



**“New competencies are required in a
“Reset Economy”.
How to induce them?”**

Prof. Helmut F. Karner

Bled

March 19, 2012

My Presentation



Management is out of date



Myth and Reality of
competencies



How to induce the
new competencies?

Jeff Immelt, Chairman GE

- “I believe we are going through more than a cycle. The global economy, and capitalism, will be “reset” in several important ways. It’s an **emotional, social, economic reset**.
- The interaction between government and business will change forever. In a **reset economy**, the government will be a regulator; and also an industry policy champion, a financier, and a key partner [...] I think this environment presents an opportunity of a lifetime. We get a chance to reset the core of GE and focus on what we do best”.



THE
FUTURE
OF MANAGEMENT

GARY HAMEL

WITH BILL BREEN

Oct. 2007

HARVARD BUSINESS SCHOOL PRESS

The Economist calls him "the world's reigning strategy guru," and in the opinion of the Financial Times he is a "management innovator without peer." Recently, the Journal of Business Strategy listed Hamel as one of the 20th century's 25 most influential business thinkers, along with business pioneers such as Henry Ford and Bill Gates. For the past two years, Executive Excellence magazine has ranked Hamel as the world's most influential management speaker.

Hamel's landmark books, *Leading the Revolution* and *Competing for the Future*, have appeared on every management bestseller list and have been translated into more than 20 languages. His latest book, *The Future of Management*, will be published by Harvard Business School Press in October 2007.

Over the past twenty years, Hamel has authored 15 articles for the Harvard Business Review and is the most reprinted author in the Review's history. He has also written for the Wall Street Journal, Fortune, The Financial Times and many other business publications around the world.

Since 1983, Hamel has been on the faculty of the London Business School where he is currently Visiting Professor of Strategic and International Management.

As a consultant and management educator, Hamel has worked for companies as diverse as General Electric, Time Warner, Nokia, Nestle, Shell, Best Buy, Procter & Gamble, 3M, IBM, and Microsoft. His pioneering concepts such as "strategic intent," "core competence," "industry revolution," and "management innovation" have changed the practice of management in companies around the world. As one of the world's most sought after management speakers, Hamel has addressed the World Economic Forum, the Fortune 500 Global Summit and many other similarly prestigious gatherings. Hamel has also advised government leaders on matters of innovation policy, entrepreneurship and industrial competitiveness.

At present, Hamel is leading an effort to build the world's first "Management Innovation Lab." The Lab is a pioneering attempt to create a setting in which progressive companies and world renowned management scholars work together to co-create "tomorrow's best practices" today. The goal: radically accelerating the evolution of management knowledge and practice.

Hamel is a Fellow of the World Economic Forum and the Strategic Management Society.

Management is out of date

- Like the combustion engine, it's a technology that has largely stopped evolving, and that's not good.
- Why? Because management – the capacity to marshal resources, lay out plans, program work, and spur effort – is central to the accomplishment of human purpose. When it's less effective than it could be, or needs to be, we all pay the price.
- What ultimately constrains the performance of your organization is not its operating model, nor its business model, but its **management model**.

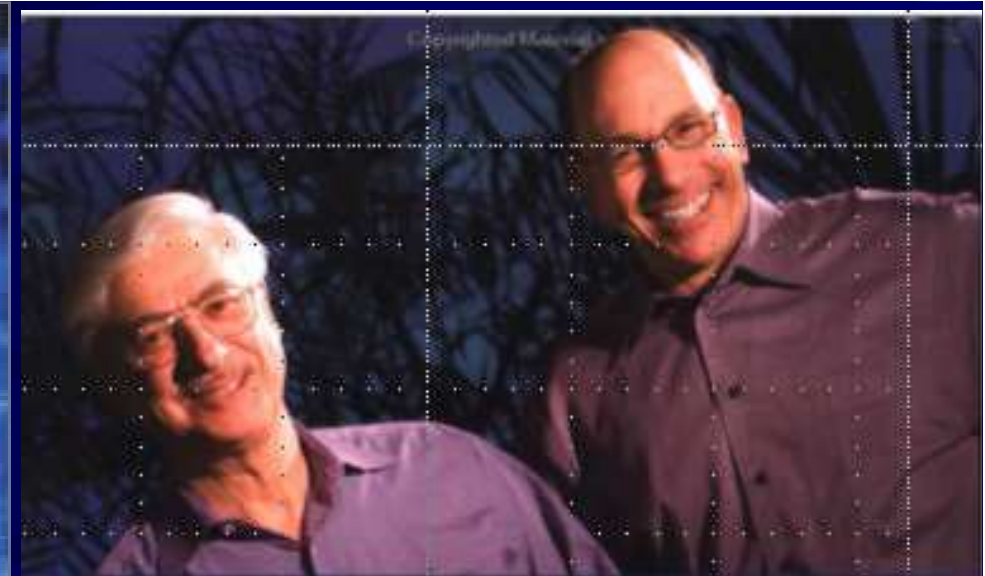
THE COMING CONVERGENCE
OF INFORMATION,
BIOLOGY, AND
BUSINESS

IT'S ALIVE

CHRISTOPHER MEYER
& STAN DAVIS

CENTER FOR BUSINESS INNOVATION

Authors of *Blur: The Speed of Change In the Connected Economy*



STAN DAVIS

CHRISTOPHER MEYER

Crown Business 2003

"Clearly captures the profound impact that biology-inspired technology and technology-inspired biology will have on every aspect of our society."
— RAY KURZWEIL, author of *The Age of Spiritual Machines*

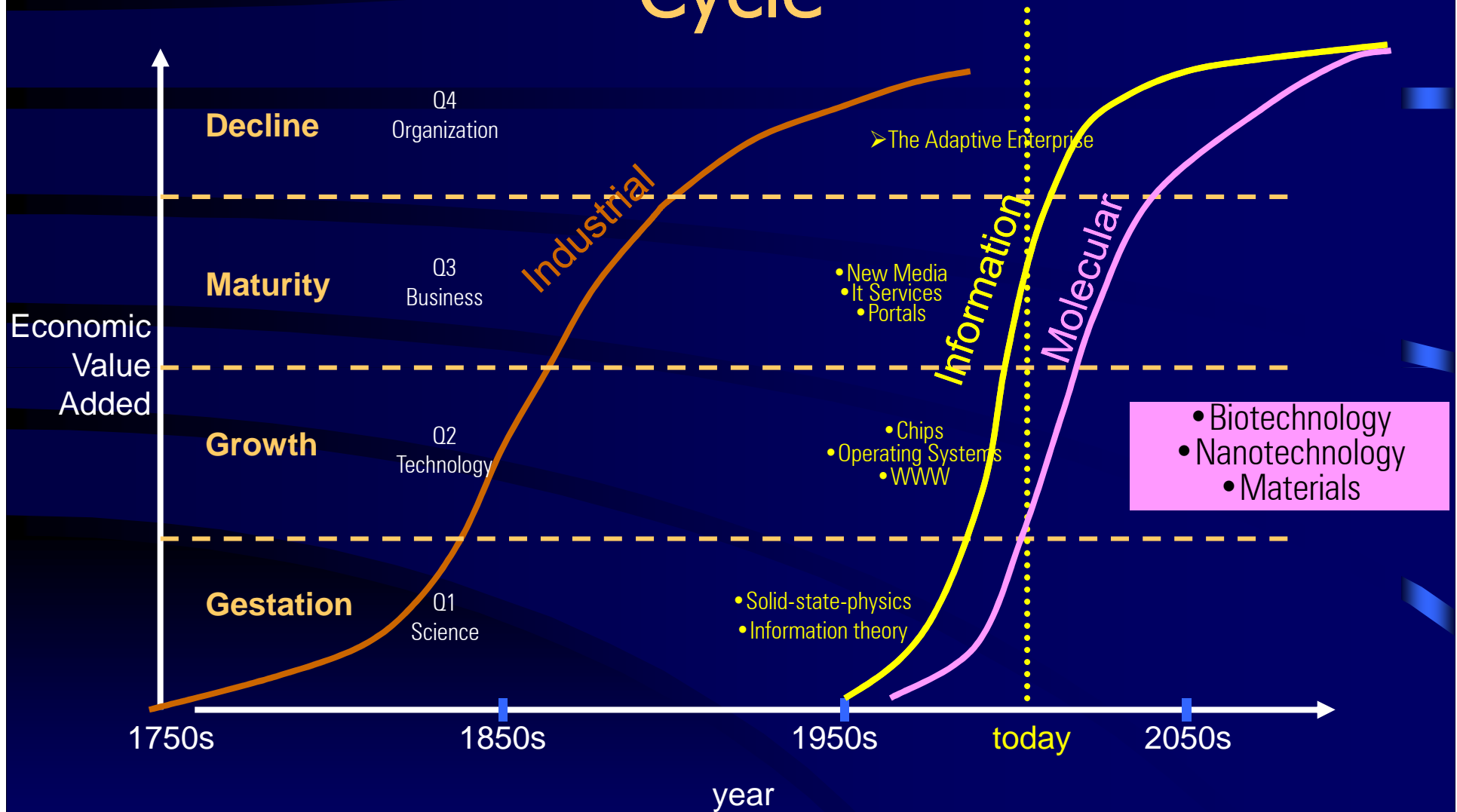
"The book to read for anyone concerned about business innovation at a time when nothing seems to be..."

They both work for Cap Gemini-E&Y
Center for Business Innovation in
Cambridge, Mass.

Authors of „Blur“, „The Age of
Access“.

CM is also principal of the BIOS group
associated with the Santa Fe institute

The Molecular Economy Life Cycle



The New Era – “Scientists of Very Small
Draw Disciplines Together” The New York Times

Nanotechnology

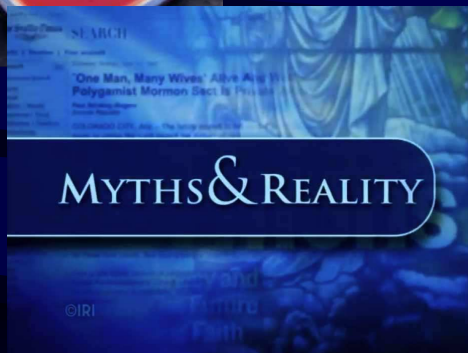
Biototechnology

Information Technology

Cognitive science

My Presentation

Management needs to be
reinvented!



Myth and Reality of competencies



How to induce the
new competencies?

... the view of the world

MYTH

NEW REALITY



... In "Strategy" Setting

MYTH

NEW REALITY



... In Organization Design

MYTH

NEW REALITY

**Hierarchy
Functional Org.**

**Command
and Control**

**Inverted Pyramids
Horizontal Organization**

**Coordinate &
Cultivate**

... dealing with people

MYTH

NEW REALITY



Investors of
Human Capital

Associates
Intrapreneurs

... orientation

MYTH

NEW REALITY

Shareholders

Customer First

Stakeholders

**Employees First,
Customers Second**
V. Nayar

... organizing work

MYTH

**Individuals in
departments**

At sites

NEW REALITY

**Teams in
Business Units**

**In Networks
COINS**

... in Marketing

MYTH

NEW REALITY

**4 P's
Marketing Mix**

**Features &
Benefits**

**ABCDE
New Skills**

**Experiential
Marketing**

... in Technology

MYTH

NEW REALITY



... in Finance

MYTH

Balance Sheet and P&L as measures of Book Value
Double entry bookkeeping

Tangibles & "Good Will"

Financial Economy

NEW REALITY

MVA, EVA
Comprehensive Value
Triple A bottom line

Intangibles

Gift economy

... in Manufacturing

MYTH

NEW REALITY

Mass Production

Islands

Lots of One

CIM

... in Innovation

MYTH

NEW REALITY

STOP
Confidential
Recombinant
secretive

STOP
Product & Service
Innovation

**Open Innovation
Disruptive**

**Business Model
Innovation**

... in Thinking

MYTH

NEW REALITY

**Deductive &
Inductive**

Either – Or
(aristotelian logic)

Abductive

As Well – As
(Paradox logic)

... in accountability

MYTH

NEW REALITY



From industrial capitalism... constructive capitalism

MYTH



NEW REALITY



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23

Moon Shots for Management

**What great challenges must we
tackle to reinvent management
and make it more relevant
to a volatile world?**

Gary Hamel, HBR 2/09

The Renegade Brigade



Download video

Eric Abrahamson (Columbia Business School) proposes "more of less" organization: less structured management, fewer change programs - which requires greater tolerance for "messiness" - in pursuit of greater capacity for organizational adaptation.



Download video

Joanna Barsh (McKinsey & Company) speaks about the inability of corporations to harness emotion productively for innovation, and proposes the close integration of positive emotion with the purpose and mission of the company.



Download video

Julian Birkinshaw (London Business School) speaks about the risks of the manager-centric language and literature of management, and proposes a rewrite of the "book of management" from the perspective of an idealized well-managed employee.



Download video

Tim Brown (IDEO) proposes the systematic deployment of a set of principles, tools and processes to support innovation and collaboration in organizations.



Download video

Lowell Bryan (McKinsey & Company) speaks about the prevailing notion of the CEO as patriarch, and proposes a refocus on the CEO role as designer of an organization where work is done in smaller teams and as much unproductive work as possible is eliminated.



Bhaskar Chakravorti (McKinsey & Company) speaks on the need to renew a business by selectively "burning down" elements of the model to enable islands of entrepreneurial activity that will regenerate the proposition.



Download video

Yves Doz (INSEAD) speaks about the pitfalls of the fundamentally competitive bilateral relationships between business unit leaders and the CEO. He proposes a redistribution of roles to permit shared accountability for broad areas of the business, to promote integration and cooperation.



Download video

Alex Ehrlich (UBS) speaks on the overuse of hierarchy in organizations, and proposes a remedy based on broadly shared ownership by employees.



Download video

Gary Hamel (Management Lab) speaks about the difficulties faced by corporate innovators when trying new ideas, and proposes creating a free internal market in which any budget holder could invest in any new idea.



Download video

Linda Hill (Harvard Business School) speaks about the limitations of "leadership from the front", and proposes a model of leaders as "social architects", focused on enabling the talents and passions of others.



Download video

Jeffrey Hollender (Seventh Generation) speaks about the absence of true purpose in modern corporations, and proposes that large corporations revisit the fundamental question "why are we here?" to ensure their continued relevance.



Download video

Steve Jurvetson (Draper Fisher Jurvetson) speaks of the inherent advantages of ecologies of startups over larger organizations with respect to innovation. He proposes limits on group size, a greater role for passionate minority views, and greater focus on decision making processes over coherence across individual project outcomes.



Download video

Kevin Kelly speaks about the lack of a mechanism for "devolving" from the comfortable position of a local success optimum, which carries risks in a changing world. He proposes a need to practice "inefficiency" in a corporation, manifested by tolerance for more failure, which is evidence of healthy experimentation with less-proven concepts.



Download video

Terri Kelly (WL Gore & Associates) speaks about the role of leadership and in particular the exaggerated expectations of the CEO. She proposes rethinking leadership to emphasize enabling the syndication of leadership roles across the entire employee group.



Download video

Ed Lawler (USC) speaks on the need to design organizations to achieve change less painfully when adaptation is needed.



Download video

Andrew McAfee (Harvard Business School) speaks on the emphasis on "assumed expertise" in organizations, as mapped by formal job roles and static hierarchies, and proposes the use of Web 2.0 tools to attract, link, tag, and access "emergent expertise".



Download video

John Mackey (Whole Foods Market) proposes that corporations should clarify a deeper, more engaging purpose and should balance the needs of multiple stakeholders rather than focusing almost exclusively on the needs of investors.



Thomas Malone (MIT) speaks about the inability of organizations to take advantage of the full potential of the people working with them. He proposes the use of communications technology to decentralize the coordination of work among large groups.



Marissa Mayer (Google) speaks about the limitations of traditional values and incentives within corporations, and proposes a model that permits much higher potential payouts for the innovators of radical, high-value ideas.

[Download video](#)



Leighton Reed (Serioalty) speaks about the poor level of employee engagement within corporations, and proposes the use of capabilities of Massively Multiplayer Online Role Playing Games to amplify group collaboration and to enrich the experience of work.

[Download video](#)



Lenny Mendonca (McKinsey & Company) speaks about the broader contract between organizations and society, and the transformational power of technology to bring the transparency and efficiency of market mechanisms to management.

[Download video](#)



Keith Sawyer (Washington University) speaks about the bounded nature of the corporation, and proposes designing mechanisms to exploit "collaborative webs" of skills beyond the boundaries of the corporation, including customers and business partners.

[Download video](#)



Henry Mintzberg (McGill University) proposes changes to the funding and governance model for corporations, including tying voting rights to the length of time stock has been held, and eliminating shareholder value as a management principle.

[Download video](#)



James Surowiecki (The New Yorker) speaks about the concentration of power in the hands of a small number of executives, especially the CEO. He proposes the systematic aggregation and sharing of collective knowledge to improve decision making.

[Download video](#)



Vineet Nayar (HCL Technologies) proposes development of comprehensive, inclusive measures of the value created by and for four classes of stakeholder: employees, customers, shareholders and society.

[Download video](#)



Peter Senge (Society for Organizational Learning) speaks of the disharmony between organizations and their broader environment of natural and social systems. He proposes greater focus on developing the emergent examples of organizations that invest effort in defining a deep purpose, and in measuring and harmonizing these broader impacts.

[Download video](#)



Jeffrey Pfeffer (Stanford University) speaks about the excess, misuse, and poor calibration of corporate measures, and proposes eliminating measures entirely.

[Download video](#)



Raj Sisodia (Bentley University) speaks about how corporations can create engagement in meaningful work (a higher purpose), unconditional love (care for others, in this case society) as a whole), and meaning extracted from the experience of suffering (transparent and constructive handling of crises) for employees.

[Download video](#)



CK Prahalad (University of Michigan) proposes the need to re-examine the principles used for organizing work in ways that support emergent organization rather than rigid structures.



Tom Stewart (Harvard Business Review) proposes the top-down mandating of reporting of returns to human capital, full disclosure of compensation, and a prohibition on compensation via stock options.

[Download video](#)



Hal Varian (UC Berkeley and Google) proposes more true experimentation by companies in place of the current preference for making decisions by HIPPO (a Highly-Paid Person's Opinion).



Steven Weber (US Berkeley) proposes an experiment employing technology to make everyone's actions and decisions visible to each other, with the intent of encouraging positive behavior changes based on improved mutual understanding and empathy.

[Download video](#)



David Wolfe (Wolfe Resources) proposes replacing the machine metaphor for organizing business with a biological system metaphor.

[Download video](#)



Shoshana Zuboff (Harvard Business School, retired) proposes a new chapter of capitalism based on serving the new needs of customers that are grounded in personal empowerment and expression.

Management's Grand Challenges

- 1. Ensure that the work of management serves a higher purpose.** Management, both in theory and practice, must orient itself to the achievement of noble, socially significant goals.
- 2. Fully embed the ideas of community and citizenship in management systems.** There's a need for processes and practices that reflect the interdependence of all stakeholder groups.
- 3. Reconstruct management's philosophical foundations.** To build organizations that are more than merely efficient, we will need to draw lessons from such fields as biology, political science, and theology.
- 4. Eliminate the pathologies of formal hierarchy.** There are advantages to natural hierarchies, where power flows up from the bottom and leaders emerge instead of being appointed.
- 5. Reduce fear and increase trust.** Mistrust and fear are toxic to innovation and engagement and must be wrung out of tomorrow's management systems.

Management's Grand Challenges

6. **Reinvent the means of control.** To transcend the discipline-versus-freedom trade-off, control systems will have to encourage control from within rather than constraints from without.
7. **Redefine the work of leadership.** The notion of the leader as a heroic decision maker is untenable. Leaders must be recast as social-systems architects who enable innovation and collaboration.
8. **Expand and exploit diversity.** We must create a management system that values diversity, disagreement, and divergence as much as conformance, consensus, and cohesion.
9. **Reinvent strategy making as an emergent process.** In a turbulent world, strategy making must reflect the biological principles of variety, selection, and retention.
10. **De-structure and disaggregate the organization.** To become more adaptable and innovative, large entities must be disaggregated into smaller, more malleable units.

Management's Grand Challenges

- 11: **Dramatically reduce the pull of the past.** Existing management systems often mindlessly reinforce the status quo. In the future, they must facilitate innovation and change.
- 12: **Share the work of setting direction.** To engender commitment, the responsibility for goal setting must be distributed through a process in which share of voice is a function of insight, not power.
- 13: **Develop holistic performance measures.** Existing performance metrics must be recast, since they give inadequate attention to the critical human capabilities that drive success in the creative economy.
- 14: **Stretch executive time frames and perspectives.** We need to discover alternatives to compensation and reward systems that encourage managers to sacrifice long-term goals for short-term gains.
- 15: **Create a democracy of information.** Companies need information systems that equip every employee to act in the interests of the entire enterprise.
- 16: **Empower the renegades and disarm the reactionaries.** Management systems must give more power to employees whose emotional equity is invested in the future rather than the past.
- 17: **Expand the scope of employee autonomy.** Management systems must be redesigned to facilitate grassroots initiatives and local experimentation.
- 18: **Create internal markets for ideas, talent, and resources.** Markets are better than hierarchies at allocating resources, and companies' resource allocation processes need to reflect this fact.

Management's Grand Challenges

- 19: **Depoliticize decision making.** Decision processes must be free of positional biases and should exploit the collective wisdom of the entire organization and beyond.
- 20: **Better optimize trade-offs.** Management systems tend to force either-or choices. What's needed are hybrid systems that subtly optimize key trade-offs.
- 21: **Further unleash human imagination.** Much is known about what engenders human creativity. This knowledge must be better applied in the design of management systems.
- 22: **Enable communities of passion.** To maximize employee engagement, management systems must facilitate the formation of self-defining communities of passion.
- 23: **Retool management for an open world.** Value-creating networks often transcend the firm's boundaries and can render traditional power-based management tools ineffective. New management tools are needed for building and shaping complex ecosystems.
- 24: **Humanize the language and practice of business.** Tomorrow's management systems must give as much credence to such timeless human ideals as beauty, justice, and community as they do to the traditional goals of efficiency, advantage, and profit.
- 25: **Retrain managerial minds.** Managers' deductive and analytical skills must be complemented by conceptual and systemsthinking skills..

The Facebook Generation vs. the Fortune 500*

1. All ideas compete on equal footing
2. Contribution counts for more than credentials
3. Hierarchies are natural, not prescribed
4. Leaders serve rather than preside
5. Tasks are chosen, not assigned
6. Groups are self-defining and -organizing
7. Resources get attracted, not allocated
8. Power comes from sharing information, not hoarding it
9. Opinions compound and decisions are peer-reviewed
10. Users can veto most policy decisions
11. Intrinsic rewards matter most
12. Hackers are heroes

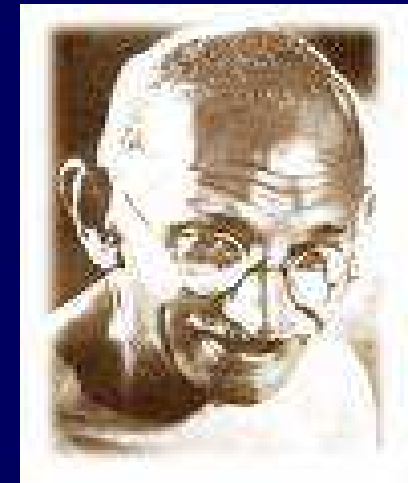
Secondary Virtues require Primary Virtues

„Through the absolutism of material norms we created a culture of such **secondary virtues** as obedience, punctuality, cleanliness, order and reliability. This would not be a problem if the **primary virtues** had not been suppressed:”

- Moral courage
- Creative disobedience
- The ability to (constructively) cope with conflicts

The 7 Deadly Sins Mahatma Gandhi

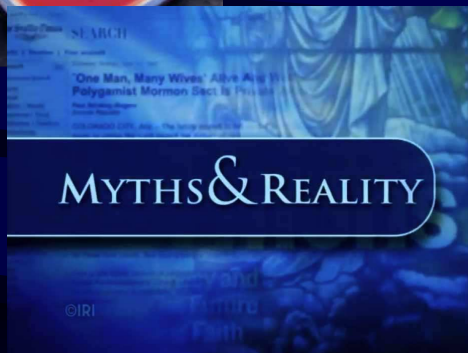
- Wealth without Work
- Pleasure without Conscience
- Science without Humanity
- Knowledge without Character
- Politics without Principle
- Commerce without Morality
- Worship without Sacrifice



My Presentation



Management needs to be
reinvented!



We need new, holistic
competencies



**How to induce the
new competencies?**

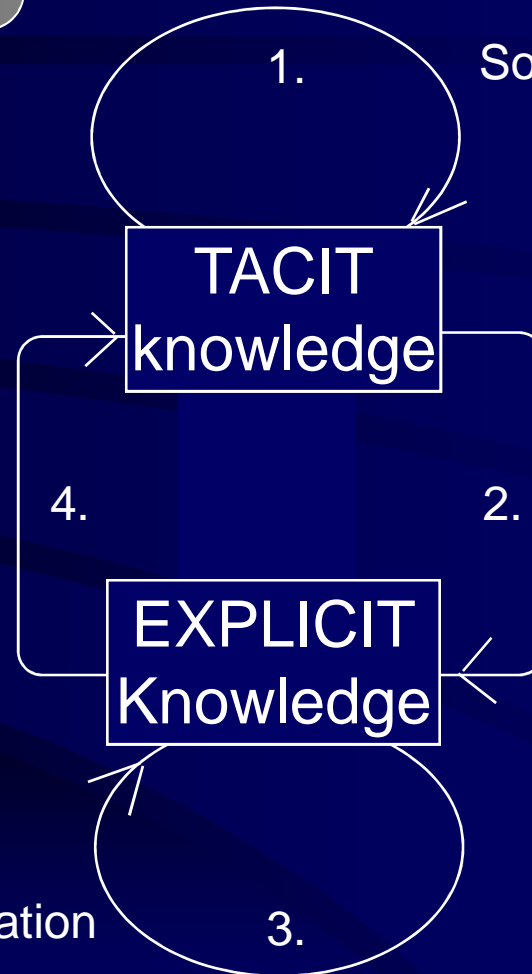
... in learning

MYTH

NEW REALITY



Internalisation



1. Socialization



2. Articulation

Combination

3.

©H.F.Karner

... as an education system

MYTH

NEW REALITY

**Knowledge
transmission**

**Knowledge &
skills transfer**

**Knowledge
Absorption & Use**

Ability induction

My Presentation



Management needs to be
reinvented!



We need new, holistic
competencies



Learning new skills is
easy, unlearning old
habits is tough!