

THE AUTOMATED CEO: IS DECENTRALISED LEADERSHIP A STEP TOO FAR?



advancing business through people

THE AUTOMATED CEO: SCIENCE FICTION OR REALITY?

What constitutes a good leader? Historically, the Chief Executive has stood as the proverbial captain of the ship, steering the business in the right direction with a clear view of a destination in mind. Whilst this view of the CEO still holds true to this day, the role is becoming much more complex, confronting many new obstacles and challenges along the way. With technological innovations happening at such an unprecedented rate, the CEO must now determinately steer their business through the unpredictable modern marketplace, whilst at the same time, establish a state of both growth and stability in more than just the balance sheet.

HOW TECHNOLOGY IS SHAPING BUSINESS

Technology is ubiquitous, and as advancements in the industry dominate the structure of our society, our lives have become irrevocably entwined with its benefits. With each new innovation comes a new way to approach the marketplace, but whilst technology uplifts businesses to new heights, what does this mean for the future of the CEO? And, with the prospect of fully decentralised autonomous organisations on the horizon, could the CEO soon become an antiquated ideal? Or, does the very notion of a detached series of coded decisions threaten the very nature of business?

WHAT IS A DECENTRALISED AUTONOMOUS ORGANISATION?

A Decentralised Autonomous Organisation is a pre-programmed and autonomous artificial intelligence system which uses blockchain and smart contracts to operate in the same way as a modern CEO. The reasoning behind DAOs suggest that potentially negative consequences of human led organisations- such as bureaucracy, human error and the abuse of power- can be entirely eradicated through this technology allowing for operational excellence. Ostensibly, the system promises perfection, but is this perfection a realistic expectation or simply a fantasy?

SHIFTING STRUCTURES: IS DECENTRALISED LEADERSHIP A STEP TOO FAR?

The question of DAOs was met with both curiosity and caution by all CEOs interviewed for this research. Ultimately, there was unanimity in the belief that DAOs would not be able to run a business comparably to its human counterpart. A variety of reasons were provided for this- such as the need for tangible leadership- but one which struck the most was the belief that although the operational aspects of a CEO's responsibilities could be completed by AI, the essential human aspect of a business could not be as easily managed through ones and zeros. To elucidate this, one CEO argued that part of our nature as humans is the desire to feel valued by our employers. We are not content with being just another name on the payroll; we crave acknowledgement, approval and connection. With that in mind, an organisation managed through AI could threaten the integral relationship between employer and employee.

In addition, many of the CEOs interviewed said that an invaluable aspect of their role, and one which facilitates their success as leaders, is the ability to interact with their employees. A great which facilitates their success as leaders, is the ability to interact with their employees. A great deal of emphasis was attributed to the power of communication, with one CEO going as far as to suggest that their business' growth was entirely down to the quality of the communication flow within the organisation.

Another CEO suggested that although the thinking behind DAOs is reasonable, there would still need to be a real person to fulfil the role of the CEO by enacting decisions and communicating aims, even if the title had been exiled to the history books. Ultimately, shareholders need a physical entity to liaise with and employees need a figurehead to set the vision who is daring, and most importantly, accountable for the business and the people within it. Thus, with all that feeds into the role of the CEO, a future without leaders seems unrealistic. On the whole, as progressive and transformative as technology is, not everything can be reduced to numbers. From the outside looking in, the softer issues of a business are often overshadowed by the importance of its financials. But leadership and success are multifaceted and need to be approached holistically. If they aren't, then a business risks disenfranchising their most valuable asset: their workforce. Ultimately, although the world of business may seem like a battle of the best tech, a company's success remains firmly linked to its people, and as such, their needs must be considered and responded to by genuine understanding and authentic human response.

THE IMPACT OF COVID-19 ON DECENTRALISED LEADERSHIP MODELS

As a result of the ongoing global pandemic, external pressures have begun to reshape our traditional understanding of the facets of 'strong leadership'. In our 2019 research, one of the most compelling arguments against decentralised autonomous organisations was that the lack of emotion informing decisions undermined a DAO's ability to successfully manage and act in the interest of people. In fact, our research revealed a huge emphasis placed on the importance of empathy suggesting that individuals who possessed higher levels of emotional intelligence were the most effective type of leaders because of their ability to empathise with, motivate and inspire others. However, with Covid-19 causing such unprecedented disruptions to the role of the CEO, we have been encouraged to reflect on our findings to consider the extent to which black swan events like Covid-19 affect our understanding of successful leadership, and under circumstances such as this, whether emotional investment is still as imperative as previously believed.

Firstly, in a situation as sustained, complex and challenging as Covid-19, a leader's ability to distance themselves from the emotional impact of decision-making could substantially heighten a leader's ability to think decisively and rationally. Particularly in a situation as abrupt and volatile as Covid-19, a leader's ability to think prudently when faced with 'wicked problems' is a highly beneficial quality to possess. To illustrate this further, the psychological concept of 'decision fatigue' suggests that an individual's ability to make quality decisions deteriorates in line with the time spent managing the issue- especially when there are considerable

levels of emotional strain attached. Therefore, by using technological systems such as AI, an organisation could ensure that effective decision-making is consistent and impartial throughout. In that sense, by virtue of its own emotional detachment, a quality deemed inhuman and unsuitable for leadership beforehand, delicate and high-pressure situations like Covid-19 could be more effectively managed.



Furthermore, there is evidence to suggest that decentralised leadership models are better suited to withstand the fluctuations and unexpected challenges of the marketplace. This is because of the structure of the leadership style which provides autonomy and self-agency further down the line, empowering lower-level management to make decisions. For this reason, decentralised leadership creates a free flow of information throughout the organisation which is both collaborative and constructive, enabling employees to leverage their knowledge and expertise to help establish creative solutions to combat a crisis. In that respect, in a crisis situation like Covid-19, it is reasonable to suggest that leadership styles which do not conform to traditional top-down structures, such as decentralised or quasi-decentralised leadership, could be more effective as they provide higher-level leaders, such as CEOs, with the

capacity to focus on taking major and business-essential decisions.

To conclude, it is clear that Covid-19 will continue to expose the fractures and limitations of certain leadership styles, forcing many leaders to rethink the dimensions of their organisations in order to endure the extreme pressures caused by Covid-19. And whilst DAOs may not be the solution to crisis management, as the situation evolves, we may begin to see more decentralised leadership models emerge and thrive. However, certain organisations will still require clear and prescriptive leadership with a well-established hierarchy in order to manage the disruptions caused by the pandemic, proving that there is no 'one size fits all' when it comes to effective organisational structure, especially during a crisis like Covid-19.

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