“Gary Hamel delvers again. He challenges organizational orthodoxies and creates a sharp gap between what the future holds and the status quo. What Matters Now fits my definition of a true innovation; it is unique and compelling, creates advantage because it’s ahead of the curve, and provides a significant value for leaders by underlining what it takes to succeed in the 21st century.”

—Jeff M. Fettig, chairman and CEO, Whirlpool Corporation

“Gary Hamel’s brilliantly written book provides a deeply insightful view of 21st century leadership. He captures its essence: building on values, innovating and adapting rapidly to changing environments, and being passionate in leading people rather than relying on traditional management techniques. Hamel focuses on humanity in leading rather than skills. If you follow his advice, you’ll become a great leader.”

—Bill George, former chair & CEO, Medtronic; professor, Harvard Business School; author, True North

“Gary Hamel has to singlehandedly drag the profession of management into the 21st century, he will. He’s got the passion, the energy, and the smarts required for that sort of an undertaking—unfortunately, I’m most likely to be among those乖乖地 who are left behind.”

—Charles Li, author, Open Leadership, and disk founder of Altimeter Group
WHAT MATTERS NOW
WHAT MATTERS NOW
HOW TO WIN IN A WORLD OF RELENTLESS CHANGE, FEROCIOUS COMPETITION, AND UNSTOPPABLE INNOVATION

Gary Hamel
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To my brothers,
Dr. Loren Hamel and Dr. Lowell Hamel,
for reasons they know well.
This is not a book about one thing. It’s not a 288-page dissertation on leadership, teams, or motivation. Instead, it’s a multi-faceted agenda for building organizations that can win in a world of relentless change, ferocious competition, and unstoppable innovation.

This is not a book about doing better. It’s not a manual for people who want to tinker at the margins of their organization. Instead, it’s an impassioned plea to reinvent management as we know it—to rethink the fundamental assumptions we have about capitalism, institutions, and life at work.

This is not a book that fetes today’s winners. It’s not a celebration of companies that have been doing great so far. Instead, it’s a blueprint for creating organizations that are fit for the future and fit for human beings.

Obviously, there are lots of things that matter now, including social media, “big data,” emerging markets, virtual collaboration, risk management, open innovation, and sustainability. But in a world of fractured certainties and battered trust, some things matter more than others. While the challenges facing organizations are limitless, leadership
bandwidth isn’t. That’s why you have to be clear about what really matters now. So ask yourself: what are the fundamental, make-or-break challenges that will determine whether your organization thrives or dives in the years ahead? For me, five issues are paramount: values, innovation, adaptability, passion, and ideology. Here’s my logic for putting these topics front and center . . .

• Values: In a free market economy, there will always be excesses, but in recent years, rapacious bankers and unprincipled CEOs have seemed hell-bent on setting new records for egocentric irresponsibility. In a just world, they would be sued for slandering capitalism. Not surprisingly, large corporations are now among society’s least trusted institutions. As trust has waned, the regulatory burden on business has grown. Reversing these trends will require nothing less than a moral renaissance in business. The interests of stakeholders are not always aligned, but on one point they seem unanimous: values matter now more than ever.

• Innovation: In a densely connected global economy, successful products and strategies are quickly copied. Without relentless innovation, success is fleeting. Nevertheless, there’s not one company in a hundred that has made innovation everyone’s job, every day. In most organizations, innovation still happens “despite the system” rather than because of it. That’s a problem, because innovation is the only sustainable strategy for creating long-term value. After a decade of talking about innovation, it’s time to close the gap between rhetoric and reality. To do so, we’ll need to recalibrate priorities and retool mindsets. That won’t be easy, but we have no choice, since innovation matters now more than ever.

• Adaptability: As change accelerates, so must the pace of strategic renewal. Problem is, deep change is almost always crisis-driven; it’s tardy, traumatic and expensive. In most organizations, there are too many things that perpetuate the past and too few that encourage proactive change. The “party of the past” is usually more powerful than the “party of the future.” That’s why incumbents typically lose out to upstarts who are unencumbered by the past. In a world where industry leaders can
become laggards overnight, the only way to sustain success is to reinvent it. That’s why adaptability matters now more than ever.

- **Passion:** Innovation and the will to change are the products of passion. They are the fruits of a righteous discontent with the status quo. Sadly, the average workplace is a buzz killer. Petty rules, pedestrian goals, and pyramidal structures drain the emotional vitality out of work. Maybe that didn’t matter in the knowledge economy, but it matters enormously in the creative economy. Customers today expect the exceptional, but few organizations deliver it. The problem is not a lack of competence, but a lack of ardor. In business as in life, the difference between “insipid” and “inspired” is passion. With returns to mediocrity rapidly declining, passion matters now more than ever.

- **Ideology:** Why do our organizations seem less adaptable, less innovative, less spirited, and less noble than the people who work within them? What is it that makes them inhuman? The answer: a management ideology that deifies control. Whatever the rhetoric to the contrary, control is the principal preoccupation of most managers and management systems. While conformance (to budgets, performance targets, operating policies, and work rules) creates economic value, it creates less than it used to. What creates value today is the unexpectedly brilliant product, the wonderfully weird media campaign, and the entirely novel customer experience. Trouble is, in a regime where control reigns supreme, the unique gets hammered out. The choice is stark: we can resign ourselves to the fact that our organizations will never be more adaptable, innovative, or inspiring than they are right now, or we can search for an alternative to the creed of control. Better business processes and better business models are not enough—we need better business principles. That’s why ideology matters now more than ever.

These are big, thorny issues. To tackle them, we have to venture beyond the familiar precincts of “management-as-usual.” These issues are also nuanced and variegated. So rather than reduce them to a few, trivial heuristics (“get everyone in the boat rowing in the same
direction”), I’ve teed up a quintet of complementary perspectives on each of these crucial topics. If you’re following the math, that means twenty-five chapters. Don’t worry—they’re (mostly) short and modular. You don’t have to slog through all 288 pages. You can dip in and out as you like, depending on your interests. It’s not a seven-course banquet; it’s a tapas bar. Enjoy.
WHAT MATTERS NOW
SECTION 1

Values Matter Now
If you are a leader at any level in any organization, you are a steward—
of careers, capabilities, resources, the environment, and organizational
values. Unfortunately, not every manager is a wise steward. Some
behave like mercenaries—by mortgaging the future to inflate short-term
earnings, by putting career ahead of company, by exploiting vulnerable
employees, by preying on customer ignorance, or by manipulating
the political system in ways that reduce competition. What matters
now, more than ever, is that managers embrace the responsibilities of
stewardship.

To my mind, stewardship implies five things:

1. Fealty: A propensity to view the talents and treasure at one’s command
as a trust rather than as the means for personal gain.
2. **Charity:** A willingness to put the interests of others ahead of one’s own.

3. **Prudence:** A commitment to safeguard the future even as one takes advantage of the present.

4. **Accountability:** A sense of responsibility for the systemic consequences of one’s actions.

5. **Equity:** A desire to ensure that rewards are distributed in a way that corresponds to contribution rather than power.

These virtues seem to have been particularly scarce in recent years, as we’ve careened from Enron’s devious accounting to the financial chicanery at Parmalat, from Shell’s overstated reserves to BP’s derelict safety standards, from Bernie Madoff’s epic scam to Hewlett-Packard’s spying scandal, from the predatory loan practices at Countrywide Financial to the disastrous excesses at Lehman Brothers, and from India’s corruption-marred sale of wireless spectrum to the firestorm ignited by News Corp’s phone hacking. Despite these and other dirty deeds, I doubt that today’s tycoons are any less principled than their counterparts in earlier decades. The German word *raubritter,* or “robber baron,” dates back to the Middle Ages, and was first applied to grasping toll collectors along the Rhine River. In the nineteenth century, the term was revived as a fitting epithet for America’s buccaneering and occasionally rapacious industrialists.

If twenty-first-century leaders seem especially amoral, it’s because a globally matrixed economy magnifies the effects of executive malfeasance. Consider the sovereign debt crisis that engulfed Europe in 2011. In a world of nationally constrained institutions, the credit problems of a country like Greece would be a small-scale catastrophe. Not so in an interconnected world where avaricious strategies are quickly aped and imprudent risks spread like a virus. It was these dynamics that led French and German banks to dump more than $900 billion into the barely solvent economies of the “PIGS”—Portugal, Ireland, Greece, and Spain. Turns out American bankers aren’t the only ones who are susceptible to moral hazard. But it’s not just bankers we need to worry about. In a networked world, lax security standards can imperil the confidential information of a hundred million consumers or more. A failure
to exercise due diligence over a vendor can result in a worldwide food contamination scare. And a decision that puts quality at risk can provoke a global recall.

The critical point is this: because the decisions of global actors are uniquely consequential, their ethical standards must be uniquely exemplary. It’s easy to feel sorry for Mark Hurd, the former Hewlett-Packard CEO who was pushed from his perch over what seemed to be a relatively minor infraction of HP’s ethics rules. I don’t know whether justice was done in that particular case, but I do know it’s a good thing when influential leaders are held to high standards.

If the global economy amplifies the impact of ethical choices, so, too, does the Web. Word-of-mouse can quickly turn a local misdemeanor into a global cause célèbre. Nike, Apple, and Dell are just a few of the companies that have been castigated for turning a blind eye to the subpar employment practices of their Asian suppliers. There are no dark corners on the Web—miscreants will be outed.

The Web is also producing a new sort of global consciousness, a heightened sense of our interconnectedness. Increasingly we understand that we live on the same planet, breathe the same air, and share the same oceans. In civic and commercial life, we expect the same high standards of equity and fair play to apply everywhere, and are offended when they don’t. And thanks to the Web, that displeasure can quickly congeal into a global chorus of indignation. Around the world, ethical expectations, if not behaviors, are leveling up.

The intermeshing of big business and big government is another force bringing values to the fore. As citizens and consumers, we’re smart enough to know that when lobbyists and legislators sit down to a lavish meal, our interests won’t be on the menu. Instinctively, we know that democracy and the economy do better when power isn’t concentrated, but since it often is, we must do whatever we can to ensure that those occupying positions of trust are, in fact, trustworthy.

For all these reasons, we need a values revolution in business—and it can’t come soon enough. In a 2010 Gallup study, only 15% of respondents rated the ethical standards of executives as “high” or “very high.” (Nurses came in first at 81%, corporate lobbyists last at 7%).
This lack of trust poses an existential threat to capitalism. Companies do not have inalienable rights granted to them by a Creator; their rights are socially constructed, and can be reconstructed any time society feels so inclined. (A fact made abundantly clear with the passage of the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Act of 2010—two U.S. statutes designed to dramatically curtail corporate prerogatives.)

The good news is that the values revolution has already started. No one’s waiting for executives to have an epiphany. One telling statistic: Between 2005 and 2010, U.S. assets invested in “socially responsible” funds (as defined by the Social Investment Forum Foundation) grew by 34%, whereas total assets under management grew by only 3%. Today, of the more than $25 trillion under management in the United States, one dollar in eight is invested in socially oriented funds. And there are other harbingers. A decade ago, no car magazine would have noted a vehicle’s CO2 emissions, but now most do—at least in Europe. A decade ago, “Fair Trade” wouldn’t have been a marketing pitch, now it is. A decade ago, few would have paid attention to executive pay, now millions do.

Given all that, the question for you and your organization is simple: Are you going to be a values leader or a values laggard? It’s easy to excoriate fraudster CEOs and greedy bankers, but what about you? (And what about me?) We can’t expect others to be good stewards if we’re not. Though some executives cast a bigger moral shadow than others, we must all shoulder the responsibility for protecting capitalism from ethical vandals.

From Adam Smith to Ayn Rand, the defenders of capitalism have argued that the common good is maximized when every individual is free to pursue his or her own self-interest. I believe this to be true, with one essential caveat. Like nuclear fission, self-interest works only as long as there’s a containment vessel—a set of ethical principles that ensures enlightened self-interest doesn’t melt down into unbridled selfishness. Unfortunately, the groundwater of business is now heavily contaminated with the runoff from morally blinkered egomania.

As parents, we expend enormous energy in socializing our children. While a rebellious teenage son might believe his interests are best served by dropping out of school and moving in with his girlfriend, his parents
are likely to have a different view. That’s what parents do—they teach their children to become stewards of their own lives.

Problem is, if you’re a manager or an executive, your stewardship obligations extend far beyond yourself and your family. Yet in recent years many business leaders have blithely dodged those responsibilities. That’s why executives languish near the bottom of the trust table.

So before you go any further in this book, ask yourself, am I really a steward?

1. What about fealty? Like the executor of an estate, do I see myself as a fiduciary?
2. What about charity? Like a self-sacrificing parent, am I willing to put the needs of others first?
3. What about prudence? Like a committed conservationist, do I feel responsible for protecting and improving the legacy I have inherited?
4. What about accountability? Like the captain of a vessel, do I understand I am responsible for my wake—for the distant ripples created by my decisions?
5. What about equity? Like a conscientious mediator, am I truly committed to finding the most equitable outcome for all?

If you’re struggling to think through what this means in practice, here’s something that might help. For years I taught a second-year MBA course at the London Business School. In the final session, I typically offered my students some parting advice.

When you take your first post-MBA job, I’d tell them, assume that the following things are true:

First, your widowed mother has invested her life’s savings in your company. She’s the only shareholder and that investment is her only asset. Obviously, you’ll do everything you can to make sure she has a secure and happy retirement. That’s why the idea of sacrificing the long-term for a quick payout will never occur to you.

Second, your boss is an older sibling. You’ll always be respectful, but you won’t hesitate to offer frank advice when you think it’s warranted—and you’ll never suck up.
Third, your employees are childhood chums. You’ll always give them the benefit of the doubt and will do whatever you can to smooth their path. When needed, though, you’ll remind them that friendship is a reciprocal responsibility. You’ll never treat them as human “resources.”

Fourth, your children are the company’s primary customers. You want to please and delight them. That means you’ll go to the mat with anyone who suggests you should deceive or take advantage of them. You’ll never exploit a customer.

Fifth, you’re independently wealthy. You work because you want to, not because you have to—so you will never sacrifice your integrity for a promotion or a glowing performance review. You’ll quit before you compromise.

These assumptions, if acted upon, will help nourish the seeds of stewardship in your business life and, by example, in the lives of others.

As we struggle with the uniquely complex challenges of the twenty-first century, it is good to remind ourselves that what matters most now is what’s always mattered: our bedrock values.