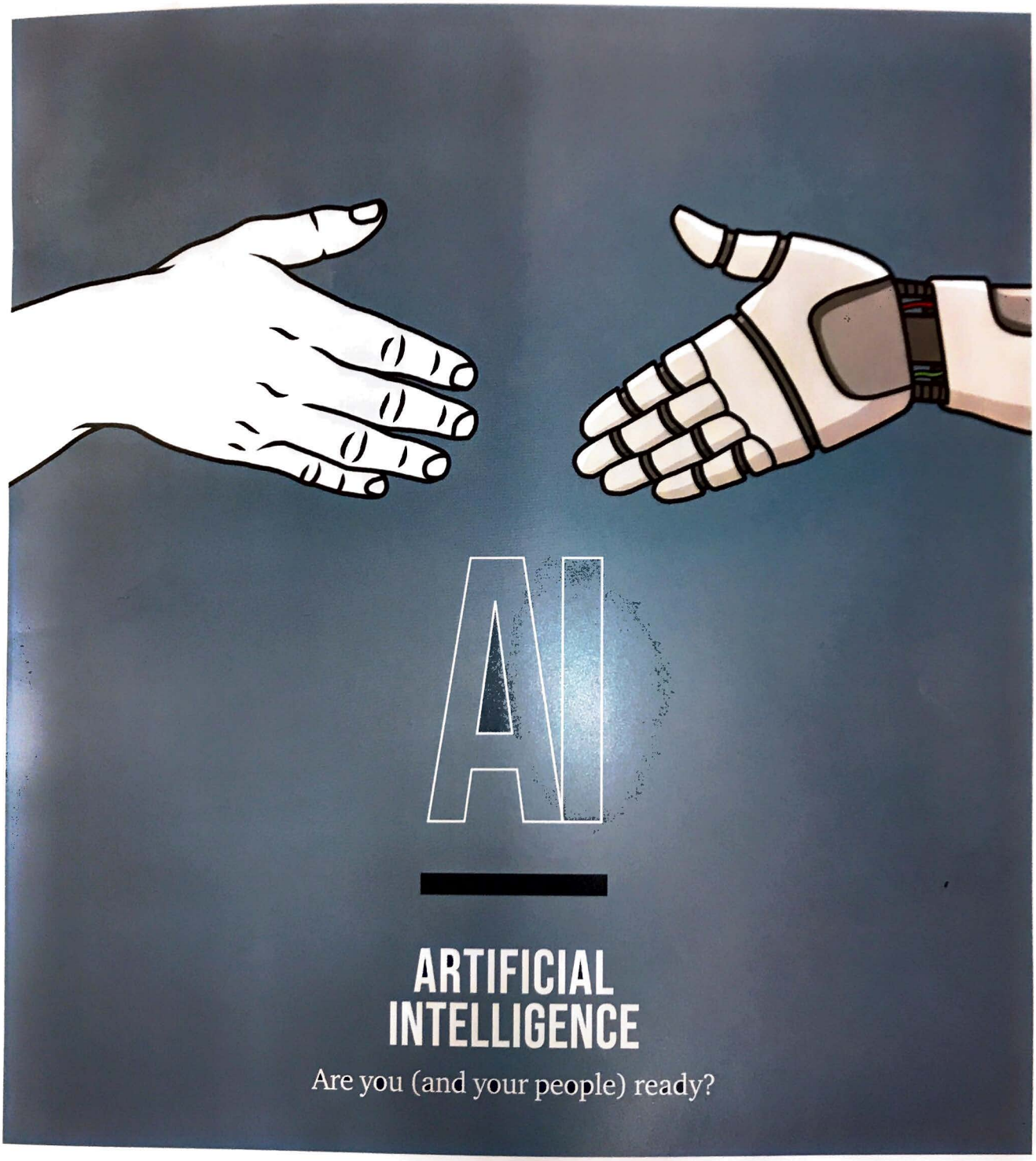
LEADERSHIP MATTERS

WHISTLEBLOWING
Where would you turn if you suspected crime in your workplace?

RAM CHARAN
Revealed: How Amazon's leaders achieve speed, agility and scale

IDENTITY SHIFT
Our step-by-step guide to changing careers

LEADING WITH DIGNITY
The award-winning business that is also a charity



ARTIFICIAL INTELLIGENCE

Are you (and your people) ready?

AI

MANAGERS AND LEADERS MUST SEIZE THE OPPORTUNITIES OF ARTIFICIAL INTELLIGENCE AND AUTOMATION – AND BRING THEIR PEOPLE WITH THEM. *LEADERSHIP MATTERS* INVESTIGATES HOW.

ARTICLE BY
NICOLA FIELD
Journalist

It's no secret that digital transformation is changing our world, our workplaces, and the way we do business. But despite this, many Australian leaders are yet to embrace the opportunities offered by artificial intelligence (AI) and automation. Recent research by Microsoft and IDC/Asia-Pacific found Australian organisations are generally reluctant to invest heavily in AI and automation. They also lack the skills and leadership to fully harness the technology.

Automation is already here

Automation is the replacement of human labour by machines – and there's nothing new about that. If you think about it, it already pervades our lives. A simple international flight could see you check-in at an automated airport kiosk and have your passport scanned by a machine rather than reviewed by a border official. Even the pilot is only likely to actively have their hands on the control column for a few minutes of the total flight.

AI is harder to define. What we see around us today is referred to as 'narrow' AI – intelligent systems that have been taught to carry out specific tasks without explicitly being programmed how to do so. A simple example would be the language recognition available with Siri, the virtual assistant on iPhones.

In the business environment, AI is being used to expedite customer service (e.g. chatbots offering real-time support on websites), optimise logistics (e.g. suggesting the fastest transport routes based on live data), and prevent fraud (e.g. using algorithms to detect unusual spending behaviour on a credit card).

But all that is just scratching the surface of what automation and AI could do.

Big potential, small take-up

A wealth of research demonstrates that automation and AI offer extraordinary potential for business leaders. According to a study by Accenture, AI could boost many organisations' profitability by 38% by 2035.

Microsoft's recent report *Future Ready Business: Assessing Asia Pacific's Growth Potential Through AI*, found 80% of Australian business leaders believe AI could see employee productivity increase 1.6 times.

Yet despite the potential gains, Microsoft's study also noted that Australia lags behind the Asia-Pacific region when it comes to AI capabilities and strategy. Only 14% of local organisations have adopted AI as a core part of their business strategy, according to Microsoft.

The reasons for leaders' reluctance are many and varied. »

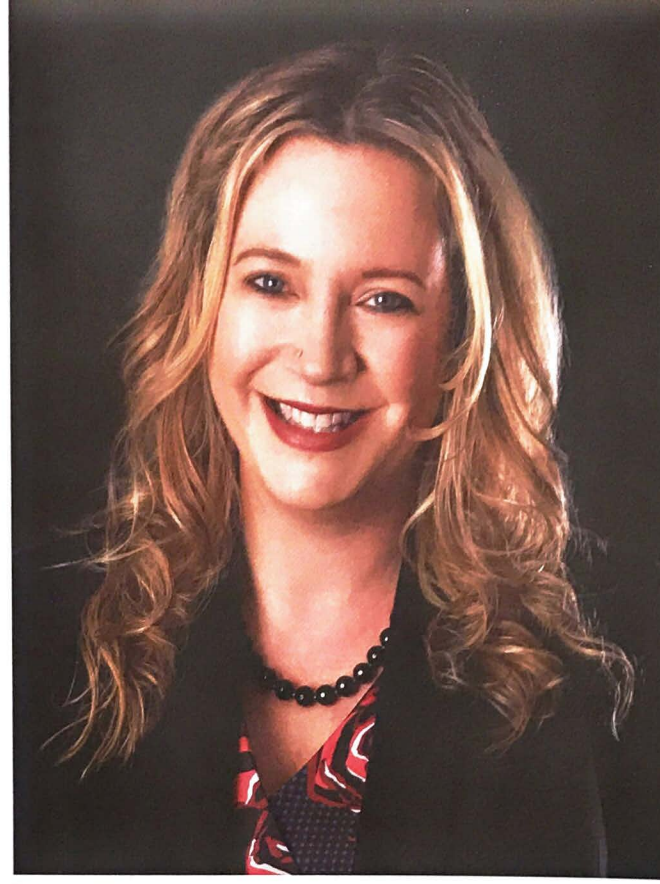
25-46% of current work activities in Australia could be automated by 2030 (McKinsey)

But one of them may simply be fear. For all the data on positive impacts, there are also some unnerving predictions.

A McKinsey study found automation technology can already match, or even exceed, the median level of human performance in many activities. Deloitte Access Economics estimates that over the next 10 to 15 years, around 40% of Australian jobs have a "high probability" of being automated. Even activities consuming more than 20% of today's CEOs' working time could be automated using current technologies.

Faced with such findings, it's perhaps understandable that some leaders and managers are daunted by automation and AI. But there's more to their reluctance than simply fear. Microsoft found that the lack of adoption of AI in Australia essentially boils down to three main factors: Lack of skills and resources (cited by 28% of respondents); lack of leadership commitment to invest (25%) and a lack of adequate infrastructure and tools (12%).

WHERE NEW TECHNOLOGIES DO TAKE EFFECT THEY GENERALLY CREATE AS MANY JOBS AS THEY KILL.



Kylie Watson FIML

Commit to lifelong learning

Change is often hard to navigate. And when it comes to technology, change is occurring at an escalating pace.

Kylie Watson FIML, Partner in Risk Advisory for Data and Technology at Deloitte, says, "One of the challenges I see is so many effective and smart new AI technologies are being introduced. Our teams need to continually learn what these are, what they're trying to solve, how they will help our clients, and then know the technological detail of them – such as how they integrate with existing technologies."

Watson explains that, when her teams learn one technology it quickly evolves – or another comes along – which means her staff need to upskill again.

"My teams are continually learning both on the job and online," says Watson. "It's the same for our clients – and part of the challenge is that their executives and managers don't always understand what skills are needed for AI adoption, and are unsure what training experiences their people need."

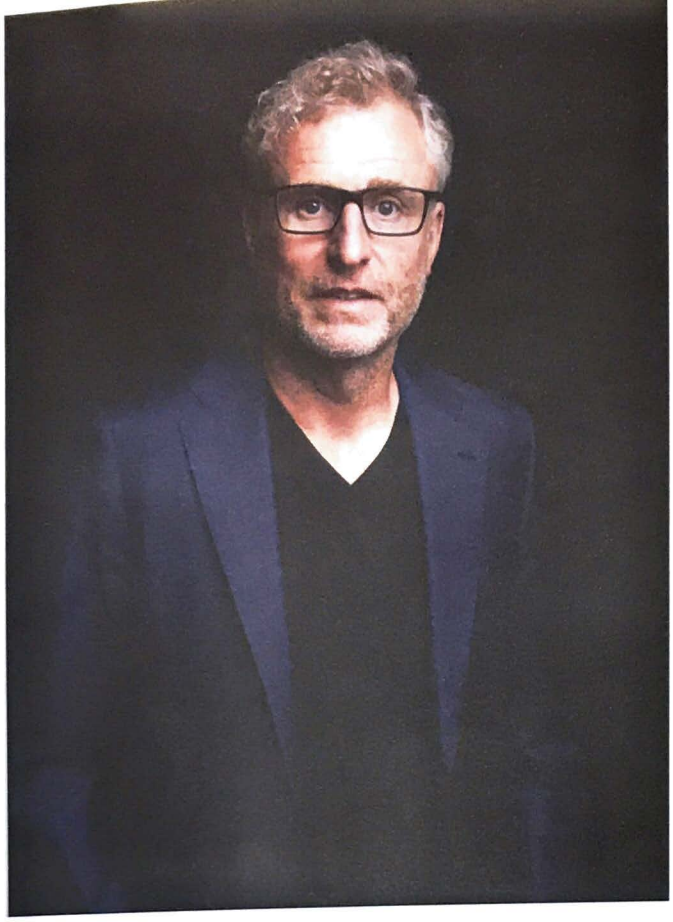
Watson admits that it can be hard for leaders and managers to sign off on training programs they don't understand themselves. But she says the ability to navigate automation and AI is "really about having to embrace and sustain the idea of lifelong learning in your organisation."

She adds, "I have multiple degrees and I'm studying another Master's degree as I want to make sure I am at the forefront of disruption. I have some people on my team without a single degree but they have a lot of ICT certifications and qualifications. Others absorb every technology podcast they can find."

David Banger, digital adviser, author and founder of CHANGE lead – Practical Digital®, says the demands on leaders and managers are unprecedented: "The volume of work is growing, complexity is increasing and digital is confusing.

14%

Only 14% of Australian organisations have adopted AI as a core part of their business strategy (Microsoft)



David Banger

And while there is no shortage of research confirming the merits of embracing digital transformation, it can be expensive."

Like Watson, Banger believes that a big step in managing automation and AI lies with learning and relearning. "It's not always about embracing change, but rather being open to learning. Learning is more important than knowing. Many leaders have a fear of new technology, but organisations must maintain an open mindset rather than simply maintaining the status quo."

For managers and leaders, it's important to reflect on your own mindset. Banger notes that some leaders may have what he describes as an "undertaking mindset". This is where traditional reactive work is undertaken, for example a lot of paper processing. "They do the work and possibly don't think sufficiently about how the work could evolve," says Banger.

"This undertaking type of work needs to be analysed, eliminated, integrated or automated. Otherwise it will hold the organisation back."

Banger says other leaders can be identified as "the lounge" group, typically those with long tenure in an organisation or industry, who are potentially subject matter experts in an organisation. He notes, "To avoid change, many of these leaders try to rationalise what they're doing and why it will continue to be successful, often seeking a collective consensus from other, similar leaders. These people are like the antibodies that alienate change and stop the organisation evolving."

Recruit open minds

While it's important for leaders to maintain an open mind about new technologies, this may not come naturally for some team members.

"Some people thrive in this environment [of continual change] but others can easily be exhausted or intimidated," says Watson.

"It's about hiring for mindset over existing skills. The rapid pace of the technological change means those with open and flexible mindsets and a willingness to learn can be critical to accelerating adoption.

"The key to success is to look for curious, motivated, hungry people, who like to challenge ideas and see the learning curve as an adventure."

According to David Banger, success can also lie in bringing workplace generations together. "Part of the move to digital transformation is to connect each of the generations across the organisation that are open to learning and thinking about how they could use AI and automation within the organisation."

Provide space - and incentives - to adapt

Another blocker that Watson observes is what she refers to as "short termism" and the struggle to develop effective strategies that harness the potential of automation and AI.

Thank you to Zane West CMgr FIML for suggesting *Leadership Matters* explores digitisation and behavioural change

She explains, "Only a fifth of executives agree they are completely ready. Organisations with dedicated AI and Industry 4.0 strategies are performing well, while others lag behind. There are quite a few organisational technology strategies but they don't pull out AI specifically with a clear action plan for exploration and adoption."

One way to address this, according to Watson, is to provide incentives to adopt technologies and explore new ideas.

Banger goes a step further. "Disruption occurs when organisations and industries haven't innovated. So if you're not seeing a lot of innovation within the organisation, it's more likely you'll be disrupted. That makes it important to set the conditions for innovation."

He advises that this can be done with practical tactics involving employees who can offer insights that can help the organisation evolve. "We want people to add value. But job descriptions often cover a large range of responsibilities," says Banger. "We need to think differently, to rationalise employees' activities so they have more time for broader initiatives."

Banger recommends, "Assess what your peers are doing and what it means for their organisations. Not all people will be innate innovators, but leaders need to focus on areas where people could initially innovate. Consider where they could innovate; simplifying tasks, process consistency, assessing data for insights. Coordinate these focus areas with external partners and other employee groups of the organisation to build a community of innovators."

Addressing the risks

Taking advantage of new technologies can make good business sense. But it pays to take an informed approach.

PwC's 2020 *AI Predictions* report, which surveyed 1,062 executives at US companies currently investigating or implementing artificial intelligence initiatives, found that just 4% are planning to roll out AI enterprise-wide in 2020. It's a steep drop from the previous year, when 20% reported such plans.

The reason for this reality check is that business leaders realise they need to focus on AI fundamentals – and this includes possible downsides, before expanding these initiatives across the business.

Banger advises, "Consider the controls in place to mitigate risks [from AI and automation] occurring in your business. This involves building risk capability across the employees of an organisation so they can use good judgement prior to committing to a course of action, reducing the dependency on a risk department. Employees need to understand the risks."

The future of work is human

While alarmists in the media are quick to emphasise the potential downsides and challenges of automation and AI, Watson firmly believes that "the future of work is actually human".

Yes, some jobs may be lost, but as Watson points out, "Where new technologies do take effect they generally create as many jobs as they kill. For every problem there is a job, and we're not running out of problems to solve. The boring repetitive jobs will be done by machines/robots, leaving more challenging – and interesting – stuff for humans."

ORGANISATIONS WITH DEDICATED AI AND INDUSTRY 4.0 STRATEGIES ARE PERFORMING WELL, WHILE OTHERS LAG BEHIND.

FURTHER RESOURCES

BOOK
Digital is Everyone's Business: A Guide to Transition by David Banger
davidbanger.com

TED TALK
What does AI mean to leadership? by Dr Milo Jones, Visiting Professor at Madrid's IE Business School
youtube.com

LEADERSHIP MATTERS
See page 48 for a handpicked selection of AI resources for managers and leaders