



AI Is Forcing Boards To Come To Grips With Their Companies' Competitive Differentiation

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Gerrard Schmid, former CEO of Diebold Nixdorf, shared candid insights with Adam Bryant and Shellye Archambeau. Key themes include how AI is forcing boards to confront their true competitive differentiation, the shift toward greater board agility and humility, and the authenticity required to lead through crises like a sudden Covid-driven revenue collapse.

Archambeau: How have you seen conversations in the boardroom evolve? And how should they evolve?

Schmid: I sit on several boards, so I have the benefit of seeing variations in how boards are tackling AI, and I've been stunned by the velocity of the conversation. It has quickly shifted from "what is this?" to "how is it impacting us?" to "what are we doing about it?" to "how are we tracking our progress against it?"

It's causing boards to come to grips with the organization's true competitive differentiation. In my prior board experiences, we didn't often have to deal with that very fundamental question, and now it's front and center.

Boards may need to adapt in a number of ways. For starters, the cybersecurity risk has gone through the roof. Five years ago, every board was looking for that single person who could ask the right cybersecurity questions. Now there is an obligation for all of us to be technically sophisticated and thoughtful about

dealing with cyber threats.

Second, it's causing us to have to deal with new questions, like what does the level of AI token consumption do to one's P&L? As hyper-scalers spend billions of dollars on data centers, we are seeing the effects of that in rapidly increasing pricing. Suddenly it matters how often organizations are using AI.

The third thing I'd say is that the classic paradigm of boards governing management teams needs to be sufficiently fluid to flex as business needs evolve. Sometimes the board may have more of the critical capabilities that a company quickly needs to build than the management team. That raises the question of how the board can play a more active role in transferring some of that knowledge to management, rather than just governing.

Bryant: How do you think about the board dynamics of understanding collectively what directors should get involved in, and what they shouldn't?

Schmid: It's highlighting the greater importance of EQ. Management teams and board members have to be aware of these shifting dynamics and know when to flex the line in different directions. Another requirement, which may seem obvious, is the importance of active listening to make sense of this incredibly complex world that none of us fully understand.

Third, boards and management teams need to recognize that agility becomes the order of business today. How do we avoid becoming slaves to historical beliefs and historical processes, and how do we have the judgment to know when to change those?

Archambeau: How is this impacting what's required in the boardroom itself?

Schmid: I think there are five capabilities that boards need, both collectively and among individual board members. The first is agility, how do we make sure we challenge our historical belief systems? The second is about becoming unattached to the outcomes of the portfolio of assets that a company has today so that we can truly focus on what's best going forward.

Third, do we have an ecosystem of listening to truly understand what's going on in the market, broadly defined? Fourth, do we have the right level of strategic operator capability on the board, so that when we do make a decision, we can move quickly to execution? And the last attribute is making sure that board members are sufficiently humble. If they don't have that, they can get caught in an intellectual trap that's unhelpful.

Bryant: What was a critical moment in your career that really tested your leadership?

Schmid: In 2018, I took over as CEO of a public company, with \$5 billion in revenue and 30,000 employees, that needed a massive restructuring. There were a lot of variables, and we needed a few things to go right to ensure we could see a path forward.

Then Covid hit, and in one quarter we lost \$300 million of revenue. I felt like I was peering over a chasm, and I was not quite sure where the bottom of the chasm was. I vividly remember thinking that I had absolutely no idea how to lead through this.

It was a defining moment for me, because I concluded that all I could do was try and do my best for our employees. That sounds easy, but it showed up in a lot of different ways. We had a manufacturing facility in Brazil, and we used oxygen for certain manufacturing processes. At the same time, Brazilian hospitals were running out of oxygen for their citizens, so they came to us and said, can we have your oxygen?

Obviously, our shareholders would get impacted if we couldn't build product, but the right thing to do was to try and save lives. So that's the choice we made. It was a defining moment for me, because I understood that the only way to lead through ambiguity is through absolute authenticity, to lean into what really matters to you and to stick to that regardless of what unfolds around you.

I think about that moment a lot these days, given the chaos in the world. The only way I know how to lead through this is to be authentic. It doesn't mean that everyone's going to like what they see, but they're going to get the real version of who I am. And that allows people to choose whether they want to follow someone.

Archambeau: You obviously don't shy away from big challenges. Where does that come from for you? What were important early influences for you?

Schmid: I grew up in a family environment where, in order to earn affection, I believed I needed to perform. So from a very young age, the mindset and the pattern I learned was to perform at all costs, find the hardest thing to do and do well at it. That's the most honest answer I can give as to why I am drawn to messy situations.

Bryant: There's so much polarization in the world, which makes it harder for leaders to create a degree of cultural alignment in their organizations. What are your thoughts on how to do that today?

Schmid: My answer is a work in progress. It's very difficult for any leader to be effective today in the absence of some version of an inspiring vision of where they're trying to take the organization. That's a prerequisite.

The other prerequisite is a very high "say-do ratio." You have to do what you say and stick to that. It doesn't necessarily mean that everyone will like what you're doing or want to follow you, but they will know what you stand for. Leaders also need the courage to express their beliefs and, as I mentioned earlier, they have to be authentic.