

The AI-Enabled Organization | Recording Transcript

CFFO Virtual Round Table | February 11, 2025

in partnership with [Developing Leaders Quarterly \(DLQ\)](#)



Tom Davenport



Eve Psalti



Carsten Linz



Roland Deiser



Panelists

[Tom Davenport](#) | Distinguished Professor of IT and Management | Babson College

[Eve Psalti](#) | Senior Director of Azure AI Engineering | Microsoft

[Carsten Linz](#) | CEO bluegain; Author of *Radical Business Model Transformation*

Open Chair Guests

[Wadda Salah Eldin](#) | Executive VP, EinsteinAI

[Ulrich Lenz](#) | Lenz Advisory Services

Hosted by

[Roland Deiser](#) | Chairman, Center for the Future of Organization, Drucker School of Management

Roland Deiser

A big welcome to everybody who has joined us today for our ABC roundtable about enabling the organization with AI. My name is Roland Deiser. I chair the Center for the Future of Organization at the Drucker School of Management, where we look at - the future of organization. Which, by the way is, of course, impacted a lot by artificial intelligence.

This is a series of sessions that we do in collaboration with Developing Leaders Quarterly, a booklet series that we publish in collaboration with Ideas for Leaders. And two of our panelists today, Tom and Eve, contributed articles in there. The ABC concept is relatively easy. We bring together thought and practice leaders from academia, business and consulting for an unstructured dialogue about a burning topic, and they are represented here today. So, from academia we have Tom, from business it's Eve, and the consulting world is represented by Carsten.



I'm really thrilled, because we've got almost 400 people who have signed up for today. That's a record for us. We have 47 countries in the audience, so it's a really global affair, which is a testament to the importance and the big questions that are around this thing "artificial intelligence" - which is not a new thing, BTW. I just read an article by Turing way back from the 1950s where he spoke already about intelligent machines. But recently, with chatGPT, two and a half years ago, it has become a big thing that has now really swapped across the planet with billions of investments and lots of questions still to be asked. It's a wide field, and we're going to focus on what it does to organizations.

So let me briefly introduce who is here. I already mentioned Tom, Tom Davenport. We know each other since years - I think more than 30. You have been super active in the field of technology and organization, how these things are linked with data. You started with Knowledge Management, and today you've done a lot about artificial intelligence. I have another publication here which just came out - Harvard Business Review, where you have a leading article. So of course, I'm super thrilled that you're here. Tom, thank you so much.

And then we have Eve. Eve is with Microsoft, and you're a senior executive really dealing with the nuts and bolts of AI with your Azure AI platform where you help implement solutions for large global clients like Walmart and Tiktok and others. And I think it will be very interesting to hear about your perspective on these things.

And then we have Carsten, Carsten Linz here. Carsten, we know each other from way back a little bit, because you had a corporate career before you went into consulting, you were with SAP, and then you were chief transformation officer at BASF. And most recently you created bluegain, a consulting boutique that focuses on digital transformation. You wrote a book on business model innovation, of radical business model innovation. And that's maybe also a topic we may cover a little bit, because AI is on a way digital transformation 2.0. So that's what we have here.

We have, on the other hand, a lot of participants in the audience. I'm really excited about that, and let's just kick it off. My first question goes to the B - I always like to start with practice, and then from the practice, we go into the framing of theoretical and other kinds of things. So Eve, you're with Microsoft. I just wonder - and this is an opening question before we become very conversational: how has Microsoft changed, because of AI?

Eve Psalti

That's a great question. First of all, thank you so much for the invitation. I'm really delighted to be here. I know there is a lot of hype around the topic AI, and there are a lot of misconceptions. So, I'm really excited to be talking about this topic, because that's what everybody is interested in implementing, because they realize the benefits in terms of ROI, in terms of efficiencies, and all of that.

I think from the customer standpoint, what we're seeing is that people are looking to integrate AI into the operations, into how they really evolve their organization, not because it's a fad and it's a trend, but because they realize real ROI out of these projects. Now, from a Microsoft standpoint, to be honest, we have been doing AI for the past 20 years. It was before the transformer models, but through our research centers, we were training our own AI models around vision, language, speech. But the technology was not as mature. The use cases were quite limited. Capacity was also fairly limited. But again, I feel you can still use these services depending on the use case that you have. If you have a

simple use case and you want to translate a bunch of my manuals into 140 different languages, you can do this through a traditional AI model, without using an LLM or a larger one.

But internally, what we are doing now, it's two things. From an engineering standpoint, half of our team is integrating AI capabilities into the first party products that we have – teams, dynamics, Xbox - so that we enable any type of user, even if they're not really a developer, to automate and to improve the way they do their everyday work. And the other half of us are working to help customers and partners build upon the AI platform.

From an engineering standpoint, what this new gen AI and now agentic AI wave did is that it really made us much more agile, and it made us rethink the way that we're structuring ourselves to adapt to the rapid innovation. When I was in Windows, many years ago, we were doing three year planning because, you know, we were releasing things to the market every three years. And now, a couple of years ago, we moved into same semester planning. And to be honest, this is too slow as well. From an engineering standpoint, we do almost weekly planning now, because there are so many new things that are coming in the market. So we had to change the way that we operate internally, from a product management standpoint, from an engineering standpoint, to really adapt to this rapid innovation.

Roland Deiser

So, you are also impacted, of course, as an organization, right? Like all your clients are. Yeah, interesting. Well, I'm not continuing to ask too many more questions, but just as an opening maybe to Tom – Tom, I mean, you've been in technology and organization forever, in a way. And you've written about that extensively. How do you see the journey? I mean, it has been a crazy journey, hasn't it?

Tom Davenport

I think it has. We were talking before we went on the air about digital transformation, and I agree with you that AI is just the latest phase of that. And arguably, we've been working on digital transformation for 30, 40, 50 years. You know, it accelerates at certain points where we have new technologies like the internet and AI come out, but it's been a long journey of getting basic systems in place and getting our data in shape and getting people to start making decisions on the basis of it. And you know, a lot of that's still going on. Certainly, AI has accelerated the process of transformation in many organizations.

Roland Deiser

What's your core take on that right now, just in a nutshell. I've seen you've written just recently quite a few things. In Sloan I've seen, in HBR, right - what's your current key take?

Tom Davenport

Um, well, I think it's still early days for generative AI. I think we're probably up to about 20% of organizations saying that they have any *production* application of generative AI - it was 5% a year ago. So we're moving fairly fast. These things, in general, take a while. It takes a while to put things into production deployment. I do think there's starting to be a little bit of an effect on the labor force.

So far, I would say the three areas most impacted are outsourcers, which are getting less work. I've heard of a number of organizations who reduce the amount of outsourced labor they have acquired. Customer service I think is starting to change. It's early, early days for that still. But, you know, people are putting bots in instead of people. The smart ones are still keeping some people around, just in case something goes wrong. And then the third area is system development and programming. I was reading yesterday about the fact - I think it was in the Wall Street Journal - that programmer unemployment is higher than the rest of unemployment in the United States. And I think that's has something to do with the use of AI to speed the development code generation and so on. I was talking last week with someone who's in charge of internal programming at Google and she confirmed the fact that 25% of their code is written by AI. Now, she says they haven't laid off anybody. They have so much work to do in programming that they can just do more of it.

But, you know, we've had a shortage of it, people and organizations for a very long time, and I think that's starting to change. Microsoft is a great example, and one of Carsten's former employers, Siemens, is a good example of this as well - it's really changing the participation level of non-technical people in the development of information systems. Whether you're talking about low code or no code applications - Siemens even bought a company for doing that - or automations, you know, robotic process automations. And the citizen data science is a real thing now.

I wrote a book last year called [All Hands on Tech](#), and we talked to Microsoft. It's everywhere at Microsoft, and the person who was previously in charge of data governance - I guess there's no corporate data governance officer anymore - he said "You know, I'm petrified that something bad is going to happen, but so far, everything seems fine." It's really quite amazing how many people are developing applications and models and websites and so on.

Roland Deiser

And Carsten, what's your take? Carsten just comes from Davos, right, where you attended, and you're an advisor to the World Economic Forum on things AI, and you are in business model innovation. What Tom says here - does this resonate? Was this also part of the conversations in Davos that you had? - And maybe talk a little bit about what you do.

Carsten Linz

Absolutely, it definitely resonates, and I'm happy to build on that what Eve and Tom said. Maybe just for clarification, at bluegain, we try to avoid the term consulting, because typically we take on the Transformation Office and then accompany transformations over a longer period, two to three years. So really with skin in the game. So, we love to develop transformation strategies, but then really accompany and make sure we really reap the benefits. It's kind of where also Tom touched a bit upon, you know, how many do you really have in productive deployment? And also then enable organizations with our academy attached.

But back to Davos. You know, it's interesting, if we call a different transformation 2.0, we're seeing the same mistakes, right? I've been on a podcast two weeks ago where I was asking, What do you think about AI first strategies that many companies are now basically rolling out? And I said it's nonsense, because technology is only means to an end, right? It's about creating impact at scale. It can be a

business impact, it can be ecological impact, it can be social impact, but fundamental use cases are the ultimate currency of very successful digital transformation, because they typically integrate various technologies. They do integrate various data pools, structured, unstructured, and that translates into impact at scale.

It's about the use case, and these technology inside-out strategies are doomed to fail. I think it's funny that history is repeating itself. What we had digital first still echoes that, you know. I have that in my ear still, and now we're doing it with AI. This is not the right approach. Use Cases are the right approach. Currently, I think we see an over-emphasis in many boardrooms, two things. And I think Tom you, you said that nicely about the evolution. And also, Eve, you said you've been doing AI for a while. And I mean machine learning. I still remember programming a Turing test in one of my exams during my studies.

So, AI has been around for a while, and there has been quite a constant development, with some ups and downs. But the perception changes when the user adoption paradigm changes. It's not a technology change in the first place; the difference is that now we all can basically access this technology. You know, when I was group Digital Officer, we did similar things, but now, my grandma can do that with prompt engineering - parts of them, at least. But basically, it's more widespread, right? The adoption is much more widespread, which changes the perception.

And this is also a tricky thing, in my view, because in many boardrooms we see an over-emphasis of GenAI discussions. But fundamentally, the most powerful use cases in most of our programs, to be honest, are machine learning cases. More difficult, more effort to be invested often, but very powerful. You know, if you squeeze out production from 93 to 93.8 you're really reducing in the process industry tons per second. This has a direct EBIT impact. So, I would say machine learning days are not over, despite that focus on large language models. And the second best perception - then I pause - is the automation augmentation thing. I mean, all the boardrooms discuss automation efficiency gains from AI, great discussion to have, nonetheless. I mean, especially as we are moving towards GenAI, the focus should be on augmentation. So augmentation is the name of the game, and enhancing human capabilities with the help of AI is quite powerful.

Because it brings us closer to this old idea of the learning organization. Bringing people from zero to 70% proficiency levels is quite powerful. What I'm saying is, we should not over emphasize automation only, because then it's always this naughty discussion about laying off people. It's also about augmentation. Ideally, it's the combination of both. Because if we combine automation and augmentation, we can ultimately create virtual cycles or even flywheel effects, which are the most important cases. Where you, on the one hand, drive automation, and with augmentation, you add on your code base. And in a marketplace, you drive efficiency gains, and that brings the flywheel in rotation. That's quite powerful. I pause here, but putting things into perspective in this AI discussion is really important, because many people lack a bit of orientation. I think it's good if we can help with that.

Roland Deiser

Excellent. Okay - Eve.

Eve Psalti

Roland, I think these were really great points. I totally agree with both. The two things that I want to underscore are first on the use case piece, because I think it's essential to start with the very pragmatic, right? So, I always recommend starting from a use case, from a couple of use cases where you see the most redundancy, you see the most pain, you see the most manual processes that don't really work, that take a lot of time, that take a lot of money.

And what Tom was saying, we see it from our end as well. We're working with different customers across the Americas, Europe, Asia, across geographies and industries. There are a lot of use cases around improving customer service. This means, how do we make the agent much more efficient so that they can provide more personalized service? How can we summarize a lengthy call so that they can get the gist of it, and they can offer next steps to the person on the phone or on the other line. How do we help them with translation so that they can service a global set of customers? How do we help them mine information?

So far, there are a lot of efficiencies, and it's about giving the right tools and the right information to the person who is doing this job to do their job much better and more efficiently. Tom had mentioned the developer side, but I want to caveat it. Where we see AI play a key role in developer efficiency is in very basic code generation, because a lot of the projects have a lot of repetitive code. If you can use a service to automate this, still with human supervision, this is where we see a lot of the efficiencies. And of course, the other thing is that no developer wants to do any documentation. This is where I think Gen AI becomes a critical tool. And of course, there are a bunch of other cases around document process automation, because everybody has a bunch of contracts, or agreements, or forms that they need to extract relevant information. So, I think, at a very pragmatic level, where people can really see the results of this in investment, it's across these areas where we see a lot of redundancy and inefficiency.

And the other point that is critical when people start to evaluate AI as a tool to incorporate into their workflow, into their practices, is the notion of transparency - what we call trustworthy AI. I want to make sure that everybody understands this, because now we see a proliferation of AI, more and more models, right? You can go through hacking exercises, and there are, like, 20,000 different AI more models. I think it's important for anyone using any shared service to understand how this model is trained, what they're doing with the data you're putting in the prompt, or whenever you're customizing or fine-tuning things, and where they're passing this data to if, if that's the case.

The whole notion of the responsibility of using an AI model is definitely on the AI model provider, and we as a hyper-scaler carry that risk responsibility as well. But it's also an accountability on the user side, on the developer, on the decision maker, because you need to be aware if you are introducing any bias. If you're not able to trace information that was used to train this AI model, it complicates things in terms of privacy. How do we create the right guard rails for users when they're using this AI models?

Roland Deiser

Great points, Eve. Well, we want to make this also a horizontal conversation, so I don't have to jump in all the time if anybody wants to comment. Otherwise, I just would be curious about your experience, Eve, with large-scale customers. Maybe at some point in this session, we can also talk about these experiences - what kind of challenges you see, success stories, and everything. But maybe later. What else comes to mind?

Tom Davenport

I have a comment on a couple of Carstens points. Not to be defensive about it, but I sort of wrote a book on the idea of AI first. It was called [All in on AI](#). I didn't call it AI first, but, I mean, I agree that we used to talk about random acts of digital, random acts of AI, which didn't make a lot of sense either.

However, I do think there's something to be said for more aggressive adoption of AI in organizations than many companies have done so far, whether we're talking about what I call analytical AI. I really hate the idea of calling it traditional AI or legacy AI, but it's what Carsten referred to as machine learning. It's tricky to have a good term for it, because, of course, generative AI is also based on machine learning. It's also based on analysis. But I think the purpose of that earlier, AI was analyzing data and making predictions.

In any case, I do think that companies that embrace it more aggressively will generally do better than those that don't, and that includes very careful consideration of, how does it support my strategy and my business model, and how do I integrate it into my processes and so on - just as we saw in earlier versions of digital transformation. You know, Walmart is as big as it is in part because it aggressively embraced technology and communications and building satellite networks and so on so. And I think that will happen with AI as well, and on the automation versus augmentation issue in general, I agree.

I've written, I don't know, two or three books on augmentation. I'm a big advocate of it. I think it is definitely the smarter way to go. But I think we must remain open to the idea that there will be, at some point, large scale automation, and I have no doubt that a number of corporate executives are hoping for large scale automation. I remember, I did a survey with Deloitte a few years ago. It was only US executives, and I believe it was 62% that said they wanted to automate as many processes as possible to cut cost. And so, when that becomes possible, I think we'll see a fair amount of it, and we need to prepare our companies and our society and our governments how to deal with that issue. It won't be an easy thing to address at all. I still hold out hope that augmentation will continue to prevail, and it has so far. But you know, we're experiencing something we've never really experienced before as a human race, at least the breadth of capabilities that AI is likely to have before too long, yeah.

Carsten Linz

Let me directly reply to that. The first one, yes - pushing technology to drive adoption and hopefully through use cases create impact at scale. Check mark, completely agree. The second one, I maybe have a different, or I offer another perspective on the automation/augmentation thing. I mean, sometimes it also it's worthwhile to look at this from a role perspective. Every job is a role. And if I say a role is a portfolio of activities, then I can basically say, which part of this portfolio of tasks or activities do I delegate to an automation AI, which part of the activities or tasks do I delegate to an augmentation AI? And to your point, Tom - which parts require human supervision due to legal requirements, or they require - what is also sometimes the case - original human competency. And then, of course, we'll see clerk roles that potentially have really a full automation. And they will disappear.

So, I think there is this elephant in the room, and we should not basically trigger ourselves. I think we must accept that some roles will completely disappear. But the majority, in my perspective, is a more different mix. So, we delegate part of automation AI, we delegate part of augmentation AI, we keep part of that for human capabilities, original human capabilities. And that can also be a quite substantial, you know, uplift of the role for high value-added tasks or new roles.

There might even evolve an auditor for algorithms, an auditor for black box AI, looking under, under the hood. Other roles, they will disappear. I mean, I really like this future of jobs 2030 report of the World Economic Forum, which really does a breakdown by role. Kind of, what is the augmentation part? What is the automation part of each role? I think that's worthwhile to double-click. It's a free, publicly available report on the World Economic Forum site. It has 180 pages and breaks down exactly this discussion and shows how new roles come into play. Other roles disappear, especially these clerk roles. And then there's a lot of things in the middle where the portfolio x of the task in a given role is changing. It's just basically adding or building on what you said Tom, because sometimes looking at this role portfolio, or task portfolio, helps in projects, I think, to better explain what's actually going on.

Tom Davenport

I agree with that in principle, although, having looked at a number of those kind of task analysis exercises in the past, I think the first one was probably that Oxford Martin Institute study back in 2013. Anyway, looking at jobs in terms of task and what tasks could be automated and which ones couldn't, they concluded that 47% of US jobs could be automated by... Well, they were really a little unclear about the timeframe, but we're more than 10 years into that now, and I think it's fair to say nowhere near that number has yet been automated, so... And I think one thing we can say about the predictions of what AI is going to do to jobs, there have been very many of them. They've all been very wrong thus far. So, I suppose a certain level of humility is necessary on the part of us humans in terms of what we predict will happen with AI.

Roland Deiser

Well, much of the discussion so far has been on the future of work, and how AI impacts labor and automation, augmentation and so on. We don't have to do this now, but at some point in the conversation I'd like to also look at other verticals, functional verticals. What does AI do to innovation? What does it do to strategy? What does it do to manufacturing and so on and so forth. Clearly, HR, employment, and tasks, and job descriptions and all these are important things. I don't want to take away the conversation from that. Just saying that if you look at the future of organization impacted by AI, it's more than just people. So, Eve, please.

Eve Psalti

I want to address a couple of questions in the chat, because I think people are bringing up really, really great points. Yeah, I mean, two things that stood out for me. One is around how do we - I can't find the exact question, but I think someone was saying, there is an upfront cost, and only a small percentage of customers are really realizing gains on the other side. Yeah. 92% of organizations plan to invest more in AI development, but only 1% believe their investment reached maturity. And that's a reality that I think I want to acknowledge.

There is a misconception that if you use one of these AI models, or a combination of AI models, whether they are GenAI models or traditional models - I think now we have even smaller ones - it's going to work immediately. Like with any other technology project, you want to make sure you have the right use case.

It must be very well defined, and you have to have the buy-in from the organization, from the different stakeholders. I always say you must have a center of excellence to share best practices across different departments where AI was used, so that you don't make the same mistake over and over again. And you want to make sure that the data that you have is efficient, so that you know it can augment what the model should be doing, because in most cases, in 99% of the cases, you're not going to get an AI model over the shelf and then plug it into the use case you have and it works, right? You're going to have to fine tune it. You must customize it. You must infuse it with your own information, whether it's sales data, customer data, HR data, employee data, whatever it is. You want to make sure that you have a process where you test things and you fine-tune things as you go along. That's what helps you maximize the ROI over time and again - picking the use case where you have a lot of redundancies, a lot of inefficiencies, because, again, that maximizes your chance of improving this fairly manual or not as efficient workload.

And there are a couple of questions around sustainability. I'm not an expert on this thing, so I don't want to take a point of view, but it's an interesting point, because it comes over and over again as a consideration. What I want to say to that is that many of the hyper-scalers, and many of the AI model providers or developers are becoming smaller, more efficient, and they require less capacity. I think that's a trend that we've been seeing in the past year, that we'll see continuing as well. It's not like the LLM from three years ago that required massive amounts of GPUs that require that infrastructure. Now they're much smaller, with a smaller footprint requiring less capacity on the other end.

Tom Davenport

I think it's too early to pronounce that, Eve. Your partner, Sam Altman, wrote, I think it was just yesterday, that at Open AI, they still see great benefits to scaling, and that the intelligence is a logarithmic function of the amount of data used to train it. I know that Open AI is one of the organizations that's pursuing very large-scale data centers, big enough to light up a fairly substantial city. I wish that you were correct, but I'm not sure that your industry is moving headlong in that direction, and you guys are, you know, firing up old nuclear power plants to power these things. So, I'm not sure if it's consistent with Microsoft's behavior either. I wish it were, but I'm not sure it's true.

Carsten Linz

This is an interesting discussion. Maybe one or two more thoughts on that, building on what you said. I really see that we are teaching traditional large language models, and I would also argue that we see more specialized models going forward. But we see a plateau effect in large language models these days, mainly on the model side - because training is quite tough - but also on the data side. Unfortunately, we do not have sufficient high-quality data any longer to train the models effectively, which means we're really lacking real world data. So, many models are trained with synthetic data these days. And this basically brings us to plateau effect. The question is - is that still going somewhere?

Then, on the other hand, we see with Deepseek, and also with Alibaba a bit of a new Innovators Dilemma, right? All of a sudden someone is coming up on a new technological trajectory with a different performance cost ratio and says - I don't know if it's true - that we have trained it at a completely different cost point. And that's quite interesting. Nevertheless, it means the others can also capitalize on that, especially as it's open source, right? We'll see where this is going. But from a stack perspective, I think we can clearly see, okay, models have reached a bit of a plateau effect.

Then we have the discussion about agentic AI. Also your organization, Eve, is pushing forward quite a bit. Even though I'm a big believer in AI agents, I'm a bit skeptical that the agentic AI layer is eating up the logic layer. And I'm skeptical when they say with agentic AI you can forget about all the logic which is ingrained in software applications. I think still, for the next 10 years, I would bet on that, there is a need for logic ingrained in software applications, despite an agentic AI layer.

The key thing, which in my view is always underestimated, is that computing will become the most precious commodity in the world, not only for companies, but also for countries. For nations, I think, computing power will be a differentiating factor in geopolitical conflicts. It's really a source of power. And I mean as much as they like to invest in railway tracks and motorways, I think the future is about infrastructure, computing infrastructure. Just adding a couple of thoughts on this agentic discussion.

Tom Davenport

That's why Donald Trump wants Greenland, because they have incredible computational infrastructure there. They do have low temperatures, which I guess could power some which, yeah, but I think it's too early, Carsten, to proclaim that we plateaued. I know the press has jumped on that, and again, I would like to believe that that's the case, and we're moving to smaller, more efficient models and so on. I think it's important for humanity that we do that at some point, but I'm not sure that many of the providers of these technologies have really come to that same conclusion. Maybe they will.

Eve Psalti

I would agree. I would say it's commoditization of models rather than a plateau. A plateau means that there is a limit to how you can train and how you can evolve these models. But what we see is that they're fairly commoditized, meaning that there is a plethora of them that have been trained on industry specific data or language specific data. We have Arabic forward models, Japanese forward models. I think it's good for the consumer, the people, the teams who are evaluating and adopting AI, because now they have a choice, and that's why I was bringing the point of trustworthy AI. Because with choice, you know, you introduce risk. You want to make sure that what you're using has the right guardrails.

Tom Davenport

I was talking yesterday with a company, a London based company called Holistic AI. I have no interest in them other than they've helped me a little bit with my research, but they have a platform to evaluate every use case in your organization. What models does it use? How trustworthy are they? And I think we'll see the importance of that grow, whether it will be Holistic AI that does it, or some larger company, I'm not at all sure. But I think some sort of governance platform must do that at scale. If you're a large organization, you need to automate the process to some degree. You can't have humans going carefully over each use case and the underlying technology. I think that will become increasingly important.

Roland Deiser

I'd like to interject here is. We have a discussion going on now in quite a while, really about technology, right? Let me suggest looking a little bit more at AI's impact on organizations. We've got very

sophisticated people on this panel here who talk about technology, but we named our session “The AI-enabled Organization”. Which means, how does AI enable organizations to do things differently? We can talk about people, of course. But an organization is even more than people. We can look at customer interfaces. We can look at the supply chain. We can look at what digital twins do for ecosystem collaboration and other kinds of things. That's another aspect where I want to lead the discussion towards a little bit without interrupting you too much on the tech talk.

Tom Davenport

I think the key thing, Roland, is... I've done a lot of work with a guy at MIT named George Westerman, and he has something called Westermann's law, which is, technology changes quickly, but organizations change slowly, and so we don't yet see major changes in organizational structure, no major changes in how organizations function. You know, we're starting to see some business processes change, and not just, you know, getting a bit more productive. I wrote a piece recently about Colgate Palmolive and how they're using generative AI to come up with new product ideas. I don't know, new flavors of toothpaste or whatever. They wouldn't tell me exactly what the product ideas were. And then using digital twins of consumers to test those product ideas. And apparently, the digital twins are just as good as kind of human guinea pigs, if you will, to decide on whether these products are going to be successful in the marketplace. So, I think we're starting to see a shift toward more use of these technologies for innovation and so on. But it's really quite early.

Eve Psalti

I think we must distinguish also what kind of size of organization we're talking about. Because I see a tremendous difference between an enterprise organization, how they evaluate, how they integrate AI, how they measure things, and how long does it take for them to plan for it and test for it and prove the value of it and communicate it to their board and their shareholders and all that. The cycle is much, much greater, because they have much more engraved, sophisticated processes in place. They need to introduce new change management techniques when they interject a new tech like AI.

What we're seeing now from our end is that smaller companies, startups, are becoming the new competitors for these organizations because they don't have the same complexity or established processes. They can adopt AI much faster. They are the ones who are actually demanding to be on the newest model, using the latest capabilities. And they are the ones who are leapfrogging. If you are in a larger organization, you have to think not only about your competitors in the same enterprise category, but about who is coming from the left and the right, who is much smaller, nimbler, and they have leapfrogged five years to modernize what they have and offer a much better service or product to the same customers.

Carsten Linz

Yeah, I could not agree more. I mean, Roland, you desperately try to talk about use cases for organization. And maybe I can give you a shot on that. I mean, there are endless cases, both on the automation and augmentation and the combination of both. What often comes up are cases on the go to market side, of course, in customer service, cross-selling, up-selling, very famous cases. I would say

here it's typically about that if you're working with bots, it's really critical that you're not laying off the people. It's important that you have people then that you build up on the technology side. Because technology becomes an integral part of the value creation fabric of the organization.

So, it's not a good idea to basically lay off people because you automate or you augment the process. You must at the same time make sure that your technology works, because otherwise your approach gets worse over time. You may have an initial effect, but then the quality is getting poorer. Interesting are these cases, I think, where it's a combination; you have a bot, but then you're recognizing the patterns and conversations. And from that, you can basically see there is potential for upselling, cross-selling. This dispatches to a human agent, and then, if you cross-incentivize the AI and the human team, you can create a really strong top line growth graph.

The move that we're seeing is from supply chain planning to forecasting, to integrated business planning, where you are sensing not only the supply and the demand side, but also the market. Something Starbucks is doing quite successfully. They read out unstructured information from nearby events, let's say a soccer match nearby the Starbucks shop, or the university carnival party. Predicting these peaks and demand helps them quite substantially to limit the store size and avoid very expensive center areas where the rent is really high. So fundamentally, you never run out of supply, hopefully, because your stock is always good enough.

Another big use case, of course, is on the IT side - the function which is most impacted by AI, what many people forget. Also on the HR side you have strong cases, often automation, augmentation, sensing what is really needed, and then providing the thing. In some of these cases, we must be careful with GDPR from a European perspective. These cases often cannot be applied for good reasons. In a nutshell there are 100 million cases, I think there's no one size fits all.

That's, I think, the point. I mean, it's really about looking into the specifics of the organization - where you want to create an edge, or where you do want to get efficiency gains on a commoditized process, or also on the sustainability side. For example, with the right to repair on the sustainability circularity side, old processes become core. The repair process, the refurbishment process has often been outsourced. , All of sudden it's now insourced in many organizations, because you have the right to repair as a customer here in Europe.

There's no such thing as a silver bullet. It's important to assess from a company perspective what really makes sense and not to try preached best practices of an AI use case that you *must* apply in an organization. Organizations are much more successful if they have a bespoke approach, in my view.

Tom Davenport

Yeah, agree basically with all the use cases you mentioned, Carsten. On customer-facing processes, I've just finished the draft of a book. And you know, we've been promised one-to-one marketing for about 30 years. Now, I don't know about the rest of you, but I don't actually receive highly tailored marketing offers, and incentives are quite generic. The most common is this idea of retargeting: well, you expressed interest in it at one point - you must still be interested in it. That's hardly sophisticated. I think that with both analytical and generative AI we have the possibility of finally achieving that level of precision marketing kind of customer science. But two things: I think there's still organizational challenges to that. I talked to the person who wrote the book on one-to-one marketing, and he said that businesses always had a product orientation, they don't try to sell more products to the same customer. Product managers only

push their product, and it's hard to get people to collaborate. And the other thing, I think, is - once we start to see those kinds of highly targeted ads, will people actually want them? They say they want them, but they also don't want companies to have all the data about them. We have a real sort of schizophrenia in the consumer about that issue. And it'll be interesting to see how that's resolved.

Roland Deiser

Another topic that we might discuss a little bit as well is governance issues on a global scale. The three big regions, Europe, US and China. What does this mean for the dynamics of the development of AI and its impact on societies? You mentioned GDPR, right? I mean, you're European, Carsten. It's a different story if you sit in China, for instance, right?

Carsten Linz

Yeah. I mean, at our event in Davos, we had Peter Celine as our guest. Peter just sold silo AI to AMD and is a strong promoter of European AI approaches now. I think it's interesting, because a couple of weeks ago, we thought it's clearly a US and China race, and it still kind of is in terms of investment and so on. I think Europe cannot compete with that. Nevertheless, all of sudden there is the Deepseek effect. It seems like it's not completely decided yet, it's just a gut feel.

And also, people are joining forces. There are more coherent initiatives, more AI professorships, and industry is chiming in. Now you have this Europe-India connection through the Paris summit, you're training LLMs with all the European languages. So, I think it's much too early to say where this is going, but there's something changed in the last six to eight weeks. It doesn't mean things have entirely changed, but I think it's clear to everyone that AI is one of these technologies which are key for the success of organizations, and also potentially societies and nations, and there will be different flavors. Maybe there is also room for different flavors. How do you want to tackle that?

Tom Davenport

There was an assumption on the part of many observers that there was this trade-off, a sort of zero-sum trade-off between regulation and innovation, and that Europe was strong on regulation but weak on innovation, and the US has no regulation, and hence it has great innovation. And I don't know, maybe China is in the middle. It certainly has more regulation than the US. I'm not sure if that's true. It was a very broad assumption. I hope it's not true, and I hope that as GDPR did, I hope the AI act in Europe has influence on the entire world's approach to regulation.

And you know, if you're a multinational, you clearly want to do business in Europe, and I hope that they will be compliant with the AI Act. In that regard, I don't see much prospect for the US getting any regulation at all in the Trump administration, he's getting rid of regulations at every opportunity, and with Elon Musk at his side, it seems highly unlikely that there will be more regulation. I am a little bit despairing of that if, if we did have regulation, it probably would be bad. I don't know. Bad regulation is better than no regulation at all, but I think we're going to see what happens when we have a long period of no AI regulation, sadly.

Carsten Linz

And Tom, maybe we see a similar thing with the GDPR, right? California basically emulated the GDPR, and made it even stricter, which I think came to many people as a bit of a surprise. I mean, it was not widely done, but let's see where this is heading.

Tom Davenport

Yeah, although I would say the idea of state by state and even city by city - New York City has regulations for HR AI - is a really stupid way to govern. But, you know, California likes to think that it's really a big enough state to be a country.

Roland Deiser

Well, we have a lot of chat activity going on, and Eve, you were so kind to respond to some of those. What we do sometimes, is to bring in also somebody from the audience, you know, just to join our discussion. I guess I just ask an open question - is there anybody interested in jumping in? If you just type this into the chat, it's a chance to go into a direct conversation with our friends here, and let's see what comes out of it.

And while we do that, I still want to insist a little bit more on... We do a lot of work on business ecosystems here at the Center for the Future of Organization, which means on inter-organizational collaboration architectures. How does AI possibly change the game here? Because there have always been issues at the boundaries, with the cloud that enabled collaboration in very different ways. Is AI changing the game here, significantly? Just a question when it comes to ecosystems.

Tom Davenport

I think it is, and for the research on that book "All in on AI" I found a couple of companies that were really doing great things with ecosystems. Airbus in Europe with its Skywise ecosystem, connecting all of the airlines around the world that fly Airbus aircraft. I think they've done a better job thus far of integrating the data than of figuring out what AI services will make Skywise worthwhile participating in.

But even more so in China. You have this company Ping An, which is, I think, the largest private sector company in China that views itself as being organized as five different ecosystems. I looked in some detail at the one for healthcare. It resulted in the creation of this intelligent telemedicine app called *good doctor*, unbelievable. It has over 400 million users, and it combines physicians, nurses, pharmacists and delivery services all in one very effective app. I think there are many more opportunities to do things like that with AI, although not a huge number of companies have seized upon them.

Eve Psalti

Even in verticals that are more regulated, they're more complex, financial services for example. We've been working with the National Bank of Greece. I'm originally from Greece, so this is close to my heart. It's one of the most traditional banks, it provides the blueprint for financial operations for other institutions in the country, and they have been very behind when it comes to processing their

documents and all of that. They introduced the use of AI to process almost like a million documents a month. And the accuracy went from 80% to 90%. The more they used it, the more they were taking the kinks out of the processing, and this enabled them to be much more customer forward. They shifted a lot of their employees from back office to front office, worked with customers to explore different plans. That's a shift that is happening now with other financial institutions in the country.

Health care is another example. There are many smaller health care organizations, but also larger hospitals that are using AI, especially around diagnostics. It's not fully automated, so you still have the provider review the results and all of that, but if you have a little bit more automation when analyzing somebody's health records and viewing their X rays and combining it with other information they have in their profile, you can provide more information to the health practitioner to work with this patient or this patient, to help them focus on how to overcome something, or how to be much more proactive.

So again, I would use it as a tool. I think the misconception is oh, it's going to take over. It's going to have an impact on the workforce. It will have an impact on the workforce if we don't do anything about it. I think it's a responsibility, as an employee, as a decision maker, to be upskilled. And we must change as well. We can't really have this change happening all around us, and us not changing with it. We need to be abreast of all the innovations. We need to be responsible of how we're using it, how we're evaluating, and we can't just keep our head in the sand and say, "Oh, it's a fad, and it's going to pass and, you know, it's not going to affect me". More likely it's going to affect every single one of us. So, either you're in the forefront of it or it's happening to you.

Roland Deiser

Ok, there is a Wadda Salah Eldin who said he wanted to jump in real quick. Let's try that for a sec. I give you panelist rights, Wadda, and please turn on the video if you can do that. And meanwhile, Carsten, you wanted to say something.

Carsten Linz

I'm just building on what Eve said also, because there's a question in the chat on blue collar workers, shop floor level. I mean, if you don't have access to digital tools, then typically the AI comes in through the machines in many ways, and there's a caveat to that.

We have been doing a project with an automotive supplier, where we were asked to do a technical assessment. Technically all was brilliant. The challenge was it didn't create the outcomes that were expected. And then I had a chat with one of the people working there, one of the employees, a blue worker, and I said, how is it going? - It's going well, he said, but the outcome is not so great. Where's the problem? I don't know. And we had a longer chat during which I asked when was your last training? And he said, 35 years ago. And I said, okay, well, this is an exception. No, no, no. Hey, Klaus, when was your last training? Oh, when I joined here. When did you join? 24 years ago? We went back and said, it's not a technology issue. It's a mental model issue, because without training they will do everything to make this not a success.

Roland Deiser

Okay, so I want to welcome Wadda. We like to do this open chair at our round tables, because I think it's nice to have an unexpected element. You didn't know that you would come up here today, right? Why don't you introduce yourself real quick and then join the conversation.

Wadda Salah Eldin

Thank you, Roland. Thank you very much and thank you to all of you for putting this together. This is really, really exciting stuff that we're talking about, and important stuff. My name is Wadda. Wadda Salah Eldin. I know Roland from a program he taught at the Berlin School of Creative Leadership, and I myself am a consultant as well, even though I consider myself more an entrepreneur for hire. I have raised the question earlier about AI maturity versus investment. This question touches on what Carsten just expressed.

I have a feeling that leaders want to reap the benefit of the promise of AI, but they don't know exactly yet how to manage the risks around it. We spoke about use cases. We spoke about testing environments, and one interesting number I read in the latest McKinsey AI Organization report was that three times more employees use general AI in their everyday work than leaders imagined. What does that mean when we talk about maturity of AI, if elements of maturity are awareness, understanding, and adoption maturity. Are we seeing a way where it's more top down? Maybe it's a top-down effort, but it's not really understood how, and we're not really listening to the bottom up applications that are already happening. So, what does that mean for the whole organization? How can AI adoption really be sustainable for an organization?

Tom Davenport

That's a really interesting idea about the energy coming from the bottom up. For example, we see that in education where you have faculty members saying, oh, you can't use AI for this class. They think that they'll be able to understand whether students are using it or not, but they don't have a clue, really. But you know, I think for individuals and organizations and for students in educational institutions, there are good ways and bad ways to use AI, and I think we really need to engage in a discussion with people in our organizations about how to get those behaviors. I try in my courses, for example, to get my students to use AI. I teach AI, so I tell them to use generative AI in their research and their writing and so on. But I want them to show their work so they can show me that they've edited the output and that they've tried alternative prompts and so on.

And it's like pulling teeth, basically, to get them to show their work. They don't want to do all that. Some of them said it was easier to just paraphrase a Wikipedia article than it is to do the work the way you're describing it. There was a study at MIT early on in generative AI days saying that in this experiment, when asked to create some content and leave it open as to whether people edit it or even review it, 68% didn't even review the output of generative AI.

If we're going to have a human in the loop, we must tell the humans what to do and if there is upskilling involved. There is critical thinking involved. Maybe some of these things are not skills that many people have, so we must start developing them.

Wadda Salah Eldin

That actually makes a lot of sense. And I had the assumption it's still maybe a lack of trust. My mother works at Moderna, and they implemented a new DM chat, and it was a big thing. My mom, she's an old timer, so when I speak to her about the use applications of it, there's still a kind of doubt and a fear within, I believe. I'd say more senior employees are not really used to it as they didn't really grow up with it as younger generations did. But still, I also believe that there is more. There must be more to it.

I like the perspective that Carsten put forward that we need to talk about business value. I think project management and agile methodologies, they have a revival, in a sense, because now it becomes really clear that we need testing environments. At the same time, we need business value. So, what can we test? Obviously, testing is a cost factor, and we can't really roll out something that we don't know really works, especially when we look at the cost with AI. But still, we need to think in a kind of portfolio balancing method of, okay, what can we test? What is low risk?

What do you think, Carsten, how do you see it in your daily work?

Carsten Linz

Yeah, thanks for asking. That's really a smart way of looking at it. In my view, there are three different AI pathways. I would say, if we like it or not, there's still this traditional large language machine learning track - lots of prediction, forecasting cases, strong cases typically - that's difficult to enable. Now, your entire organization on these cases often requires quite some very specific, domain specific expertise. Then we have this middle track - large language models, retrieval, augmented generation, either open source or like Microsoft, propriety, Open AI. There's also becoming more widespread these "ask my organization anything" cases. It's going quite public, it's going broad. And then you have this, I would say, productized, large language models, like the co-pilot would sit here.

Now you could always ask, is that good value for money, but this is improving over time. And these are cases where you basically work with your local data; data that sits on your shared drive, or OneDrive, to be specific here and so on. What I'm saying is these are different notions of AI. I always call that AI pathways. And I think the answer to your question differs. On one side, this productized large language model was very much about personal productivity at your workplace. These cases definitely scale out quite a bit. I would say this is widespread. The middle case, the machine learning case, is less.

Generally, I think we're making a bit of a mistake. Of course, it's good that we train many people on AI. It's good to build up the skills and competence, especially in the notion of low code, no code environments also, often starting with dashboards. I love working on AI cases starting with dashboards, because people understand what's going on, and then basically you can just add a bit of flavor for the AI. But what we often forget is about basically strengthening and honing our skills and competencies on these original human competencies.

This is, I think, what hardly any organization is doing these days. What are the key human, original human competencies, and who is trying to strengthen them? If we're saying we have an edge on that, why are we not strengthening it? To me, it's completely counterintuitive. But often, if I say that for me this is so straightforward, I look into bare faces, and they say it's about AI. And I say, you know, original human competence is also a great thing to keep that edge.

So that would be my reflection on that. I would say no size fits all.

Tom Davenport

I don't know if you would agree with this, but my sense is that HR organizations have really not stepped up to upscale people relative to AI. I mean, there are a few now that are starting to do that. But as you said, not enough at the factory level, not enough at the executive level, not enough thinking about, what are the human competencies? They've just been very slow, I think, to adopt this new way of thinking.

Roland Deiser

Let me note that our Center is just about to launch a research project with a few large global organizations exactly on that topic. One issue in this context is, of course, that the traditional position of the learning and development function is sometimes really isolated and has not the strongest reputation and power within an organization.

But I want to bring in maybe one more person, if I may. Stay with us, Wadda. There is Ulrich who said he wanted to say something. If this is still the case, I'll bring you in also as a panelist, and if you are so kind as to turn on the video, then we can hear what you want to say. Maybe introduce yourself and say why would you jump in here.

Ulrich Lenz

Hi, and thank you for giving me the opportunity to jump in. My name is Ulrich. Ulrich Lenz. I am a lecturer on a German applied University and consultant all around the topic, digital transformation, management, Roland, we know each other from a century ago, from E.ON Academy. I was at E.ON responsible for a big digitalization project affecting 65,000 employees. That's some of my experience related to digital transformation. I want to emphasize the point of leading organizations and the influence AI has on the structure and leadership of organizations.

What do I mean? Normally, we say, okay, introduce AI. That helps to get more agile in organizations, more self-organization, self-responsibility. That's fine, but I think that's only one side of the coin. The other side is that you must set up and maintain in organizations some sort of control of governance. And I think it's not really solved by now. How to balance more agility of organizations and the governance and the control aspect. That's one question. How do we really set up organizational structure that help to get the ROI of AI implementation. And another point of concern - we must strengthen much more the organizational structures that stand for innovation. They must be equal, as strong as the control aspects of an organizational structure.

Roland Deiser

The agility issue, right? Any notes on that?

Ulrich Lenz

To emphasize a little bit more - how does AI implementation affect the organizational structure on one hand, and on the other hand - what organizational structure is needed to get the ROI out of AI implementation.

Carsten Linz

I'm not 100% sure if these two axes are independent. Let's take something very simplistic. You see, you work from dashboards, and based on dashboards, you build AI cases, for example. Then you will never be fast or agile - whatever the definition of agile in this context is - if you don't have strong governance out there, an operations manual that allows to build dashboards, and so on. So, I would say, the more you're going from a centrally driven approach towards an enablement approach, the stronger your governance must be. Otherwise you're getting lost in complexity and nonsense. And everyone is doing every day, on different data sets, the same stuff. So I am not sure if these two are really independent. That's my view.

The second one - we looked into the question when is digital transformation successful? And what we clearly said at the beginning of this big wave of digital transformation programs, especially in the content and media industries, we have seen a lot of *separate then integrate* approaches. Basically, you have a small, brilliant team next to the CEO, but in an ivory tower, relatively distant from the existing core business, so that they do not get distracted, so that they really do digital, full commitment and so on.

Even if we have seen that in some cases working, we clearly figured out that for industrial companies these days, it's much better to go for an *embed, and scale out* approach. So basically going close to the domain-specific expertise of the organization, going where the experts are, who really know their domain well, and rather building a bit of autonomy and autarky around that, also with an executive commitment from the board, and take it from there and build the use case up there.

So, I'm a bit skeptical with these separated teams. We have seen too many incubators, accelerators, digital hubs, which were too distant from the domain specific expertise. And after a while, they lost the buy-in of the organization because they were doing digital, but they were not doing the business, and they didn't really understand the details of the business. They lost the backing from the people on the ground, and that basically meant they failed at the end. Just food for thought. I'm not saying this is the ultimate answer, but if you want to look into this - it also got published in Sloan Management Review that we felt embed and scale out sometimes wins over separate and integrate with these brilliant teams next to the CEO.

Roland Deiser

That gets us into a very different and equally interesting discussion of ambidexterity issues and all that. But, you know, I'm also cognizant a little bit of the time because we got just three minutes left. It's probably not even enough time to wrap up among all of us.

Let me just summarize. Somebody asked, what is this publication (shows book)? It's Developing Leaders Quarterly, a booklet series on selected topics of 21st century leadership and organization. This one was on Augmented Intelligence, and we will get you the information in the follow-up.

I want to thank everybody for being here. Is there anything just in one sentence to summarize, something you'd like to give to the audience when it comes to enabling the AI driven organization? To wrap our conversation up today,

Eve Psalti

One thing that I would say really quickly is that there is a balance between automation and control or optimization and governance, and there is not one size fits all. I think this is an evaluation that every organization and every team needs to do. And also, don't forget about the KPIs. The more you introduce new KPIs around innovation, efficiencies and all of that, so that you can measure, and you can show the progress, the more you can incentivize the rest of the organization to adopt the right practices.

Tom Davenport

I would say you've been pushing us to do this throughout this conversation. Roland organizations and leaders should think as much about the organizational implications of the technology as they do about the capabilities of the technology itself. We get into sort of horse race model, which model is better and, um, what's going to be the future of generative AI and so on, and we're not thinking nearly as much about what it means for our organizations.

Roland Deiser

Because it's about *socio-technical systems*. You've got enable both a social infrastructure together with the technological infrastructure, and only this interplay of a social infrastructure and the technology infrastructure eventually creates a dynamic that allows performance and whatnot. This is why I'm pushing this, and because we're the Center for the Future of Organization and not for the Future of Technology. There are MIT and others out there who do this better.

Maybe quickly, also one brief sentence, please, Carsten.

Carsten Linz

I would say, if we look through the lens of a business model, an organization creates value and delivers value to clients and captures value for the organization's other stakeholders. And I think currently this is in renegotiation. AI leads to a renegotiation of all this. It's distributed between the clients, the organization, and the ecosystem partners. And maybe closing with Peter Drucker, "The greatest danger in turbulence is not the turbulence. It's to act with yesterday's logic."

Roland Deiser

That's a good one, yeah. And let's ask also Ulrich, and Wadda. As members of the audience, what did you think? What's your final thought?

Wadda Salah Eldin

My biggest takeaway and also learning, I guess, is - and that kind of aligns with the contingency view of organizations and management - that AI is a supersystem. It's an environmental supersystem of an organization. And I think that view helps understand AI maturity better and how we can benefit, and how can we all see it better and clearer.

Ulrich Lenz

I would again emphasize the point how to lead organizations. And Carsten, I fully agree, it is a balance. It's an equal weight of vertical versus horizontal. And I would love to enhance this part of the discussion about sociotechnical systems - Roland, you mentioned it - on the structure of organizations, and on the influence on leading these in organizations. And I think there can be a lot of practical work and research work and so on coming to solve these problems.

Roland Deiser

Okay, wonderful. So, what is left for me to say is a thank you. My first thank you, of course, to our friends, the panelists, who were so kind, really, to spend an hour and a half with us. Thank you so much. You guys have a lot of stuff on your plate, and so this is much, much appreciated. Also, those who were so courageous to jump in and just spontaneously contributed. And of course, to the audience.

You know, we had really a lot of people joining in from all over the world, and a very active chat. All these protocols of the chat and also the recording and a transcript will be available. We will communicate with you about that. Also, you will have the possibility to get this booklet if you want.

These sessions are a series, so stay tuned for the next one. We do three or four of them every year, and I really appreciate everybody being here. Thank you very much once again. The future of AI remains an interesting journey. Thank you, guys. Bye-bye.
