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The Future of Management: Where is Gary Hamel Leading Us?

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In his new book, *The Future of Management*, Gary Hamel is once again inciting managers to revolt. His indictment of current management practices rests on two propositions. First, that most management systems and principles are founded on a hopelessly obsolete management paradigm. Second, that management innovation represents the ultimate source of competitive advantage. Despite his infectious enthusiasm for discontinuous change, Hamel's thesis is far from convincing. While he is surely right that changes in the business environment and new technologies will drive far-reaching changes in structures, systems and leadership styles, it is not evident that these adaptations require a new management paradigm. Nor is it obvious that 21st century management will be based upon distributed innovation, participative decision making and market-based mechanisms. This article argues that the future of management is more likely to involve the extension of existing management principles and practices to embrace higher levels of complexity – particularly multidimensional integration – accompanied by greater reliance upon informal structures and systems, including self-organization. These changes imply different leadership styles and approaches to decision making, but not – as Hamel advocates – the wholesale dismantling of existing management practices or the principles that underpin them.

Gary Hamel is on the warpath again

Introduction

Gary Hamel is on the warpath once more. His new book, *The Future of Management*, is again rattling cages in the executive suite and giving managers the collywobbles with his insistence that, unless they shake off the shackles of the status quo and embrace management innovation, they will

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remain prisoners of a defunct management model.[1] The central messages of the book — the need for a management revolution and the quest for new paradigms - are familiar themes in Hamel's work. In 1994, Hamel (with C. K. Prahalad) edited a special issue of the *Strategic Management Journal* on the topic 'Strategy: Search for New Paradigms', and two years later wrote 'Strategy as Revolution' for *Harvard Business Review*.[2] So what is new about Gary Hamel's latest volume? Is he right to claim that current management practices are based on an outmoded 20th century management paradigm? And is management innovation — rather than operational innovation, product innovation, or strategy innovation — going to be the '*ultimate competitive advantage*'? My intention in this article is not just to assess Hamel's vision of management future, but to look more widely at emerging challenges and trends in corporate management, with a view to building an alternative future scenario for company structures and management practices to that espoused by Hamel.

I begin by positioning *The Future of Management* within the overall development of Hamel's thinking and then summarize his basic thesis, before evaluating his two key arguments: that our existing management paradigm needs to be consigned to the scrap heap, and that management innovation offers the surest basis for competitive advantage. I utilize my critique of Hamel's vision for the future of management as a basis for my own thoughts on which concepts and principles are most likely to impact management thinking and practice over the next few years. In contrast to Hamel's call for decentralized corporate systems in which a thousand flowers can bloom, I argue that the greatest challenge for 21st management will be achieving more complex patterns of integration that can support more sophisticated and variegated bundles of organizational capabilities.

Gary Hamel's contribution to management thought

Attacking prevailing management practice has been the central theme of Hamel's career, first as a business school academic and subsequently as a consultant and management guru. What has changed over time is the scope of his offensive. His early writings were devoted to identifying specific weaknesses in the strategic management practices of Western firms (many of which followed from the dominance of financial management over strategic direction) and introducing us to new strategy concepts and approaches. Between 1985 and 1991 Hamel and Prahalad launched a succession of concepts that have played a key role in shaping current strategy thinking and practice, including international cross-subsidization, strategic intent, collaborative competition, core competence, and expeditionary marketing.[3]

Since the mid-1990s, Hamel has focused less on innovative strategy concepts and more on a wider challenge to prevailing management thinking and corporate practice. In three major books — *Competing for the Future, Leading the Revolution*, and now *The Future of Management* - he has developed a single theme: the need for managers to turn their backs on current management thinking and practice, embrace change, and cultivate innovation.[4]

The three books represent a progression in Hamel's thinking about management change. In *Competing for the Future,* Hamel and Prahalad urged companies to adopt more active approaches to change. Rather than adapting to change, managers should seek to become drivers of change and masters of their companies' destinies. In *Leading the Revolution*, Hamel announced that managers no longer had a choice — the pervasiveness and disruptiveness of the changes brought by the 'New Economy' and the 'Knowledge Revolution' meant that survival required managers to dismantle the strategies inherited from the industrial age and embrace new business models. However, the book's impact was limited by its publication (in 2000) coinciding with the puncturing of the internet bubble and by some unfortunate choices of exemplar companies (including Enron).

The Future of Management is more modest in tone and more targeted in attack than its predecessor. While castigating prevailing management practices — with plentiful use of the rich and penetrating metaphors that characterize his writing style — Hamel's pronouncements on the future are far more circumspect than in *Leading the Revolution.* Rather than proclaiming the dawn of a new era, Hamel's preface is emphatic that the book is not '*one person's vision for the future of management,*' nor is it a guide of what to do: '…*my goal is to give you the thinking tools that will allow you to* *build your own agenda for management innovation, and then execute against it.'* At the same time, his agenda is far-reaching and ambitious: '*… to help you and your colleagues first to imagine, and then invent the future of management.'*

Hamel's first premise is that current management practices are founded upon an outmoded management paradigm

Hamel's challenge: reinventing management

Hamel's call for the reinvention of management rests upon two premises: first, that current management practices are founded upon an outmoded management paradigm; second, that management innovation offers a superior basis for sustainable competitive advantage. Let me outline his arguments on each of these.

The case for a new management paradigm

Hamel views current management practice as being founded on Frederick Taylor's scientific management and Max Weber's principles of bureaucracy, both products of the early 20th century. Despite subsequent developments, Hamel claims that we are '*…still working on Taylor-type puzzles and living in Weber-type organizations,'* where '*…as managers we are captives of a paradigm that places the pursuit of efficiency ahead of every other goal.'* (pp. 12, 14).

The pace of technological change and the rise of China and India as cost leaders in goods and services have displaced efficiency as the primary organizational goal. Western companies must compete on innovation and adaptability: '*The goal is to build organizations that are capable of continual trauma-free renewal.'* (p. 43). Hamel compares the current state of management to that of automotive technology: the major technological advances are long past, and recent decades have seen only minor incremental improvements. In terms of Kauffman's 'fitness landscape',[5] management has evolved to the point of scaling local peaks: '*Rather than being perched atop some Everest of accomplishment, it is reclining contentedly on a modest mound in the Appalachians.'* The challenge Hamel presents to managers is that of breaking away from refining the status quo to take a major evolutionary leap onto a new path up a mightier peak: '*Could the practice of management change as radically over the first two or three decades of the 21st century as it did during the early years of the 20th century?*' (p. 16).

As we shall see, Hamel offers limited guidance as to the content and characteristics of any new management paradigm, but he is clear on the agenda for management innovation. The three key challenges are:

- Dramatically accelerating the pace of strategic renewal
- Making innovation everyone's job, every day
- Creating a highly engaging work environment that inspires employees to contribute their very best.

The case for management innovation

Hamel's second premise is that management innovation represents the highest and most valuable type of innovation available to the firm. Quoting the examples of GE, Procter & Gamble, Du Pont, Toyota and Visa, he argues that long-term corporate advantage is typically the result of management innovation. He notes too that military success also tends to result more from innovations in organization rather than in weaponry or strategy, pointing out that the key military advantage of the British in India in the late 19th century was their regimental system, which embraced local loyalties and cultural values, while Prussia's military advantages in the same period rested on the creation of a general staff as an administrative device and repository of specialist capabilities. In

Hamel's 'hierarchy of innovation', operational innovation forms the base, offering efficiency advantages, but which diffuse rapidly. Product innovations are next, but unless patent protected, these are inherently imitable (consider the range of 'cyclonic' vacuum cleaners that now compete with the Dyson original). Then there is strategic innovation: new business models — Ryanair's low-cost airline network, Apple's i-Tunes music store, Zara's fast-cycle model for supplying fashion clothing — can generate huge returns, but are ultimately subject to decoding and imitation.

Management innovation forms the apex of the innovation hierarchy,[6] representing the *'highest level of value creation and value defensibility'* (p. 32). The critical requirements are that it is *'based upon a novel management principle,'* is *'systemic'*, and is part of an *'ongoing program of rapid-fire invention'* (p. 27). During the last century, GE's system for *'bringing management discipline to the chaotic process of scientific discovery'*, DuPont's standardized systems for allocating capital between projects and between product departments, Procter & Gamble's systematic approach to brand management, and the Toyota Production System all provided the foundation for decades-long global leadership (pp. 22—23).

Hamel's second premise is that management innovation forms the apex of the innovation hierarchy

What does the future of management look like?

To support his arguments concerning the need for and the benefits of management innovation, Hamel offers a range of evidence, including three major case studies:

- *Whole Foods Market*, the upscale organic and natural foods supermarket chain, whose management model includes equity (no executive can earn more than 19 times the average employee's compensation), commitment to shared values and radical decentralization of decision making to in-store teams;
- *W. L. Gore*, the creator of Gore-Tex and many other high-tech fabrics, innovates through an organization that Hamel describes as *'a lattice, not a hierarchy'*. Leaders are peer selected, and individuals are free to experiment, collaborate and self-select into projects, creating a vibrant marketplace for ideas;
- *Google*, which dominates internet searches worldwide and is increasingly becoming the world's leading provider of information of all types, has a management model that Hamel describes as *'brink of chaos'*. Google's small product development teams each have considerable freedom to create and pursue new initiatives, with each developer free to devote 20% of their time to experiment with whatever new ideas inspire them. Hamel sees the key attribute of Google's management model as *'evolvability'*. In its continual stream of innovations, any one may be another Gmail or AdSense that promises to play a key role in Google's next stage of development.

These and other examples offer fascinating insights into potential different approaches to organization and management, but they are too idiosyncratic to provide systematic guidance to identifying a new management paradigm. For this purpose, Hamel offers organizational analogies that offer clear alternatives to hierarchical, top down unitary control, identifying three alternative organizational systems to guide our thinking:

- *Life,* with its inherent resilience and adaptability, is Hamel's guiding metaphor for the future of management, with evolutionary progress through variety and selection pointing to a key principle: *'experimentation beats planning'* (p. 154). More generally, Hamel proposes evolutionary

biology, rather than Newtonian mechanics, as providing the exemplary scientific model for management systems;
- *Markets* provide highly efficient and adaptable systems for aggregating information and allocating resources. Hamel offers several examples of how companies can create internal market mechanisms to harness the '*wisdom of crowds*', to neutralize political power, and to permit broad-based participation by organizational members;
- *Democracy* is a system that creates accountability to the governed, permits distributed leadership and preserves the right of dissent – all of which foster diversity, commitment and vitality within organizations.

Ultimately, what Hamel offers are signposts to the future, together with some current examples of the kinds of organizational mechanisms that can foster and capture rather than constrain human creativity. Yet, despite urging '*a top to bottom remodeling of modern management's creaking edifice of principles, processes and practices*' (p. 241), Hamel makes it clear that it is others who must create the new paradigm. His final chapter reveals a surprisingly uncharacteristic reticence, even timidity:

> *So far, I've resisted the urge to share my own vision of the future of management. Mostly this is out of modesty. The future of management has yet to be invested, and when it arrives, I expect to be surprised…* (p. 250).

The best guide to the future of management, he argues, is the Internet. It both '*amplifies*' human creativity and '*aggregates*' the efforts of many '*through pervasive, real-time connectivity (aided of course by all the new social technologies that allow people to chat, opine, share and collaborate online).*' (p. 251). Where once markets and hierarchies were viewed as the only alternatives for coordinating human effort, the Internet represents a third alternative: real-time, distributed networks. Its power lies in '*its capacity to facilitate coordination without the same stultifying effects of hierarchy and bureaucracy.*' (p. 252).

Hamel feels that the defining characteristics of the Internet – widely distributed tools for creativity, ease of experimentation, voluntary commitment, power granted from below, fluid authority, self-defining communities, pervasive decentralization, competition between ideas, and peer-based decision making distributed innovation – are likely to be the defining characteristics of management in the future. That said, Hamel concludes by reminding us that his goal is '*not to predict the future of management, but to help you invent it.*' (p. 255).

Is the existing management paradigm really broken?

To evaluate the contribution of Hamel's new book, let me begin with his central assumption: that the prevailing management paradigm is woefully outmoded. Hamel is not alone in his critique of the principles and theories underlying current management thinking and practice: leading management academics have argued for almost two decades that new circumstances – globalisation, turbulence, technological change and hypercompetition – have necessitated new models of organization and new theories of management. Arie Lewin and Richard Daft, the founding editors of *Organization Science,* have also called for a new management paradigm, urged organization studies to break out of the fetters of '*normal science*', to '*employ no-holds-barred approaches to new knowledge,*' and expressed the fear that '…*organization theory is in danger of becoming isolated and irrelevant to leading the emergence of new paradigms.*'[7] More recently, a group of prominent organizational scholars have argued that: '*The challenge for organizational scholars is to develop new theories and methods for tracking and understanding the emergence of new organizational forms.*'[8]

Yet, the argument that the new business environment has invalidated existing management theories and practices rests on dubious logic. Certainly there are new competitive challenges, as well as new tools for facilitating coordination and managing knowledge, and these changes have stimulated widespread adaptation of organizational structures, management systems and leadership styles. But do these adaptations invalidate current principles of management and organizational design? We can approach this question from two angles. From a conceptual viewpoint, do conventional management principles address the fundamental needs of firms in today's business environment? Secondly, from an empirical viewpoint, can we observe any manifestations of new approaches to management?

The conceptual foundations of current management practices

Hamel is correct in his observation that current management principles and practice have their origins in mechanistic thinking about work, decision making and control. But, at a more profound level of analysis, we can view current structural forms and management practices as responses to the inherent challenges of organizing.

Organizations exist to extend human creativity. No individual can develop and produce a mobile phone or an antiviral drug alone: most goods and services require integrating the skills and know-how of many individuals. Hence, the essential task of management is to achieve cooperation and coordination among a number of individuals in order to create and supply a good or service. Most of the features of modern management - hierarchy, rules, incentives, budgetary systems, strategic planning systems, human resource management systems, product development processes - are responses to this challenge. Of course, the rules, procedures and assignments of decision making authority ('bureaucracy') constrain individual entrepreneurship and responsiveness, but their essential purposes are to align the interests of individuals with those of the organization (the co-operation problem) and to harmonize individuals' actions (the coordination problem).

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If we take hierarchy as an example, certainly this is a central feature of Weber's system of bureaucracy. But as subsequent analysis has shown, hierarchies offer efficiency in communication and information exchange, facilitate accountability, and permit decentralized flexibility to be reconciled with overall coordination.[9] We can observe the evolution of hierarchical structures during recent decades, and in particular, note how hierarchies of control based upon elaborate systems of monitoring, reporting and authorization have given way to hierarchies of integration where hierarchy supports subunit autonomy and may even facilitate self-organization.[10] The changes in hierarchical structures in recent years — delayering, greater informality, permeability of internal and external boundaries, increased lateral communication and collaboration, the shift of hierarchical control to performance-based management — point to the continuing efficacy of the basic structural features of organizations and the enduring relevance of the organizational principles that underlie them.

Can we observe novel management forms?

Hamel offers fascinating descriptions of management innovations at a number of companies. Yet, despite the appearance of novelty, it is not always evident that these examples represent radical departures from traditional approaches. Consider the case of open-source software communities. Despite Hamel's extolling the virtues of Linux as an informally led peer-to-peer network, a closer look reveals that Linux, like other open source software communities, possesses a well-defined organizational hierarchy that matches the modular structure of the Linux kernel. Within the organizational hierarchies of open source communities, coordination is achieved through detailed rules that relate to almost every aspect of operation and administration, extending from format specifications for submitting patches, to operational procedures for approving new code, to administrative processes for appointing officers and allocating roles.[11]

For the most part, Hamel's examples are less than striking in their novelty – indeed, reading his case studies gave me an eerie feeling of *déjà vu.* I eventually realized that this was the result of parallels with examples in Peters and Waterman's *In Search of Excellence,* especially the accompanying training video that was released 24 years ago. Google's 'brink of chaos' management system was reminiscent of the passion and informality displayed by Apple's Macintosh team,[12] W. L. Gore's dispersed innovation where individuals are encouraged to initiate their own development projects paralleled 3M's 'bootlegging system', and the customer-focus and bottom-up approach to quality and innovative merchandising at Whole Foods Market reminded me of the commitment to the customer and employee involvement that Peters and Waterman's described at Stu Leonard's Dairy.[13]

Despite Hamel's caveat that his examples of management innovations fall short of his call for a new management paradigm (*'Frankly, today's best practices aren't good enough'*), I was disappointed that most of the vignettes he offers are strikingly unrevolutionary. InnoCentive's 'open innovation marketplace', Whirlpool's company-wide innovation program, Best Buy's 'wisdom of crowds' sales forecasting method, or IBM's system for developing 'emerging business opportunities' are novel approaches to decentralizing innovation, accessing distributed knowledge and reallocating resources towards new businesses, but are hardly revolutionary in their impact. Given Hamel's active involvement in so many leading-edge companies, the sparse evidence of revolutionary management practice confirmed my scepticism about the feasibility (and desirability) of the revolution in management thinking and practice he calls for.

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My guess is that finding truly radical management innovation is difficult because there is so little of it around. My doubts about the likelihood of the dawning of a new era of management any time soon are further reinforced by my observations that most radically new approaches to management tend to survive only briefly. Many companies that have been strikingly innovative in adopting new forms of organization or decision making have subsequently reverted to more traditional modes, while few have attracted significant imitation.

Probably the best example of a company embracing the principles of participation and radical decentralization enunciated by Gary Hamel is Oticon, the Danish hearing aid manufacturer. In 1990, Oticon adopted its 'spaghetti organization' – no job titles, no assigned bosses, no assigned offices or desks, no assigned work, with employees choosing which projects they wanted to work on from a list on a bulletin board. Yet, within three years most of the 'spaghetti' model had been quietly abandoned.

Similarly with AES, the Virginia-based company that became the world's largest independent power producer, whose 'honeycomb' model involved radical decentralization, self-management, an absence of traditional business functions, and commitment to ethics and fun. But by 2003, in the wake of Enron and regulatory crisis, AES had reverted to a more traditional management system.[14]

Even more modest management innovations often display limited longevity. During the mid-1990s under CEOs David Simon and John Browne, British Petroleum's three major sectors (upstream, downstream, and chemicals) were broken up into 150 business units, each reporting to the corporate centre. The existing strategic management system was swept away and replaced by a system of performance contracts between the corporate centre and individual business units.[15] Yet, despite the responsiveness and drive released by the new management structure, a process of recentralisation slowly gathered momentum over the next nine years, reinforced by the revelations over BP's Health and Safety failures highlighted by the Texas City refinery disaster.

Despite Hamel's call for a management paradigm that is more participative, engaging and democratic, a notable feature of the history of management has been the failure of most initiatives of this type. From the outset of the industrial revolution, humanists, social reformers, religious leaders and political revolutionaries have sought to design productive organizations where individual liberties, personal fulfilment and caring social relationships can coexist with the demands of technology and productivity. Robert Owen's New Lanark Mills in Scotland and New Harmony in Indiana were early examples, yet these — like most other experiments in participative humanitarian management — both failed the test of survival. The troubled history of the Cooperative movement offers further lessons in the difficulties of reconciling participation and democracy with efficiency and customer orientation. The remarkable feature of the Mondragon Cooperative Corporation is not the successful creation of a system of human relations that achieves security, fairness, and participative that is simultaneously commercially successful, but that it is so rare an example of a large industrial cooperative with long term endurance.[16]

Is management innovation the 'ultimate advantage'?

Even if Hamel's pronouncement of the death of the current management paradigm is dubious, this does not invalidate his second premise — that management innovation is the most important and sustainable source of competitive advantage. The management innovations that Hamel describes may not amount to a new management paradigm, but the argument that '*management innovation possesses a unique capacity to create difficult-to-duplicate advantages*' (p. 34) is certainly plausible.

However, his case studies present familiar problems of ambiguity over the direction of causation. Are Whole Foods Market, W. L. Gore and Google successful because of their innovative management systems, or is it because they are successful companies that they are able to indulge in management practices that make work so much more rewarding for employees? Google's success is primarily the result of early-mover advantage in web search, reinforced by its alliances with AOL and Yahoo! W. L. Gore's management system has undoubtedly been central to its continuous stream of product innovations: however, the foundation of its success — and its single most important source of profit today — is Gore's patents relating to Gore-Tex and its extensive knowledge of the uses of tetrafluoroethylene.

In terms of sustainability, the evidence is also mixed. Some management innovations clearly confer sustainable advantage — Toyota is a persuasive example. However, several of the other innovations that Hamel identifies — DuPont's capital budgeting system, GE's creation of the industrial research lab and P&G's systematizing of brand management — appear to have diffused widely to other companies. The same observation may be made of many other management innovations of the past half century: franchising, business process reengineering, competency modelling, knowledge management, communities of practice, shared service organizations and 360-degree evaluation have all diffused widely, to the extent that, in many instances, it is difficult to identify the source of the innovation. The history of total quality management is indicative of the complex evolutionary process through which management innovations emerge, develop and diffuse. Following the pioneering work by Deming and Juran in the US, Japanese companies were the early adopters, while the subsequent diffusion of TQM to the US was accompanied by further developments, notably Motorola's six-sigma methodology, which was later extended by General Electric. As with so many other types of innovation, the main beneficiaries of management innovation may be followers rather than innovators.

The extent to which a management innovation offers benefits that are sustainable against imitators depends upon the extent to which it is embedded within a company's systems and culture. Toyota's management system not only infuses every functional area, it is rooted in Toyota's philosophy and values. Conversely, management innovations that can be encapsulated within a technique or procedure — the balanced scorecard, for example — are inherently imitable.

successful management innovations result from adaptation to particular environmental circumstances - few from deliberate quests to find a better way.

Even if management innovations can offer the 'ultimate advantage', it is not apparent that they can be discovered through purposeful search. While product innovation may be a manageable process,[17] it is not apparent that useful generalizations can be made about the sources of management innovations. Most successful management innovations are the result of adaptation to particular environmental circumstances — few result from deliberate quests to find a better way. Toyota's lean management system was a response to post-war shortages of materials, while Wal-Mart's logistical system was developed to overcome the difficulties the company experienced in getting suppliers to deliver to its discount stores in small towns in Arkansas and Oklahoma.

In other cases, management innovation can be a direct consequence of the personality and beliefs of entrepreneurs. Virgin Group's 'branded venture capital model' reflects Richard Branson's exuberance, sense of fun, and disdain for corporate management. AES's unique system of management was a reflection of the Christian beliefs of its founders Dennis Bakke and Roger Sant — notably their conviction that, if man was created in the image of God, then employees were inherently intelligent, creative, and trustworthy.

Emerging trends in 21st century management

Even if we discount the emergence of a new management paradigm, it is inevitable that environmental changes and advancing technology will continue to drive the evolution of management practices and organizational forms. What kinds of changes can we look forward to — and to what extent will these changes be stimulated by new management concepts and theories?

Hamel's metaphor for 21st century management is the Internet

Hamel's metaphor for 21st century management is the Internet: '*I'm willing to bet that* Management 2.0 *is going to look a lot like the* Web 2.0' (p. 254). He identifies the defining characteristics of the Web as:

- Everyone has a voice;
- The tools of creativity are widely distributed;
- Experimentation is easy and cheap;
- Capability counts for more than credentials and titles;
- Commitment is voluntary;
- Authority is fluid and contingent on value-added;
- The only hierarchies are natural hierarchies;
- Communities are self-defining;
- Just about everything is decentralized;
- It's easy for buyers and sellers to find each other;
- Resources are free to follow opportunities;
- Decisions are peer-based. *(pp. 253—254)*

Yet is not apparent to me that the participatory, decentralized and democratic organizational forms that Hamel envisages will confer the innovativeness, adaptability and resilience that Western companies need to prosper in the 21st century business environment. Let me offer two observations on the organizational criteria for future competitiveness that conflict with Hamel's vision. The first relates to the conditions for innovation, the second to the need for more complex patterns of integration.

The role of individuals in innovation

I am especially doubtful of the potential for widespread participation and peer-based decisions to support the flourishing of innovation that Hamel calls for. Breakthrough product innovations are typically the work of individual iconoclasts rather than participatory groups. In video games, the continuing success of Nintendo against its vastly more powerful rivals Sony and Microsoft owes much to the brilliance of its legendry games designer, Shigeru Miyamoto. Similar observations could be made about Robert Gore at W. L. Gore and Associates (PTFE), and Steve Jobs at Apple (Apple II, Macintosh. iPod, iTunes, iPhone). New business models also tend to be the creations of a single entrepreneur (or entrepreneurial duos) who have pursued their visions uncompromisingly and often autocratically - Rockefeller at Standard Oil, Henry Ford at Ford Motor Company, Eiji Toyoda at Toyota Motor, Ray Kroc at McDonald's, Jay Van Andel and Rich DeVoss at Amway, and Niklas Zennstrom and Janus Friis, the founders of Kaazaa and Skype. Few community-based initiatives produce radical innovations. Open-source software communities (such as Linux) tend to have their origins in innovative software written by founding individuals (such as Linus Torvalds). After becoming community ventures, these projects develop rapidly, but without much further fundamental innovation.

For all Hamel's faith in the wisdom and innovativeness of crowds, there is also another side of group behaviour: conformity, groupthink, collective delusion, and 'the madness of crowds'.[18] Warren Buffett identifies closely with this second view: he believes emphatically that the quality of a decision is inversely proportional to the number of people involved in it. In comparing the recent subprime lending crisis to McCarthyism in the 1950s and fears of witchcraft in Salem, John Kay identifies similar group-induced delusions: '*Shared values and beliefs create a group identity… The very improbability of the belief, the unacceptability of the values, reinforces their social function; these factors distinguish the real members of the group from the less committed.*'[19]

The challenge of organizational integration

Where Hamel is surely right is in emphasizing the need for more spontaneous, flexible and integrative approaches to coordination and collaboration to spur innovation. A predominant characteristic of most innovations is that they are outcomes of the configuration or reconfiguration of knowledge drawn from multiple areas. Outstanding product innovations typically combine technologies and know-how from different areas. In semiconductors, new integrated circuits draw on a knowledge base spanning microelectronics, materials science, particle physics and mathematical algorithms. New blockbuster drugs combine developments in biotechnology, genetics, bioinformatics, and nanotechnology. New products are often part of systems comprising both hardware and software – Apple's iPod and iTunes for example.

Similarly with innovatory strategies – the ability of strategy innovation to deliver value frequently results from overcoming intractable tradeoffs, such as that Hamel observes at Whole Foods. Thus Toyota has been able to reconcile performance goals that were conventionally viewed as conflicting: cost efficiency, quality, fast-cycle product innovation and flexibility, while Intel has combined cutting edge product innovation with cost leadership and global brand awareness, and Zara's fast-cycle, vertically-integrated business system offers leading-edge fashion at budget prices.

The capacity to integrate multiple, disparate knowledge bases and to develop a broad array of organizational capabilities is also the key to developing robust corporate resilience. With companies from China, India and other emerging countries occupying cost leadership positions across a broad industrial spectrum, with start-up companies pioneering innovations, and with the diffusion of total quality management and enhanced customer responsiveness, 'hedgehog' companies (that know one big thing) will increasingly be outperformed by 'fox' companies, that know many things. The vulnerability of hedgehog companies may be seen in the decline of Toys-R-Us and Ford Motor Company, and in Dell Computer's recent struggles.

Integrating broader spans of technology and expertise, and developing a multiplicity of capabilities, requires greater organizational complexity. Organizational capabilities such as cost efficiency, product innovation, quality, customer responsiveness, and new business development each require different approaches to control, job design, motivation and communication. This typically requires employees to fulfil multiple organization roles, each of which involves different modes of collaboration. The implications for organizational design are daunting. Jay Galbraith observes that IBM is organized as a seven-dimensional matrix. There is a business organization built around three major sectors (hardware, software and global services), a geographical organization built around regions and countries, a functional organization, customer-focused groups, distribution channel organizations, and an organization for fostering new business development.[20]

If this type of multi-dexterity is a defining characteristic of the 21st century enterprise,[21] how can it be achieved while avoiding the sclerosis associated with 1960s-vintage matrix organizations? The critical management challenge is to achieve more complex patterns of organizational integration, but without damaging flexibility and responsiveness. The key may be to rely on more informal and voluntary approaches to coordination.[22] While most operational activities may require high levels of organizational formality and hierarchical control, many developmental and knowledge building activities can be achieved with very low levels of formality, even via self-organization. An important difference between the matrix structures of today and those of 30 years ago is the greater differentiation of different dimensions of the matrix. Thus, in most multi-business and multinational corporations, financial and strategic control is concentrated within the business organization, while functional and geographical organizations tend to have less formality and rely more on 'dotted-line' relationships. Even more informal is the kind of knowledge management organization that in some companies is built on spontaneous, voluntary networks (e.g. communities of practice), while in others may involve only a minimum of formal structuring.

Hamel views the future of management as resting heavily upon a conceptualisation of organization based more upon biology than on mechanics, and which also introduces concepts drawn from complexity theory – yet he fails to draw extensively upon existing management research to develop these themes. For example, he uses Kauffman's *fitness landscape* as a metaphor for the current evolutionary state of management, but makes limited exploration of the organizational processes and managerial actions that can enable companies to leap to higher fitness peaks. While complexity theory is unlikely to provide a whole new management paradigm, it offers penetrating insights into the design and management of complex organizations competing in dynamic environments. For example, Nickerson and Zenger show that under high levels of complexity, *consensus-based hierarchies* tend to outperform both *authority-based hierarchies* and *markets* in generating knowledge, while Levinthal points to the advantage of *loosely-coupled* organizational structures in adapting to change in complex, changing environments. However, Siggelkow and Rivkin caution that the adaptive performance of different organizational archetypes depends critically upon the degree of environmental complexity and turbulence, and also on specific organizational characteristics relating to incentives, the distribution of decision making, information flow, and departmental processing capacity.[23]

the role of top management as peak decision maker and strategy architect [may have to] be subordinated to [that of] guiding the evolution of the business.

Complexity theory also has implications for the styles and processes of management. If the complexity of business renders it un-analysable and unpredictable, then the role of top management as peak decision maker and strategy architect must be subordinated to its role in guiding the evolution of the business. This may involve establishing simple rules that create boundary conditions for managerial action, maintaining a level of adaptive tension that positions the organization on the frontier between stasis and chaos, and periodically issuing Jack Welch-style corporate initiatives designed to induce an evolutionary leap to a new fitness peak.[24]

Conclusion

For those of us who were inspired by Gary Hamel's earlier contributions to management thought — especially his influential work on strategic intent, core competences and strategic alliances — his *Future of Management* is likely to prove disappointing. There is a striking lack of new ideas: most of the innovatory management concepts and practices in the book will be familiar to those who have either read his previous two books (*Leading the Revolution* and *Competing for the Future*) or followed articles in the popular business press on pioneering organizations such as Linux, Google and Whole Foods Market. Most surprising is that one of our most forthright management thinkers, who is closer to the leading edge of management practice than almost any other consultant, should be so cautious in articulating his view of the future. Hamel's explanation - that his '*goal is to give you the thinking tools that will allow you to build your own agenda for management change*' (p. xi) — is not wholly satisfying. If the critical problem is the obsolescence of the paradigm that underlies today's management practices, then stimulating a host of management innovations is not enough — we also need concepts and theories that can provide the genesis of a new management paradigm.

However, my primary critique of Hamel's book is not about what he does not say about the future of management, but about the emerging model of management that he does envisage. My concern is that the decentralized, fluid and democratically participative company built around markets, social networks and self-selected work roles may fail to deliver in two very different ways. In terms of innovation, there appears to be a risk that an '*innovation democracy*', with widespread participation and peer decision processes, may shackle the creativity of individual geniuses and suppress the leadership of corporate visionaries. Conversely, in terms of integration, it is not apparent to me that decentralization and the distribution of goal setting, coordination and resource allocation to 'the periphery' will support the complex patterns of coordination necessary to build the more sophisticated portfolios of organizational capabilities required in the more complex, and more intensely competitive, 21st century business environment.

'innovation democracy', *with widespread participation and peer decision processes, may shackle the creativity of individual geniuses and suppress the leadership of corporate visionaries*

These criticisms must be tempered by acknowledging the book's primary goal. It is written for practicing managers, rather than for management academics such as myself, and Hamel's purpose is to encourage managers to question the structures and systems within which they operate and the tools they use to do their work. As I have previously noted, most management innovation is the result of organizational mutation and adaptation to idiosyncratic local circumstances, rather than the result of deliberate search. A remarkable feature of our working lives is the extent to which we accept the organizational circumstances in which we find ourselves. (The failure of management professors even to question, let alone initiate, change within their own business schools is a striking example.) Surely this acceptance must be a primary source of organizational inertia. By encouraging managers to ask 'Why?' and 'Is there a better way?' and by providing a framework for initiating changes in management practice, Hamel's book can provide a catalyst for a management innovation driven not by the necessity of circumstances, nor by external consultants or gurus, but by practicing managers.

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