairman

Gary Hamel argues that business educators must become inventors, innovators, and experimenters to help business meet the challenges that lie ahead.



of its San Francisco office. Strategos has worked with companies like Microsoft, Whirlpool, and Campbell's to help them not only fix problems, but also learn fresh approaches and new ways of thinking.

And in 2007, Hamel and colleague Julian Birkinshaw launched the "Management Innovation Lab" at London Business School. MLab invites business leaders and faculty alike to experiment with new business theories, Hamel says.

Through all of these outlets, Hamel has a clear message for managers and management educators alike: Cling to traditional assumptions about business at your peril. The future is coming faster than you think.

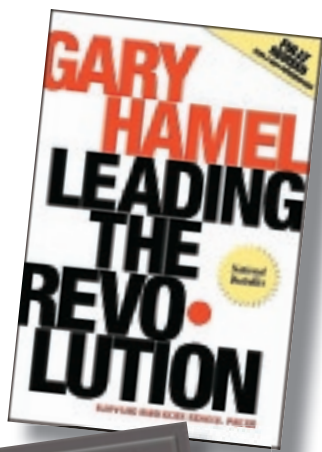
**In *The Future of Management*, you write about progressive thinkers, such as the founders of Google and Whole Foods. But most managers still adopt traditional "command-and-control" approaches. Why are so many so reluctant to adopt new management models?**

Three reasons. First, we have operated in the old model for so long, we're comfortable there. There's a certain amount of inertia. We have the sense that management has always been with us. The fact is that it's a relatively recent invention. Most of modern management as we know it today—the tools and technologies of financial reporting, paper performance, job and task design—was invented in a very brief period of time, from about 1890 to 1920. Ironically, we expect great leaps in other kinds of technologies, but we assume that management has to stay the same. If we think of management as a social technology, there's no reason to believe that it couldn't be reinvented.

Second, we have a hard time imagining radical alternatives to the status quo. And, third, the existing system serves the interests of some people very well, particularly the interests of what I would call the bureaucratic class. These are people who know how to get things done in that system, who have fought their way up the hierarchy, who enjoy the privileges and prerogatives of power. Asking those people to give that up would be a little bit like asking turkeys to vote for Thanksgiving.

**What will it take to overcome that inertia?**

A radical rethink of how we mobilize and coordinate human



labor soon will be inevitable. Companies today are faced with new challenges that lie outside the performance envelope of our current management model. They are being challenged to reinvent themselves at a tremendously accelerated pace. Yet most management systems and organizational processes almost reflexively favor perpetuation over adaptation. We have to confront that problem, or companies will quickly become irrelevant.

**How do you think companies will have to rethink the way they coordinate their staffs?**

As knowledge itself becomes a commodity, a company's success will depend largely on its ability to create more value per employee than any of its competitors.

We now have a generation of people coming to work who grew up with the Web. They've used tools of creativity like mash-ups and wikis, blogs and podcasts. When you post a video to YouTube, write a blog, or put a photo up on Flickr, no one asks whether you went to film school or journalism school. They ask, "Was it interesting? Was it entertaining? Was it incisive?" This generation has grown up in an environment where what matters is not your credentials or title, but what you can contribute—it's what I call a "thoughtocracy," or a democracy of ideas. It's unlikely that these people will be content to work in companies where senior executives have extra credibility simply because they're higher up the hierarchy.

Any organization that wants to attract and keep those people will have to create a working environment that is much different from what is now found in large companies, one where employees are willing to bring the gifts of their imagination, creativity, and passion every day. No company is going to be able to afford to waste even an iota of human imagination.

**Companies that don't adapt will simply fade away, and new, more adaptable ones will take their places. Is there something to be said for "survival of the fittest" here?**

When you argue that companies should be more adaptable, you're not arguing that they should be protected from their own stupidity. If companies don't see the future coming—if they don't change their strategy or invest in new technologies—then they deserve to go out of business.

But when organizations fail, there are social costs. You walk

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around Detroit today, for example, and you see an urban area that has essentially lost its soul. Community life is impoverished, houses are crumbling, families are breaking apart. They don’t have the economic means to support themselves. We need a market and a competitive environment where the losers are allowed to lose, but we have an interest in helping organizations be as adaptable as they can be. Society pays a heavy price when organizations fail.

#### **To what extent must business schools reinvent themselves?**

Any field—whether it’s medicine, engineering, or business—can become stuck in a paradigm trap over time. Everybody’s been trained the same way. They think the same way, and they take the same things for granted. I think that’s where management is today. Business faculty need to be very conscious of the inherited dogmas that may underlie their views.

Many of the most progressive 21st-century pioneers—the companies that are really challenging management dogma—are led and were built by people who didn’t go to

business school. They didn’t know what they didn’t know. So, those of us who have the responsibility to train the next generation of leaders and managers have to be vigilant that we don’t unthinkingly trap our students in the same orthodoxies that have trapped managers for the last 75 or 100 years. We have to treat everything we’ve learned about how we manage and organize human beings as hypotheses that are forever open to disconfirmation.

#### **How would you like to see business schools change the way they conduct research?**

As researchers, we need to become much more experimental. As human beings, we’re always interested in what the next great breakthrough in medicine or technology will be. I don’t know how many people are asking, “What’s the next great breakthrough in management?”

If you look at scientific progress generally, you find that many of the most important theoretical breakthroughs came when researchers were confronted with anomalous results from experiments. They’d try something and something would happen that they didn’t expect. They’d have to ask, “What does this tell us?” From this process came new theoretical insights. There’s a certain kind of learning and progress that you simply cannot make intellectually if you’re not engaged and experimenting in the world of practice. That’s how W. Edwards Deming launched the quality movement, how Bob Kaplan created the Balanced Scorecard, why Peter Senge founded the Society for Organizational Learning.

That’s why I formed Strategos. I didn’t want to create a consulting company as much as I wanted to test a proposition. I wanted to explore the possibility of turning an organization and its tens of thousands of people into empowered innovators. This kind of deep experimental collaboration between scholars and practitioners is the norm in other professional schools, but it’s rare in business schools.

#### **What will it take for business scholars to make that kind of shift, from theoretical to experimental?**

For business faculty to move from being merely scribes and conceptualizers to being inventors, we need the courage to commit ourselves to really romantic goals, to problems for which there are no obvious and immediate solutions. Too often, we hold up Google or GE or whatever is the model *du jour*, and we tell our students, “Go thou and do likewise.” But we seldom ask where these organizations start. We seem to accept as fact that however good the best companies are now, that’s as good as companies are ever going to be.

“The world is becoming more turbulent faster than our organizations are becoming more adaptable.”

Look at Nick Negroponte and his “One Laptop Per Child” project. Look at Craig Venter and all the people who worked on the Human Genome Project. Look at the Bill and Melinda Gates Foundation, where they’re asking big questions, like “How do we eradicate malaria?” These are huge, almost romantic goals. And I ask, “Where are the management and business school faculty in all of this? How are we making a real difference in the way businesses are run, rather than being interested only in incrementally improving their effectiveness?”

To fulfill our potential as innovators and inventors, we have to be willing to look beyond today’s best practices and commit ourselves to making a difference in organizations. We need to solve problems that today seem almost insurmountable. It’s hard work, but courage comes from the willingness to tackle a problem that may not be easy, but that’s inherently worthwhile.

**It seems as if it would be difficult for many business faculty to see themselves as inventors, rather than as teachers or scholars.**

It has been an enormous challenge. I live close to Stanford University, and when I go to its computer sciences department, engineering school, or medical school, I find faculty who really see themselves as inventors. They’re experimenting with new algorithms, new therapies, and new materials. But in business schools, few faculty see themselves as experimental scientists. They study best practices as they currently exist. They codify and share those practices, but they don’t see themselves as active participants who are really affecting the future of management practice. If a faculty member wants to have the opportunity to test out ideas, there’s little in the business school environment to make that possible.

**Is that why you and Julian Birkinshaw opened the Management Innovation Lab?**

We created MLab because we have a sense that companies are now facing a variety of new challenges that simply cannot be met with “management as usual.” We need to challenge some of the management orthodoxies and dogmas that



GARY BATES/GETTY IMAGES

we’ve inherited from the early 20th century.

We studied more than 100 management breakthroughs over the last century and learned that advances in management practice often come through a partnership between two groups. In one group are the theory-oriented practitioners, the executives and managers who are in the world of practice but have a passion for new ideas and willingness to experiment. In the other are the practice-oriented theoreticians—academics like W. Edwards Deming, Bob Kaplan, or Douglas McGregor—who have a real desire to change the world of practice. MLab was designed to bring together these two groups, progressive companies and progressive thinkers, to collaborate.

When young people go into a company today, nobody’s going to give them permission on Day One to rip up the capital budgeting process or the strategic planning process. But as they assume positions of power over the next decade and beyond, they shouldn’t be so imprisoned by the old model that they can’t imagine alternatives. I want them to be frustrated by what they find in the organizations they work for. I want them to think that these companies could be better than they are and to be ready to innovate when they get the chance. Most companies have departments and business units that are like mini-laboratories where you can try out new management ideas—a different way of measuring performance or a different way of interviewing potential employees.

**You’ve also noted that business schools need to produce more innovative graduates. Are most companies ready to recognize the value of these graduates?**

People coming out of business school don’t see themselves as responsible for dramatically advancing the science and technology of management. We don’t train them to do that. As management educators, we should develop people who can take the lead in inventing the new management practices and models that will be critical in the new century. We need to teach them to be management innovators. If we don’t start with this generation, I don’t know when we start.

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## In your book, you note that if you had a heart-to-heart with a CEO, the first thing you'd ask is, "How much of your budget is being channeled toward innovation and making a unique product?" What would you ask a business school dean?

I would ask, "Are you confident that you are preparing your students for the world of business as it will be ten years from now, rather than for the world of business as it exists right now?" I also would ask, "What are you doing with your curriculum and research that would have your competitors scratching their heads and thinking, 'These guys must be crazy?'"

I've had many conversations with deans at business schools about what we're doing at MLab, and they're universally enthusiastic about it. But when it comes to the practical implications of having to change their own models, they find it enormously difficult to get their heads around that idea. When we look at business model innovation, we learn that the things that ultimately make a difference were often seen in their inception as practically crazy by the incumbents. If you're not trying at least a few of those "out there, on the edge" experiments, your business school is not embracing innovation.

## What do you think the b-school landscape will look like ten years from now?

I think there will be more online and diploma programs

that are focused on particular needs, that aren't full-fledged, two-year MBA programs. There will be more flexibility in the curriculum in terms of the pace at which students earn their degrees. I think there will be more emphasis on clinical learning, on getting out and integrating the theoretical lessons of the classroom in practice. I do think there will be many opportunities for business schools to reinvent themselves. To what extent those opportunities are going to be exploited, I don't know.

## What do you hope your work will ultimately accomplish?

The world is becoming more turbulent faster than our organizations are becoming more adaptable. There are problems that we should be working on and speaking to, and society is desperate for answers to these challenges. The world deserves better organizations that are better managed and more humane.

My motivation in all of this is that I believe that most organizations are less adaptable and less inventive than the people who work there. I meet many ordinary folks who have changed course mid-career. They've gone back to school, moved across continents, and dealt with enormous tragedies. They've risen to those kinds of challenges. Human beings are adaptable and innovative, but somehow the way we manage human beings seems to leach those qualities out of them. How do you build organizations that are as human as the people who work there? For me, that's a very important quest.