

Andy Sack (00:00)

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executives need to make, do they pursue both? And once they've done that, I think that leads into him. So my question to you, Adam, is I'd like you to provide for our audience more context around the exoskeleton idea that you provide to our clients that advice. What is it? Why is it important? And how does that deal with digital transformation as it relates to the numerator and denominator?

This is AI First with Adam and Andy, the show that takes you straight to the front lines of AI innovation and business. I'm Andy Sack and alongside my co-host, Adam Brotman, each episode we bring you candid conversations with business leaders, transforming their businesses with AI. No fluff, just real talk, actionable use cases and insights for you.

Greetings, folks. Happy to have you for one of our shorter mini episodes. Today, we're going to talk about what business leaders should do in the face of the oncoming AI productivity lift and what we predict will be a lot of layoffs in the economy. And how should business leaders start to think about that? And what practical steps should they be taking?

Adam, do you want to take a first comment on that?

Adam Brotman (01:29)

I actually think that it is probably the number one topic on a lot of leaders' mind is if they can get and when they can get productivity lifts from AI automated workflows, AI assistants, agents, all above. Let's just say they get 50 % productivity lift across the board or in any department. Does that mean they should be

letting people go, should they be having that department do twice as much stuff? What do you do? And when you hear about all these layoffs in the news that are sort of associated with AI, are they real, are they not? So I think the question is like a top question. I think you and I tell,

Andy Sack (02:11)

Let's frame up both sides of that equation. I think the natural instinct that business leaders have with a productivity lift is, my team is more productive. I can cut costs. That's the obvious. And I think most business leaders go there. I think the thing that they don't think about is, given the lift in productivity, what could they be doing to grow their top line?

or improve customer experience or product with that productivity lift. So it's a double-headed decision matrix for the business leader.

Adam Brotman (02:43)

Yeah, I think that's exactly right. so the question then becomes, as usual, the devil is going to be in the details and is going to be important for every individual leader to understand. When people talk about a productivity lift, they talking about being able to do something faster? Are they talking about being able to do something

like with less like resources? is it, you you have to sort of get into the details of this stuff. And one of the things we talk about is this idea of before you go changing your organizational structure, your organizational resources, it's probably a really good idea for an organization to really understand like

how AI can or is helping them get the work done faster, better, differently, et cetera. Because if they've got in place automated workflows from AI, for example, they can just have less humans running those workflows, and those humans can work on other things or whatever, that's good to know. Or is it that they're using the same people to do

not automated workflows, you know, intelligent assistant, augmented decision making, et cetera. It's not as easy to make those changes because those very people are the ones using the AI. So you got to figure out who's doing what in your organization. So all that's to say, there's a mental model we've talked about with some of our clients now, which is this idea of an exoskeleton of like, know,

almost picture yourself building up capability sets using AI in such a way that you as a leader understand where the humans are connected with the AI versus where the AI is doing stuff on its own. And the more you understand it, the better you'll be able to, as a leader, to make leadership decisions around org. I'm about reorgs, personnel levels, et cetera. I don't think it's as simple as like, I'm getting benefits from AI.

I can cut or I'm making benefits from AI, can reorg or et cetera. Unfortunately, you have to sort of get into the new one.

Andy Sack (04:46)

I think it would be, I'm going to ask you a question in a moment, but I think the thing that we've seen and that I highlight in our conversations with our clients is that when we talk really with the executives who are sponsoring, engaging with us, I say there's a real executive level strategic question about, you focus on sort of growth, revenue growth, customer experience improvement? Do you focus on the numerator?

or you focused on cost reduction. I think more often than not, most leaders when they hear productivity lift go to the let's cut expenses and they just think about it as a one way street. I highlight that as a earlier, was a two heads of the same coin. I want to just encourage people to think about the numerator and really think about the strategic decision that

executives need to make, do they pursue both? And once they've done that, I think that leads into him. So my question to you, Adam, is I'd like you to provide for our audience more context

around the exoskeleton idea that you provide to our clients that advice. What is it? Why is it important? And how does that deal with digital transformation as it relates to the numerator and denominator?

Adam Brotman (05:57)

Well, I'll try and figure out how to connect it to the numerator and denominator in a second. But just in general, the idea is that if you're just asking humans, because they've got the ability to use AI to do more, or do things better, more or better. So then I guess the numerator is better, right? Smarter, better.

That's the innovation, that's the ability to have growth. If you're just asking a human to use AI to do something faster with less effort, then that's the denominator. In your point, that becomes like a cost reduction. It's not about like doing it better, which is a growth or an innovation idea. And the same AI system can help the same human with both things.

When you talk about exoskeleton, it's almost like, it's like scaffolding. Where do I actually know I've got something in place and I know it's either helping me with like growth or it's helping me do something faster. And if you know that and you start to sort of put piece by piece in place and understand what that looks like, like mapping it back to your workflows, mapping it back to your outputs, mapping it back to what you're trying to accomplish. Once you really understand

how AI is helping you with those things and where it's helping you on the numerator versus the denominator and in which functions, then I think you're in a much better position to make org changes. I think if you try to make org changes without.

Andy Sack (07:20)

So Adam, just

to interrupt, think that points the point that when you said exoskeleton, and the image that comes to mind is you've got a building and you need to tuck point it or clean it. You put an exoskeleton, we walk by these in New York, you put an exoskeleton around the building, and then the workers can go to work. What you highlighted for me, which really came from your experience at Starbucks, is that

Just because AI comes along, you should not just immediately cut and try and force an org change. The key is an exoskeleton buys you time and adaptability to start to make those changes and think about it strategically, get smarter. And that really resonated for me.

Adam Brotman (08:04)

Yeah, because otherwise, you need to know where your innovation, in this case, AI, has actually transformed your business and where it's helping you accomplish your goals, either better and or faster. And if you understand that, then you can understand how to use your analogy, what changes you can make to the building without the building falling down. If you don't understand that, and you start making changes, like, I'm getting

lift, I'm better, smarter, faster because of AI, and I can just let people go or change my org design or whatever. And you don't really understand how you're getting the benefit. You run the risk of accidentally, like making your situation much worse because you don't, you haven't really followed how your organization is sort of incorporated and transformed in this way. And so I just, I'm a big believer in like, be very

~ trace back and understand which workflows, which people, functions have improved because of AI and how they've improved because of AI before you start making too many changes. Because otherwise, know, can find yourself in a really bad situation. You're like, don't understand. Now, I think what happens, by the way, the other coin is I think a lot of companies, we've been reading in the news about, you know, Meta and Oracle and Block and companies that are

not that are letting people go because and there's some linkage to AI either directly or aspirationally. That's another way you could do it. You could basically say I don't know how this is all going to go. I'm just going to force it in some ways. I'm not a big fan of that myself. but that is another thing you can do. We've actually in our last book

We had some case studies where people were like, I'm just gonna let a bunch of people go and I'm just gonna rebuild against AI. And we've heard other case studies like that and that's a way you could do it. I just tend to personally feel like you gotta be careful when you're doing that because you could end up making a change and then the building can fall down if you're not careful.

Andy Sack (09:59)

Yeah, and we've seen evidence of people who moved really quickly, which should be applauded when it comes to human change, like Klarna. And then they had to retrace. And so the exoskeleton approach is a little bit more of a slower, more adaptable, and it gives both the executives and the organization time to make those important decisions that we talked about earlier in just this episode about which side of the coin

growth versus cost cutting and where the executives land. So we just encapsulated in a very short episode a lot of learnings and a lot of advice that we engage with. In this episode, we covered those points. I think that there's more nuance and complexity depending on the industry, the company, the culture, and the leadership team.

But you at least know you have some insights around exoskeleton and how to approach the numerator and denominator. With that, I want to call a close to this episode and thank all of our listeners for tuning in to AI First with Adam and Andy. For more resources on how to become AI First, you can visit our website, [forum3.com](https://forum3.com).

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