Title: AI Business School – Episode 1
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AI BUSINESS SCHOOL – EPISODE – STRATEGY: BUILDING A SUCCESFUL AI ROADMAP

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VO from President John F. Kennedy: We go into space because whatever mankind must undertake, free men must fully share.

David Carmona: This, in case you didn't recognize the voice, was President John F. Kennedy in what is commonly known as his Moonshot Speech. On May 25th, 1961, President Kennedy stood before a joint session of Congress to encourage them to support him on a crazy journey that would put boot prints on the lunar surface. But most important to think and dream big to literally shoot for the moon.

I want to welcome you to the AI Business School Podcast. My name is David Carmona and I work as a General Manager for Artificial Intelligence and Innovation at Microsoft. That speech from JFK was a great example of leadership. As we know, the President didn't live to see that moment, but his leadership outlined a vision. It gave NASA a culture that set everyone's eyes on achieving a goal—a goal, that let me remind you, it was not just about building a rocket. This was a vision for an entire country to support the first manned flight to the moon and then beyond.

Now imagine that you take the same approach and tomorrow you go to your boss and you say, today I am announcing that in this decade we will launch an amazing AI project that will change the company forever. And then you say, and I'll see you in 9 1/2 years, bye! I don't know your boss, but in my case that isn't going to work, right? And actually that's not how the moon landing worked either.

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Many of us remember the final mission to the moon, Apollo 11. But before that one, we had 17 other missions, 17, each of them as important, if not more, than the last one. Each of them delivered huge breakthroughs with immediate applicability in areas like rocket science, electronics, or weather forecasting, just to name a few.

That's what your AI strategy should look like. Thought leaders like the ones we will meet today shoot for the moon, but they get there step by step. Each step by itself provides value to their companies. When you define your AI strategy, think of the long-term impact on your business model, on your products, with your customers, but then get their project by project delivering value and results to the business today.

[MUSIC]

Athina Kanioura: Any company needs to have a plan on how data and AI will be at the heart of every decision process.

David: I'd like you to meet Dr. Athina Kanioura, the Chief Strategy and Transformation Officer of PepsiCo.

Athina, one of the things that I've seen during this period of sudden change is the compression of projects and the applicability of them. What is your experience?

Athina: Aggressively accelerating the cycle time for their AI strategy from five or ten years down to two, maximum three years. There is a big appetite for that, and all the investments are redirected to be able to drive this specific outcome.

David: Some of the issues that both Athina and I have seen as organizations make this investment is a struggle to move AI projects from siloed teams to the rest of the organization. Some questions that we usually ask them are, for example, what value does AI bring to the business? What disruption are you looking for or are you reacting to? Athina, the COVID-19 crisis has certainly accelerated that thinking process, right?

Athina: We have seen a huge appetite post COVID-19 and subsequently for the components that realized additional business models need to change on the adoption curve and the adoption lifecycle of AI. Companies now want to embark in a digital transformation journey fully powered by AI. So, although the adoption cycle was spotty, while everyone understood the value, now everyone is super keen to move to the scale phase of AI extremely fast. [MUSIC]

David: So, it sounds like AI is moving from a nice to have when we feel like we can, to a top priority imperative for us to do now, which means that an AI strategy is truly a business strategy, and therefore organizations need to rethink how the technology spends align with their business goals.

If we take this one step further, the investment isn't just about the technology. Stephen Eyears, the Head of Strategy and Innovation for 7-Eleven in Australia, has learned from his experience that a comprehensive strategy requires much more.

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Stephen Eyears: I think there's a very big difference when you're looking at AI strategies and you're talking about a technology investment, which in many ways can be quite significant, but you're also talking about a people capability investment. They're significant, they're not short-term things. If you've got the luxury in your business to think long term, then my experience is definitely do it. In our business, we've had that luxury and we've actually created that luxury.

David: I love that, long term, ambitious. In their case, that's a 10-year vision, just like JFK's moonshot. Very big picture that goes throughout the entire company, so everyone can keep their eyes on the ball and avoid small thinking.

Stephen: Definitely a longer-term vision about what you want to be as a business and where your customers are going and what your workforce looks like. I think you've got to carve out the time to do that work and the businesses that do that are the ones that worry me the most from a competitive sense versus businesses that are always in tactical mode.

David: Stephen, how did you put that vision into practice and where did you begin? And can you share any use cases with us?

Stephen: We very specifically went through a process that was very focused on customers trying to envisage the various scenarios around how customers will behave from here to ten years away, so it started with customers. We then looked at a whole heap of factors going on in society, so we factored all of that in.

[MUSIC]

David: So, they used strong, understandable data to inform their decisions and improve their business. When Stephen talks about that 10-year timeline and when it comes to enhancing skills across the country, he's talking about helping employees become better at their jobs and using AI to take over some of the more repeatable tasks, clearing the way for getting more important things done. Athina notes that a focus on customer is especially important at this moment in time.

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Athina: So, if we look at the industries like public sector and especially around citizen services, the importance of using AI in customer service has become a top priority because governments are not tailored both from a system perspective but also know-how to be able to accommodate an influx of technical and medical questions.

David: So, in these cases where requests flood, government agencies, AI and digital customer service become an imperative.

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David: Look at the airline industry. Go to any carrier's website and you see messaging about increased call volume.

AI is playing a huge role in alleviating major disruptions in service.

Athina: The airlines are now thinking of what are those intelligent services they should be providing to their respective and future consumers to be able to facilitate a better travel experience, whether that's at the airport against crowdsourcing, whether it's prioritization of travel scheduling.

David: This is interesting because in some ways the companies Athina talks about are being reactive, the travel industry needs AI to be more efficient to survive, but she sees these issues tell us something much bigger is going on.

Athina: Historical and traditional business models will not exist anymore. Just to give you some examples. In quite advanced markets like Japan, where the whole domain of customer care and operational efficiency has been at the heart of the country's transformation in the past two years, we have seen now in industries like retail moving to the next level, i.e. using holograms instead of virtual assistants to be able to interact with the consumer, so they can create a human-like experience.

David: So, the true power of AI is becoming a reality at a much bigger scale. But again, like the speech to get us to the moon didn't result in the take off the next day, the retailers that Athina talks about didn't just flip a switch. And have a hologram, for example, telling you how great you look in those jeans. The teams who developed this AI had a sandbox with business-focused parameters to play in. And they likely created other tools that help customers along the way. And who knows, perhaps the hologram is just another step along the path to even greater innovations based on the data that powers the AI.

[MUSIC]

But if we've seen one industry vertical in the past year that has seen a huge acceleration, that would be healthcare. [MUSIC]

Many of the same scenarios that other verticals such as retail or finance have embraced and now massively is being adopted by healthcare. Take customer service as an example. We've seen health organizations and public governments deploy bots to help citizens do things like a self-assessment for COVID-19 symptoms. That has helped to alleviate the workload of nurses and doctors. Just in Microsoft, we have worked with more than 1,500 organizations who have deployed a bot like this in the past months, reaching millions of people. And if there's a scenario that I'm passionate about, that would be AI-augmenting researchers. They are the other heroes in this pandemic. They're working against the clock to develop treatments and potential vaccines that can save thousands or even millions of lives in the long term. This is a very complex domain. On COVID-19 alone, there are more than 50,000 medical articles, all written in the past months. It would be impossible for a researcher to even read all of them, not to mention understanding them. AI can help in this task dramatically, helping researchers to reason on top of that huge amount of knowledge.

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I'm excited to introduce my colleague at Microsoft, Deb Cupp. She's the Corporate Vice President of our Worldwide Enterprise Commercial business.

Deb, as you are about to hear, has a vast knowledge in the healthcare space.

Deb Cupp: When you're thinking about opportunities to help a patient, there's thousands of research papers published every day, and it's really hard for organizations to create a very relevant personalized treatment plan. Not only does AI technology allow for opportunity in technology because of the vast amounts of data, but it also has an incredible personal impact.

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David: These example across industries all look like moonshots. How do you get a company aligned with such a big undertaking? Let's go back to President Kennedy. Just like in your company, the President knew that to achieve such an important goal, he would need support from external players. He needed money from the senate, he needed the support of his citizens, he needed all the agencies and companies involved to be aligned with his vision. And to get there, he did what you should do in your company. He defined his vision for them and then he made everybody part of it. Embracing AI is not so different. Leadership has to paint the vision that inspires the entire company.

Nick McQuire: The bottom line is that the technical teams and the business teams have to have a common purpose top down from the company around their business strategy and business goals, so all projects and innovation-led areas have to kind of fall under that program. And that has to be instilled top down into the company and framed. All projects have to be framed around those initiatives.

David: Nick McQuire is Lead Analyst for CCS Insights based in the U.K. He's got a lot of his own clients embracing AI. And he was telling me that the focus on business strategy and goals may sometimes be more aspirational than put in practice.

Nick: Where we haven't yet seen enough focus is around, okay, let's identify at the business level a number of key problems that we need solving through the use of technology and how can we align our teams into solving those particular business problems. And AI may be

one solution or one area in that space, but it doesn't necessarily have to be about AI in that arena as well.

David: Athina will tell you that bringing every party to the table isn't enough. The CEO needs to roll up his or her sleeves and play an active role to really move forward.

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Athina: The CEOs historically have been playing a much more supervisory and auditing role, jumping immediately to work with their teams to redefine their cloud and AI strategy because they realize this is a competitive advantage. So when you design a data and AI-driven organization, you have to think of what are the implications across the enterprise? Because there are synergistic effects if you apply AI on supply chain also to commercial, if you apply AI to HR also to the field force.

David: Decoupling these functions from one another, Athina says, would be a mistake. So, a quick summary, a CEO must provide that vision to bring people aboard across the enterprise. We are no longer business as usual, so organizations will need to change to survive. Prioritizing AI goes a long way in fulfilling that vision, but also the CEO cannot do it alone.

Athina: In many of the cases, there are typically two personas that drive a lot of the strategic thinking, and that's the Digital Officer, and who in many instances is also the Chief Transformation Officer, and the second is the CTIO. And where the CIO is also the Chief Technology Officer, we have seen an accelerator and different strategic thinking when it comes to the vision.

David: Having a technically savvy C-suite is helpful because that pushes the entire organization to a more tech-driven, executable strategy.

[MUSIC]

David: Let me tell you a story from my own life. My father was actually a carpenter. This is a true story. He emigrated from a small, rural village to a city to work as a carpenter in a shipyard. And he eventually founded his own small company. At some point, he stopped making the furniture himself, but he was still a carpenter at heart, and that made a huge difference. Leaders that come from the same field as the company, they have something different. They have more passion. They have a gut feeling that is difficult to replicate. That was my father's secret to compete with the big multinationals at that time. 20 years later, however, things have changed a lot. How would my father differentiate his company now? We have seen how nearly every company has turned into a technology company. The same passion that my father had with carpentry he would need to have it today with technology in order to thrive. And AI will be no different. That doesn't mean that as a leader, suddenly you need to start developing machine learning algorithms, just like my father didn't make furniture anymore. But as a leader, you have to understand the role that technology plays.

Stephen Eyears of 7-Eleven, provides a good example. His leadership in Australia led to the decision to think like a small business and focus on the technology.

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Stephen: If you're a traditional retailer, it's pretty easy to understand what a store looks like and, you know, how you get something out of the ground and how you evolve that. But

in a digital world and in a world where the technology moves so rapidly, you should never really assume that your broad leadership team, or in fact your board really, really understands what you're trying to achieve and what some of the investment or some of the technology is all about.

David: In 7-Eleven's case, that meant bringing the C-suite and the board together to educate them about the technology as well as visit individual stores to understand those dynamics. It meant working directly with technology partners and getting a much better feel for that world as well, which Stephen said was sometimes a new experience for many people. To understand value in the business, you also have to measure it. That means establishing use cases. It means ensuring that you have the right data and that it's good data, that you implement the right processes, so you are not doing AI for the sake of AI.

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Athina: If through AI becoming more data driven it allows you to cut costs without, of course, compromising on the human element that much, it's a shortened ROI.

David: But what about in the longer term?

Athina: Think of industries like life sciences, pharmaceutical companies where they are launching new drugs, new therapies. For them, using AI to shorten the cycle of clinical trials and move a drug to the market much faster, even if it comes to a six-month shorter period, it's a lot of value added for those companies, and of course for the patients.

David: And that, Athina says, is where innovation can begin.

Athina: A lot of companies now will reinvent themselves. There will be new business models that will be created. So, for them, one success metrics is how do they create a set of new products, digital products and services, that go beyond their business domain?

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David: Ah, yes, reinvention. How do we measure reinvention? That's not as easy. Deb, my colleague, reminded me that creating value, figuring out ROI, it doesn't have to be a zero sum game. For example, any retailer wants to increase the revenue for their products, but knowing your customer, using AI to meet their needs, that's not just a transaction, it's not only about revenue. That's a relationship. And relationships create competitive advantage.

Deb: Retail is really interesting because they're trying to figure out ways to create more wallet share for customer. So when you create an opportunity that allows you to do that, you're having a better interaction with the customer, and you're getting more repeat sales and more increased cross-sell. So, I think that's another opportunity for them to create differentiation. And then you also see it on the back end. So, if you have an opportunity to create supply chain optimization as an example in manufacturing, if you have a chance to lessen your internal cost, that gives you the opportunity to redirect that funding to another place.

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David: And how do you build those measurements, those KPIs? Nick says that as organizations begin to move from the technology labs into embracing AI as a business imperative, that KPIs are changing as well.

Nick: Two years ago, a lot of the projects were being measured by technology based KPIs, so you know, how successful is my algorithm, how performant is the technology in a particular domain of AI? So, for example, image or speech KPI, speech pattern KPIs, etc. Now what we're starting to see is companies saying, okay, I want to prove that this is successful for a particular business problem. So, prove it to me in terms of some of the economic metrics that we can drive.

David: That can be resolution rates in a call center or customer satisfaction in a product recommendation engine or cost savings or revenue increases. The real takeaway here, if you can't measure your AI success, you won't be able to sustain it. But if you can sustain it and I hope that some of the tools that we discussed today will help you there, then you are also in a position to scale it and weave AI through the fabric of your organization.

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David: So, let me summarize what we've learned today. We know that a holistic strategy brings all of the parties to the table. It means setting a vision, a moonshot if you will. It means buy-in from leadership to inspire the organization as a whole. It entails setting goals and KPIs to measure your success. It requires becoming a technology company no matter what industry you are in. That could be the difference between success and failure. We will go in much more in depth on these topics in further episodes of our series. But before I leave you with another inspiring quote from President Kennedy, let me thank our not so presidential but still amazing guests, Athina Kanioura, Stephen Eyears, Deb Cupp, and Nick McQuire. The audio you heard of President John F. Kennedy comes from the JFK Presidential Library. Visit Microsoft's AI Business School at aka.ms/AIBS. You have an entire learning path on the strategy to get much deeper into what we have learned today.

One final note. Implementing an AI strategy won't be easy, I know, but that's exactly why it's really worth it. Think of JFK the next time that you find that journey hard.

VO from President John F. Kennedy: We choose to go to the moon in this decade and do the other thing not because they are easy, but because they are hard.

David: See you in our next episode. On behalf of all of us on the Microsoft AI and Innovation team, thank you for listening.

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