

Impact of Digital Innovation on Business Management

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“Aspiration” as a Success Factor for Businesses

Terms like artificial intelligence (AI) and the Internet of Things (IoT) have become buzzwords over recent years. While many companies still continue to wait and see how those new technologies will work out, such a passive approach is increasingly likely to pose major risks in the near future. It remains uncertain just how new digital technologies will change society and business management. For this very reason, it is important to adopt a progressive positive approach to determine what and how we want to change. Whether we change or are changed will make a significant difference.

My own studies deal with the impact of external changes on organizations, with a particular focus on societal factors such as the values, institutions, and technologies. I have directly observed the drastic changes that both globalization and recent digital innovations have wrought on organizations. The globalization of management and human resources was a major managerial agenda item about a decade ago, during one of the repeating globalization booms. Globalization today has shifted from its previous phase, which focused on establishing overseas operations, to the next phase to combine globalization and digitalization to transform entire industries.

This major change is making it vital to have “Aspiration.” While data and trial-and-error approaches are the seeds of

digital innovation, no experimentation or learning take place without the will to progress. “Aspiration” is essential to providing a launch pad for learning from failure.

“Aspiration” is also important in companies’ human resource strategies and management. Assembling a diverse workforce globally leaves the organization pointing in many different directions. For an organization to retain integrated leadership, it is vital to clarify what the company stands for and how various activities contribute to this purpose. Meanwhile, the labor market has been rapidly mobilized over the last decade or more. The more talented the personnel are, the more they will seek out jobs and companies that suit their own “Aspiration.” Companies, too, are considering the adoption of flexible employment practices to attract talented human resources, and there is no doubt that a growing number of people are interested in new ways of working that are not predicated on traditional employment arrangements.

Changes in the Types of Talent being Sought

As digital technology becomes an integral part of our work, there is an ongoing process of unbundling of tasks that have been integrated together. Rather than allocating a large chunk of tasks to each profession or occupation, the tasks in these roles are being split into pieces, and individual tasks are being categorized into what AI or automation tools can manage and what they cannot. In that world, the ability to effectively handle new technology tools will be a valuable asset, with specific task knowledge also being vital to fully leverage machines. Work will be divided by tasks rather than by people, and AI or human resources with the right skills to do the work will be highly valued in each task context.

At the same time, the amount of work will be reduced in many cases. People will then focus their time on high-priority tasks that are the preserve of humans. If this will lead to reduced working hours across the entire society, then people will face the question of what they really want to do with the extra time. Some will take on other work where their skills will be appreciated, and others will engage in private hobbies or community activities.

Students today make the most of what digital technology offers; some of them casually launch their own businesses or social projects with global peers. Whether it be project-based employment or flat organizational structures, the work

practices and organizational arrangements brought about by digital innovation are a good fit with the way young people live. This includes an understanding that the faster you try and learn by taking risks, the more competitive you become as an individual. With the deepening disconnect between generations over digital technology, it is important for middle-aged and older workers to find younger mentors and develop an awareness of this new “common sense”.

The Fall of Middle Management

One thing that will change more than anything else in businesses is the role of middle management: the very positions of managers in organizations. AI will visualize precise real-time views of what is going on on the frontline, and automatically provide optimal responses or options. Although these complex processes used to be handled by managers in each workplace who would draw on their own tacit knowledge to make decisions, it is highly probable that this function will be rapidly automated. Future business organizations may operate on a two-tier structure made up of high-level managers, who will retain responsibilities, and operators who will make day-to-day decisions that will be optimized by data analytics.

As exemplified by pioneering cases such as Retail AI, that utilizes predictions to optimize store sales, and HR tech, that optimizes talent portfolios based on data, AI will assist a wide range of decision making in businesses.

One important consideration there is the ethics of decision making. Can we really rely on AI, for example, for staff appraisals including dismissal decisions? Similarly, who should take the responsibility if unanticipated damages arise by managerial decisions made by AI? On the one hand, more and more decisions are being delegated to AIs, but on the other hand, it remains unclear where to draw the line on how far we should let this go. We may call this dilemma the paradox of decision-making. While someone needs to have a veto to prevent harmful decisions by AIs, that means handing the absolute power (by way of the AI) to the individual. If, to avoid this, a veto is instead granted to a group of people, that merely takes us back to the original situation of collective decision making by political humans.

The better AIs get at generating proposals and formulating hypotheses, the more serious the question will be: how far can we ultimately rely on machines?

How Best to Fill the Gap of Motivations?

While globalization and digital innovation have tended to be problematized in terms of rising economic inequality and skill gaps, another critical factor would be the motivation gap. The most commonly observed concerns among companies about digitalization relate to the skills gap; namely workers are worried that they lack the required knowledge and skills to utilize the latest technology. Behind such concerns, there actually lies a more fundamental gap in how much one is motivated to keep learning and changing.

As long as one has motivation to take actions, the range of one's available options has become much broader than ever. Collecting information, editing and spreading opinions, developing a team, raising funds, launching a new organization, and realizing something meaningful. Or learning about the latest technology, identifying sweet spots, proposing and materializing new value creation in incumbent organizations. For all of these, the number of available tools is increasing, their costs are falling, and the technological obstacles are clearly coming down. As we enter an era of declining population raising many social problems, opportunities to try and chase our social aspirations are increasing, both within and outside the workplace. In such an era, what is really being tested may be our own inner motivations.