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Leading in the digital age

The automation of work and the digital disruption of business models place a premium on leaders who can create a vision of change and frame it positively.

How disruptive will accelerating workplace automation be for organizations in the future? For decades, businesses have deployed technology to reduce costs and complexity, make better products, and develop new business models. But the new potential of artificial intelligence and advanced robotics poses major new challenges for leaders as they seek to reset their strategies for a digital age.

Last November, Bloomberg chairman Peter Grauer and Nadir Mohamed, the recently retired CEO of Rogers Communications, sat down with Manfred Kets de Vries, a professor at INSEAD, and Harvard professor Robert Kegan to debate some of the issues with Claudio Feser, head of McKinsey's leadership-development initiative. Their conversation started at the movies . . .

Peter Grauer: Recently, I was watching Spencer Tracy and Katharine Hepburn in a 1957 movie called *Desk Set*, about the early stages of computerization in offices. The workforce was petrified that it was going to end up out of work. In the end, the employees learned that they weren't going to lose their jobs. In fact, their jobs were going to become more interesting because, as we see in Bloomberg's global data operation today, the computer does the more routine work and humans can do the more analytical work.

The top-line benefit is that the quality of what we do gets better. Bloomberg is the largest provider of news-related data analytics and execution for the financial-services sector worldwide. Obviously, given what the sector has gone through during the last eight years, we've restructured our business dramatically. In the end, though, we've also become more efficient and able to provide increasingly higher-quality information to customers.

Claudio Feser: Recent research on workplace automation from the McKinsey Global Institute[1] suggests that advances in artificial intelligence and robotics mean that we've only taken the first few steps of a long journey that mainly lies ahead of us. From your perspective, are we at a turning point, or is none of this necessarily that new?

Peter Grauer: I happen to think companies have been living with this for a long time. For us, deploying technology is an absolute necessity, and we have to reinvent ourselves all the time. What's new is that the speed of change in automation is dramatically faster than it once was.

Nadir Mohamed: Automation isn't new. I think what is different, just in the last few years—and will become more significant and more frequent—is the intersection between automation and changing business models.

Automation itself may or may not lead to business-model change. It depends on how you think about this. Automation can mean taking a process and doing it much faster, better, and cheaper. Or automation can fundamentally change what a business offers, requiring a new business model and profoundly disrupting an organization or industry in the process.

We tend to see these two things as the same, but they aren't. In banking, for example, you could think of discount brokerages either as the automation of tasks or as the potential disintermediation of a bank's offering to customers. The implications are profoundly different.

Robert Kegan: I agree. Some kinds of automation help organizations to move faster and more efficiently, versus transforming the business and bringing about a new paradigm. You have to be mindful of the difference. Take the simple example of student papers today. Thanks to technology, they are more handsome to look at than they were in earlier times. You could be forgiven for thinking, sometimes, that they'd been published by a professional publisher. But the thinking of the students isn't necessarily any better. Technology can keep us where we are, but moving faster. Looking at it

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[1] Michael Chui, James Manyika, and Mehdi Miremadi, "Four fundamentals of workplace automation," *McKinsey Quarterly*, November 2015, mckinsey.com.

another way, you could say, "the greatest opportunities are going to require transformation. How can technology help me with that?"

Nadir Mohamed: The word "automation" itself is part of the problem. Take Uber as an example. You could argue that what they've done through automation is to make dispatching better. But, clearly, what they've done is more significant than just refining the same process so it's faster and cheaper. Automation today is about reconfiguration, transformation, disruption.

Claudio Feser: What changes for leaders in this new technology environment?

Nadir Mohamed: From a leadership perspective, I don't think the challenge is an intellectual one of knowing which disruption is coming. The challenge is how you get the organization to embrace the looming change.

Why didn't cable companies launch their own version of Netflix? Intellectually, they surely knew what was going to happen. For a long time before they were hit by the new model, even their own customers were moving toward delivery over the Internet. It wasn't that cable-company executives didn't see this coming. Their challenge was organizational—"how do we set up the capabilities to make change happen?"

Manfred Kets de Vries: I think the leadership challenge is even deeper than that. When we talk about leaders, we too often think about an individual with specific abilities. But no one can do everything. Leadership is a team sport. What's really at stake here is finding the right combination of complementary talents. The CEO playing Moses is a distortion, particularly in America, compared with Europe. Leaders should be asking themselves "how do we build a diverse and creative team that can reach better decisions?"

Peter Grauer: You're right. There's something fundamentally broken about the CEO model, given the accelerating speed of change and the shortening "life cycle" of chief executive officers, particularly in public companies.

In our interconnected, global environment, 60 percent of our business and 47 percent of our employees are outside North America. Our fastest-growing markets are the emerging ones. We check our smartphones when we wake up in the morning, and that's the last thing we do at night. We are totally wired. The only time CEOs are not bombarded by electronic media is when they are on airplanes. How can one person run the business? I don't think the old model of the supreme CEO works anymore.

Nadir Mohamed: I'm perhaps more "old school" on this. I agree the speed of change is intense. And I agree that glorifying the leader is a problem. Even good leaders can lead us astray.

But I do think the response to automation starts with the CEO. It starts with the leadership saying, "the company is going to change. We see this coming." Obviously, you have to build teams, collaboration, and what have you. The leadership, at the top, must embrace and drive change because organizations will not have the luxury to play out change over time, particularly in the midst of disruption. The leadership has to recognize the need for change and get the organization to change fast enough.

Robert Kegan: One way to think about the leadership implications of a major technology-driven change—whether for an individual or a team—is to start by asking more broadly what the functions of leadership are, by which I mean the position, not the individual.

I think there are a small number of functions for the leader. One is asking whether the organization is realizing its fullest potential. That's a question about the future. Most people in an organization are paid to think about optimizing the present. There are other functions for the leader, but this one—unleashing potential—is perhaps the most relevant to our discussion.

Automation is not an inspiring topic. It creates the specter of employees losing their jobs. Talking about the tools that will make our lives better, about unleashing potential, is a more uplifting way of looking at it. Leaders have to frame the story differently, as an opportunity, not a threat.

Nadir Mohamed: Framing change positively is really important. Leaders must paint that picture. But I think they also have to be firm about what has to stop happening in an organization.

You can make the case, for example, that mortgage brokers need to spend much less time doing menial work. Isn't it great that with a new technology, they'll be able to apply their critical skills more productively and do a better job serving clients? But this is only true for a particular type of broker. A lot of them may not have the skills that are needed after the changeover. The ability of the organization to get these brokers to change is a critical part of this positive story, to my mind, and we shouldn't underestimate that.

Claudio Feser: Leaders are dealing with more complex and diverse work roles than they were 30 years ago. And there are now many different ways to organize work. Looking ahead, will leaders need to be open minded and experiment with new organizational models?

Nadir Mohamed: That question highlights the need for clarity about what roles different layers of leadership play. What are the key decisions an executive should focus on as part of a leadership group? The greater the clarity, I think, the fewer the issues about changes in roles. The challenge of people working from home or on smartphones or on airplanes—to address Peter's point—need not be much of an issue provided there is clarity as to who does what.

The problems come when that's not clear and people are trying to do things they aren't suited for. Framing change positively is important, as we were saying, but in no way is it a compromise. Organizations suffer when the leadership doesn't deal with these problems and challenges.

Claudio Feser: That leads to capabilities. Is it right for the role profiles of board committees to emphasize lengthy industry and P&L experience while 22-year-old billionaires are disrupting whole industries? How, as a leader, do you make sure the organization has the capabilities and capacity to talk about the future and act on it?

Nadir Mohamed: The hard fight is how to get there. Think about banking or, specifically, Canadian banking, which I am more familiar with. A successful business model that delivers tons of value and is deeply embedded in communities. Bank leaders there see the disruption caused by peer-to-peer lending and the growth of all kinds of fintech companies.

The CEO of a bank, as part of the leadership team, has to paint a picture of where this is all going: "Here is how the new world will look." A picture of a future where the number of bank branches falls by 3 percent? A future in which there are no bank branches at all?

Then the question becomes what must you do to get there and how fast can you drive the change. The answers about what to do are multifaceted. There are regulatory questions. Do you want to be regulated more like the disruptors? In that case, your regulatory strategy has to switch from trying to get them regulated as you are. Or maybe you need a partner rather than building a capability on your own. Some things have to change faster than others; some things will take longer.

These are hard decisions. You have to paint the best picture you can, get the 100 top people to buy into it, and drive change throughout the organization.

Peter Grauer: Leaders need to make these changes. We all tend to underestimate institutional inertia.

I hear new leaders of some organizations talk about the changes they are going to make, but they are doing no more than saying what their predecessors said. I know some of these organizations, and their resistance to change is difficult to confront. I call it "corporate obesity"—big, lumbering, complicated, sometimes paranoid, sometimes complacent organizations that will have to change. Q

This roundtable was moderated by **Claudio Feser,** a director in McKinsey's Zurich office.