Opinion Article
Ekin Ilseven – 10/12/2023

The Secret of Life, Resilience, and the Next Management: Reflections from the Global Peter Drucker Forum 2023

In the late afternoon on December 1st in the prominent Hofburg Palace of Vienna, Richard Straub, the founder and president of the Global Peter Drucker Forum, revealed a new attitude towards management named "The Next Management," committing to the pursuit of a new paradigm in the subject in the next five years. Having taken place over three eventful days, this year's forum was dedicated to *Creativity and Resilience*, where not only the practicing or academic thought leaders, but also the younger generation and artists took the stage. From the beginning to the end of the Forum, a consistent message was that *we can't continue the way we have so far…*

The diversity in the meaning of "we" arising at the forum was worth reflecting upon. "We" as *individuals* cannot continue to expect stability due to the increasing frequency and magnitude of macro-level changes in the world, including migration, population increases, political conflicts, and others. We also need to be ready to reskill ourselves continually, learn to learn, as job definitions and demand of skills are changing, becoming multifaceted and fluid. "We" as *organizations and their leaders* cannot continue to prioritize efficiency over innovation and adaptability. People in organizations are not only to be treated as employees, but also as designers and collaborators for a greater organizational and societal purpose. Our voices need to be heard, our moral reflections should merit space in conversations, and our role as an engine of adaptation must be cherished. "We" as *society* cannot continue to be divided, staying focused on individual gains over collective benefits. We need better standards and regulations that treat every member of society equally, and create safe spaces to become the best versions of ourselves. Every level of humanity received attention in terms of where change should both happen and be driven by. This willingness to engage in the complex self-referential task of changing ourselves, just like upgrading or repairing a ship while cruising it, reveals an important aspect of the challenge we face today: A subtle confusion on whether we can shape the macro-level changes or must merely adapt to them.

An almost instantaneous, highly impactful technological shift is the rise of multi-purpose generative AI. The ability for machines to generate text, speech, and images at a human proficiency level has put into question the stability of the workforce. Educators are rethinking how to assess performance when students employ large language models (LLM), instead of generating their responses manually through the classic pipeline of understanding the question, searching and synthesizing information, and delivering a response through the right combination of words and sentences, optimizing some combination of accuracy, attractiveness, and novelty. Facing AIs ability to generate images and music, artists are pushed into serious debates on whether it is the process of crafting the image or the ideation of the output that makes them artistic, a question that affects the ability of artists to claim credit for the artistic output that results both in recognition and livelihoods. Programmers that used to be the gatekeepers of data science in companies are facing a serious threat in their jobs as today zero-code automated programming is an absolute reality, where codes are writing codes upon simple human input. At the forum, in a conversation on AI supported strategic decision-making, Bob Goodson, the founder and CEO of Quid Inc., suggested that even strategic decision-making is being affected. Split the decision-making process into the five steps of: i) gathering information, ii) analyzing it, iii) developing insights, iv) generating recommendations, v) taking action. Today AI is advancing from step 3 to 4, although with the caveat that, at the moment, AI is best used to provocatively kickstart a deliberation process than succeed in these other steps.

We need to first acknowledge that the shock is not the sudden availability of such well-performing generative AI but its unstoppable adoption by individuals and organizations, hence

that it is "we" creating the macro-level change. Individuals and organizations are experiencing today what game theorists call "the Prisoner's Dilemma": The optimal choice of cooperation is destabilized by the asymmetric personal gains derived from defecting and exploiting the other, leading to a suboptimal collective state. A student that does not delegate the homework to LLM risks having less time to address other difficult to automize tasks than those who do. A company that does not apply AI to their cost centers risks losing market share and competitive advantage. So, we all do. We all contribute to an almost tsunami-like social change in a world where resources are scarce given the increasing population, a hard to oppose demographic reason.

Among many, two themes emerged at the forum that suggest how "we" can adapt to such changes, namely that we as organizations need to be enabling and we as individuals need to be ready for reskilling. The president of Burning Glass Institute, Matt Sigelman, emphasized that people are not simple implementors but instead are bearers of a collection of skills of which the organization need to be aware, and have systems in place that help individuals with unique skills excel. Beyond this, he suggested that there has to be active effort to forecast what skills are in decline and which ones are on the rise to help individuals reskill themselves, with the goal of a win-win outcome for both individuals and organizations successfully riding the wave of change. Similarly, one of my fellow panelists Antonio Nieto-Rodriguez, a member of Thinkers50, argued that organizations need to switch into project-based thinking, as opposed to functional or divisional siloes. He warned that projects must be completed before starting new ones, underlining the motivational and innovative benefits of thinking in terms of fluid project-based structures that encourage individuals to learn, redefine their jobs, and reskill throughout their careers. Corroborated by the global chief of staff of Education First, Maria Norrman, a sense of ownership enables individuals to engage strongly in their job and, more importantly, to attend to the long-term viability of their projects and organizations.

In light of these reflections, we can return to the phenomenon of generative AI adoption and take with us two lessons. First, experimenting and learning about existing AI technology is no longer a choice and the earlier we integrate it into our skillset, the better. We have different skillsets and any delay in hands-on experimenting will reduce our ability to assess the best use of such technologies for ourselves. More importantly, generative AI is not a high-focus skill like programming, but a technology offering multiple skills (combining programming, reading, writing, speaking, etc.) with access to endless codified knowledge; generative AI focuses its function and knowledge base upon its user's demand. Just like project-based thinking that temporally brings together different people and skills for a well-defined goal, it is on the individual to switch from specialist to generalist thinking, from deep expertise development to a horizontal reconfiguration approach.

We are taking the first concrete steps in the classrooms at our university to initiate and train in this way of thinking. In the Advanced Strategic Management course, we undertook an individual assignment "Generate, Analyze, & Criticize" that consists of three steps: 1) Describe your business idea to ChatGPT and ask for two business models, 2) Choose three functional executives to comment on the implementation of the business model of your choice and ask ChatGPT to deliver this as a two-page executive summary, 3) Apply the frameworks learned in class to analyze the business elements of the summary and take an ethical perspective to criticize what can be improved for better social responsibility. Just as Bob Goodson of Quid Inc. suggested, we kickstarted the development of a more than 100 business ideas in less than 30 minutes. Without any prior knowledge of IT, finance, marketing, etc., we had an initial assessment of our business models from functional executives. The ethical criticism step of the assignment was essential, as students' ability to relate, empathize, and make judgement calls is not in the hands of an algorithm yet, and any future leader must develop this ethical capacity to engage in responsible business practices. The approach used in class is very real today and

already widely utilized in businesses across the globe. Given this, we need to start thinking like a board of executives and directors, a team of specialists consisting of many roles such as graphic designer, programmer, and marketing text generator, and any other function to support our goals, whether personally defined or by our jobs.

This individual-level journey starting from being a specialist to being a generalist has its parallels in different levels of the economy and society, although the tremendous pressure on the individual has been rather novel and specific to the nature of the generative AI shock. For example, many companies begin their journey as niche specialists, similar to how people are primarily trained to become specialists, learning to use a specific set of skills very well. Indeed, excelling in one product, service, or geography is an essential initiation strategy for companies, just as Netflix started with distribution, Amazon with a marketplace for books, and Apple with software and computer development. However, increased transaction risks with supplier and buyers, entry of other competitors, and potential benefits from synergies often push companies to both vertically and horizontally diversify, becoming more integrated in terms of their economic activities. Managing synergies in such integrated organizations requires dynamic capabilities that enable reconfiguration and redeployment of resources and capabilities across units, to become adaptive through recombination. As such, people that can quickly deploy a certain function of generative AI that they never used in their jobs will be more adaptive and more likely to succeed. Entrepreneurs that learn how to use generative AI can deploy it for different purposes in different stages of their start-up, initially for an accelerated market analysis and scenario generation for investor meetings, and later for analyzing large documents for specific information and complementing this knowledge with functional roles such as those in marketing and software technology. Thus, as companies become more and more generalist, and do we as individuals have to do so as well?

Observation and experience say no. There are some things that do not change, and following suit from both Peter Drucker himself and the forum panelist, Prof. Dr. Michael Kaschke, the former president & CEO of Carl Zeiss AG and current chairman of the supervisory board of Karlsruhe Institute of Technology, we should ask "What are the certainties we can hold onto?"

First, cycles of change and stability do not change. Inspired by the 1962 Nobel laureates Prof. Dr. James D. Watson and Prof. Dr. Francis Crick who discovered the so-called "secret of life," the double helix shape of DNA, Prof. Dr. Charles Fine at MIT has identified the double-helix dynamics of industry integration and modularization cycles. There comes a time where

companies cannot exploit synergies anymore and the costs of managing a complex company become excessive. A trend towards specialization thus begins. However, integrated companies do not fall back into their previous parts that initially came together; they instead generate newly recombined parts to be used in the next cycle. Creation of the corporate parent Alphabet Inc. is a case-in-point. As the CEO of Google Inc. at the time, Larry Page, stated it in his corporate blog
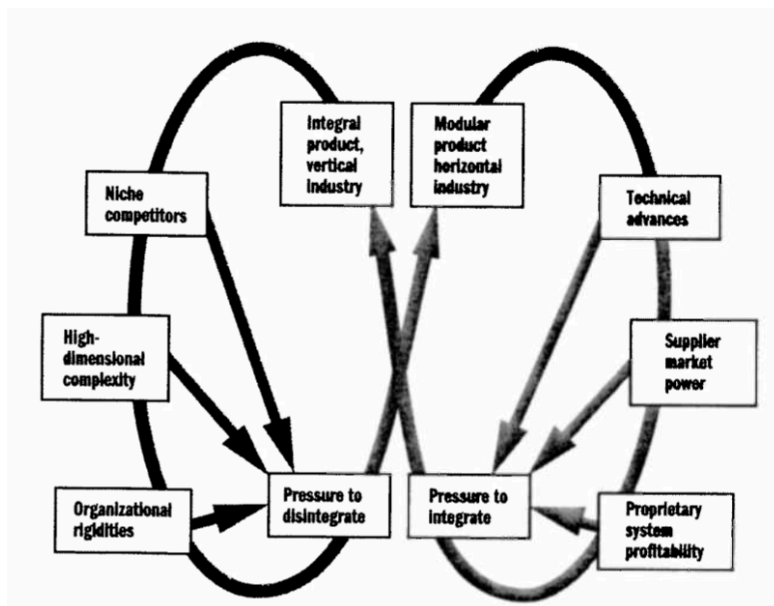
post[1]: "What is Alphabet? Alphabet is mostly a collection of companies. The largest of which, of course, is Google. This newer Google is a bit slimmed down, with the companies that are pretty far afield of our main Internet products contained in Alphabet instead." Slimming down and spinning off parts that do not fit well in the internal environment of Alphabet Inc. is a push towards independence of information gathering and decisions. It is important to remember that the integration of many different skills through technological advancement and the adoption of generative AI is one day to also be fragmented, leading to a wave of specialization. To be clear, this process will likely be led mainly by those who are pioneering the wave of integration. Hence, it is more important than ever to stay in touch with such technological advancements with the purpose of generalizing and not simply treating this as another adoption of technology that simply enables doing more of the same.

Intriguingly, the back and forth between specialization and generalization is almost a law of nature. From the perspective of ecological biology, such cycles are part of dynamic systems that are driven by mechanisms operating at multiple levels, whether an ecosystem of individuals and workforce, companies and industries, or living beings and nature. More importantly, the *model of adaptive cycle* places these cycles right at heart of resilience. The

The adaptive cycle (from Panarchy, edited by Lance H. Gunderson and C.S. Holling: Figure 2-1 (page 34). Copyright © 2002 Island Press.

adaptive cycle of resilience consists of four stages: 1) Phase-r captures the growth of the population and the exploitation of resources, 2) Phase-K is characterized by maturity in resources and a few dominant ecosystem actors that sustain the greater population, 3) Transition to phase-Ω leads a collapse in the established order that is difficult to sustain in the face of small disturbances that jointly reach a critical system-wide scale, 4) In phase-α, in the aftermath of chaos and change, the ecosystem actors reorganize, reconnect, and recombine in novel ways to begin the next cycle of stability. In the absence of human intervention, forests, lakes, animal populations, generally all ecosystems go through stages of stability dominated by exploitation and conservation and of change characterized by the release of resources and their reorganization.

Joseph Schumpeter has coined the term "creative destruction," the instability generated by the entrepreneur to keep the economic system living and adaptive, breaking the lifeless stationarity of economic systems that cannot accommodate innovation. The echoes of the consistent message in the halls of the Viennese Hofburg Palace, "*We can't continue the way we used to,*" appears to be the materialization of an aligned reaction to this conservation period, phase-r and phase-K. We as individuals need to pull apart what we have been successful at doing and carefully let some of our skills go and obtain news ones to achieve the recombinatory synergies. We as leaders and organizations need to establish structures and processes that enable and protect such a transformation, whether in for-profit or in non-profit spaces. We as society need to start making the most of the diversity we bear in society, not as a source of conflict but of value creation. From a resilience point of view, the inability to continue the way we have is a healthy voice calling for the release and reorganization of the workforce and of organizations; however, at the same time it is the cause of much stress and anxiety due to the chaos and disorder it brings to everyday life.

At this point, we need to hold on to the second certainty we have, our social human nature that makes us stronger together. Almost all agree that in a phase of uncertainty, chaos,
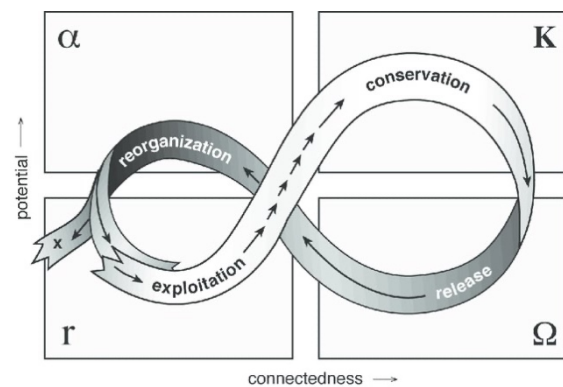
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[1] https://blog.google/alphabet/google-alphabet/

and transformation, the human component will stand out, as pointed out by the forum speakers in numerous forms and occasions. Prof. Dr. Amy Edmondson of Harvard Business School asserted that cultures that do not let the blame game flourish and create safety for learning from failure are essential for both individual well-being and organizations. Carla Arellana, partner at Greyhound Capital, highlighted the risk of autonomy becoming disorder and suggested that organizations with right decision-making systems and available training for their employees are the most persistent ones. Prof. Dr. Yves Doz of INSEAD shared a striking yet less known story of the other surviving Fukushima power plant, Daini: The site superintendent Naohiro Masuda took active leadership on the ground, quickly assessing damage, identifying the effective yet costly solution, and most importantly "giving sense" to all employees involved in the situation. This feat resembles the leadership demonstrated by Marquês de Pombal in the wake of the Great Lisbon Earthquake in 1755. As such, his directives and engineering initiatives have set the foundation for today's disaster response and relief procedures. Our advanced ability to make use of technology by planning, predicting, and preparing relies heavily on our ability to cooperate and collaborate. Despite facing micro- and macro-level changes, some arising from us and some from our environment, we will always depend on each other to overcome such challenges. Said another way, the engine of the adaptive cycle that both creates and resolves chaos is fueled by our ability to stay together.

"The Next Management" includes four elements we have touched on so far: Innovation rather than efficiency, Ecosystem beyond the enterprise, Societal enhancement rather than narrow gains, Technology augmenting—not automating—human creativity. The forum adds a complementing element: *Balancing art and science*. Kamilla Arku, the founder and director of Music for Liberia, and Paul Smith, the CEO of Voces8 Foundation, shared their experiences on how they brought together members of their community through music during the Coronavirus pandemic. Indeed, as we move through the cycles of adaptation in our pursuit for resilience, art and creativity act as an affective social glue by making sense of crisis moments, creating a sense of solidarity, incorporating the events into our identity, all in all planting the seeds of the next adaptive cycle. However, it is a call for a balance, not a division of labor and allocation of it to art and science separately. It is often underestimated how intertwined art and science are, both combined leading to our human evolution. Working on subatomic particles called quarks, everyday particle physicists refer to James Joyce's line from *Finnegans Wake* "Three *quarks* for Muster Mark!" The woodcut *Circle Limit III* created by M.C. Escher in 1959 depicts the hyperbolic geometry that lies at the heart of Einstein's famous $E = mc^2$ formula. The literary submovement OuLiPo (from French, "*ouvroir de littérature potentielle*") aligns with advancements in combinatorics, algorithms, and knot theory in mathematics, leading to inspiring mathematical problems as well. Management science is bringing art increasingly more into their studies and we need to ensure its persistence.

As Peter Drucker noted, organizations are merely tools for us to achieve more than what we could alone, and management is an organ that is developed by the society to fulfill a function, just like the heart circulating blood in our body. As my experiences at the forum indicate, today there is a sense of heightened urgency to face challenges at every level of the social system that we, ourselves, are a part of. As such, on our adaptive path of release and recombination, we are to rethink what individuals can offer to organizations and their management. Doing this while embracing art and creativity will be essential to keep the adaptive cycle running, to become a resilient "we," as individuals, organizations, and society.