



"Disruptive" has become a popular buzzword when it comes to describing symptoms of the digital transformation. And these are just the harbingers.

## The transformation and the powers that drive it

Management of the currently monumental changes can be summarised in three shifts: A shift in leadership work, one in trust towards institutions and another in economic paradigms.

*Chris Zvitkovits*

**Vienna** – We already find ourselves in the midst of the digital transformation. And a Renaissance of Frederick Taylor's 100-year-plus business management concept can also be observed. The objective of his *Scientific Management* was to increase the productivity of human labour by means of interlocking it organisationally with machines. This occurs by dividing labour into small units in order to be able carry out steps quickly, repeatedly and with a minimum of intellectual effort. It is management's duty to supervise and steer the labour processes. Taylor only saw man as a factor of production, which was to be utilised as optimally as possible. He assumed that a regular job and monetary incentives would be sufficient to satisfy people. Comparable to the analogue developments of the Second Industrial Revolution, namely regarding the mechanisation of labour, digital Taylorism strives to render skills as working knowledge by means of extraction, codification and digitalisation in software logics. The knowledge that is processed in this manner can be imparted and utilised irrespective of geographic locations. This development is already a reality, since work that until a few years ago was undertaken by experts is now being increasingly performed digitally. This trend can be observed in the banking industry, for instance. Due to the fast working tempo and high degree of network integration, we see that even experience is being replaced by machines conducting experiments at lightning speed.

## This is just the beginning

The organisational integration of man and machine is occurring at a visibly slower and slower rate. The working speed and volumes of information processed by machines are constantly increasing. And while management is being faced with rising pressure and uncertainty, command and control are being lost. Manifestations of exhaustion, like burnout syndrome, are becoming more common. People and organisations are increasingly reaching their limits. These disruptions are but the first harbingers of the digital transformation process, though. Based on research conducted by Oxford University, A. T. Kearny and Bank of America Merrill Lynch assume that up to 45 per cent of today's jobs will be replaced by machines over the next 20 years. 15 years ago, machines and robots replaced elements of manual labour. Executives and experts were not bothered. Now many of these jobs will also be replaced in the foreseeable future by machines, and suddenly all of us are impacted, since a substantial increase in the unemployment rate will result in a further fall in consumer spending and a major reduction in tax revenues. It is debatable whether such a mechanistic approach towards organising labour will lead to a higher level of prosperity.

Current debates on the topic seem to be dominated by technical issues. Industry 4.0 is an example of the pursuit for perfect digital Taylorism, and technology without a doubt represents an important factor of success. What is just as decisive for success, though, is the management of the monumental changes that can be summarised in three abrupt shifts, namely one in leadership work, another in trust towards institutions and a third shift regarding economics.

Disruption has become one of the driving forces. Unforeseeable market developments require adapting fast to new situations. And executives hardly have any protective layers left to speak of. Whatever they do or decide on has a high degree of immediacy. At the same time, it is still leadership's task to give organisations effective structures borne by confidence. In order to do so, leadership has to give things a purpose and create stability. In this context, we humans demonstrate a less-than-helpful characteristic: We make assumptions and quickly forget that they were indeed assumptions, and then create a concept of reality based on these instable assumptions. When a crisis demonstrates that something has to be changed, if this did not become evident beforehand, management kicks off a change project. Owing to the digital shift, disruptions are occurring more and more frequently, though, and their cycles are becoming shorter and shorter. Reality is changing more quickly than we can adapt our assumptions and related processes. We are more and more often initiating more and more change processes. Doing so, though, means reacting to totally different conditions with conventional methods. This leads to pressure and senseless *actionitis*. A high tempo, coupled with a high volume of information and a concurrent immediacy of decisions, is making executives anxious. They are now only in touch with their touchscreens, but no longer with their organisations or business.

Exhaustion, insecurity and falling levels of dedication in organisations are directly related to this development. A great deal of creativity and reliable communities are necessary in order to orchestrate good decision-making processes in highly complex environments. And, while doing so, it is sometimes the case that people have to be managed who are not

even part of the company. Communities are not a new invention of the digital world; on the contrary. They are different to networks because they demonstrate a special cohesion based on common interests and values. Stability must be brought to an organisation's culture, fundamental values and strategy, though. Making this possible and maintaining it is difficult leadership work.

A further major driver is the shift from trusting institutions to trusting individuals organised in collaborative networks. In such peer networks, goods and services are primarily traded or sold amongst private individuals. Three factors can be observed in successful peer networks: Trust in the idea, trust in the platform and mutual respect amongst the users. BlaBlaCar is a platform that has set its sights on creating a safe car-sharing service. The members of the peer network do not only rate one another; BlaBlaCar also verifies members' authenticity. A further main service offered by the platform consists in determining how an individual would like to travel. Before the trip even begins, things like driving style and taste in music can be clarified, in addition to whether a passenger prefers conversation or silence during the ride. Such peer platforms may still be at the onset of their development, but the importance of prosuming, co-creation or crowdsourcing is undoubtedly growing, and their main asset is trust.

Moreover, even according to conservative estimations, Airbnb can be called the largest hotel chain in the world; without necessarily having significant assets on its balance sheet, though. Software has become an expression of man's aspirations, and value is increasingly created by means of algorithms, data and the combination of needs. In this spirit, software attacks conventional business models.

### **Empathy and creativity**

Of course, hardware, buildings and services will also be necessary in the future. It will become less and less important, though, who holds the assets. What is becoming the focus of interest is the optimal circulation of recourses by means of taking advantage of excess capacities. The services offered by Zipcar, BlaBlaCar, Airbnb and GPS are based on these principles.

This approach is an example for the use of digital technology with a focus on people, without interlocking man and machine in a mechanistic manner. Speed and the global dimension are now special challenges posed by the transformation. We humans have two unique apps at our disposal, though, that are very helpful: empathy and creativity.

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