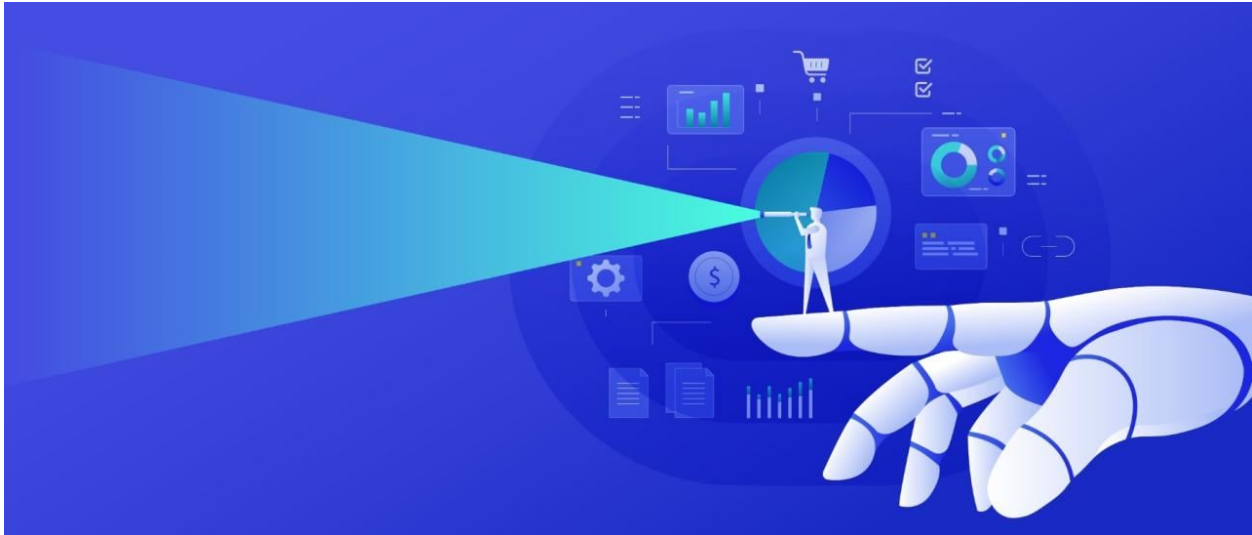

Organisations in the Age of Algorithms



By Phanish Puranam , INSEAD

History shows that organisations are vital to humankind and vice versa. AI can enhance this relationship, provided we harness it well.

When Google's CEO Sundar Pichai recently **revealed** that 25 percent of the company's software is now machine-generated, it underscored how quickly artificial intelligence is reshaping the workplace.

What does this mean for how we organise and manage? Will there still be room for humans in tomorrow's organisations? And what might their work conditions look like? I tackle these questions in my new book **"Re-Humanize: How to Build Human-Centric Organizations in the Age of Algorithms"**.

The answers are not a given. They will depend on what we choose to do – what kinds of organisations we design. I make the case that successful organisation designs will have to pursue *both* goal-centricity (i.e. achieving objectives) and human-centricity (i.e. creating social environments that people find attractive). A myopic focus on only one or the other will not bode well for us.

The dual purpose of organisations

Why focus on organisations at a time when technology seems to be making such exciting strides? This was the very first question that INSEAD alumna Joanna Gordon asked me in a recent digital@INSEAD webinar.

My answer: *Homo sapiens*'s most impressive accomplishments, from building the pyramids to developing Covid-19 vaccines, are not individual achievements. They were possible only because many people worked together effectively. "How to organise groups to attain goals" is our oldest general-purpose technology (GPT!).

But there is more. To humans, organisations don't just help accomplish goals. We are a species that has evolved to survive and thrive in groups, and organisations (i.e. groups with goals) are the natural habitat of *Homo sapiens*. They provide us with a sense of community and, as research has shown, help us strike a balance between our needs for social connection, individual autonomy and feeling capable and effective.

The challenge

It is this dual nature of organisations as both goal-achieving mechanism and human habitat that makes the current AI revolution particularly challenging. The promise of rapid improvements in goal-centricity through AI-enabled automation comes hand in hand with the threat of rapid decline in human-centricity.

Automation can cause at least some human skills to lose economic value, possibly leading to unemployment. But even for those who remain employed, it is all too easy to imagine how algorithmic technologies could reduce autonomy and social connection and undermine confidence in one's own capabilities.

Shorn of autonomy, monitored and measured to intolerable levels, interacting with others primarily through technology - we might end up as human sub-routines in an organisational algorithm.

Why we should care

In my book, I argue that human-centricity is not merely a "nice to have" - it will be a business requirement. Whether AI causes aggregate unemployment

or not, in the foreseeable future, most organisations will continue to need at least some humans. The immediate future of organisations is “bionic” – a mixture of human and artificial intelligence.

We are still superior to machines at many things, and we can improve their performance even when that is no longer true, by adding unique perspective. There are also important reasons such as accountability and legitimacy that will keep humans in organisations.

And that’s where human-centricity becomes critical: it’s how you attract, retain and motivate that human talent. Perhaps surprisingly, the competition for talent can get hotter even if organisations downsize through automation. This is because the skills that humans must possess to be useful in AI-infused organisations are likely to be in short supply.

Two reasons: First, some of those specific skills are not even defined at this point and will take time to develop; second, they will very likely draw on higher-order cognitive skills (such as effective problem formulation and leadership) that are already rare.

Human-centric organising, which creates organisational contexts that match individuals’ preferences for autonomy, connectedness and the opportunities to build competence, can provide that competitive edge. We know beyond doubt that people look for these things, not just a paycheck, in their workplace. But they do not all look for the same bundle of these attributes – which is great news for organisations seeking to differentiate themselves in the labour market.

Human-centricity can also enhance motivation and engagement, which are crucial for innovation – particularly the innovation needed to discover new opportunities to use AI to enhance the value of human skills or create demand for new human skills.

Put simply, giving up on human-centricity and turning themselves into algorithms is a losing strategy for organisations competing with algorithms.

Technology does not choose our future, we do

We are not passive observers of this major transformation, nor does AI have to be the villain in the story of the future of organisations. Through thoughtful organisation design, we can use AI to enhance rather than diminish human-centricity by empowering autonomy, fostering

connectedness and boosting competence.

Instead of using AI for increased monitoring and control, we can design it to help people work more effectively without the need for constant supervision. Rather than replacing human interaction, AI systems can be designed to improve group processes and reduce the frictions that often arise in teamwork. Instead of deskilling humans by automating ever more of their current tasks, we can build AI systems that enhance human competence and support continuous learning.

The age of algorithms could well also be the golden age of organisations.

Find article at

<https://knowledge.insead.edu/leadership-organisations/organisations-age-algorithms>

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