HUMANOCRACY

CREATING ORGANIZATIONS AS AMAZING AS THE PEOPLE INSIDE THEM

GARY HAMEL + MICHELE ZANINI

UPDATED + EXPANDED

"Rarely has the case for dismantling bureaucracy been made as effectively, passionately, and comprehensively. The time to start is now, and the book to read is *Humanocracy*, Hamel and Zanini's practical guide to creating work environments that give everyone the opportunity to flourish. This is essential to revitalizing our organizations and reinvigorating our economies."

—**BENGT HOLMSTRÖM,** Paul A. Samuelson Professor of Economics, Massachusetts Institute of Technology; 2016 Nobel laureate in Economics

"Hamel and Zanini have achieved two remarkable feats. They've produced one of the most cogent critiques of bureaucracy that I've ever read—explaining the many ways that bureaucratic organizations undermine human autonomy, resilience, and creativity. And they've issued a stirring call to do better—to build organizations that liberate the everyday genius of the people inside them. Packed with keen insights and practical guidance, *Humanocracy* is an essential book."

—**DANIEL H. PINK,** #1 *New York Times* bestselling author, *Drive* and *To Sell Is Human*

"*Humanocracy* provides the reader with a road map to helping organizations unleash creativity, energy, and resiliency through leveraging the core of every organization—humans."

—**GEN. STANLEY MCCHRYSTAL,** US Army, Ret.; author, *Team of Teams*

"*Humanocracy* is the most important management book I have read in a very long time. This is not just another book about the power of purpose or the joys of empowerment. Rather, it's a detailed, well-researched, data-driven, compellingly argued exposé on the massive costs of bureaucracy in society.

Hamel and Zanini offer an equally compelling argument for why it doesn't have to be this way, complete with a practical guide for creating organizations that really work."

—**AMY EDMONDSON,** Professor, Harvard Business School; author, *The Fearless Organization*

"Almost all large organizations create a bureaucratic system for the sake of elusive safety. In reality, bureaucracy paralyzes the organization and frustrates employees. *Humanocracy* is a practical guide about how to escape this trap and unlock the hidden potential of large organizations and, most importantly, of their biggest asset, their employees."

—**OLIVER BÄTE,** Chairman and CEO, Allianz

"Great companies in today's highly dynamic world need to unleash the power of their people to multiply value and impact. *Humanocracy* presents a compelling handbook for how large organizations can reduce bureaucracy, create a highly engaged workforce, and build leaders that serve their people."

—**VAS NARASIMHAN,** CEO, Novartis

"If an organization has ever crushed your hopes and dreams, this book just might help to rejuvenate you. It's hard to imagine a better guide to busting bureaucracies and building workplaces that live up to the potential of the people inside them."

—**ADAM GRANT,** *New York Times* bestselling author, *Originals* and *Give and Take*; host, TED *WorkLife* podcast

"Hamel and Zanini have written a bold, essential guide to building an organization infused with the same spirit of creativity and entrepreneurship

as the people who work there. Their 'post-bureaucratic' vision of work is not just timely but energizing."

—**ERIC RIES,** author, *The Lean Startup*

"Fast technology and business innovations call for a big overhaul of traditional bureaucratic organizations. *Humanocracy* provides a stimulating and inspiring framework for creating the innovative organizations of the future."

—**MING ZENG,** former Chief Strategy Officer, Alibaba Group; author, *Smart Business*

"*Humanocracy* makes the case for replacing chain of command with chain of trust and radical transparency. It's a prescription for unlocking game-changing innovation and the value of every individual."

—**MARC BENIOFF,** Chair and CEO, Salesforce; author, *Trailblazer*

"At last, a playbook to take a sledgehammer to bureaucracy. The reasons for bureaucracy have long vanished in the digital age—and yet it persists. Hamel and Zanini introduce us to an alternative that energizes people rather than crushing their souls, humanizing the organization for higher levels of accountability and impact."

—**DIANE GHERSON,** former Chief Human Resources Officer, IBM

"For a business to perform its role of producing products and services that help people improve their lives, its employees must be fully empowered to continually improve their ability to contribute. This requires roles that fit their unique abilities and a culture that celebrates and rewards innovation, collaboration, challenge, and all the other elements of principled entrepreneurship. *Humanocracy* illustrates a basic condition for bringing this

about—eliminating bureaucratic management. Such a change is not only essential for long-term business success but for a free and open society that gives everyone the opportunity to rise."

> —**CHARLES G. KOCH,** Chairman and CEO, Koch Industries; founder, Stand Together; and author, *Good Profit*

"In *Humanocracy*, Hamel and Zanini challenge the old order and, simultaneously, show the path to creating a new and better order capable of achieving higher goals for businesses and the communities they serve.
At a time when the digital revolution is changing every aspect of human life, the authors rightly caution businesses that their change-resistant and often wasteful bureaucratic structures are a drag on their growth. Bureaucracy impedes employees' creativity, undermines their self-motivation, and hinders their workplace happiness.
Therefore, the need to transform business organizations into human-centric entities has become more pressing than ever before. How can we succeed in this task? I have found no better guide than *Humanocracy*—a book that every change-seeker and change-agent must read."

> —**MUKESH AMBANI,** Chairman and Managing Director, Reliance Industries Limited; named one of Time 100: The Most Influential People of 2019

"Hamel and Zanini argue that bureaucracy is soul-crushing, and they're right. With only 15 percent of the world's 1.4 billion full-time workers engaged at their jobs, we have to empower the individual or human beings will never bloom. Depending on you, this book can change the world a little or a lot."

> —**JIM CLIFTON,** Chairman, Gallup

"*Humanocracy* is a must-read to survive and prosper in the future. The book is a tour de force."

—**VIJAY GOVINDARAJAN,** Coxe Distinguished Professor, Tuck School of Business at Dartmouth; author, *The Three-Box Solution*

"Innovation is as important to how we organize ourselves as it is to what we make. *Humanocracy* shows how it is possible to unlock the passion and creative potential within our organizations and give ourselves a fighting chance of successfully tackling the most important challenges of our time."

—**TIM BROWN,** former Chair, IDEO; author, *Change by Design*

"*Humanocracy* is a book about unleashing human potential by replacing bureaucracy with passion and creativity. A must-read for anyone who wants to build efficient human-centric organizations."

—**JIM HAGEMANN SNABE,** Chairman, Siemens AG; author, *Dreams and Details*

"*Humanocracy* thoughtfully outlines why the time has come for organizations to abandon their bureaucratic ways and bring humanity back into the workplace. I found myself nodding throughout the book and thinking 'YES! This is it. This is the new management paradigm we've been needing for decades. Hamel and Zanini have done it!'"

—**JIM WHITEHURST,** Managing Director, Silver Lake; former President, IBM; author, *The Open Organization*

"*Humanocracy* is the most insightful, instructive book for this new, purpose-driven decade and should be mandatory reading for all organizations seeking to thrive, survive, and, more importantly, make the human impact their teams long for."

—**ANGELA AHRENDTS,** former CEO, Burberry; former Senior Vice President, Apple

"Virtually all businesses are being disrupted by innovations from every direction. Bureaucratic hierarchy is simply too slow in making decisions and not innovative enough to be competitively successful in the third decade of the twenty-first century. *Humanocracy* shows us the path forward to creating less bureaucratic and more innovative and humane organizations."
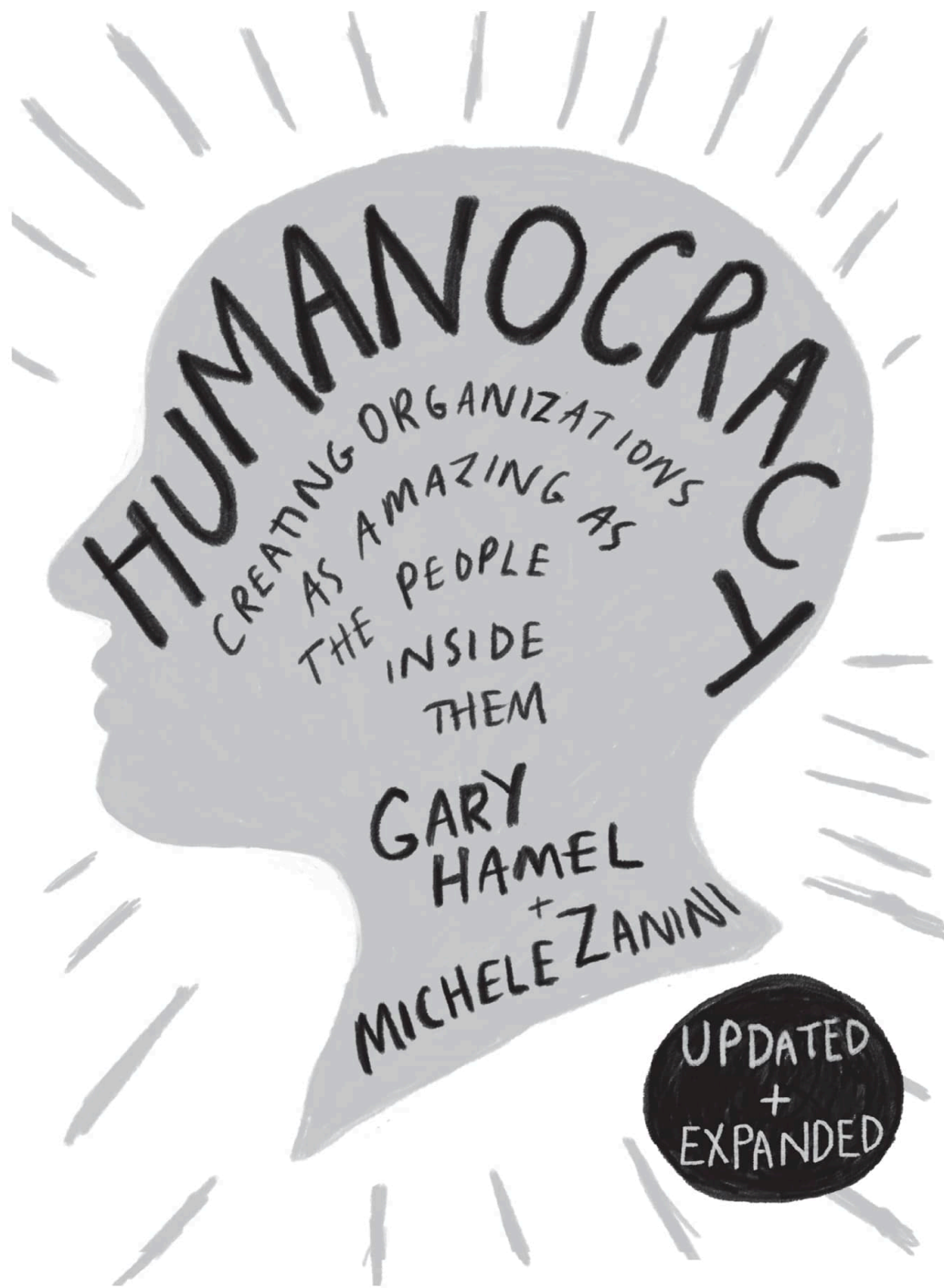
> —**JOHN MACKEY,** cofounder and former CEO, Whole Foods Market; coauthor, *Conscious Capitalism*

"Hamel and Zanini insightfully diagnose the choking bureaucracy that makes many of today's organizations far less collectively intelligent than they could be. Then they give fascinating examples and inspiring prescriptions for creating organizations that are vastly more innovative, adaptable, and fulfilling for the people in them."

> —**THOMAS W. MALONE,** Patrick J. McGovern Professor of Management, MIT Sloan School of Management; Director, MIT Center for Collective Intelligence

"For over a decade, Gary Hamel has called for us to hack how we lead and organize. In this book, Hamel and Michele Zanini offer specifics about how to dismantle our bureaucratic enterprises and rebuild them into agile organizations in which employee passion and talents are unleashed and harnessed to cocreate, with customers, products, and services that make a positive difference."

> —**LINDA A. HILL,** Wallace Brett Donham Professor of Business Administration, Harvard Business School; coauthor, *Collective Genius*

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To Kelly Duhamel, for teaching me so much about life,
love, and what it means to be human.
—Gary

To Ludovica, Clara, and Luigi, whose love and example inspire me to
be more, every day.
—Michele

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Preface

We're lucky. During our careers, we've had the opportunity to work with leaders from hundreds of organizations across the globe—local municipalities and central governments, family-owned companies and giant multinationals, agricultural processors and high-tech icons, health care providers and defense agencies, Swiss banks and Chinese appliance makers, Italian fashion houses and American retailers, German car companies and Brazilian media giants.

With few exceptions, the projects produced positive outcomes—game-changing strategies, breakthrough products, new businesses, and upgraded capabilities. The work was rewarding but also frustrating. We were interacting with smart and committed people—so why did they find it so difficult to look over the horizon, question old habits, reallocate budgets, make space for innovation, take prudent risks, engage their teams, and truly empower others?

Why did it seem everyone was walking around in lead boots? Why was it that no one was eager to make a decision? That every meeting required a premeeting? That people were spending more time polishing presentations than launching experiments? That doing anything—literally anything—required the consent of corporate HR, comms, and legal? That a small screwup was regarded as bigger risk than collective irrelevance? That hard truths had to be packaged in bubble wrap before being shared with superiors or subordinates? That it was better to hoard resources than to share them?

That the illusion of consensus was preferable to tough conversations? That it was OK to entangle employees and customers in a jumble of petty rules? That diversity was great as long as it didn't produce dissent? That alignment was a virtue, even if all the lemmings were running off a cliff? That something could be labeled as transformational even when it left 98 percent of the status quo intact? That "strategic planning" wasn't, in fact, strategic? That people were called "leaders" whether or not they had willing followers? That no one seemed much interested in measuring the per-dollar effectiveness of corporate functions? That activity was regularly mistaken for impact? That only a tiny fraction of employees were directly accountable to end users? And that the opinions of those on the front lines were mostly ignored?

If this seems like a rant, that's because it is. And if you've ever worked inside a midsize or large organization, you probably have your own rant. Odds are, your frustrations are justified, since most organizations are, to one degree or another, insular, inflexible, impersonal, infantilizing, and (often) inane—in other words, inept.

Permit us one example. We know a group of five doctors who recently sold their practice to a large hospital group. The physicians had run the practice for more than twenty years. It was well regarded by patients and consistently profitable. The terms of the sale stipulated that the practice would continue to operate as a self-managing entity. One year in, the doctors received a disconcerting memo from the hospital CFO. It seemed their practice was losing money. They were invited to attend a meeting where remedial measures would be discussed. Perplexed, the physicians showed up at the appointed time. A finance staffer threw a one-page summary of the clinic's profit-and-loss statement up on a screen. Sure enough, the bottom line showed a $500,000 loss for the previous year. The physicians had long prided themselves on running a tight ship—after all, unnecessary expenses ate into their salaries. Now they were being ordered to cut their expenses by 10 percent.

The doctors asked for the meeting to be extended so they could review the income statement line by line. Reluctantly, the staffer agreed. Thirty minutes

later, having looked through dozens of expense items, one of the doctors spotted something peculiar. "Wait a minute, what's that?" he asked. "That," said the accountant, "is a $500,000 charge for administrative support—you know, for corporate services." "But we didn't use any corporate services," objected the physician. "It doesn't matter," said the staffer. "Every practice has to cover its share of hospital overhead." The rest of the conversation was, um, heated, but the meeting ended as such meetings usually do. Whether you're an MD or an orderly, an admiral or a deckhand, a VP or a janitor, head office policies are seldom amended in deference to issues of logic, fairness, and morale.

Those exasperated physicians belong to a vast throng of human beings who every day find themselves stymied by their own organization. Of course, no one (well, almost no one) purposely sets out to thwart their colleagues—but that's nonetheless what happens, and on a massive scale. When you see countless organizations suffering from the same disabilities, you know the problem is not primarily one of strategy, leadership, or operations, much less ill-intent. The problem lies deeper—at the level of DNA. So what, we asked ourselves, does virtually every organization have in common? The answer is bureaucracy.

For 150 years, industrial bureaucracy has helped people to do together what they can't do alone—whether that's building a Model T or running an artificial intelligence (AI) data center. But, as we'll argue in the pages that follow, our institutions need an upgrade. Actually, more than an upgrade—they need the organizational equivalent of gene replacement therapy.

This book, like the first edition that preceded it, is animated by two core beliefs. First, to meet humanity's most pressing challenges, we need organizations that are fundamentally more capable than the ones we have at present. Second, replacing bureaucracy with something better is not a vain hope. Some of the world's largest, most complex companies have made extraordinary progress, and they are reaping extraordinary rewards. Just as importantly, anyone—and that means *you*—can play a pivotal role in building

the sort of future-fit organizations that humanity so desperately needs and deserves.

Since the first edition in 2020, the stakes have only grown higher. Whether it's climate change, AI job displacement, income inequality, distrust of institutions, or stagnating productivity—among other critical issues—the world needs organizations that are more daring, resilient, creative, and inspiring. Sadly, most remain ossified and incapable of unleashing the latent capability of their members.

Many hoped that the lessons learned in battling Covid-19 would transform our organizations for the better. In the midst of the pandemic, American entrepreneur Mark Cuban declared that "the CEO is of no more importance than somebody cleaning the floors. I think this is a time for a reset." Slack cofounder Stewart Butterfield proclaimed, "Work will never be the same.... The sudden shift to distributed work has provided a once-in-a-generation opportunity to reimagine everything about how we do our jobs and how we run our companies."

But most of the changes turned out to be modest or fleeting. In 2020, at the height of the pandemic, 49 percent of American workers said they felt cared for by their organizations—a high-water mark. Yet by 2024, that number had fallen to 25 percent, below pre-pandemic levels. Currently, workplace engagement is at its lowest point in eleven years. The General Social Survey, a long-running poll tracking various aspects of American society, including workplace conditions, paints a similar picture. Job satisfaction fell by four percentage points between 2018 and 2022; both the share of workers who felt fairly treated by their supervisors and the number claiming they had significant workplace autonomy dropped by six points. This regression isn't surprising.

In a minor crisis (like a public relations screwup, a safety issue, or environmental mishap), power shifts to the center as executives move quickly to repair the damage. In a major upheaval, the center is quickly overwhelmed, and power flows to the periphery. In the pandemic, organizations faced a vast array of problems that were novel, intertwined, dynamic, and only partially

understood. The crisis demanded immediate action on multiple fronts. Speed and ingenuity were vital. Those at a distance from the problem—senior administrators—were often clueless. Policies crafted in peacetime were a hindrance not a help. There was no time to wait for direction from above. The cavalry wasn't coming.

Individuals on the front lines had to take charge—and they did. They were "essential" workers with new and vastly expanded decision rights. The shackles were off. But as we argued at the time, bureaucrats are jealous of their prerogatives, so as the crisis receded, power moved back to the center. Newfound freedoms evaporated like dew on a summer day. Little wonder there was a backlash.

Remote working, another Covid artifact, is also on the wane, as more companies enforce "return to office" mandates. The much-touted work-from-home revolution has run out of steam. In the United States, only one in five American employees enjoys the flexibility of working from home at least some of the time, and a mere one in ten is fully virtual. The aggregate share of hours worked remotely stands at a modest 16 percent and hasn't increased since the Bureau of Labor Statistics began tracking it in the fall of 2022. For most employees, work-from-home represents a welcome but minor shift in modality—not the paradigm shift many envisioned. It's the digital equivalent of casual Fridays.

Diversity, equity, and inclusion (DEI) initiatives are another recent and much heralded development. A heightened commitment to more just and inclusive workplaces is laudable, but the impact has been mixed at best. In many cases, DEI has devolved into a top-down administrative exercise that prioritizes procedural compliance over substantive change. Such efforts sidestep deeper and more troubling realities, like the power and compensation imbalances that are baked into managerial hierarchies. From this perspective, DEI initiatives are no more than a small down payment on the larger goal of creating workplaces where all employees can flourish.

The rapid growth of AI tools represents a more substantive workplace shift. The launch of ChatGPT in November 2022 was a watershed moment.