



Appraising Gary Hamel's Future of Management – Any Relevance for Small Businesses?

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Abstract

Management theory and practice in the 20th Century is one of predictability, accountability, prescription and little has changed over time. New theories have emerged but they are all founded in the boundaries, barriers, and traditional views of Boards decide, Management manages, Employees do cycle of old theories. Hence, modern management practice is based on a set of principles whose origins date back a century or more. Such practices include specialization, standardization, planning and control, hierarchy, and the primacy of extrinsic rewards. Generations of managers have mined these principles for competitive advantage in various forms, and large variation of results has been put forward. However, after decades of digging, the chance of discovering a gleaming piece of new management wisdom in these well-explored arenas is far-off. Managers' challenge therefore is to uncover unconventional principles that open up new layers of management innovation. This paper has systemically reviewed Gary Hamel's book – the Future of Management and its relevance to small and medium enterprises. It has been argued that management innovation is an important phenomenon in the field of management and that the generative mechanisms through which it occurs (i.e., management innovation processes) can be applicable for small business operational efficiency.

Keywords: Management, Management Innovation, Management Theory, Managers, SMEs

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1. Introduction

Management or the act and science of managing resources to actualize set goals has been continuously revolving. Evidences are bound that right from the time of early management scholars such as Fredrick Taylor, Henry Fayol and the likes till date management has witnessed several dynamics and spontaneous developments. Over the last few decades, scholars around the world have produced a vast body of academic research and writing on management strategies and innovation. While most of this authors and scholars have focused on various aspects of technological innovation (e.g. Utterback, 1994; Granovetter, 2001), the trend over the last couple of years has been toward exploring other forms of innovation, such as process innovation (e.g., Pisano, 1996), service innovation (e.g., Gallouj & Weinstein, 1997), and strategic innovation (Hamel, 1998), with a view to understanding how they are managed and how

they contribute to long-term firm success and growth.

The Book – 'the Future of Management' as the name entails demonstrates how the real fuel for global competitiveness and long-term business success are never dependent on old management styles and principles, operational excellence, technology breakthroughs or even new business methods. Bearing this in mind that sooner or later, competitors will arrive who have superior operations, next-generation technology or even better business models. Instead, according to the book, the key to sustaining a long-term business success and global dominance is management innovation. In the Book, the author explains why it is time to imagine the future of management and become an active participant in the process of inventing a successful management practice that can accommodate the challenges of tomorrow. The book presented a systematic view about how business

owners and entrepreneurs must develop organizations that are ready to compete in the future and that addresses professional, emotional and ever-changing lifestyle needs in the marketplace through reinventing the management process.

More so, Hamel maintains that even with the innovations of last century such as modern medicine, electric motors, plastics, telephone, television, gene sequencing, the internet and GPS among others; the single most essential invention of the century is management. Albeit, management – as essential and powerful as it is, people often do not generally think about management as invention but as a mere tool of resources mobilization and conversion to end products. It is maintained that there is a need to position management as invention so as to derive the best from evolving nature of management. Therefore, the book positioned that there is a need to reinvent management, because organizations due to increasing volatile business environment are facing many challenges that they never faced years ago.

Foundation of the Book

The author – Gary Hamel aimed at making the readers realize that though technology has forever changed how companies operate, however, most companies around the world still run according to outdated management rules and conventions created by long-dead management principles and strategies. Management theory and practice in the 20th Century is one of predictability, accountability, prescription and little has changed over time. New theories have emerged but they are all founded in the boundaries, barriers, and traditional views of Boards decide, management manages and employees do. This raises alarm why today's managers are simply following a dogma and why are they in a paradigm trap and why must they not escape from the traditional view of management.

It was further maintained that the pace of change in all aspects of human life in recent years has exponentially and dramatically increased. Human Intelligence and skills are ever changing, changing quicker than technology. In line with the changing nature of the global business environment, organisations increasingly have to change and adapt to new global changes around their environments. Hamel opined that it is time to start managing according to the times rather than to be addicted to the old orders of management principles that are

practically not fit into today's business world. The single biggest factor in a company's long-term competitive success is therefore not an extraordinary business model, unique technology or access to huge capital, it's management innovation — a company's ability to strategize, mobilize talented people, and allocate capital in new and different ways. Hence, companies that embrace management innovation will be tomorrow's industry giants.

In the Book, Hamel based his arguments on two major propositions. First, that most management systems and principles are founded on a hopelessly obsolete management paradigm hence the needs for paradigm shift. Second, that management innovation represents the ultimate source of long-term competitive advantage and success and if companies would succeed, they must appreciate and key themselves into it. In addressing these propositions, Hamel attempt not to predict the future of management, but help organizations reinvent it. Accordingly, the aim here is to assist corporate leaders approach the challenge of structuring organizations in a way that gets “more out of people”—thus amplifying human effort—and “then to compound those efforts in ways that allow human beings to achieve together what they cannot achieve individually”—aggregating human effort, the two most fundamental functions of management.

The Old Orders of Management

What is the problem with today's management methods anyway? Management itself has revolved over many centuries. Modern Management which is so dynamic today started right from the era of Fredrick Taylor – Scientific management and Max Webber - Bureaucratic system through talent/strategy management by Michael Porter and innovation management by Gary Hamel and Teresa Amabile. According to the Book, Hamel argued that today's management method emphasize on efficiency, procedures, bureaucracy and coordination, all of which have the power to transform economies but have major constrained of imagination and negate progress.

According to Hamel, these principles are inherited from and revolved round the old management principles, styles, models and methods. And because most CEOs believe in being doers rather than dreamers, the word *innovation* is often relegated to product innovation, strategy innovation, market innovation discussed at shareholder meetings. *The*

Future of Management argues that management innovation matters now because companies are too reliant on yesterday's ideals of control and haste. Instead, managers should focus on the broader objective of furthering human accomplishment. As Hamel demonstrates with several case-study companies, this means funding projects with "long odds" and understanding the difference between data and knowledge.

After the first premise or management changing from the old orders, 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. It means letting authority flow to those who add value and away from those who don't. 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. Management has evolved to the point of scaling local peaks: Rather than being suspended on top of some accomplishment, it is reclining contentedly on a modest possible change. The challenge as presented to managers by Hamel was that of breaking away from refining the status quo to take a major evolutionary leap onto a new path up a mightier peak.

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. It was further argued that 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. Therefore, if companies could innovate by creating new products or new business models, he asks, why can't they do the same in how they manage organizations? Perhaps a more modern approach to management would be the ticket to keep American companies ahead of their global competitors? This would entail moving from a century-old command-and-control model to a more flexible, networked style of organization. The goals behind most management-innovation efforts generally fall into one of three categories: providing faster organizational renewal, making innovation

everyone's job and creating engaging work environments. Notwithstanding the above, Hamel argued, the biggest obstacles to meeting these goals may be the very ideas people already have about management. Hamel eases readers into the process of becoming management innovators by first explaining how "the anomalies" have innovated — that is, how certain companies have been able to "flout conventional wisdom and still run a successful business.

2. Conceptualizing Small and Medium Enterprises

The definition of SMEs changes with time and with the level of economic development in a specific nation (Anamekwe, 2001). This means that a firm that can be regarded as small and medium enterprise in advanced economies such as in the North America, Western Europe and Asia given their high level of capital intensity and advanced technology may be classified as large corporations in developing nations. In the same vein, a large organization in 1970s or 80s may be regarded as medium or small enterprise today. The definition of SMEs therefore becomes relative and varies from institution to institution and from country to country depending on the country's level of development. Akande (2014) looked at SMEs as an enterprise that is self-initiated, largely self-financed, closely self-managed and relatively small in size when compared to aggregate market share in the industry. National Council of Industries (N.C.I, 2009) classified and defined small business as an enterprise with total capital employed of over N1.5 million but not more than N50 million, including working capital but excluding cost of land, or labour size of 11 – 100 workers. While on the other side, a medium enterprise is such with a total capital employed of over N50 million but not more than N200 million, including working capital, but excluding cost of land, or a labour size of 101 – 300 workers.

In recent times, there is an increasing focus on Small and Medium Enterprises (SMEs) as a means of tackling the rising scourge of unemployment, particularly among graduates in most developing nations. The SMEs sub-sector is globally acknowledged to contribute substantially in enhancing employment generation, poverty alleviation, equitable distribution of resources, income redistribution, technical and technological innovation, entrepreneurial skills development, more

uniform industrial and economic dispersal, and general improvement in the living standard of the populace within an economic region. More so, they have been publicized as strategic in ensuring food security and encouraging rapid industrialization and reversal of rural-urban migration (Oyekanmi, 2003; Osalor, 2012). Business environment changes on regular basis and as such causes intense competition among SMEs and large corporations (Nwankwo, Kanu, Marire, Balogun & Uhiara, 2014). How to survive and grow in such volatile business environment as caused by political, technological and regulatory change is a major challenge to many operators (Adebayo, 2015). It becomes of utmost essential for SMEs to seek ways to reinforce their competitive position and improve their productivity. As put forward by Gary Hamel, management innovation is a major strategy through which businesses can compete favourably in a volatile business environment.

Innovation is the basis of all competition advantages, the means of anticipating and meeting customer's needs and the method of utilization of technology (Amabile, 2006). In this view, innovation is a process that embraces different characteristics such as change, learning, knowledge and development. In today's competitive markets, innovation implementation at the level of any firm is crucial for achieving economic rewards, competitiveness and sustainability. According to Porter (1990) the success and growth of SMEs is based on its capacity to generate competitive advantage through innovative activities, and, it is frequently determined by pressure and challenge frequently exerted through external agents such as customers, suppliers, competitors and governments. Drucker (1989) viewed innovation as the tool or instrument used by entrepreneurs to exploit change as an opportunity. From Drucker's perspective, systematic (entrepreneurial) innovation consisted of the purposeful and organized search for changes, and in the systematic analysis of the opportunities such changes might offer for economic or social innovation.

On the other side, management innovation at SMEs level is specifically, the discovery and execution of a novel management practice, process, structure, or technique that is intended to further the organizational goals (Birkinshaw, Hamel and Mol, 2009). In this regard, management innovation changes how small and medium business managers

do what they do and the only way to change how managers work is to reinvent the processes that govern that work. This involves continuous innovation of management processes such as strategic planning, capital budgeting, project management, hiring and promotion, employee assessment; executive development, internal communications, and knowledge management are the gears that turn management principles into everyday practices. In SMEs, management innovation is more feasible at the operational level - that is, in terms of the generation and implementation of new practices, processes, structures, or techniques because this is the level at which observable changes take place in the way work is done. At the level of SMEs, it is worth reinforcing that management innovation gives conscious attention to the individuals who drive the process.

Why Management Innovation Matters

Hamel in the Book describes management innovation as the invention and implementation of a management practice, process, structure, or technique that is new to the state of the art and is intended to further organizational goals. It was further explained that the problem of one hundred years ago was that the established qualities of modern management, control, precision, stability, discipline, and reliability, which are no longer adequate to guide the organizational need in the turbulent global context of today. The major areas of argument against the old management system is that it has become a domineering paradigm that holds companies hostage to yesterday's management creeds and prevents them from seeing the new options needed to fulfill the mission of today. In adopting an intra-organizational evolutionary perspective which is the new trend of management, there is a need to examine the roles of key change agents inside and outside the organization in driving and shaping four processes—motivation, invention, implementation, and theorization and labeling—that collectively define a model of how management innovation comes about.

In a broader sense, management innovation has, received considerable research attention by Hamel in recent years. As discussed in the book, there are four key perspectives on management innovation: An institutional perspective that focuses on the socioeconomic conditions in which new management ideas and practices take shape. A

fashion perspective focuses on the dynamic interplay between users and providers of management ideas. The fashion perspective focuses on how management innovations emerge through the dynamic interplay between the managers who use new management ideas and the “fashion setters” who put forward those ideas. The cultural perspective focuses on how an organization reacts to the introduction of a new management practice. The cultural perspective attempt to understand how management innovation shapes, and gets shaped by, the culture of the organization in which it is being implemented. The rational perspective focuses on how management innovations and the individuals who drive them deliver improvements in organizational effectiveness. The rational perspective builds on the premise that management innovations are introduced by individuals with the goal of making their organizations work more effectively.

Imagining Own-Management Innovation

Essentially, the focus of this part is to clarify the question - what are the elements needed to enable organizations to create their own version of management innovation? Here, Hamel describes three dynamics (management challenges) of a true management innovation agenda:

- i. the need to accelerate the pace of strategic renewal,
- ii. the importance of making innovation the job of everyone in the organization, and
- iii. the challenge of creating an organization that is worthy of everyone’s best efforts.

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

- a. 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. Whole Foods Market was established in Austin around 1980. They have the finest natural and organic foods available, maintain the strictest quality standards in the industry, and have an unshakeable commitment to sustainable agricultural value chain. Hamel argued that the

management method employed by this company has made them recorded huge success within a short period of time. This was possible through various innovation introduced and the management style employed.

- b. 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. Gore was founded about 60 years ago by Bill and Vieve Gore and now with a capacity of over 18,000 employees and associates. Gore W. L is a material science company that focused on discovery and producing innovative for industrial use. Leaders are peer selected, and individuals are free to experiment, collaborate and self-select into projects, creating a vibrant marketplace for ideas. Accordingly, Whole Foods has organized itself into roughly eight teams at individual stores, all of whom have the mission of improving the food that Americans eat. The teams have the right to hire and fire their own members, and are given wide latitude about what to stock on the shelves and how to manage their stores. But their performance numbers are transparent to all, and their compensation is strongly linked to team not individual performance. Unlike so many other companies, front-line employees at Whole Foods have both the *freedom* to do the right thing for customers and the *incentive* to do the right thing for profits.
- c. 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 ‘resolvability’. 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.

Considering the remarkable achievements of these companies, Hamel asserts that management innovation yields an enduring advantage when one or more of three conditions are met: the innovation

is based on a novel management principle which challenges some long-standing orthodoxy; the innovation is systemic, encompassing a range of processes and methods; and/or the innovation is part of an ongoing program of rapid fire invention where progress compounds over time.

These examples offer fascinating insights into potential different approaches to organization and management, but they are too individualistic at providing 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 management thinking.

3. Systematic Approach of Re-inventing Management Innovation

As viewed in this part, the concept of innovation stresses the growing need for organizations to proactively address challenges of the future by undertaking radical innovation that will transform their environments and the marketplace. The early research on innovation tends to address it as organization's ability to respond and adapt to external and/or internal changes. Subsequent work on innovation stressed more pro-active innovation and distinguished between types of innovation. Different from what is obtainable today, in the early concept of innovation emphasis was on the organization's ability to promote both process and product innovation, regardless of an immediate need for change.

According to Hamel, the call for paradigm-changing management innovation is not a direct step-by-step process; nevertheless, he sets out to describe the possible ingredients of a systematic approach to reinventing management thinking. Basically, answers how leaders challenge long-held and mostly unexamined beliefs about management that blind leaders to new possibilities and hold them hostage to the status quo. Hamel demonstrates that operational innovation which is often seeing in 'best practices' may allow an organization to temporarily move ahead of the pack. But best practices are readily diffused by consultants and soon copied by competitors, erasing the original advantage of the innovator. In the 'hierarchy of innovation', operational innovation forms the base, offering efficiency advantages, but diffuse rapidly. Product or service innovations are next, but unless patent

protected, these are inherently imitable. Under the product innovation, two products were compared – the Cyclonic Vacuum Cleaner competing strongly with long and well-established Dyson Original.

In other words, product innovation may create a temporary lead for a company until upstarts leapfrog yesterday's pioneers. Then there is strategic innovation: introduction of new business models and systemic re-innovating old models of business. Examples of Ryanair's low-cost airline network, Apple's i-Tunes music store, Zara's fast-cycle model for supplying fashion clothing were given as these new models could generate huge returns, but are ultimately subject to decoding and imitation. The comparative of these products gives credence to Hamel innovation levels and why organizations must recognize and work around them for long term competitive advantage.

Strategy innovation based on strategy in business models may be more difficult to decode and thus provide a longer-lasting advantage, but it is management innovation that creates the greatest potential for strategic advantages in the long run. By challenging concepts that have long become accepted wisdom and have risen to the level of unquestioned assumptions about organizational reality, companies are able to innovate at a level that is most difficult to duplicate by competitors. In other words, innovation in management is the ultimate strategic advantage. Management innovation forms the apex of the innovation hierarchy representing the 'highest level of value creation and value defense.

It further asserts that even if one 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 kind of change can managers look forward to and to what extent will this change be stimulated by new management concepts and theories. This explores W.L. Gore's complete lack of an organizational chart and Google's 20-percent projects, as well as a handful of other companies that have bucked traditional management.

Rather, Hamel stresses that management is the solution that turns technological advances, business models and capital into prosperity. More so, management systems of tomorrow will be more like the Internet — democratized, transparent, and reliant

on personal integrity, financial self-interest and peer pressure to keep everyone in line. It is not a crazy idea; in fact, enlarging the “gene pool of ideas” and letting only the most adaptable survive is nature’s way. Management innovation yields an enduring advantage when one or more of three conditions are met: the innovation is based on a novel management principle which challenges some long-standing orthodoxy; the innovation is systemic, - encompassing a range of processes and methods; and/or the innovation is part of an ongoing program of rapid fire invention where progress compounds over time.” This chapter concludes by analyzing the compelling stories of three companies that seem to creatively incorporate these management principles so well that it has been difficult for competitors to copy them: Whole Foods, Gore, and Google. The case studies are well told and the lessons intriguingly applicable to a wide range of organizations

4. Conclusion

Management innovation yields an enduring advantage when the three conditions are met: the innovation is based on a novel management principle which challenges some long-standing orthodoxy; the innovation is systemic, encompassing a range of processes and methods; and or the innovation is part of an ongoing program of rapid invention where progress compounds over time. Hamel concludes that as the world is changing ever quickly, barriers are being removed, competition is greater, customer knowledge and choice expanding exponentially, and organisations can no longer maintain habitual approaches if they are to survive, there is a need for management innovation in order to cope with the ever changing market. Upon this premise, new management principles, competition, allocation flexibility, devolution and activism – stand in marked contrast to those inherited from the early decades of the industrial revolution, that doesn’t make the old principles wrong, but they are inadequate if the goal is continuous, preemptive strategic renewal. The stance of this paper is based on the beauty of SMEs adopting management innovation for continuous survival and growth. It is important to state further that one person’s imagination and foresight cannot be substituted for that of a multitude. In other words, rather than trying to sell his (Gary Hamel) point of view about the future, the writer intends to help the readers build their own. The goal here especially for

SMEs operators is to provide thinking tools that will allow them to build their own agenda for management innovation, and then execute it accordingly.

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