Technology Redefining Business: From Strategy to Consumer Engagement

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Top 10 Takeaways from the 2019 CEO Retreat

Rapid innovation across technologies is reshaping not only the entire value chain, but also the very role the private sector needs to play in society. The impact is pervasive.

A.T. Kearney's Global Business Policy Council (GBPC) gathered prominent corporate leaders and renowned thought leaders from around the world in Mallorca, Spain for its annual CEO Retreat from June 30 to July 2. The overarching theme was "Technology Redefining Business: From Strategy to Consumer Engagement." Throughout the deliberations, it was clear that the requirements for and expectations of the private sector as members of society and the economy have expanded significantly in both scope and complexity. Participants emphasized the need for increased agility to restructure global operations during the ongoing downshift in the pace of globalization, amid disruptions to production, consumption, work, society, and governance and an increasingly clear business case to prioritize sustainability.

Proceedings of the Retreat that more fully capture its insights will be released by the GBPC in the coming weeks. In the meantime, we offer our Top Ten Takeaways to provide a cross-section of our deliberations.

1. **"Local," "custom," and "quick" are all terms that describe the ongoing redefinition of the future of production.** Parallel advances in AI, robotics, IoT, materials science, and 3D printing, which will allow for hyper-local and individualized customization with greater ease and efficiencies, are dramatically altering the global production landscape for goods of all types and bringing producers, consumers, and the supply chain together in unprecedented ways. Consumer preferences increasingly focused on customization and personalization are accelerating this trend. The future is just-in-time products, made just for you.

2. **Looming tech-related uncertainties are changing the requirements for workers.** So far, most of the workforce in developed markets has so far been shielded from automation—but that is about to change, one AI-enabled software improvement at a time. Just as robots are now displacing blue-collar workers, so too will AI displace accountants, lawyers, and other service-based professions. This widening dislocation casts uncertainty on what skills will be necessary for the workforce to meet the array of future challenges. This makes lifelong education and up-skilling/re-skilling both essential for national competitiveness and to keep pace with rapid technological change and adoption of technology into greater areas of work. Here, the differences in levels of preparedness among major economies are significant.

3. **The forces of de-globalization are redefining the value chain.** The era of hyper-globalization is now over. Increased nationalism, populism, mercantilism and protectionism, shifting consumer preferences for local goods, modern-day industrial policies to revive domestic manufacturing, and advancements in technology such as 3D printing are driving a new era of localization for supply chains. This discussion reinforced the focus of the CEO Retreat last year, "Weathering the Anti-Globalization Storm," and our examination of what companies can do to "multi-localize" their operations.

4. **Companies must assign appropriate controls and metrics to the use of technologies undergoing exponential change.** In the fluid information environment brought about by the acceleration in technology, organizations must adapt by redefining for themselves who their stakeholders are, whether they are identifying, prioritizing and monetizing data and knowledge effectively, how well they are maintaining and

controlling their data processes, and whether they are acquiring the right tools to navigate into the future. This amounts to end-to-end digital transformation.

5. We are entering a period marked by pronounced "techlash." Generally, governments and international organizations alike are falling behind in their capacity to address the broader effects of technology shifts. Increasingly, and in varying ways, political leaders are seeking to counter the disruptive effects of technology innovation—by limiting access, taking antitrust actions, imposing taxes, strengthening control and portability of personal data, investing in digital ID systems, requiring data to be localized, and imposing other constraints. The challenge is all the more dauting, however, in an environment in which businesses, leveraging operations built on intangible assets, can pivot rapidly. This period of "techlash" is likely to be a defining feature for the foreseeable future and will become progressively more difficult for siloed government ministries and agencies to manage effectively.

6. Questions of agency will represent one of the greatest ethical challenges posed by emerging technologies. Who is to blame when robots, autonomous vehicles, and "smart" materials fail—the programmer, the operator, or the machine itself? Should autonomous weapons be given permission in advance to pull the trigger? Beyond ethics, these kinds of questions will also become a new focus of the legal and insurance industries amid the broader "techlash" as society grapples with technology's growing role in all aspects of life.

7. As global institutions continue to weaken, sovereignty and citizenship are being redefined by highly influential and global digital ecosystems. Combined with growing public distrust of institutions and democratic systems more broadly, the growing urban-rural divide and the explosion of platform and social media companies that connect and provide services to billions of people around the world are challenging the concepts of sovereignty and citizenship at the city, digital community, and individual levels. Is technology gradually displacing the Westphalian nation-state system? Are we seeing the emergence of "digital citizens" whose loyalties lie more with tech-denominated communities than dysfunctional governments?

8. The new information landscape may favor less democratic governments—at least in the short term. The pace and volume of information and misinformation in today's digital environment is clearly straining democratic processes and policymaking. At the same time, envy of the Chinese model—characterized by controlled information flows and centralized decision-making—is growing. However, carefully nurtured democratic systems are less brittle than authoritarian ones—making them more capable in the longer term of absorbing the intensifying shocks that technological and societal change bring.

9. Whoever controls artificial intelligence controls the world. And with eighty percent of global value in AI technology concentrated in either the United States and China, the battle is essentially between these two "AI superpowers" and their emerging, distinctive and competing digital ecosystems. This leaves most economies unable to fully capture the value of AI and emerging technologies. It also places many other nations—and emerging markets in particular—at the forefront of Sino-American techno-national competition for digital infrastructure development.

10. A "splinternet" will likely be a by-product of mismanaged US-China relations. If you call someone an enemy enough times, eventually they begin to act like one. At this moment, in the context of intensifying trade frictions and growing geopolitical pressures, the United States and China are fast becoming such enemies. A bifurcation of the technological landscape could be one major consequence of worsening bilateral relations. In order to avoid such confrontation, a renewed interest in mutual understanding and appreciation for the two distinct systems of governance is needed.

To coincide with the CEO Retreat in Mallorca, the GBPC has issued a related report entitled *Competing in an Age of Digital Disorder*. Among other things, the report advances four visions of the future impact of these changes in technology.