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“Tomorrow’s business imperatives lie outside the performance envelope of today’s bureaucracy-infused management practices.”

Gary Hamel¹

“Can you think of a time in your life when you were in a group where everyone was pulling together and the group was vibrantly alive and extraordinarily productive, when it was all for one and one for all? And after it ended—even long after it ended—you went on having reunions with the other people in the group because the experience had been so meaningful? Can you think of a time like that?” I have asked hundreds of people in many countries and all walks of life these questions, and almost all of them could recall at least one such experience.

It might have been in the workplace, at school, in a community, or in a network. The duration may have been long or brief. Generally the groups they mentioned were small. Sometimes the experience was recent, sometimes a long time ago. Sometimes it was listening to the experiences of others that jogged their own memory. But in the end, almost no one said that they didn’t know what I was talking about.

Then I would ask another question: “Are you in such a group right now in your workplace?” The answer to this question was usually very



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different. Few of them said that they were having such an experience in the workplace at this time.

Why is that? Why is the modern workplace dispiriting for so many of the people who work there?

Why do we see symptoms of management malfunction everywhere? Why is innovation slowing? Why are knowledge workers so disgruntled? Why do most of the so-called reforms of work make things worse, not better? Why is service to customers deteriorating? Why are some firms addicted to “bad profits,” that is, profits that are made at the expense of customer satisfaction? Why do repeated crises seem to come from nowhere without warning from those who should have known better?²

Why are so many smart people working so hard yet producing results that no one really wants?

To answer these questions, we have to go beyond thinking about management in abstract terms and see what's really going on in today's workplace. When it comes to a subject as vast and controversial as this, I cannot hope to present a comprehensive picture. What I can do is show a couple of narrative snapshots that reveal why I have reached the verdict that I have.

The following five accounts are inspired by actual events, though they do not depict any actual person or firm. It is for you, the reader, to discern to what extent they depict the reality of today's workplaces.

THE ABSTRACT WRITER

When Paul took a job as an editorial assistant for an online publisher, his role was to prepare summaries of business books that executives were too busy to read. The publisher sold the summaries to subscribers, who could view them online.³

Paul had recently graduated from college and was happy to have a job after an extended period of job hunting. He saw it as an opportunity to understand publishing and gain an in-depth view of the world of books.

On that first day when he was shown to his cubicle, Paul was optimistic. He now had a place in the world where he could think and





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make a contribution to the corpus of human knowledge in a real company with actual employees. Despite his skepticism about organizations, Paul went out and bought a suit.

His feelings toward the job changed as he actually experienced the work, which entailed reading each book and completing a table that analyzed the book on seven dimensions. His initial quota was three books per day. After the first six months, his quota was accelerated to four books per day and then, after a year, to five. The pace demanded total concentration yet precluded reflecting on the meaning of what he was reading.

He was not allowed to duplicate the careful summary of the book that the author and the publisher had included on the book's back cover. The fees that his firm was charging required his summary to be different.

Meeting his quota meant suppressing his inclination to think and ignoring any sense of responsibility to the book's author or to eventual subscribers who might be deluded into thinking that his summary reflected the content of the book.

He received no indication that subscribers ever read his summaries. He suspected that they were too busy to read them, just as they were too busy to read the books themselves. But purchasing a subscription for a hefty fee relieved their conscience of the need to read anything. He came to see that keeping his job required setting aside any personal concerns about the value of his work.

Paul worked alone. His only respite from the daily grind consisted of lunches with his fellow workers, who were equally dispirited by the working conditions. They confessed on occasion to committing sabotage or taking drugs to relieve the tedium.

He noted that there was no quality control of the work in the sense of anyone reviewing whether his summary accurately reflected the content of the books he reviewed. His supervisor, Anne, approved his work according to generic standards of grammar and formatting without, as far as he could detect, ever having actually verified the content.

Anne seemed to be a decent person. Yet his efforts to turn her decency into meaning for his own work proved fruitless. Her advice was to keep his head down and get on with the summaries.





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Paul had taken the job expecting that he would learn a lot. But learning was incompatible with the pace of work that was imposed.

The firm continued to increase the number of subscribers through sales pitches that made harried executives feel guilty for failing to keep up in their reading. The pitches implied that by subscribing to the service, they would be automatically up to date, in the same way that commercials for exercise machines imply that buying the machine will make you fit. The firm had calibrated the workload and the quality of his output to a level that was just good enough to keep subscribers from abandoning their subscriptions.

It was not that the firm or the executives who ran it were being in any sense greedy or immoral by pushing Paul's production goal to the limit. They were simply playing their role in a system that practically guaranteed that any subscribers who ever tried to get value from the service would be exasperated.

THE AUDITOR



When Alan completed his tenth year with one of the world's top global audit firms, he was relieved to see that he still had job security even if the work was inherently dull.⁴

When he looked back on the ten years of audits he had completed, one job merged into another in his memory. He could recall nothing remarkable—nothing that he could look back on and say that he had made a difference.

He had done his job competently. It was a solid job, which he was at no risk of losing provided that he kept playing the game. He could see his life at the firm stretching ahead for a couple of decades. He would have the chance of advancing up the managerial ladder several rungs. He could write the biography of his entire life right now.

He was conscious of the steadily increasing pressure to get the audits done faster. He wasn't sure where this would lead. He was experienced,





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and so more was expected of him. He recalled his early days when he had taken pride in spotting problems that needed to be resolved. Now the pressure was to get the job done on schedule or, preferably, ahead of schedule. A good audit was a smooth audit with no complications.

Maintaining consensus and preventing any conflict that might slow the work down was a constant preoccupation. He sometimes felt as though he was walking on eggshells, a feeling accentuated by the sessions on political correctness that he was required to attend.

The work itself was carried out in work groups called teams, but essentially all members of the team handled their part of the work alone. At the team meetings, everyone demonstrated a kind of complaisant affability with fellow team members: keeping off their turf and making sure that they kept off his.

He listened to the CEO talk about the audit function as a critical pillar of the financial system, although this kind of talk had become less frequent since the financial meltdown. He was aware that if he left the firm, someone else would step in and take his place. No one would notice the difference.

The firm purported to take an interest in his mental well-being. He had access to a help hotline, as well as to karaoke competitions to stimulate creativity. He could also compete in an employee-of-the-month program that treated winners with harbor cruises and dinners with the CEO.

He had no difficulty in maintaining the mask of shallow cheerfulness that kept the office running smoothly. He participated in the retreats and played along with the team-building exercises that took place there. It passed the time, and occasionally it was fun. But in the end, it was a game. When he got back to the workplace, there was no discernible change.

When he thought about it, he was puzzled as to why so much time was spent on these efforts at contrived conviviality and so little time on real work.

At the end of a day, Alan was back in his apartment, at a loss. The interactions of the office had kept him on his toes throughout the day.





Now he was drained, but also impatient and restless. He was in no state to do anything as heavy as reading a book. The usual solution was a couple of quick drinks, followed by a police procedural on television.

THE SOFTWARE DEVELOPER

Nathalie, a software developer, is the head of corporate Internet solutions for a major insurance company.⁵ When she inherited the software development team, it was facing a typical set of problems—software was late, over budget, and full of bugs. So she set about fixing the problems by introducing practices known as Scrum and Agile. She placed confidence in self-organizing teams that performed work in an iterative fashion, and the team rapidly became more responsive, efficient, and effective. After six months, the team had proved itself increasingly capable of delivering whatever software management wanted.

It gradually became apparent that the real problem wasn't in the team at all. Rather, the organization could not make up its mind what it wanted.

The firm provided a full range of financial services. As a large conglomerate, the varied product lines and distribution channels would have presented a challenge for any team charged with improving customer experience across the board. For many years, the operating model had been a loose federation that provided each company with a great deal of autonomy. At one time, scores of Web sites were associated with the firm.

Nathalie's team was charged with consolidating and improving the user experience of the firm's Web site. Although things began well, she could see problems. Under the Agile and Scrum methodologies, management was supposed to specify what software it wanted developed in the next monthly work period. But the various departments found it difficult to agree on what should be done. The implementation period would often start without the organization having reached agreement on what precisely should be developed. As a result, the software development team would begin working on something, only to find that the signals changed when it was halfway along with the work.





The group responsible for setting priorities was composed of representatives of interested departments. But the individuals in the group had no mandate to make decisions on behalf of their departments, and if they did, they were likely to be second-guessed. Time-consuming checking back with their constituencies slowed decision making to a crawl, and often a halt.

Compounding the problem was the fact that a duo of senior managers affectionately known within the firm as the Gruesome Twosome weren't happy. The Gruesome Twosome insisted on signing off at certain critical decision points, and during their reviews, they would often second-guess the instructions that had been given to the team of software developers. As their interventions became more frequent and disruptive, the group charged with setting priorities became less willing to make decisions for fear of being reversed upstairs.

Nor were the Gruesome Twosome's decisions entirely clear: the group setting priorities had no way of getting clarification from them and was unwilling to substitute its own judgment. So like the oracle at Delphi, the group deployed an ambiguous dialect that enabled them to be on the right side of the winning decision whatever it turned out to be.

Nathalie came to see that no one was held to what they had said in a previous meeting because everyone knew that decisions were provisional. The only constant was deniability. The more troublesome a problem was, the vaguer the language became.

Nathalie knew that her team of software developers was working well, but it wasn't productive because the firm couldn't make up its mind what it wanted.

THE BANKER

Ben had entered banking with a romantic notion of the profession.⁶ He had in his mind an image of bankers as pillars of the community. He imagined that he would be adding value to society by contributing his skills and judgment to the complex issue of which borrowers could be entrusted with money.





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As it turned out, Ben's role as a banker was different. Since the mortgage he arranged would be sold by his bank to some other financial institution, the creditworthiness of the applicant was essentially irrelevant. His bank had little interest in whether the loan would ever be repaid. Its focus was on the fees it got from originating the loan. The mortgages would be bundled together and sold to investors somewhere else in the world.

In his imagined role as a banker, his job would have depended on his judgment as to who could be trusted. But as his job evolved, his bank was pressed by both Wall Street and Washington to pursue new kinds of loans in which the borrowers didn't even need to pretend that they had any income or assets, let alone present evidence of their existence. Trust simply didn't enter into the picture.

If Ben had paused to ask himself what he was doing writing loans that had little hope of being repaid, he might have replied that he was assisting citizens buy their own home. He was helping unprecedented quantities of capital find a safe resting place. He was doing his part in relieving the enormous worldwide hunger for mortgage-backed securities among investors. The fees associated with the transactions were making money for everyone. The process of lending had to go on. Even better, in some cases, the banks were able to make financial bets against the shaky instruments that they themselves had created and thus make another handsome profit when those instruments went bad.

Remarkably, little changed in Ben's world after the meltdown of 2008. Within months, he was again being pressed to lend to buyers who put no more than 5 percent of their own money in the deal. Everyone could see that most of those who had caused the meltdown had walked away immensely rich from the bonuses they had earned in the good years, even though their high-risk strategies had devastated their companies as well as a large part of the financial system. Bank executives continued to be lavishly rewarded when they delivered juicy short-term profits. They were still in no jeopardy if their firms incurred losses later.





Why should Ben question the system in which he worked when he was helping make so much money? Raising questions about the system wasn't in his job description.

THE CONSULTANT

When Connie made partner in the prestigious global consulting firm where she worked, it was a happy, but not unexpected, day. She had been first in her class at prep school and at the Ivy League college she attended.⁷ She wasn't surprised to be recruited into the Firm, as it was known, which thought of itself as first in its field. She had made steady progress climbing the managerial ladder.

On becoming partner, she had been on top of the world. The perks; the first-class travel; the corner office; the respect of her juniors, her fellow partners, and her bosses: these were everything that she had wanted. Nevertheless, the pressure of work was phenomenal. She was working close to seventy hours a week. Everyone else at the Firm did too. It was the way things were.

Her field was business strategy, and she was now a global practice leader. Because she was following so many projects, it took her quite some time to catch up to where she was on any piece of work.

She derived satisfaction from being a partner, someone whom CEOs listened to with respect, and at such moments, she felt like the queen of the universe. At other moments, she realized that she had no real life outside work. Nevertheless, she welcomed her role as someone who embodied the corporate culture, having mastered its intricacies.

She exhibited a high level of buy-in to the firm's mission and did so willingly. Any division between private life and work life had disappeared long ago. The Firm was the controlling unit of her personality. It gave purpose to her life.

On many occasions, she had shown herself ready to put the team objectives ahead of her personal interests, while at the same time making





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sure that her turf was not significantly at risk and that her career concerns were also taken care of. She believed that the Firm had a higher purpose in terms of making the world a better place, even if the specific content of what that meant was ambiguous.

Some years ago, cross-functional teams had been introduced, and at first, everyone had wondered what that might mean. It soon became apparent that despite talk of teams and teamwork, cross-functional teams were simply another way to divide and conquer.

In the Firm, everything was, on the surface, very collegial. In fact, everyone was exquisitely sensitive to the pecking order in the hierarchy and the consequent division of labor. The thought that anyone should help someone outside their own territory or make suggestions about her work would have been seen as bizarre. The possibility that everyone on a team would pitch in so that the team got the most important task done first would have been a real sea change.

When the team spent time together, the talk was rarely about the work. In fact, they would talk about anything except the work, and then go off and do their own thing.

Whether anyone advanced up the hierarchy and made partner or beyond was determined as much by an ability to fit in as it was by actual performance on the job. It had been this way at school, where her role as chair of the senior fund and champion money raiser for the school's annual charity drive had been at least as important as her stellar grade point average. It had shown that she was a joiner, a team player, a rounded package. Her self-assessment as a successful young woman had been reinforced by the rewards dispensed by the gatekeeping institutions. This had resulted in a smooth, frictionless path of scholarships, internships, a job at a prestigious consulting firm, and now partner at the Firm. She had accomplished this—happily—without ever having to assert independence, demonstrate intellectual adventurousness, or take a stand against authority.

Connie did the same work as her subordinates, only she was better at it than they were. She knew precisely how the Firm liked to have





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strategy analyzed, the way the analysis should be laid out, which points to emphasize and which to slide over. It was a Firm-specific expertise that had taken her years to acquire. The fact that the finer points of this particular expertise were sometimes lost on her clients was irrelevant. Satisfying the internal quality requirements was ultimately more important to her career than delighting the client: the client might be gone tomorrow, but the Firm would still be there, glorious in its unchangeability, its rocklike permanence, its prestige, its power to set the agenda. If the job took longer in order to satisfy the Firm's internal requirements, that was what was involved in working with the Firm; that's how clients got the Firm's legendary quality, the basis of its global reputation.

Within the Firm, the best proposals were those that resolved every issue down to the last detail. Curiously, the more detailed the Firm's proposal, the less the client seemed to understand or own it, let alone persuade its own staff to implement it.

The bottom line of her performance was none of those things: it was whether the work that she did or supervised met the requirements of the Firm. She had seen cases where managers had cut corners in terms of the Firm's requirements to meet the perceived need of a client. The consequence for the managers in question had been a permanent blot on their record that no amount of client delight could remove.

She was vaguely aware that this way of working was not very productive. Far too much time was spent politicking. She could see that her career, which was currently flourishing, depended on a network of personal relationships up and down the hierarchy. Because the criteria of evaluation were nebulous, she spent a good deal of her time managing what other people thought of her. Despite her success, she had never gotten over the sense of being on perpetual probation, acutely aware that at any moment, a rearrangement of the players might result in a different clan having control of the levers of power in a way that could cripple her career. The specter of arbitrary disaster was never far away.

When she sat back and reflected on her situation, late at night, hard at work on a client proposal, she was not unwilling to admit that her quality





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of life was appalling. She had more than enough money, but she saw little of her family, who understood that she was doing it all for them.

Despite these issues, she was pleased to see that the Firm's recommendations were always accepted by the client's top people, even if implementation down the line was a problem. Down the line, the people weren't committed to it. They didn't see it as *their* solution, even though the Firm's report showed that it was the right thing to do. Nevertheless, when a company was in trouble, it was reassuring to know that they would always come back to the Firm, which remained the gold standard, a legend in its own time.

No one was ever faulted for hiring the Firm. It was the ideal insurance policy for any CEO.

THE PARADOX OF MANAGERIAL SUCCESS

Thirty years ago, these job situations might have been considered good enough. People are getting paid. Managers are getting the job done. The firms are making money. To be sure, the work isn't particularly fulfilling. It could even be seen as dispiriting and demeaning. But whoever promised fulfillment in work? A salary, yes. But fulfillment? Whoever said that was part of the package?

Even today, some might see nothing anomalous or disturbing in such unproductive working conditions, the lack of personal responsibility for what is being done, the systematic inattention to the outcome of work, or the lack of centrality of the client. Yet viewed through the lens of the twenty-first century, these situations are unsustainable. The work is not as productive as it could be. Innovation is stifled. Managers are trapped. Customers are dissatisfied. Brand liabilities that accrue from pursuing "bad profits" are accumulating in the background. Any kind of moral compass is absent.

The performance of these workplaces is suboptimal, but not because workers are unwilling or because managers are lackadaisical. Everyone is working hard. Yet the workers feel used. The managers feel just as much





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victims as the workers. And the customers end up getting the short end of the stick. Whether the participants realize it or not, these workplaces are quietly dying.

Paradoxically, the traditional system of management depicted here has been extraordinarily successful economically. Over the twentieth century, it resulted in a fifty-fold increase in the productivity of workers and a massive increase in the standard of living in the developed countries.⁸ This way of managing was considered a model for businesses and public sector organizations throughout the twentieth century. In many ways, the modern corporation is a stunning economic accomplishment.

That this way of working is no longer perceived to be performing well enough is not due to some failure of implementation or some personal delinquency of the individuals involved. Rather, the world has shifted beyond the limits of the system to adjust and evolve. This way of working was good enough for the conditions that existed for much of the previous century. It's not good enough today because the world has changed. We have changed.



As change has accelerated, the malfunctions have become fundamental. The system is no longer a good fit for today's conditions. Patches and fixes and new bells and whistles don't help. We need radically different management.