



Claiming our Humanity

Managing in the
Digital Age

Welcome

Who will hold the upper hand, man or machine? That was the key question at 2015's brilliant Global Peter Drucker Forum: Claiming Our Humanity – Managing in the Digital Age. This report from the Forum, in association with our media partner *Dialogue*, explores many of the topics discussed and debated in Vienna.

Inside you will find a host of articles from speakers at the event. We have an insightful interview with Charles Handy, the global leadership philosopher, who has seen the world of modern management evolve at every stage. We feature a forecast for a technology-driven future from the leading management thinker Tammy Erickson. And there's a thought-provoking think piece from the chief executive of the Drucker Society London, Professor Vlatka Hlupic, on whether robots really will take over the world.

This rich mix of sharp writing provides a real flavour of the world-class analysis on offer at the 2015 Forum. We hope it will inspire you to join us in 2016, for this year's Forum, on 17–18 November.

Dialogue **GPDF** | the world's management forum

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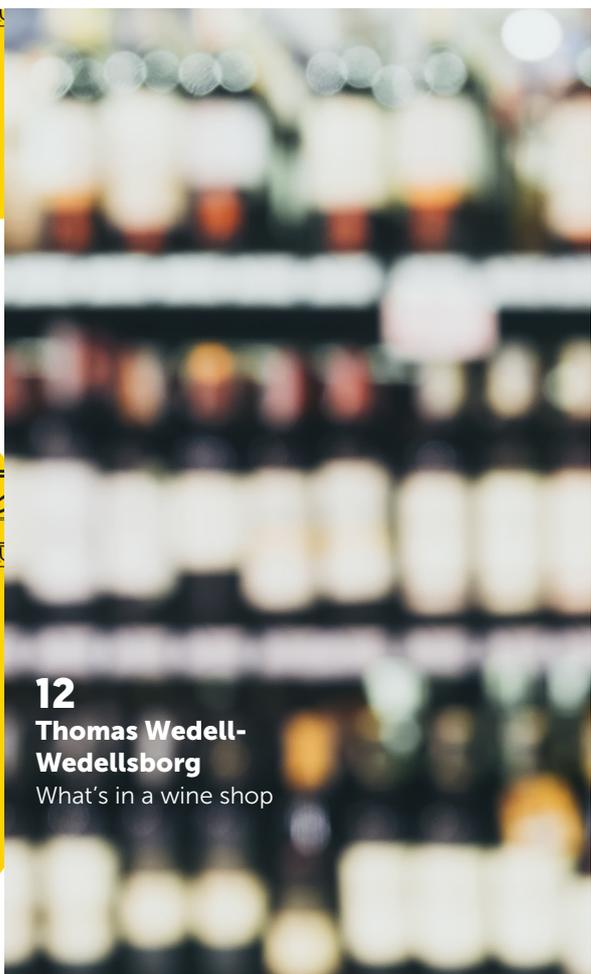
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Charles Handy:
the future can be seen in the present

The leadership guru is ready for management's Second Curve, finds **Ben Walker**

It's hard to imagine it, here in the calming surrounds of his East Anglian cottage, but Charles Handy wants to make you feel uncomfortable. He thinks the traditional economic model of a breadwinner on a salary, paying a big mortgage, loyal to their employer for years, is either dead or dying. "There's nothing so insecure as a secure job," he says. "The security is illusory."

His new book, *The Second Curve*, urges professionals to strike out alone, just as he did years ago, even if times become lean for a while: "The children don't care, they haven't a clue, they have baked beans for supper instead of salmon, but what the hell?" The key, says Handy, is to unshackle oneself from corporate control.

Is the book going to unsettle people who are happily married, heavily mortgaged and gainfully employed? "Oh I hope so," he says. "That's the whole point of the second curve: that when you are happy you really need to become unsettled, because this won't last for ever. At the peak of your contentment you ought to be thinking of your next venture."

Generation X, those who grew up and came of age in the 1980s, once promised to be a radical cohort, but instead became probably the last conservative generation: get a job, buy a house, start a family. The newer generation, Generation Y, is different, says Handy. They crave not the permanence – the illusory security – of their predecessor generation, but a pluralistic, footloose existence. "I suspect that goes right down the income scale," says Handy. "The uneducated coming out of school are not expecting to have a proper job, and they are certainly not expecting to buy houses."



I knew that things had to change when my wife told me that I had become the most boring man she had ever met

But if Handy's message is unsettling, it is not pessimistic. Perhaps the unknown new world, if terrifying now, might turn out to be better than this one? "I call it the problem of the caterpillar," says Handy. "The caterpillar hasn't any idea that he is going to turn into a butterfly. He just sees that his skin is falling to pieces, and he's dead scared. Prowling around his cabbage leaf is all he knows. He can't imagine being beautiful and able to fly."

Handy wants professionals to understand that they too need to spread their wings. "The second curve is a positive thing," he says. "If you are talented, you should value your freedom more than your security. People with talent should opt out. I can't understand why all the consultants in the NHS want to be employees. Why don't they incorporate themselves in groups and sell their services back to the hospitals? They'd have much more control over their lives that way."

But what of millions of people who are essentially unambitious, happy to stay in routine jobs? Why should they seek a second curve? "Because the world is going to change around them," says Handy. "You can see the future in the present, if you know where to look for it." He says the internet data revolution has rendered information free-of-charge, and this fundamental change to the way the world works is causing everything we know to collapse around us. "Whenever a major new technology arrives it takes about 50 years to work its way through society," he says. "We are about 25 years in." Those working in the caring professions and manual trades might escape mostly unscathed, he adds: "Education can be done by technology but, particularly in the early years, you are always going to need a degree of personal attention. There are some manual jobs too, like bricklaying, which cannot be automated or exported." But those in semi-skilled office jobs face an uncertain future: "If you work at an insurance company and you're happily entering numbers in a ledger and putting them on a computer, believe me, you won't be there in ten years' time."

The uneasy dawn that Handy predicts requires a new type of management. "It's a fascinating world we are entering but it amazes me how few people are thinking about it," he says. In his new book, he toys with the idea of a concept he calls "managing without managing", having observed companies that have thrived

while spending precious little time, and very little money, on training and performance reviews. If you find good people with the right credentials, who are enthusiastic to work on your project, you can just let them team up and find their own way, he argues, which will probably be more productive and more innovative than any path the company might have laid down for them.

“Part of the caterpillar-to-butterfly change is that hierarchy is dead,” says Handy. “We were captured by the three big religions of the West – Christianity, Judaism and Islam – all of which are hierarchical, and we have grown up thinking that the top-down system works well. But one of the major effects of technology is that hierarchy has gone because everybody can know everything.” Projects will be run in small groups, rather than corporate pyramids. Roles will be fluid. “Teams can’t work properly without someone deciding what they have to do at some point,” says Handy. “But the role of leader will change depending on what stage the task is at. The small-group working will be enormously satisfying.”

If company leaders don’t change soon, their new labour force will change it for them, Handy suggests: “The emerging generation is intolerant of authority – and authority doesn’t work unless you have the agreement of everybody. We have no more than ten years left of hierarchical organizations.”

Now in his eighties, Handy is a big beast of business thinkers. A prolific author, and popular face on the high-end speech circuit, he is a crowd magnet – his panel session at the recent Drucker Forum played to a packed auditorium of global business leaders. He is the ultimate independent spirit nowadays, but he hasn’t always been that way. He found his own second curve back in the 1960s, when he was establishing London Business School. He’d leave home at 7am and return at 8pm. His daughter told him that she thought he was the man who came to lunch on Sundays. “And after about six or seven years my wife asked me, in a tone of voice I didn’t much like, ‘How’s your school doing?’ I replied: ‘Considering it’s a new institution that has never been known in Britain, I think it’s doing quite well.’ My wife said, ‘I’m

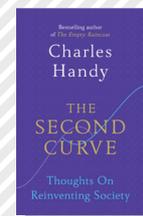
so pleased for you because I think you should know that you have become the most boring man I have ever met.’” His wife’s comments hurt him, but eventually hit home: “I realized I was sacrificing everything to my job, which I didn’t much like and which was very hard work. That was the point where I started thinking that this must end.”

Latterly, Handy lost his father, who was a parson in the same village church for 40 years. Handy had long considered his dad a nice but unexciting man. “That was until I went to his funeral and met many people who said that he mattered so much to them,” he recalls. “I thought, ‘who do I matter to, in my hasty ambition to climb ladders?’” He got out of the rat race and launched his own second curve before the world even knew that a global second curve was around the corner.

Of course, like all epochal changes, those who go through them readily forget what went before. In time, says Handy, the portfolio economy will be the norm: “We are going to have a world of short-term contracts, and I don’t think that’s too bad, but it’s going to be a more frightening world, undoubtedly.”

Business schools, at least as we know them today, will be gone, says Handy, replaced by executive education that takes place in interactive groups in spaces far removed from traditional lecture theatres. Nations will decentralize, even federate, perhaps, in the case of the UK. The three pillars of professional existence – business, education and government – will shed their skin and metamorphose, the old world consigned to history. “The butterfly probably doesn’t know that he ever was a caterpillar,” says Handy. “And our change is going to be wonderful too, once we have adjusted to it. Your security is going to be in your own abilities, not in your possessions. Assets are out – your only asset will be yourself. It will be a very exciting world but, like the butterfly himself, I think rather fragile.” ●

If you are talented, you should value your freedom more than your security. People with talent should opt out



Further reading
The Second Curve
 is available in print
 and e-book
 £8.99 (paperback)
 ● bit.ly/2ndcurve

combining different types of knowledge and expertise to come up with something better. We are challenged to detect and respond to market and environmental shifts, customize our relationships with customers and suppliers and evolve as we go; we are challenged to learn.

That these trends are happening is not in doubt, but their implications are still being discovered. Over the next few years, I expect five major trends to emerge...

Change #1

How work is organized: a shift to tasks

Today, in most organizations, we allocate work according to job or role. Individuals are given a title, say ‘vice president of marketing’, and responsibility for a broad set of activities. This approach to organization worked well in the more structured manufacturing-based world of the past, where responsibilities were well defined and their scope stable. The pyramidal shape of the population, coupled with company growth, made promotion through a series of jobs an effective way of providing people with variety.

But shortcomings are becoming apparent in this approach to organizing work. Broad, prestige-based titles make it difficult for senior individuals to phase out elements of their job, since stepping away from one of their titles feels negative, and the options for further constructive contribution are limited. It’s also difficult to give young employees the variety they crave, since existing middle-aged and older workers often block roles and career paths. Allowing people the flexibility many are demanding is difficult if all you have to offer are fixed roles, few of which are designed to be done at less than an all-out pace. And correlating pay is head-scratchingly hard.

All these problems become easier to address if you organize work by project or task, rather than by job or role. People still have titles, but they are time-bound and action-orientated: ‘head of the xyz product launch’, for example. Some people will take on multiple projects at a time. Some projects will be short (months); others very long (perhaps a decade or more, for example in the space industry). Compensation is tied to the project (“this project pays x amount”). And, ideally, people will have great flexibility in choosing or bidding for assignments on various

projects – with the option of taking on a number of difficult and high-paying projects in years when their lives permit it, or signing up for fewer or easier ones when non-work demands take precedence, or they simply want to scale back.

Benefits of this approach include:

- providing variety and challenge to young workers through the opportunity for easy, natural movement ‘horizontally’
- making effective use of experienced workers who want to contribute in meaningful ways, but not at the same pace as at earlier points in their lives
- enabling the use of contingent talent in ‘as-needed’ arrangements, providing businesses with the ability to use the best talent for each project and avoid the costs of maintaining talent not currently required
- allowing choice in many dimensions, not just time, place and pace, but difficulty, area of learning, and career path design (focused specialization versus broad capabilities)
- enabling meaningful performance reviews, by tying reviews to project milestones and enabling peer review, essential for effective collaboration

 **The new upside-down population pyramid means that many traditional career paths are blocked to the young by the overwhelming number of those already entrenched**

As we move to task-based organization, we’ll naturally cut most ties to management based on time. The concept of a fixed nine-to-five workday didn’t come into play until the early 1900s, as production processes became too complex and integrated to allow for individual latitude. With projects, the team may decide that it’s important to be together at certain points, but the overall organization is likely to have many more flexible arrangements in play.

In short, our 100-year experiment with time and titles is coming to an end. What do you, as an organization, need to do to prepare for and get ahead of this change? You could perhaps start with one functional area; for example, a number of the companies that have begun moving down this path have found that applying it in research and development is relatively straightforward and provides some immediate benefits. Then follow these lessons:

Key lessons

- Break work into activities or projects
- Eliminate or downplay broad, position-based titles
- Create ways of allocating projects that allow individual choice and tap the best expertise
- Allow teams to choose members and/or allocate compensation
- Create new performance review processes: task-based, aligned with task milestones, and reviews conducted by peers on the task team

Change #2:

How work is integrated: using real-time coordination

Have you ever watched young people go through the process of meeting face-to-face? Their approach rarely involves scheduling in advance or even planning a place and time. They're more likely to let each other know their current locations – to exchange coordinates – and then home in on each other like ships using radar.

This real-time, needs-based, location-driven approach will reshape many processes in business over the next few years. Just as we had to rethink things back in the 1990s, when computer systems first allowed us to re-engineer business processes, rethinking is required today to take advantage of the new communication and coordination tools that are available.

As we build processes around coordination, there will be a shift similar to that of the 1990s, when IT cut the costs of communication. These lower costs enabled companies to spin off non-core activities; decades-old notions regarding the need for forward and backward integration fell away as companies raced to focus on core competencies. Today's lower cost of coordination will lessen companies' need to 'own' resources, including employing full-time workers. They will increasingly use coordination to find the necessary resource or talent when and as required.

Key lessons

- Look for opportunities to substitute some form of coordination
- Identify resources, including skill sets, that you don't need to 'own' full-time – prepare to tap them as needed
- In so doing, embrace a variety of flexible arrangements (share, rent, borrow)

Tammy Erickson is a McKinsey award-winning author and a widely respected authority on leadership, the changing workforce, collaboration and innovation, and the nature of work in intelligent organizations. She has been named three times as one of the 50 most influential living management thinkers in the world by Thinkers50, is a frequent faculty member in Duke Corporate Education programmes, and an adjunct professor of organizational behaviour at London Business School

Change #3

How organizations relate to those who work: new ways of staffing

Organizing by task, and using coordination to find the best resource when needed, drive the third major change: organizations will no longer be comprised primarily of full-time employees, but will constitute a flexible community of workers. These individuals will be in a variety of arrangements – full-time, part-time, contingent, outsourced, consultative, expert-for-hire and others. Companies will become adept at finding the best person for a specific task at a specific moment in time.

This shift will be accompanied by several interesting corollary changes. Companies will need a new function – along the lines of the role of staffing managers in professional service firms or talent agencies in the film industry – to serve as the 'home base' for this complex body of talent, working in diverse ways.

Nearly 20 years ago, management guru Peter Drucker predicted that the HR function was headed toward a radically new operating model. He wisely noted that the growing complexity of the workforce – the need to juggle a variety of individuals, with diverse preferences and needs and a dizzying array of relationships – would take the staffing function out of general management and into a specialized agency-like HR function.

A strong employment brand will also become essential. As the relationship with workers takes on an episodic nature, the need to provide continuity between episodes of work, similar to the need to maintain continuity with customers between purchases, will be critically important.

Several things will diminish in importance. Tenure will no longer be a metric applied to the overall workforce; it will, of course, remain important and be measured for some tasks, but not all. A more relevant metric will emerge, related to 'fit for purpose' – the extent to which individual projects are staffed by people with the ideal skill sets.

University degrees will diminish as a currency in the job market. Employers will seek task-specific credentials. In response, 'badging' – signifying and communicating on-

the-job learning and achievements – will grow. Companies will compete for talent on the basis of the learning they provide.

Key lessons

To prepare for managing a portfolio of individuals:

- Create a wide variety of work arrangements
- Develop a ‘people function’ role similar to that in an agency
- Learn how to find and tap skills anywhere, anytime, matching talent from all over the globe with tasks
- Establish a reputation as a great place to work and maintain a long-term relationship with pools of individuals that you may need to tap in the future
- Emphasize learning and development; create a system to provide marketable credentials to those who excel in your organization; assist with future placement
- Develop an approach to understanding individual needs and preferences
- Adopt management practices required to support a mobile workforce across geographies

Change #4

How differentiating value is created: discretionary effort

Most of the work that adds the greatest value to our businesses today is not work that you can codify. It’s not work you can force people to do well – or even necessarily know they’re doing it to the best of their abilities. The greatest value today comes from innovation, collaboration, and customer service – areas that require individuals to dig deep and do their best willingly and wholeheartedly. It requires them to invest their own discretionary effort.

A core challenge for organizations, therefore, is to create environments in which people want to give their very best. Even individuals who have just come in for a brief, specific task need to be swept up in the sense of who you are and why doing this work is important and meaningful. They must be engaged.

Through studying companies that do this well, I’ve noted the common thread is a sense of confidence about who and what they are... and being comfortable with not being

all things to all people. Excellent companies are quick to explain what it means to work in their organization, why they are special. They recognize that ‘meaning’ is the new money; it’s what motivates and inspires today’s workforce to create extraordinary value.

Key lessons

- Understand what makes your organization unique – and that you strengthen the work experience
- Identify your own powerful set of ‘design principles’ (values)
- Create a powerful, differentiating employee experience, orchestrating elements throughout the organization: leadership behaviours, people practices and processes, day-to-day work experiences, as well as corporate stories and legends

Change #5

How some companies will become this century’s icons: lead to leverage intelligence

Leveraging intelligence calls for a very different form of leadership to that of past decades. Today’s leaders require skill in stimulating innovation and collaboration, an openness to new ideas and the ability to invite all interested parties to engage around meaningful work. Leadership today must be deeply rooted in meaning, in consideration of the organization’s values and the individuality of its mission.

Key lessons

- Rethink your approach to leadership selection and development
- Identify individuals who understand the importance of creating an environment in which many different people can contribute
- Develop the ability to engage with meaning; disrupt with new perspectives; connect by building collaborative capacity; and intrigue with great questions
- Above all, recognize that leadership and the organizations we create must be geared to meet the specific challenges we face at this moment in time. As a result, leadership practices and organizational designs will evolve over time and are logically different among different businesses. ●

As you prepare for the future, focus first and foremost on identifying the most significant challenge your organization must solve. What will set you apart? How will you create extraordinary value? Then consider what will influence your ability to meet this challenge successfully: the nature of the work to be done and the characteristics of the workforce you will need to attract. Only then can you begin to wrestle with formulating your own answers to questions about how best to organize the work, relate to the people you’ll need, and to function effectively as a leader through the ongoing changes that lie ahead

What's in a wine store?

The way vintners sell their product tells a great truth about companies' failure to think like consumers, writes **Thomas Wedell-Wedellsborg**

When I give talks to companies, I often pose the following problem to the audience:

You have been invited to dinner by your boss and, right before you head out, she sends you a text: "Could you bring the wine? We're having steak." You don't know anything about wine, but you do know that your boss is a huge wine snob, to the point where she considers people terribly uncultured if they cannot at least pick a good bottle for a dinner.

Sensing that it would be best to hide your ignorance, you rush into a wine store. You only have a few minutes to make the purchase. What do you do to make sure you pick a good bottle?

My audiences tend to offer a variety of strategies:

- Check online for recommendations

- Buy an expensive bottle
- Hope that the sales assistant is free and can help you
- Go for a French wine, that's a safer bet
- Call a friend
- Pick one with a fancy-looking castle on the label
- Or, hey, just show up with a good scotch instead and hope for the best...

The real point of the exercise, however, is to highlight something that people curiously enough seem to take for granted: *Buying wine is difficult.* The vast majority of people don't know much about wine – and yet, the vast majority of wine stores are designed in a way that does very little to help non-experts make a quick, informed choice. It is quite remarkable, really. There is an entire industry that is locked into one



way of selling its products – a way, notably, that does not solve a basic problem the majority of its consumers have.

Dishwashers from hell

I mention wine stores because they provide a vivid illustration of a much larger phenomenon that I have seen in industry after industry. When companies look for opportunities to innovate, they tend to look mostly at new technology: “What can we use social media for?” “How about 3D printing?” And so on. This is what you can call solution- or technology-driven innovation. At the same time, like in the wine store example, they can seem surprisingly blind to even the most basic pain points that their customers face.

Sometimes, this blindness – call it a lack of customer empathy – is not too costly. Wine stores might miss out on some sales, and they often waste your time, but nobody seems to get aggravated much by that. We have somehow got used to the fact that wine stores

are like that: confusing, impenetrable, and politely condescending.

In other cases, though, the lack of customer empathy can have a more corrosive effect on your business. Consider the following observation by Dave Allen, founder of the consultancy BrandPie. As Allen points out, some Siemens dishwashers are designed so that when the dishes are done, the dishwasher beeps intermittently until you empty it.

This, surely, was a well-intentioned decision made by Siemens’ product development team. But what Siemens seems to have overlooked is the fact that many people put on the dishwasher *right before they go to bed* – turning the function into a pretty annoying and uncalled-for alarm clock. And to make it worse, the beeping function is notoriously hard to disable. Given

 **It’s not only companies that can be blind to problems. There are many problems out there that *customers* are blind to as well**

that people keep kitchen appliances for years, you have to wonder how many consumers are right now being patiently trained by their dishwasher to feel a slow-burning resentment towards Siemens. And they are not the only company guilty of that error. Which brings an unpleasant thought to mind: Do any of *your* company's products have the same effect on your customers? What is your lack of customer empathy costing you? Because there is no reason to believe that your company is not making mistakes of a similar calibre, perhaps even without knowing it.

 **The future is notoriously difficult to predict. To often, companies get an idea, launch a product, and then realize that nobody cares**

How to reap the empathy dividend

The good news is, if you can make your company better at spotting these types of basic consumer pain points, you can not only prevent things like the dishwasher from hell, but also create better results – and sometimes drastically so. In the following, I offer three counterintuitive practices, uncovered through my research, that can help you get a better hit-rate with your innovation projects.

1. Seek problems, not solutions

As mentioned, when looking for new ideas, people have tendency to look to new technology, asking how they can apply it to their business. They also tend to look to the future, asking ‘what will our consumers want in three years?’ While those are valid areas to look at, they are also risky: the future is notoriously difficult to predict, and new technology is by nature a dicey area to dabble in. Too often, companies get an idea, build the product or service, and then realize that nobody cares.

A better approach is to take a problem-driven approach to innovation. In short: start looking for problems and pain points that your consumers are facing, and that have not been adequately addressed by the offerings in the market. By starting your innovation process with a really solid, validated problem, you drastically increase the chances that your new

product or service will not miss the mark. And, at the same time, you may discover that your solution can be built with old technology that you already master, making it even less risky to pursue.

2. Look for unstated problems

To identify customer problems, many companies rely on things like focus groups and incoming customer complaints. These methods are relatively cheap to deploy, and they will at times uncover problems that are helpful to product development. However, they also suffer from a significant weakness: they assume that consumers have themselves spotted the problem and are capable of describing it. Like the example with the wine shop demonstrated, it's not only companies that can be blind to problems. There are many problems out there that *customers* are blind to as well – that is, problems that are entirely unstated, and therefore won't surface in an interview. More directly observational methods are required to discover those.

Consider the experience of Samsung European innovation team, on which I recently published a case study. As the team decided to take a look at Samsung's camcorder market, they didn't just rely on focus groups: they also did active field studies on small groups of users, equipping them with camcorders and following them around to see what happened. And there, they found an unstated problem that Samsung hadn't solved yet: a majority of customers never *edited* their footage because it was too cumbersome to sort through the filmed material. Customers just assumed that editing was a hassle, considering it a fact of life rather than a problem to be solved.

Having spotted that pain point, though, Samsung's team came up with a creative idea – a bookmarking button that tracks the key moments as you film them, making the editing job easier and even allowing the camera to auto-edit the footage. The addition of that function alone made Samsung's camcorder department go from a negative to a positive bottom line. To get better ideas, use methods that let you discover the unstated problems as well.

3. Look at solved problems

Unstated problems are not the only source of good ideas. Another rich area to mine is



problems that are well understood, *but that the company believes have already been solved*. Sometimes, such problems have not been as fully solved as the company likes to think and, at other times, changes in the customer environment have made the existing solution less useful.

This point was also illustrated by the work of Samsung's innovation team. A few years ago, when you switched to a Samsung phone from a competing brand, Samsung had an app that would automatically transfer all your data and pictures from the old phone to the new one. This data transfer issue was considered a solved problem within Samsung's Korean headquarters.

But the team, sensing that there might be more to the story, ran an experiment where they paid a small group of consumers to switch to a new phone brand for a month, in return for a payment of UK £300 (US \$427). Through that, they found that Samsung's existing app was overly complicated to use. In fact, after trying to use the app, several of their test subjects got so concerned about losing data or photos that they refused to partake in the experiment, opting out of the payment as well. Having spotted the problem, the team then built a better app for data transfer that got more than a million downloads in the first month

after launch, markedly helping the sales of Samsung's phones.

To find value-adding problems, remember to also look at the things that are assumed to work well.

How to solve the wine problem

So, you can see how your company's problem-finding abilities can lead to significant and at times relatively risk-free innovation, as your employees become better at understanding the real pain points of their customers.

In my neighbourhood in New York City, there is a wine store called BottleRocket (pictured above). The owner is a rare vintner indeed – in that he has clearly got hold of the problem. BottleRocket does the usual sea of shelves with bottles, catering to the connoisseurs. But it also has something else: a series of big stands with clearly marked signs, saying Fish, Meat, Poultry, Takeout and so on. Under each sign, there are three or four bottles that you can consider, giving their customers some flexibility while also allowing them to make an informed choice. BottleRocket even has stands with signs for more contextual situations, such as 'Gifts', 'Third Date' and – thank heavens – a selection of bottles for 'The Boss'. There is hope. ●

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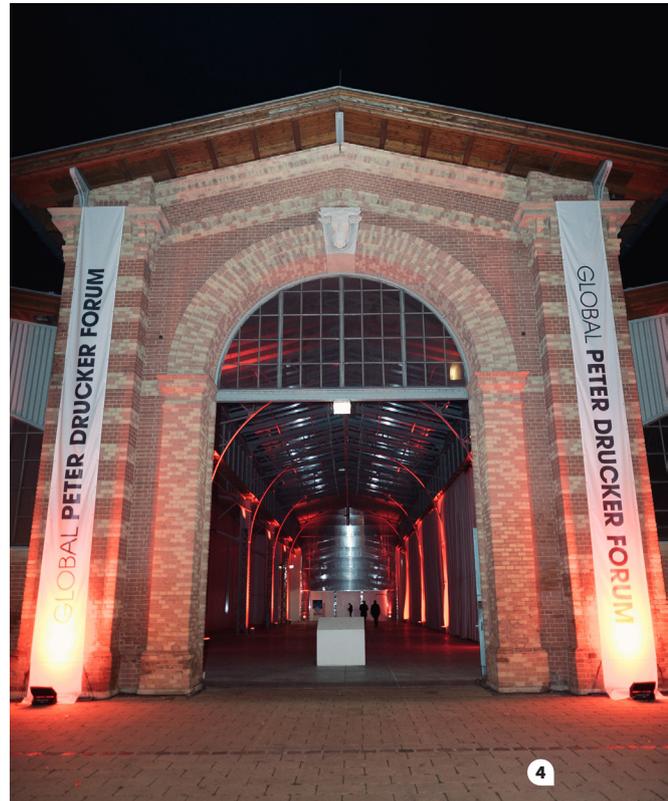
Gala night 2015



2



3



4





1. A big group ready to enjoy the evening
2. Listening to the evening's great speakers
3. Having a chat over dinner
4. The grand entrance to the event
5. Duo enjoying the evening
6. In traditional dress
7. All smiles on the night
8. Seated for dinner
9. Enjoying a drink
10. From left: Joseph Pistrui, Drucker Society London chief executive Professor Vlatka Hlupic and award-winning author of Not Knowing Steven D'Souza
11. Trio of revellers
12. Three friends have dinner
13. Management guru Henry Mintzberg (left) on stage
14. Leading thinker Charles Handy
15. Using modern tech to make a point



President's view

Drucker Forum boss Dr Richard Straub on the risks and rewards of the technological age

Much of the debate in and at the Drucker Forum 2015 focused on the extent to which

machines will take over management roles. Do you think that technology will eclipse the sort of roles that Drucker Forum delegates do?

I think the impact of technology on people's jobs tends to be overhyped. Knowledge work is almost never done in isolation. Granted, if the work you do is largely routine and repetitive then, yes, it lends itself to automation. But most knowledge work is done in connection with other people.

What is it about the human factor that makes you confident that the machines won't take over?

Looking someone in the eyes, getting information in informal conversation around the water cooler, talking to someone on the phone, even exchanging an email with them – it's grossly underestimated how important these things are in knowledge work. Technology has a role to enhance and augment the things we are doing. Yes, it can help us manage data – that is useful. But it cannot replace the human factor. Take for example the Forum itself. We provide a live stream for the Forum, so anyone can watch it, anywhere. But do you really think that that can replace being there, establishing personal relationships, meeting other people and getting to know them? Of course it can't replace those things.

Your views will probably relieve many Drucker Forum delegates, who chiefly work in executive positions rather than routine roles. Do you foresee any risks with farming out lower level jobs to machines?

I do. I'm worried about the impact of technology on entry-level jobs. For all professions you move up a pyramid, you climb a ladder. And at each rung you accrue information and experience for the next step. Take junior accountants – their job is to search data and look for things. These are the sorts of tasks that can be automated, that algorithms may soon do. But if young people can't get this experience, they are not learning the foundations. They do not experience things that they will need later in their careers.

In any professional career it is important that one understands the basics of the profession first – this includes data collection and analysis and a set of first conclusions or an analysis based on it. Of course you can think about automating this to a good degree. Yet, the first thing you lose is the serendipity opportunity. When you look through such datasets you may find some things that are not immediately relevant to the task you have been assigned, but which may give you new ideas for something else your company is doing. Serendipity is very human. Business doesn't work in straight lines, but computers do. A machine won't have serendipitous experiences. I worry that if we automate all so-called routine data work, we will miss out on ideas.

That is worrying. Do you think that global companies have properly considered the consequences of digitization?

I am concerned that companies are taking an overly simplistic view that if you employ people and use more machines you can save an enormous amount of cost. Because companies are so driven by cost they will disregard the risks, and give machines much bigger roles than they should have. Machines are good at answering questions. But they do not know what the right questions to ask are. If we leave too much of our business to machines, companies won't ask the right questions and poor decisions will be taken.

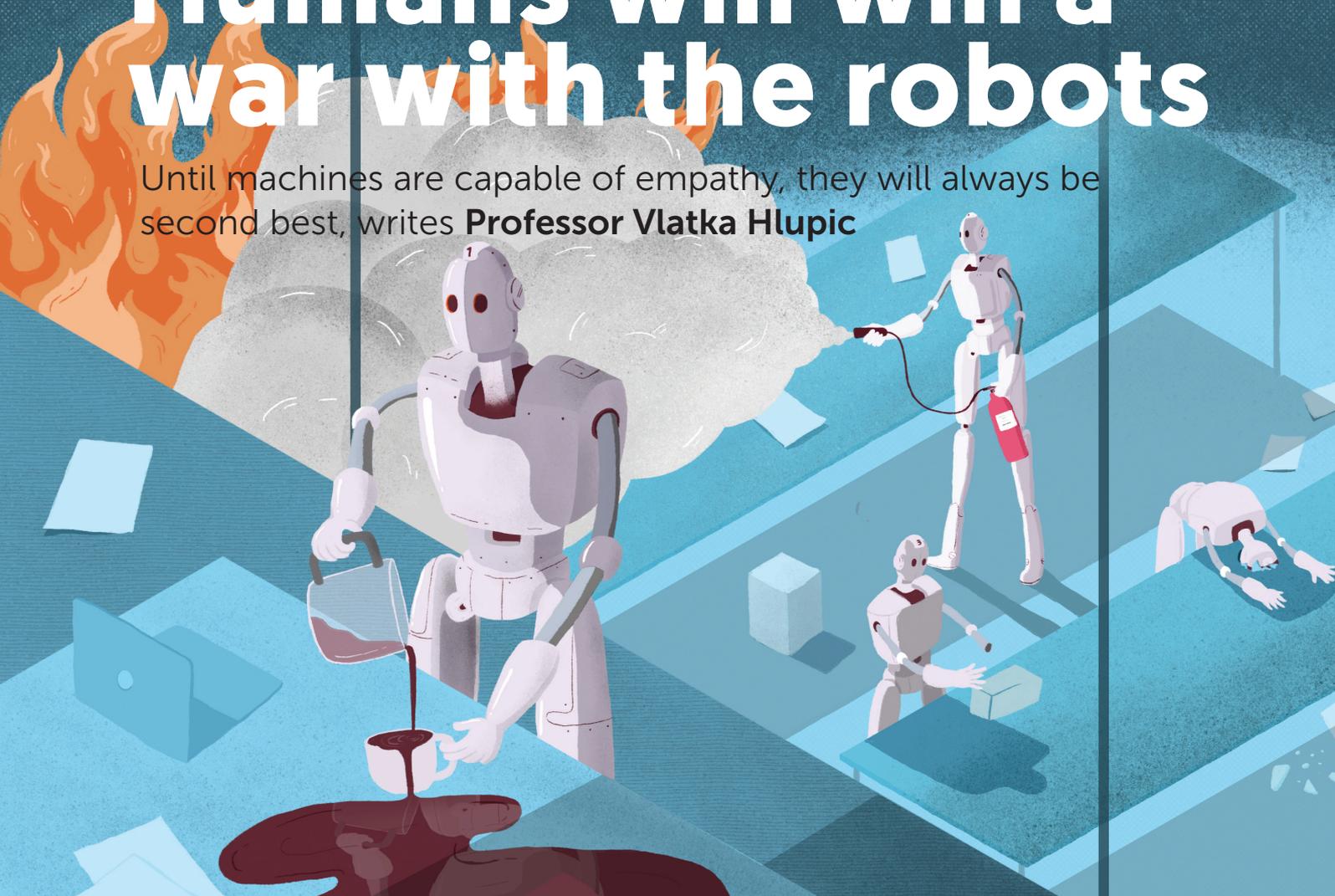
Did the testimonies of the global experts we saw at the Forum give you hope that business will avoid the pitfalls associated with the digital advance?

There was no technology bashing at the Forum – our expert guests acknowledged that technology is a powerful tool. But at the same time, they made it clear that the digital advance cannot be something that happens on its own.

It is not a case of there being machines on one side and humans on the other and their never really talking to one another. The most sophisticated app or algorithm in the world is nothing like as powerful as the human brain. You cannot map the human brain to any machine. That fact reminds managers and leaders in a very clear way why human beings are so unique, and that we need to make a bigger effort to understand the human side of business. ●

Humans will win a war with the robots

Until machines are capable of empathy, they will always be second best, writes **Professor Vlatka Hlupic**



Many analyses of technological progress assume this is the dawning age of the robot, and that machines are on some sort of collision course with human communities. The theory runs that as artificial intelligence becomes more sophisticated, it will replace us in many roles and leave millions of human beings at the margins. Those who try to halt this robotic march are told they ought to recognize it as inevitable and should keep abreast of the latest gadget or piece of code that will deliver the revolution.

The whole proposition is upside down. It is the technology prophets who are missing some of the most significant breakthroughs in science

– specifically in the emerging discipline of social neuroscience.

It is often asserted that machines can be made that are more intelligent than humans. And you can set tests that appear to support this assertion; the most common being that a machine can beat a grandmaster at chess. But this experiment is typically rigged in favour of the machine: the task is computational, dealing within the known parameters of events, and the human is an individual.

Yet where tasks are more ambiguous, or subject to unexpected events, and common sense or judgment is required, people are more effective than computers. Moreover, teams of people can be far more effective than an

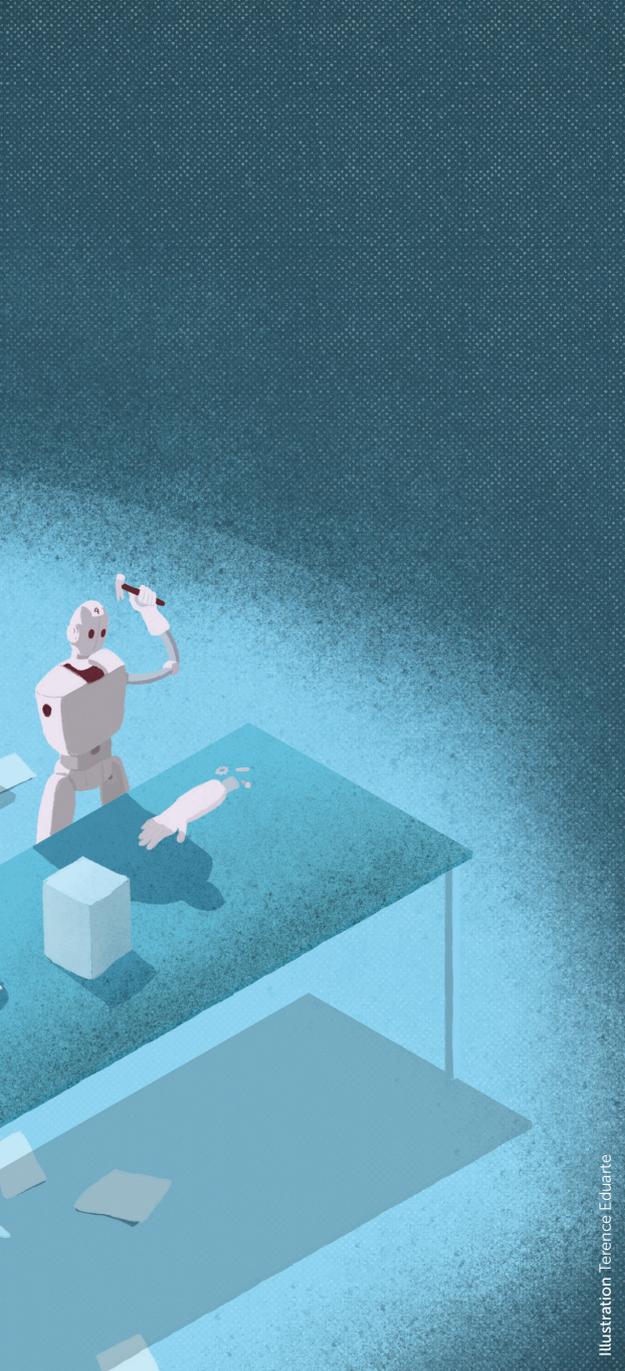


Illustration: Terence Eduarte

individual. The supreme irony is that it takes a highly gifted team of people, communicating and working effectively together, to have produced the artificial intelligence in the first place. Many breakthroughs, such as the electrical light, the programmable computer, the jet aircraft, are associated with a pioneer's name – Thomas Edison, Alan Turing, Sir Frank Whittle – but these individuals headed multidisciplinary, highly engaged teams of people.

As management author Professor Julian Birkinshaw points out, computers are good at providing answers but hopeless at asking questions. For innovation and a nimble approach to strategy, the successful firms and teams ask the right questions.

Humans are also capable of grasping paradox. The evidence from the most effective organizations is counterintuitive, something that the Whole Foods funder John Mackey refers to as “the paradox of profit”. It turns out that aiming to maximize shareholder value doesn't maximize shareholder value. This has been known for some years, but the learning is slow to percolate to a management population brought up on MBA notions of linearity.

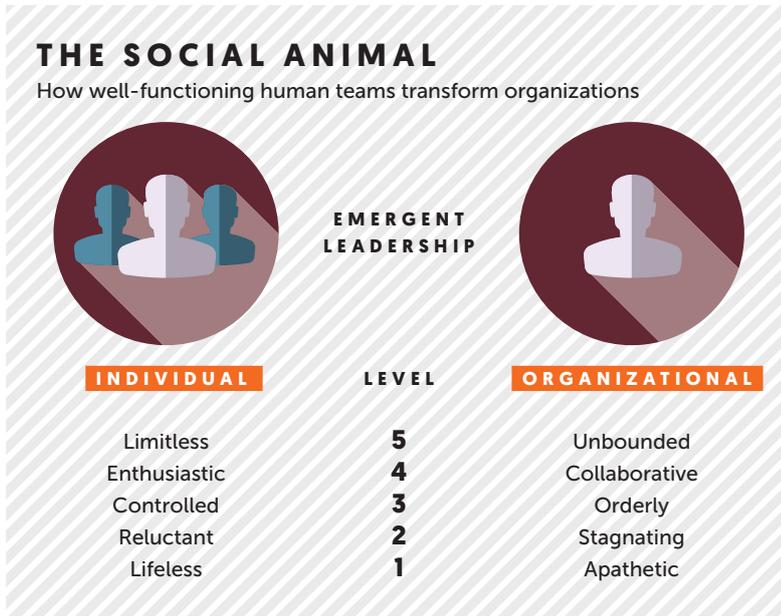
Organizational dynamics

Breakthrough discoveries on organizational dynamics and performance are potentially some of the most valuable of the late 20th and early 21st centuries, but they are not so easily demonstrable as a shiny new aircraft or a tablet computer. We have learned that a highly effective team, or organization, is much more than the sum of its parts. It is also the case that a highly dysfunctional team is less than the sum of its parts – but this point merely underlines the importance of paying close attention to these dynamics. Neglecting this dimension, and focusing solely on technological advances, has thwarted progress in the past.

Some of the findings on social neuroscience, supported by decades of empirical evidence on the most effective organizations, show that collaborative efforts by human beings add up to more than the sum of individual intelligences; that there is a collective supra-intelligence, similar to an ant colony, when people are intelligently led and work effectively in teams. Much of my research in recent years has been devoted to understanding this powerful dynamic and devising means to realize it in the real world.

So a highly motivated, brilliant team isn't just more capable at a cognitive level, it moves to a higher level of consciousness, often surprising itself at its capabilities, committed to continual learning and inventiveness. My own work supports the concept of levels of operation for an organization and a team, from level 1, characterized by apathy or destructive behaviour, through to level 5, where passionate people combine creatively and with inspiration (see infographic overleaf).

Questionnaire-based analysis shows that, where the level of operation moves up, so does organizational performance. There is a particularly significant shift from level 3, which is ordered and bureaucratic, to level 4,



which is where highly engaged and inventive performance begins. At the neurological level of the individuals involved, it can be demonstrated that their brains and emotions are actively more fired up when so inspired; that the enthusiasm and passion are literally infectious from one person to another. This is science, not poetry. Or perhaps it is both.

An important feature of this high-performance culture is that financial returns improve, sometimes spectacularly. So it isn't a choice between, on the one hand, a humane organization keen to develop its people's potential and, on the other, a ruthless quest to maximize profits. You can do both, with the right leadership. Moving from level 3 to 4 is to move from 'I' to 'we'. Moving from level 4 to 5 is to move from 'we' to 'the greater good'. And it is at this point that profits start to become maximized, including returns for the 'I' - individuals. This paradox of profit is only now starting to become mainstream thinking.

Nurturing the human community

The theory about robots taking over might be more convincing had it not been apparently rejected by the very companies responsible for the so-called march of the machines. Some tech firms, for example, have a clear understanding of the complex dynamics of team behaviour, and place much attention on nurturing the human community as a means of fostering innovation and high performance. Google, for example,

seeks to hire for the right culture, and build teams; it also deploys workforce analytics to gauge the effectiveness in these disciplines. At the Google X Laboratory, leaders actively seek to create a level 5 atmosphere of boundless passion, optimism, collaboration and inventiveness. They are encouraged to 'shoot for the moon', not tied to the annual budgets, arbitrary targets and rules of a level 3 operation.

Not all workplaces should resemble an experimental laboratory; for many enterprises there is a need for a more stable and reliable way of delivering an existing product or service to the desired standard. In this context, however, the health of the human community is just as important.

Ultimately, all profits are a by-product of mutual trust, which is an unchangeably human characteristic. Customers trust the company to enhance their quality of life at least as much as it says on the tin, or in the advert. The collapse of the share price in the car giant Volkswagen this year has come about because of a collapse in trust, after the firm was alleged to have been cheating statutory tests to determine the level of the more poisonous chemicals in exhaust fumes. While people are innocent till proven guilty, trust doesn't wait on the court judgment. The consumer asks herself: Am I buying what I thought I was buying? If the company misled me on emissions levels, has it misled me on anything else?

Economy innovations such as Uber or Airbnb will only be sustained through customer trust. Technology is no more than a facilitator. So while the non-scientifically trained population does need to stay abreast of technological developments, it is at least as important that the geeks stay in touch with research on organizations and society.

The breakthrough findings on social neuroscience, and the nature of high-performing firms, ought to transform the terms of reference for discussions on implementing technology. Traditionally, the discussion is posed as: "If we maximize technological progress, is there a risk that people and communities get left out?"

We can now offer a radically more optimistic framing: "If we understand groups of people better and how to get the best out of them, we can innovate more effectively and get the best out of technology to help create a better society." It's an idea that no machine would have dreamt up. ●

Professor Vlatka Hlupic is a management consultant, executive coach, award-winning international thought leader and author of *The Management Shift*

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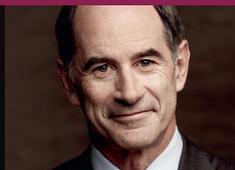
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