

Author Talks: Gary Hamel and Michele Zanini on 'humanocracy'

Bureaucracy actually served us well in the past.
But the nature of work has changed, and management
needs to change too.

In this edition of *Author Talks*, Gary Hamel and Michele Zanini, cofounders of the Management Lab, talk about their new book, *Humanocracy* (Harvard Business Review Press, August 2020). Their argument: we need to excise bureaucracy and replace it with something better. In December 2020, they spoke with Mark Staples, an executive editor at McKinsey. What follows is an edited version of their conversation.

What problem are you trying to solve with this book?

Gary Hamel: We wrote *Humanocracy* because we believe—as societies, as individuals—that we can no longer afford organizations that waste more human capacity than they use. Given the challenges we face as a species, we cannot afford organizations where only 15 percent of employees are truly engaged in their work. We cannot afford organizations where an enormous amount of effort goes into fighting bureaucratic battles. We cannot afford organizations where less than 30 percent of the people are really called on to bring their initiative and their originality to work.

Our goal is to move from a bureaucratic model that is focused on maximizing compliance to one that is focused on maximizing contribution. And to make

that switch, we are going to have to challenge the very fundamentals of how we think about our organizations. Do we need so many managers? Do we need so many layers? Do we need all the rules and processes? Our answer is no. But to create that future, we're going to have to unlearn most everything we've learned over the last 150 years about how you organize people at work.

Michele Zanini: And, as Gary mentioned, the organizations that we profile in the book were built with one goal in mind. And that is to maximize human contributions. We coined the term “humanocracy” to highlight this radically different paradigm of organization. And the difference lies in how the role of the individual is defined in relationship to the institution. In a bureaucracy, it's the people who are the instruments. They are the “resources” who are employed by the organization to create products and services. In a humanocracy, the relationship is flipped: it's the organization that is the instrument. It's the vehicle that people use to better their lives and the lives of those they serve. And it's through this shift in perspective that we can imagine and begin to build organizations that are incredibly passionate, truly creative, and highly adaptable. In other words, the kind of organizations that have the necessary capabilities to thrive in the 21st century.

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A massive multiplayer game

The end of bureaucracy—that’s an exciting vision. What surprised you most about writing the book? Was it the research, the writing, the early reception?

Michele Zanini: The most surprising thing about writing the book for me was all the evidence showing that bureaucracy has been growing steadily over the past few decades. Let me just give you a data point: since 1983, the number of managers and administrators in the US workforce has more than doubled, while employment in all other occupations has gone up by only 40 percent.

This wasn’t supposed to happen. Back in 1988, the late management guru Peter Drucker predicted that by 2008—so, 20 years later—organizations would operate with half the levels and no more than a third of the managers. And his prediction made sense, because it rested on the fact that work was becoming more knowledge based and therefore harder to script, and that technology would allow people to coordinate without managerial intermediation, if you will.

Now, Drucker was right about a lot of things, but obviously not this particular thing. It just shows me that bureaucracy is incredibly persistent and deeply entrenched and that, as an organizational model, it will take a systematic effort to dislodge it, which we try to outline in the book.

Gary Hamel: I think the most startling finding for me through our research came from a survey we ran with the *Harvard Business Review*, where we surveyed 10,000 managers and leaders around the world. Seventy-six percent of those individuals who worked in large organizations said that bureaucratic behaviors were decisive in who gets ahead—not one factor among many, but the most important factor. And what that suggested to us is that bureaucracy has become a massive multiplayer game that’s played for the stakes of positional power. And it encourages a certain set of behaviors: hoarding resources, elbowing rivals aside, managing up, negotiating targets, deflecting blame. And that those behaviors consume an enormous amount of emotional and intellectual energy in organizations and yet contribute almost nothing to the achievement of purpose.

Competence, creativity, autonomy

If bureaucracy is not the answer, what is?

Gary Hamel: We’ve long been told by management experts and pundits that large organizations cannot be entrepreneurial. And yet in virtually all of the organizations we profile in the book, people on the front lines have the autonomy, the upside, the business literacy to think and act like entrepreneurs. And they flourish. They create far more value than their competitors have, higher return on capital, much higher engagement scores. And when you

see this, you understand that we can turn every employee in the world into an entrepreneur, with all the positive impact that will have on productivity growth and on a more equitable distribution of the rewards of capitalism.

Michele Zanini: This is really about what we learned from people on the front lines. It was truly moving, not just surprising. We met employees who design their own large and complicated equipment, who contract out to suppliers, who talk to the customer directly, and who are just incredibly entrepreneurial. They basically start their own businesses and manage them. They get to make significant business decisions. They harness their expertise, their imagination, and their relationships with their colleagues.

It just brought home to me, and to Gary, the amazing level of talent that is simply wasted in most large organizations, where people don't have these opportunities. And all this energy, this creativity, comes from people and occupations that would typically be described as low skill, right? But our experience suggests that the term "low skill," especially when it comes to a specific occupation, says very little about the people who are in those jobs, and a lot more about our prejudice that we need to slot "commodity people" in "commodity jobs."

Right. We hear a lot of talk about meritocracy, but do we actually mean it? What's your take?

Gary Hamel: In traditional organizations and large organizations, your power and influence correlate with your position, with positional authority. And what you have in effect is an aristocracy of administrators. We believe that what we need in organizations are multiple hierarchies, where your influence and your compensation reflect your pure attested competence and your genuine value add. And that all of the energy of human beings should go into creating more value and not those zero-sum battles for promotion. We describe that as a meritocracy.

We are very aware that many people in the world don't have the opportunity to build their skills, to build their talents, and that some people are given a lot greater opportunity to build the things that allow them to thrive in organizations. And we see that we can change this. We can go to people on the front lines at every level. We can give them the business skills. We can give them the opportunity to experiment, to innovate, and to grow their capabilities that allow them to therefore grow their contribution and claim a greater share of the total rewards. That's what we mean by meritocracy.

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Michele Zanini

Michele Zanini: The irony is that bureaucracy was supposed to excise all the flaws of traditional organizations—you know, the nepotism, the politics, and so on. But many of these shortcomings haven't gone away; they've merely shifted to the informal side. To create a truly meritocratic organization, we must do four things. We must decontaminate judgments about merit. We must better align wisdom with authority. We need to correlate compensation with contribution as opposed to position in the hierarchy. And we need to, as Gary mentioned, build naturally dynamic hierarchies where power and influence are products of your peer-attested impact, and not your particular role.

Out with the old

How do companies roll back bureaucracy? What steps can a CEO take?

Michele Zanini: We would suggest two. First, start with yourself. You know, bureaucracy kind of makes jerks of us all. And sometimes we get inured to the biases and the elitism that comes from a top-down management style. And so, ask yourself, "In what way am I behaving more like a bureaucrat and not so much like a leader who catalyzes the initiative and the imagination of colleagues?" The second thing is to invite the whole organization on this journey with you. Busting bureaucracy is a complex task, and no one person will have all the

answers on how to do that. We think that the journey to humanocracy should be open to everyone who is willing to shape the organization's future, in a way that elicits the best thinking and generates deep commitment.

Gary Hamel: You reach a point in any field of human endeavor where you cannot solve new problems with old principles. And I think that's where we are with business and management. We inherited a set of principles that were right for the industrial age—the principles of standardization, specialization, routinization, and formalization. They're good if you're trying to solve the problem of compliance. But if you want to build an organization that has an evolutionary advantage, that can change as fast as the world around it, that has an innovation advantage and inspiration advantage, you have to start with new principles.

In the book, we talk about these principles—principles like ownership, meritocracy, markets, openness, and so on. And the goal is to embed those principles in the processes and practices of how we run our organizations every day. It's not one Armageddon-like battle. It's going to be a series of experiments, guided by a consistent set of principles that allow you to build an organization that is as capable as the people inside.

We're looking forward to a bureaucracy-free future. Thank you both for your time.

Gary Hamel and **Michele Zanini** are cofounders of the Management Lab. **Mark Staples** is an executive editor in McKinsey's New York office.

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