

Dr. Dieter Zetsche

**Digitalization: Responsible strategies for business and society**

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**– Es gilt das gesprochene Wort –**

Thank you, professor Rocholl,  
Mrs. Hathaway, Mr. Shea,  
dear guests: good morning to all of you!

I'm glad to also see a few students here.

In my college-days, I tended to avoid "early morning" lectures. And ten o'clock definitely qualified as very "early morning".

Fortunately, our topic is even more stimulating than a double espresso: It's digitalization. And this changes everything.

For example: I read that the most attractive job in the U.S. in 2016 is not lawyer or hedge fund manager anymore.

It's Data Scientist.

I can imagine that IT-students are still not the center of attraction at every party on campus...

but they are at many recruiting events.

That's because it's hard to think of any business or part of society today that is not in one way or the other affected by the digital transformation. So, today's topic fits well: "Digitalization. Responsible strategies for business and society".

I admit: When I first heard that title, I thought that sounded a bit odd. But I came to like the idea of responsibility here. After all, there have been thousands of events already that focus on "disruptive strategies".

Honestly: Has anybody in this room attended a conference lately, where the word "disruptive" was not part of almost every presentation?

However, my point is this: Disruptive and responsible – that's two sides of the same coin.

In fact, this building – until 1989 the home of the East German State Council – is the perfect place to underline:

If you don't think disruptive about your own organization, someone else might take that responsibility.

And we also know many examples of big traditional companies that did not survive a fundamental technological shift in their market.

None of the major steam locomotive manufacturers, for example, survived the shift to diesel and electric trains as independent companies.

At Daimler, we are well aware of this. In fact, our company was founded on a disruptive idea 130 years ago.

It's a remarkable coincidence: The father of Carl Benz, our company's co-founder, was a steam locomotive driver. At that time people used to say, he was in "an honorable profession."

But due in part to his son's invention of the car back in 1886 he was also in an occupation that no longer had a promising future.

So, does that mean changing an established industry is a bad thing? No, I don't think so.

I'm convinced: It's the responsibility of any leader – in business or society – to make sure that their children can say:

"Our parents had an honorable profession – and they kept re-inventing it for an even more promising future."

So, today I'd like to talk about how we face this responsibility with regards to our products and to our corporate culture.

## I. Responsibility to change the product

Let's begin with products. Just yesterday, I met with UBER boss Travis Kalanick here in Berlin. Some may not consider him the most responsible manager on the planet. But he is definitely helping to drive change in mobility in the digital age.

UBER today is considered the world's largest taxi company – without owning one single vehicle. I guess that's a perfect definition of “disruptive”.

But instead of considering new approaches like this a threat to our business, we focus on its opportunities.

Likewise, we've been pushing autonomous driving – a true game changer that raises a lot interesting questions beyond our own industry like:

- Will roadside-motels continue to see a lot of guests, if people can sleep in the car as they drive over night?
- Will expensive downtown parking garages still be around, if cars park themselves out of town while people shop?
- Will airlines have a bright future, whose business model is based on low-cost domestic flights? Or will people rather use self-driving cars? Especially, if they have to wait a little longer for a new local airport...

We don't know yet. But that process of change has long begun: Our new E-Class for instance is capable of partially autonomous driving today.

This series-built car can drive itself in stop-and-go traffic; park itself via smartphone; automatically change lanes and brake in emergency situations.

The next step will be vehicles that drive completely independently. And to me, that's the biggest upgrade of our core product since the invention of the automobile 130 years ago.

The technology works quite reliably today, but still:

Whether at Google or Mercedes – human intervention is currently required every few thousand kilometers. For series production it has to reliably function all the time.

One hurdle is the performance of the vehicle sensors – radar, camera und laser – particularly in poor visibility situations.

In addition to improving the performance of those “senses”, it’s also a question of how to improve the automobile’s “brain” that evaluates the data.

The most exciting approach to data processing is applying the principle of the human brain. To be more accurate, the car is becoming capable of “deep learning” with artificial neural networks.

Deep learning helps our cars to independently recognize cars, buses or pedestrians in traffic. That pushes automotive intelligence to a whole new level.

And to accelerate that process, we have several hundred experts at Daimler focused on autonomous driving. Their work will change more than just the way we travel from A to B.

That’s just one reason why “data scientists” are so sought after these days.

Think about it: For over 130 years, we’ve been providing individual mobility. Autonomous cars will soon deliver another very precious good: time.

The average German spends about two and a half years of his life in a car. Just imagine the almost infinite opportunities for all sorts of services in autonomous cars – from movies to office- and health-applications.

Who knows – maybe join forces and offer an MBA program that you can do on the road while you’re being driven?

Anyway, here’s one thing we’re already working on:

In the near future you’ll no longer have to walk to pick up a car2go.

The car2go will drive itself to you. Exactly when you need it and exactly where you need it – on the push of a button.

This could change our mobility habits fundamentally – just like the invention of the car did 130 years ago.

But it also changes the very foundation of our company:

Daimler is in the midst of a fundamental transformation: from pure car manufacturer to comprehensive mobility provider.

And that’s more than just a question of technological progress.

It also requires a change in mindset.

We're a time-tested company. That can make us proud, but it must never make us nostalgic or ignorant.

So, whether it's car-sharing, e-mobility or autonomous driving – we try to establish an environment that encourages all employees to take a disruptive perspective at their own industry over and over again.

And this brings me to our second major responsibility as managers: Changing our culture.

## II. Responsibility to change the culture

I can best explain how we've dealt with this with an example. With car2go we are the largest provider of free-floating carsharing in the world today.

We launched this service in 2008. Since then many competitors have copied our business model. We gladly accept that as a compliment.

Yet our success was hard to predict: When the idea of car2go first came up in a board meeting – let's put it diplomatically – the concept of Mercedes selling while also sharing cars was not exactly met with “the greatest enthusiasm” by all.

Back then, the key question was: Can we earn money with a new mobility concept such as this?

Today, we would rightfully ask: Will we be able to earn money without new mobility concepts in the future? The answer is obvious.

That means: managers today -- and even more so in the future -- need one quality. It's a quality you can't study from a textbook:

That is pioneering spirit. Or in other words: You need guts.

For example, I was very impressed by the guts that Uber demonstrates. They looked at the established mobility sector and said: Let's change this system for the better.

It takes that spirit and courage to stand up to doubters and others who focus on regulation instead of innovation because they fear change. And there is no shortage of either.

But the more interesting part is, that they also constantly ask themselves: Who else might come up with an innovation that could disrupt our own business at Uber?

That takes a lot of guts, too. Especially, when your own business is doing well. It takes that spirit to constantly rethink your strategy and business model.

Especially Germany seems to have a tendency to rather “play it safe” sometimes. I mean, there is a reason why the term “German Angst” is known around the world – just like “Made in Germany”.

The latter is a great thing. Travis Kalanick emphasized yesterday, how deeply impressed he was by the refinement of German manufacturing.

After visiting one of our Mercedes plants he said: “They are building magic there.” (Travis is not always right, of course. For example, the only car he owns is Bavarian... But I'm not going to object to that statement.)

But as a result of this success, enterprises such as the one I am CEO of employ entire departments whose job it is to minimize risk. And that is a necessary thing: At Daimler alone, we are talking about 284.000 employees and their families.

Altogether, European auto manufacturers carry responsibility for 12.2 million Europeans who work directly or indirectly in the automotive sector. And nearly as many families, too.

Yet responsibility for them cannot be used to refuse to change. In fact, that would be highly irresponsible.

If a company or a society puts too much emphasis on avoiding risk – it ignores the greatest risk of all: stagnation.

We simply cannot afford to lose brilliant ideas – such as car2go – to fear, bureaucracy and complacency.

So, the key questions to all leaders and managers today are these: How do we minimize avoidable risk on the one hand – and, at the same time, have the courage and the passion to explore the opportunities digitalization has in store for our company?

How can we keep building “magic” and still develop more guts?

And most importantly: How do we motivate every employee to follow us down the long road of transformation and change?

Our approach to change our culture and to allow for more risk-taking and agility is called “Leadership 2020”.

And this time we tried something new. It was not your usual top-down party, with the board of management just telling everybody: As of today, we want you to think more like Silicon Valley entrepreneurs!



We went for the opposite direction: We asked 144 colleagues from around the globe in interdisciplinary teams how they want to manage, lead, decide, collaborate or reward and evaluate people at Daimler in the future. The only constraint: There is none.

A few weeks ago, the team came back with a ton of great ideas how to make Daimler faster, more flexible and also more fun to work.

That was one of the most promising days in my career! 85 percent of these ideas were approved by the board on the spot.

One example was corporate crowdfunding to get good ideas to market faster instead of losing them on their way up through hierarchy.

Another one was going beyond all conventional reporting lines in separate departments and turning Daimler into a swarm organization. (Where people from different departments who share the same passion for a project, collaborate in less formal structures.)

To me, one of the most important result is already achieved by this program. It's the broad understanding that "never change a running system" may be a working strategy to avoid trouble with your home-computer.

But it's a recipe for disaster for any company – no matter how well it has been running until now.

**Close**

Ladies and gentlemen,

I hope I've made it very clear what responsibility in the digital age means for Daimler. And why digitalization is having a tremendous impact on Daimler and our industry as a whole:

- on products, new mobility services and new business models,
- and as well on our culture and the way we collaborate, manage and do business.

To succeed in this transformation process and to benefit from the opportunities ahead of us, we need courageous, cooperative and visionary people:

- If you're a data scientist: great! If you're a manager: awesome!
- And if you're a current ESMT student: hurry up!
- Finish your studies – even if that means getting up a bit sooner for early morning lectures!

We are looking forward to hearing from you guys.

Thank you very much!

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