● Whitepaper

Not AI, but leadership determines who survives

A whitepaper on the role of leaders in the adoption of AI

eraneos

Content

The role of leaders in the adoption of AI

One of the biggest challenges facing organizations is the adoption (or not) of the now widely available AI technology. This is really a challenge for leaders since they are the ones who need to decide whether the organization will work with AI and how. As with all new technology, do you wait until it is proven or do you get a headstart? And what is the road to success for adopting AI within an organization? These questions and many others surrounding AI are currently on the tables of senior management teams.

In this whitepaper, we will describe the role of leaders in the adoption of AI. The behaviors required are closely related to those that helped leaders to successfully integrate agility into the way of working. The key difference is that the adoption of a Lean-Agile way of working is seen largely seen as something that primarily affects the 'work floor', leaving leaders as interested bystanders, whereas the integration of AI into everyday work within the organization requires leaders to be intimately involved.

The rise of AI

"We now all have a form of AI power at our fingertips."

The Earth shook on 30th November 2022. ChatGPT was released and within two months, there were over 100 million users. The term Artificial Intelligence ('AI') became the key concept on everyone's lips. Every business needed to adopt 'AI'. Very soon the doom scenarios became the headlines: 'mass unemployment due to AI', 'every industry will be disrupted by AI', 'if you don't act NOW, you'll be bankrupt by the end of the year'.

We are now three years into this phase of the development of artificial intelligence. It has now reached the broader population, rather than being the domain of people who understand and can develop neural networks, machine learning and advanced algorithms. We now all have a form of AI power at our fingertips.

A previously unreachable source of capability is now available to everyone; another form of the democratization of technology. For the leaders of the organizations that are potentially doomed to disruption, bankruptcy, or replacement, this democratization of an advanced technology – Generative AI – is scary. Who knows what somebody in an attic somewhere is going to do with it? Who is going to eat my business or render it obsolete?

Rewind

"Some 25 years ago, we experienced a similar democratization: Internet."

Before we fall into the doom-and-gloom trap, let's see what lessons we can learn from recent history. Some 25 years ago, we experienced a similar democratization: Internet. The first users of internet started in the 1990's and used it as a digital brochure. But it was only after the dotcom bust of 2001 that businesses started to truly investigate and understand the power of internet. It gave rise to 'apps' which would come to dominate our perception of IT value. No longer was the creation of valuable software the domain of highly-skilled developers. Low-level programming skills could get you a pretty good website. Moderate programming skills could get you a decent app quite quickly.

This democratization of internet technology was one that leaders were quick to harness. Businesses quite rapidly largely centralized their website creation into Marketing departments (supported by IT) and app creation was centralized to IT. Generative AI is the next phase in the democratization of information technology, with powerful tools now at the fingertips of users who are not well versed in structured programming. The big difference between Internet and Generative AI is that it can be applied more readily by anyone anywhere, without the need for centralization. A good prompt doesn't (necessarily) need to be centralized. This phase of democratization is more difficult for leaders to harness based on building a structure (i.e. department) in the organization to which they assign responsibility of AI.

"The technology may be recent, but the need to influence how it's used is not new. We saw this with process automation in the 1990s, the internet in the 2000s, apps in the 2010s, and now with AI."

Artificial Intelligence

The promise and power of artificial intelligence has been with us for decades. Before the end of 2022, we primarily used algorithms with self-learning capabilities to help optimize tasks. These algorithms were based on the STRUCTURED data that lay within the databases of the IT systems. Building these algorithms required specialized knowledge of both the business process and the programming language. Generative AI works differently.

It is essentially about gaining understanding of UNSTRUCTURED data, using the power of technology to make sense of large amounts of data that we as humans are incapable of processing at the same speed as a computer.

It is different this time...

Whichever way you look at this phase of democratization of technology, it is less about the technology and more about the behavior we expect of people using the technology. As leaders of organizations, it is vital that the use of the technology does not damage the reputation or performance of our organizations, preferably enhance them both. This means that we need to be aware of and influence the behavior of the users of the technology. But is this new? The technology may be recent but the need to influence the way the technology is used is not new. We saw this with large scale process automation in the 1990's, with internet in the 2000's, with apps in 2010's and we see it today with AI.

There is one major difference between the 1990's/2000's and today, most organizations have had some experience with the introduction of agility in the way of working.

Up to 2010, most organizations still adhered to the classic command-and-control way of steering. With the advent of Lean, Agile and DevOps as new approaches to creating value for customers, many leaders started to realize that the 20th Century style of leadership and management was no longer suited to a faster, more agile way of delivering value.

Unfortunately, not all leaders paid attention to the need for new leadership in the transition to a new way of working. The transformation to an organization that makes productive use of AI will be less forgiving. Leaders will need to adopt a new leadership way of working to ensure that the adoption of AI actually leads to new value rather than a cemetery of failed initiatives.

Using the lessons learned from the 'agile transformation'

Leadership lessons from agile

1. **Command-and-control doesn't work anymore.** Agile ways of working require clarity from leaders about the objectives to be achieved. Teams must be given a purpose related to the organization's purpose and given the freedom – and the guardrails – within which to achieve the purpose.

2. Talking about teams, the organization must be structured to ensure that people are brought together in teams with a common goal. **No longer are the knowledge silos of the past sufficient to deliver with the speed that customers now require**. The building block of every organization today is the multi-disciplinary team. This may seem to be a vague concept but if you identify the product or service to be delivered, assembling the right people to deliver it is relatively straightforward. It does, however, change the power structures in an organization.

3. **Annual planning cycles are too slow**. Organizations must have short cycles within which value is created. This meets the needs of customers and also encourages learning. In fact, leaders must ensure a prioritized list of initiatives that most effectively help the organization to meet its goals in the shortest possible time. In the past, leaders imposed the list. These days leaders must facilitate a process to ensure that the list is created with optimal input from the 'people who know' – the work floor.

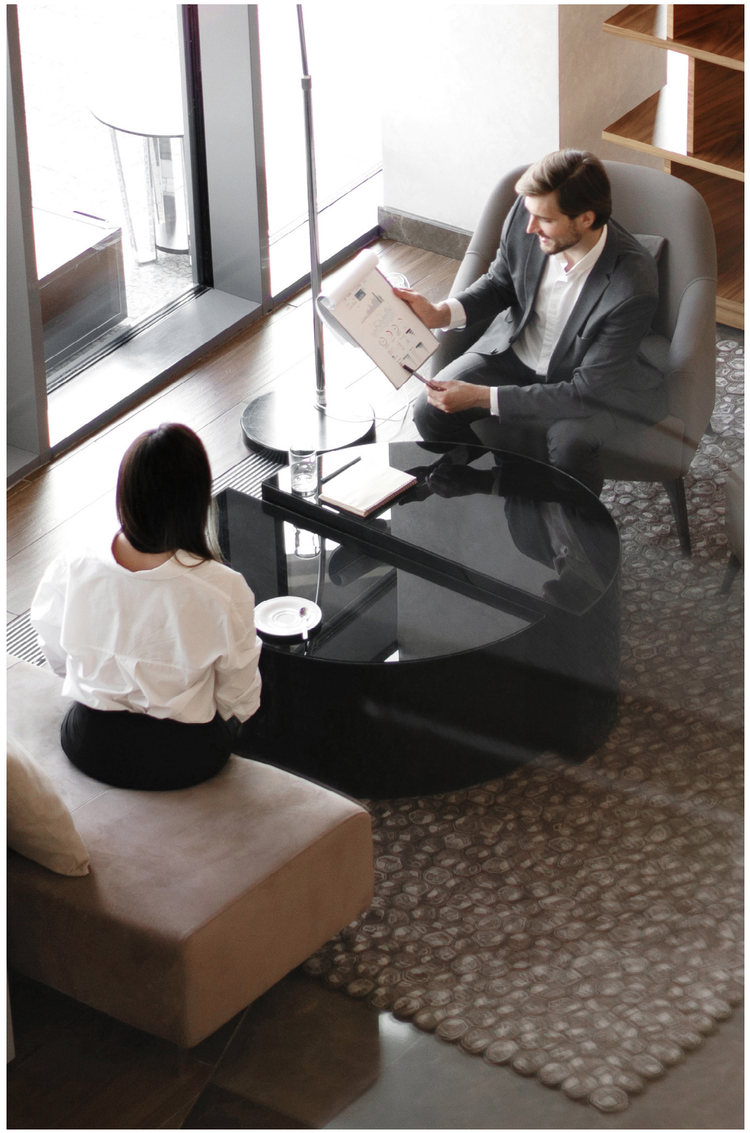
4. **Communication structures are wholly inadequate for the current need for speed**. Leaders need to construct communication channels that disseminate information to the rest of the organization as quickly as possible. And ensure that if there are impediments that need to be solved at the highest level of the organization, these impediments reach these levels in hours or days rather than weeks or months. These communication structures also mark out the 'heartbeat' (or cadence) of the organization.

5. **Leaders focus on the wrong measures of success**. Firstly, 'result' is not the only measure of success. In fact, focusing on results and not on behaviors is what gave us the financial crisis of 2008. Leaders must focus on understanding what behaviors led to the results you get – good and bad. To do this leaders must increasingly manage from the work floor rather than from PowerPoint presentations and Excel spreadsheets, a substantial challenge compounded by the remote working trend.

6. **Don't just push harder, solve impediments**. The agile transformation showed us that by focusing on removing both the operational and managerial impediments to the delivery of value gives the best results, rather than just demanding more. This means working smarter rather than just throwing more hours, people or money at the problem.

7. On the subject of problems, **leaders must no longer solve problems themselves, but ensure the whole organization is focused on solving problems**. The majority of leaders take on the problem-solving themselves in the belief that they should not distract the work floor from its operational task. Unfortunately, managerial solutions to operational problems are often the wrong solution and therefore change-wise a hard sell. Leaders should solve the systemic problems, while the work floor solves its operational problems.

8. **Stop filling people with work based on trying to get value for the salary you paid**. Implementing agility demonstrated that it's all about getting the work through the process as quickly as possible, not about how much work someone does. Focusing on resource efficiency gets you 'busy people'; flow efficiency gets you real value for your customers.



"Each time we see that technology is not the problem. It is the way leaders approach the integration of AI into the workplace."

Applying the lessons learned

At various finance organizations, Eraneos supports leaders in shaping and accelerating AI adoption, for example by creating multidisciplinary teams, facilitating fast learning cycles and developing supported policies around ethical and operational risks. Each time we see that the technology is not the problem. It is the way leaders approach the integration of AI into the workplace. Working with leaders to adapt the way they create a vision, the way they plan and communicate, particularly enhance the way they interact with the teams and the way they embed development and improvement into the daily work of all teams (leadership, operational and supporting) ensures coherence, speed and responsible use of AI in a highly regulated sector.

So how do we translate these lessons learned to the adoption of AI?

- Everyone realizes that an organization needs an 'AI-policy'. Unfortunately, we don't know enough about AI to actually have a coherent policy. It will emerge over the coming months and years. It is better to identify in which parts of your organization, which processes you aim to learn most about AI, and what you expect of the people in these parts or processes. Also what do you expect of the rest of the organization. **The policy is therefore focused initially on an expectation regarding behavior, rather than specific outcomes**. As a leader, you will need to help your leadership team and organization deal with the uncertainties around AI.
- Accept that in the end everyone will dabble in AI in some way. Ensure that you **gain firsthand knowledge of the 'dabbling' that teams do**. By ensuring you have multidisciplinary teams, you can at least suspect that the use of AI will be guided towards making the delivery of the product or service easier or quicker ... which is what you want. Applying AI in functional siloes will suboptimize at best and destroy value at worst.
- **Ensure that initiatives are out in the open**. Reserve time for these initiatives in your planning cycle and in your management team meetings to understand what is happening. Do not just add AI initiatives to the list on top of everything else. Focus. Make a choice and follow through on the choices you make. You made them for a reason. Does the reason still exist? Then persevere. Either way this means having a planning mechanism that has a short cycle (to ensure you are learning quickly) and has strong involvement of leadership.
- Add to this, the **presence of leaders on the work floor**. You need to be in tune with what is being learned regarding the adoption and use of AI. This is not possible if you do not get out and see for yourself (especially relevant for senior leaders). Do not wait for the quarterly (or even monthly) PowerPoint presentation. People need your support and guidance to take the risks needed to uncover the power of AI.

- Measure the effectiveness of AI by understanding the effect it is having on your ability to deliver value to customers. Do not use the reduction in workforce as a pre-emptive measure of successful introduction of AI. You WILL fail. The best measure for success (for now) is: **how has AI enabled your organization to shorten the distance between the customer and the value they have requested** of you and your organization?

- Ensure you **give everyone time to learn**. Developing capabilities may initially come at the expense of other projects (not at the expense of value delivery to customers). You will need to reassess what you spend your time on. An investment in your people's (leadership and operational people) understanding of the new technology will always be worthwhile.

And then...

Once you have got beyond the first learning steps, are you prepared to question everything about your business and organization? AI has the power to decimate processes, even make them completely redundant. This will be replaced by new processes. From a leadership perspective, removing or replacing work has a tendency to change the power structures within an organization; previously separate organizational entities may be merged into one based on the radical shortening of processes using AI.

This means that, as a leader, you may need to completely re-think your operating model and the interaction with your customers, not necessarily removing the initial human interactions but vastly enhancing the quality and shortening the duration of those interactions. All the time, knowing that it may cause your job to become excess-to-requirements. And yet, you still need to do the work.

A leadership reality check

The complexity and integration of organizations has grown with each introduction of new technology. This has been going on since the Industrial Revolution. Jobs will fade but others will emerge to deal with the complexity. The current phase of AI will be no different. Hopefully, it will ensure that all organizations deliver more quality with the same number of people, before we (slowly) start needing less people to deliver the same quantity at a higher level of quality, thereby removing the wastage in our organizations. As a leader, it is your task to make that happen. And we are nowhere near achieving that goal yet.

Your next step should be to review the lessons learned above. How do you score in each of these areas?

As Eraneos, we have been working with leaders in the adoption of modern ways of working and have seen that the same structures facilitate the adoption of AI. We do this with our Accelerative Leadership approach to create the structures and behaviors that ensure leaders, teams and individuals are open to the necessary change and to speed up the adoption and development of new capabilities.

The adoption of AI requires new leadership – not just technology, but especially a focus on behavior and collaboration. At Eraneos, we guide leaders in setting up appropriate structures and developing the right skills to successfully identify, realize and sustain AI-based process innovations.

We do this through direct guidance of management teams, setting up multidisciplinary AI pilots, providing leadership training and facilitating short learning and feedback cycles.

Our approach, Accelerative Leadership, enables leaders to not only set policy, but also to be actively involved in the experiments on the shop floor. This creates support and speed, and AI becomes a source of value instead of a source of uncertainty.
This means there is work for you as a leader. Start by building a better leadership way of working. Then...and only then...will you possibly harness the power of AI.

Our accelerative leadership approach

Leadership in modern organizations

Personal Leadership
The leader's purpose encompasses their moral compass and intrinsic motivation.

Accelerative Leadership System
This system embeds facilitation behaviors into the way of working.

Developing Leaders
A key role of leaders is to develop both themselves and others into new leaders.

Personal Leadership

It is always about you as a leader

- What is your drive to be a leader?
- What makes you a leader?
- What do you want to achieve?
- What purpose will you fulfil?
- Why should someone follow you?
- What do you expect of yourself?

What is the **Value** of (your) Leadership?

Developing Leaders

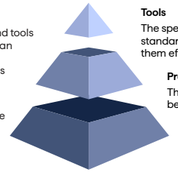
Scan and save! Scan this QR code and download this poster.

Accelerative Leadership drives Performance

Performance:
Behaviors and results aimed at achieving a specific outcome in a particular context.

What is it?
A set of practices and tools to support teams in an organization using Lean-Agile principles

What does it do?
Achieves sustainable behavioral change, continuous improvement and high performance



Tools
The specific mechanisms that standardize the practices and make them effective

Practices
The key structures in which the behaviors are embedded.

Principles
The 'rules' that drive the behaviors

Evolution of Leadership Activities

1910's	1960's	2010's
• Planning	• Forecasting	• Visioning
• Organizing	• Planning	• Planning
• Staffing	• Organizing	• Organizing
• Directing	• Commanding	• Cascading
• Controlling	• Coordinating	• Monitoring
	• Controlling	• Developing

Accelerative Leadership standardizes behaviors and embeds them in the practices

The Standard is the Best, Known Way of Doing Something

Why standardize leadership behaviors?

1. To create a repeatable, manageable, teachable system to get managers to focus on results and HOW the results were achieved.
2. Provides Continuity of best practices even through transitioning of leaders, experience is preserved from one leader to the next
3. Translates principles to unambiguous performance evaluation criteria
4. Enables the 'average' leader to consistently deliver above-average results

"Go See, Ask Why, Show Respect"

Accelerative Leadership System

Visioning

Purpose

- Why does your organization exist?
- And why should the rest of the world care that you are here.

KPIs

- A measure to **express performance** regarding a **key organizational objective.**
- KPIs are the **Change Story in numbers**

Strategic Planning

Change Story

- Gives Clear Direction
- States Urgency
- End of "Business as Usual"
- Created by Leaders
- Provides Continuity uncertain times

Organizing

Value Stream Management
Manage value delivery in flow to customer ... and continuously improve

Organizing in Teams

3 Types of Teams
- Operational
- Leadership
- Knowledge

Reducing Dependencies

Knowledge | Authorization | Area of Responsibility

Developing

Team-Building

Developing Others

Knowledge: Theoretical understanding and practical know-how of the team

Skills: Behavioral characteristics required to be successful in the team

Delegation

Assignment of any responsibility or authority to another person to carry out specific activities

Problem solving

Operational System: value delivery in flow to customer ... and continuously improve

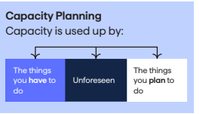
Supporting practices | Keystone practices

Planning

Long-Term Planning

Backlog Management
Process by which items are **added to, adjusted and prioritized** on the backlog to ensure the **most valuable working product** is shipped to **customers.**

Capacity Planning
Capacity is used up by:



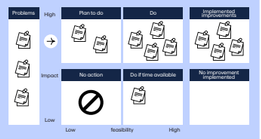
Putting items on a backlog is easy, knowing whether it fits is harder

Cascading

Cascade
An organizational construct that promotes **rapid communication** and supports a **culture of feedback** throughout the entire organization.

Synchronized Meetings

Visual Management



Performance Dialogue
- Specify objectives
- Give feedback
- Offer support

Cascading sets the heartbeat of the organization

Monitoring

Go See
Purposeful visit to the work floor with the express intention of understanding what is going on, to understand the problems and provide support to the people.

Impediment Management

Operational impediments are often caused by Managerial impediments

Performance Measurement

Daily improvement

I'M DOING THIS FOR ME
SMALL DAILY IMPROVEMENTS ARE THE KEY TO STAGGERING LONG TERM RESULT

The adoption of AI requires new leadership – not just technology, but especially a focus on behavior and collaboration. Let's navigate this new era together.

Get in touch

Niels Loader
Senior Manager Organizational Excellence & Transformation
Eraneos

niels.loader@eraneos.com

Eraneos Netherlands BV
De Passage 126-136
1101 AX Amsterdam

info.nl@eraneos.com
+31 20 305 3700

Learn more at **eraneos.com**