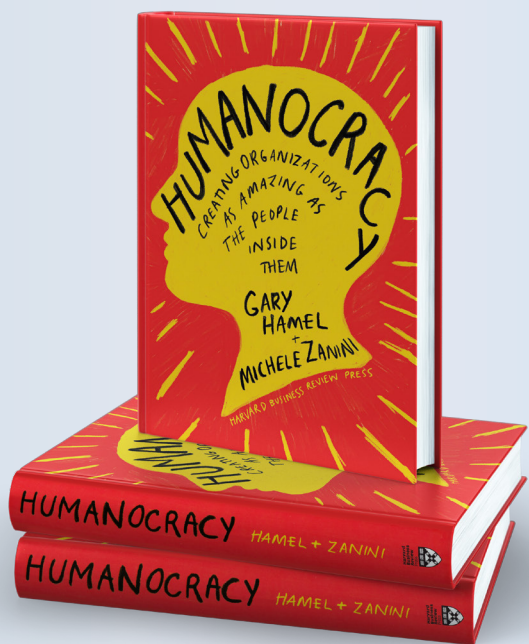


# BOOK SNAPS™

Zooming In On Your Next Read



## Humanocracy

By Gary Hamel and Michele Zanini

Gary Hamel is on the faculty of the London Business School and is a cofounder of the Management Lab. Professor Hamel has been hailed by the Wall Street Journal as the world's most influential business thinker, and his landmark books have been translated into more than twenty-five languages.

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## How to Create a Blueprint for Evolutionary Change

Organizations are stymied by sluggishness, timidity, and bureaucracy in a time when change is constant and the ability to be nimble is crucial. The people working inside organizations are unable to tap into their innovative side, remain passionate, and drive organizational growth. This is a travesty for both the organizations themselves and those who are stifled inside of them. But there is good news for anyone who finds themselves out of patience and keen to “learn, grow, change, and contribute” to a company “that can outrun change.”

In *Humanocracy: Creating Organizations as Amazing as the People Inside Them*, authors Gary Hamel and Michele Zanini show readers how to “launch an unstoppable movement to equip and empower everyone in their organization to be their best and to do their best.” Organized around the “building blocks” of motivation, models, mindsets, and migration, readers will learn how to create and follow a blueprint for evolutionary change. With the help of *Humanocracy*, organizations stand to win the ultimate prize of future readiness.

## The Case for Humanocracy

Imagine working in an organization that truly valued your contribution, gave you the leeway to problem solve independently, and avoided power-based politics. In this scenario, work would not feel like work at all. In reality, however, most organizations aren't anything like this. Instead, they are bogged down in bureaucracy that has the very opposite effect on innovation, growth, turnover, and employee well being.

The authors write that “the typical medium- or large-scale organization infantilizes employees, enforces dull conformity, and discourages entrepreneurship; it wedges people into narrow roles, stymies personal growth, and treats human beings as mere resources.” The result of such red tape are organizations that can't survive ever-changing market conditions and that are filled with energetic people stuck inside a lethargic system. The authors slam the bureaucratic model with such scathing words as “inertial, incremental, and dispiriting.” But they have good news.

Organizations can and must break free from the confines of



officialdom by choosing a different path. Humans are uniquely designed to forge a new way forward, seek progress, and solve tough problems. It's our nature. We tend to believe that it is in the nature of organizations to be "brittle and backward looking," and thus, we feel it's hopeless to try to overcome the stagnation. Hamel and Zanini believe that we have unconsciously assembled organizations to be inhuman by choice to gain "control, consistency, and coordination," and have lost the spark along the way. Many of these choices need to be reexamined, and that is the premise of *Humanocracy*. The bulk of the book is dedicated to laying out "a blueprint for building organizations that are fully human and fully capable."

## Motivation for Leaving Bureaucracy Behind

Humans can sometimes find it difficult to break out of their comfort zone. This is one of the challenges organizations have to overcome in order to break free of bureaucracy. A key factor to motivating team members to take the ride is decentralization. With decentralization, employees enjoy far more autonomy. They are encouraged to identify a problem, create a solution, and implement it on their own. This fosters a deeply entrepreneurial spirit that permeates all aspects of the workplace. It flips the pyramid on its head so that leadership supports new ideas that are mobilized by team members at every level rather than shutting them down. In one word, this model offers a highly motivating core value: faith. That faith is translated to team members in a number of tangible ways.

- **Compensation for Creativity:** Employees are rewarded in the form of compensation and bonuses that are tied to innovation and paid to the team in full, not to individuals. This framework "encourages collaborative problem solving." There is never the "not my problem" attitude because it becomes the entire team's problem. Everyone dives in to help solve it. If revenue begins slipping, there is a push from below to stoke the fires of growth. Teams and divisions pressure leaders, actively look for new opportunities, and court new customers directly. They are more than willing to hire new teammates and experiment with different methods and product offerings. They are given the authority to exercise their creativity and this is monumentally motivating.
- **Cultivating Competence:** Nimble organizations take active steps to improve upon the team's skill level and encourage individuals to seek out professional development opportunities. A culture that is attuned to "building deep knowledge" onboards new hires that intend to make a career out of their time, not simply collect a paycheck. New hires are scrutinized in terms of their "resourcefulness and capacity to self manage" rather than their education or skill set. Education and skills can be learned on the job later while those characteristics are seemingly inherent. Team members should expect to float around many different departments, learning the ins and outs across a variety of specializations. This keeps employees engaged, committed, and excited while simultaneously building a workforce that is better prepared

to face any challenge that comes the organization's way.

- **Collaboration:** Teams or, worse still, individuals who work in a vacuum are a formula for stagnation. Organizations must ensure there exists a "dense network of lateral connections" that help "stitch together far-flung divisions with little or no top-down direction." Opportunities to work together must explicitly be arranged, such as annual learning visits to other branches or departments. But more importantly, leadership must promote collaboration on both a formal and informal basis. This can be accomplished directly through policy, such as a "share everything" policy on transparency. It also helps to design "healthy competition" between teams in reaching particular goals that makes collaboration natural, easy, and fun.
- **Create a Trusting Environment:** When employees fully trust in their organization, they become firmly committed to it as well. The aforementioned pillars of compensation, competence, and collaboration go a long way in instilling trust among team members within an organization but there are others. Doing whatever it takes to avoid layoffs, even when times are really tough, works wonders on the commitment front. Offering special incentive programs, like profit-sharing schemes, only to those not in senior leadership positions has a similar impact. Upward feedback from employees to leaders is another surefire strategy for instilling trust and commitment from within.
- **Confidence:** Team members must be given the chance to have authority and responsibility that has real consequences. Fostering authority without permission is exceedingly empowering. When allowed to determine not only what the targets are but how the team is going to reach them, teams succeed. That success breeds an unshakeable confidence that positively impacts the organization in countless ways. Of course, some decisions will result in failures, big and small. Part and parcel to this pillar is an acceptance that failures happen and they are tolerable. Failure is a demonstration that someone has "pushed the limits of their abilities" and that is something to strive for, not shrink back against.

## The 7 Principles of Humanocracy

Companies and organizations that are convinced of the benefits to be gained through the banishment of bureaucracy can benchmark themselves against other organizations who have successfully made the transition. In doing this, the goal is not to discover what that organization does differently and mimic it. The goal is to figure out how that organization thinks differently. The authors organize this blueprint portion of the book into principles that "comprise a comprehensive and generalizable set of guidelines for building a post-bureaucratic organization. Together, they form the humanocracy genome."

1. **Ownership:** The authors note that there is a commonality in startups that illuminates the ownership principle of humanocracy. In a startup, it is very common for employees to be energetic, engaged, risk taking, and daring. The entire team is "united in their passion to break new ground." This entrepreneurial spirit leads to big wins for a fledgling company and



## Expect that experiments will go wrong and do not punish the experimenter for the failure.”

it is “equally essential to human flourishing.” Leaders must invest fully, metaphorically and with financial support, in the development of entrepreneurship within their organizations. Giving team members ownership through accountability, empowerment, and authenticity serves as a bedrock for the cultivation of that spirit. In practice, this looks like profit-sharing, small collaborative teams, the redistribution of authority, and operating autonomy amongst units or teams.

2. **Markets:** Human beings strongly prefer choice to mandate. We can see how this principle plays out when comparing the yields gained in free markets versus gains enjoyed by a state-run monopoly, for example. Most leaders “acknowledge the virtues of free markets, but the companies they run are typically structured like command economies.” With decision making firmly planted at the top of the hierarchy, companies fail to take advantage of their human resources. There is “wisdom in the crowd” and organizations would bear more fruit by leveraging this principle.
3. **Meritocracy:** “Meritocracy raises the returns on talent by ensuring that individuals are free to contribute and succeed, whatever their social rank or personal connections.” Bureaucracy “systematically undermines” this cause. Those who are at the top are sometimes there due to an abundance of confidence rather than an abundance of competence. Top management needs to seek open and candid feedback from their team members regarding their performance and improve in areas in which they are lacking. Reliance on peer reviews between team members can also yield better performance outcomes than reviews from managers. Team members should also be given the authority to oust incompetent, low-performing managers.
4. **Community:** Support, inspiration, and connectivity are all tenants of community that leaders need to foster between all team members. “Intentional, intimate collaboration is central to human life.” Building a sense of community fortifies “norms of reciprocity and increased social cohesion” that ultimately, aids teams in rising to the challenge when confronted with a tough task or time. Organizations can build community through making emotionally resonant mission statements, give teams constant access to collaboration, institute team-based rather than individual goals and rewards, and celebrate acts that demonstrate the organization’s commitment to community.
5. **Openness:** Like cities, societies, and institutions of higher education, organizations fare far better when they are open, welcoming, and diverse. Diversity creates “a nearly limitless number of opportunities for mashing up ideas, talents, and resources in new ways.” On the converse, uniformity breeds

stagnation. To remain standing or, better yet, grow in the face of changing market conditions, organizations must open up wide. To do this, they can recruit a diverse talent pool, fight the fear factor by welcoming and encouraging disagreement from team members, and mix up teams to ensure that different voices are able to contribute to a variety of solution-strategy sessions.

6. **Experimentation:** People are naturally experimental. As children we push boundaries to see when and where our parents will draw the line. We try out different looks and activities until we find a place that feels just right for us. We never stop trying new things and organizations must do the same. In practice, this must be introduced and implemented intentionally. Set goals for the “number of experiments your organization runs each year” to a number equal to approximately one per employee. Using “design thinking” to come up with new ideas and test them before investing in them. Expect that experiments will go wrong and do not punish the experimenter for the failure, but rather praise the effort and willingness to take a risk.
7. **Paradox:** On the surface it may seem appealing to strive for an easy going, decision-free environment. But as nice as easy may sound, it would be terribly boring in the end. “Conundrums are what make life interesting.” When faced with a paradox, the “trade-offs involve goals that are, or seem to be, contradictory.” This forces us to think through the challenge, and think hard! Creative thinking that does not tolerate either/or choices is a good place to start. Team members should be equipped “with the information and skills they need to make smart trade-offs” and insist on data that reports on the cost of “default trade-offs.”

Authors Hamil and Zanini aim to place humanity back at the top of organizations’ priorities. For too long, the focus has shifted to improving efficiencies, creating systems, and putting powerful leaders at the top of the pyramid to make sure things happens according to plan. These long standing practices have stifled growth, blunted progress, and all but crushed innovation under the weight of the ensuing red tape.

Their case against bureaucracy is put forth using refreshingly colorful language more reminiscent of lyrical prose than a typical business book. For example, a point about outdated modes of operations is made by saying, “Unlike human beings, organizations are pretty much crap at change.” “Today we expect the newcomers to beat the geezers.” This insistence on artistry is a clear advantage and makes reading Humanocracy more lively, interesting, and engaging. Just like the newly-human-centric organizations the authors lobby strongly to create.