

When Executives Turn Digital



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In mid-June, INSEAD alumni and guests met in Zurich to hear about the real impact of digital technologies on people and processes, beyond cost and efficiency benefits. Three executives who led digital rollouts in their organizations spoke about the transformation and the challenges.



Photo: from l to r Reto Gygax (Zurich Chapter President); Speakers Marc Holitscher, Patrick Hunger, Richard Bissonnet (Moderator), Alexander Wyss

None of the speakers were from “born digital” start-ups but were all from mature companies in well-established industries. Patrick Hunger is CEO of Saxo Bank Switzerland, a 26-year-old Danish bank and trading technology company, Marc Holitscher is CTO of the Swiss subsidiary of Microsoft, the 43-year-old global software and hardware company, and Alexander Wyss is a Partner at Baker McKenzie, a 69-year-old global law firm.

Digital can be transformational but are we ready and willing to transform the way we work, or our businesses or even our industry?

Read on to discover the lessons learned on three digital journeys.....

Could a Humanoid Robot Improve the Customer Journey at a Bank?

Saxo Bank sells a range of trading solutions and technologies to other banks, as well as selling trading accounts to institutions and individuals. Its products require detailed, dynamic, and extensive explanations of options and features. The plan was to introduce new Digital Wealth Management services using a humanoid-style robot called “Pepper”. It made sense to use an autonomous intelligent machine as a “concierge” because it can interact in natural language, store information better and longer than humans, and it is potentially faster, able to update product-info on the fly.

But the staff and subject matter experts were not interested in working with the Pepper robot. While Pepper is not threatening as a machine (it evokes a protective instinct in many people and gives a cute and stupid impression), the company’s subject matter experts could find no inner motivation to work with the technology to make Pepper useful. It was a classic case of no benefit, no clear answer to “what’s in it for me”?

It was not the right technology for the customer. Saxo Bank’s customers are using mobile and wearable devices, and very rarely use robots, let alone humanoid ones. It does not improve the client journey. Autonomous robots evoke unwanted reactions, such as expectations that it will behave like a human. This is not a simple matter of programming and teaching the robot. There is more to it than that. There is still some research into human behaviour to be done before transferring functions to robots. It is important for the success of this kind of project to be obsessed with humans and human behaviour, and not necessarily be obsessed with technology.

Key success factors

- Digital solutions require client-centricity. The banking industry, like many others, has a way to go before it makes that shift. Skill needed: the ability to unlearn traditional methods and processes.
- Leadership skills are needed to develop a culture that counteracts the natural aversion change (perceived as loss) that skilled workers may have when faced with AI and digital technologies. Enable employees to experiment with confidence, to be allowed to fail frequently to learn. Unless managed well, anxiety will grow as more technology emerges.

Digital Transformation Within a Technology Company

Microsoft already uses a lot of AI in cybersecurity. Smart algorithms can detect privacy and security threats in real time. Its customers don't see and normally don't know that AI is running in the background to make software and networks more secure.

The sheer abundance of signals makes AI a necessity. There are billions of authentications processed each day. There are nearly 2.6 billion monthly unique file scans; 400 billion email scans (for phishing and malware); scans of 18 billion web pages, and more than 1.2 billion device scans. Data is aggregated and analyzed to identify anomalies and threats. The analytics are used to protect customers behind-the-scenes.



Photo: The sold-out event took place at Saxo Bank's trading lounge in Zurich

Security is a critical aspect of the company's business and it also ought to be for all Swiss businesses if a study by KPMG in anything to go by. A recent survey revealed 85% of Swiss companies have been hacked. Hacking is a hobby for some, but it is also used increasingly for illegal financial gain. Nation-states are attacking each other's servers and they use AI as a tool.

Digitalization projects at Microsoft Switzerland are not about replacing skilled workers with AI or bots, but are about making the workplace buildings more conducive for work and collaboration. A project emerged when the company faced an office renovation. It was a change that would affect 650 employees and take at least three months. Management told employees to stay home. They would use digital technologies to work remotely and the information gathered would be used as research to inform the design of new offices.

The project team gathered 18 outcomes. They observed that sick days decreased by 20%. Employee morale improved as staff enjoyed being able to avoid traffic jams during rush hours. Not everyone thrived in off-site working. It was discovered that there are indeed some jobs and some people that require almost a great deal of collegial interaction and close management. The outcomes were analyzed to design a new working environment that includes secure, flexible workspaces, collaborative spaces, and smarter building technologies.

Soon the company will make another move; this time to The Circle at Zurich airport where the Microsoft Switzerland team will be putting its research to use and influencing the design of the office spaces, including lighting, digital signage, personalized communications, and access control.

Key success factors

- Understand the flaws or weaknesses of digital technologies in the context they will be used. E.g. some algorithms are biased.

- Skilled workers have to be committed to lifelong learning and younger ones need to understand how to make targeted use of the technologies.
- Be creative in lifelong learning initiatives. Microsoft Switzerland assigns teenage mentors (digital natives) to the C-level team.

Making the Case for AI in Law Firms

There are many areas where AI could be put to use in law firms. The legal services industry is worth approx. USD 700 billion a year and is still growing, driven by a steadily increasing regulatory burden that is imposed on the clients. Competition in the industry is fierce. Paralegal, accounting consultancies and independent contractors are moving into areas that were once exclusively handled by law firms, not to mention in-house corporate law departments. All this means that law firms must be open to new technologies that can give them an edge and save clients' money. Also, clients are looking more and more for alternative fee arrangements that avoid the hourly billing model. One of the law firm's answer to this development is to become more efficient and to use AI.

Law firms have already been adopting digital technologies for e-learning, corporate communications and legal knowledge (research) for quite a while. The use of software such as Lexis-Nexis, Ravel, BlueJ and Angoss have made the library and law books almost obsolete. The library was once one of the most important parts of a law firm; nowadays, the space it once occupied can be used otherwise.

Further efficiency and productivity gains will be achieved in almost every area of legal work and processes. There is a growing number of newer legal-tech companies addressing processes such as "search and find" (contract analysis), "task automation" (automated contract drafting) and liquid workforce.

The promise of AI is tantalizing and there is a high potential in routine tasks for things like due diligence reviews where thousands of documents have to be processed to generate useful information.

Using eBrevia, an AI tool, for the past year for finding and extracting important contract clauses has been a learning process for Baker McKenzie. Skilled workers were willing to use it and work with it, but for the time being the AI still falls short of expectations. Legal professionals still have to double check the results. However, the software is self-learning, and it is expected to provide much better results in the near future.

Key success factors

- Knowing the law, legal processes, and court decisions is essential as a basis but new skills are required to make the most of the technologies available, particularly how to work with self-learning software (machine learning) technologies.
- Collaboration and networking abilities are required too. The legal education needs to somehow marry in-depth knowledge of the law and court cases with these other skills.



Conclusions

Digital is a bucket term that applies to a lot of different technologies: from algorithms, to data analytics, to machine learning, bots, hotdesking, artificial intelligence (AI), smart buildings, mobile apps, humanoid robots, and everything in between.

It is often described as “augmenting” humans. This is true, but the executive journeys and panel discussion made it clear that digitalization and AI will not solve a weak business model or organizational flow. It enhances or augments whatever is strong and exposes whatever is weak.

Digital is relational, and it is client-centric. Businesses, even ones that sell complex technologies and high-value knowledge-based services, that are organized in a hierarchical way and engage in business in a transactional way will have a hard time reaping the benefits of new technologies. Those that can learn to work collaboratively and make the shift to client-centricity will thrive.----

Speaker Bios

Marc Holitscher, CTO Microsoft Switzerland: Marc has been with Microsoft for 15 years and was appointed to CTO in 2015 with mandates to charge-up innovation and execute digital transformation strategies. He also serves on the board of Leanmade AG, a Zurich-based startup. Marc has a PhD from the University of Zurich and postdoc at Harvard.

Patrick Hunger, MCCC14S, CEO Saxo Bank Switzerland: Patrick Hunger was appointed in June 2016 to CEO of the Swiss subsidiary of Saxo Bank. Before Saxo Bank, he held positions at Credit Suisse Trust, UBS Investment Bank and the SNB. Patrick has a PhD from University of Zurich, is an attorney at law (St Gallen) and has a University of Zurich EMBA.

Alexander Wyss, MBA01D, Partner, Baker McKenzie: Alexander is a partner at global law firm Baker McKenzie with 20 years of experience in cross-border and national real estate, private equity and mergers & acquisitions transactions. He serves as a director in various companies. He has a PhD from University of Zurich and is an attorney at law (University of Berne).

Moderator Richard Bissonnet, MBA81, M&A Advisor: Richard is an independent sell-side advisor to European entrepreneurs and is a Senior Advisor to Quarton International, a boutique mid-market firm with offices in Europe and the USA. He has board experience with start-ups and funds. Previously he was a banker in Canada and a senior executive with Reuters in various European countries.

Impressions

