FOUNDING EDITION • VOLUME I • JUDGMENT

EXECUTIVE ESSAY No. 004

VILFREDO PARETO

Artificial Intelligence Should Not Automate Everything

The ability to automate a task does not establish the wisdom of automating it.

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Technology provides the context.
Human judgment remains the subject.

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The Capacity to Act

An organization can become extraordinarily efficient at activities that contribute little to its purpose.

Reports arrive sooner. Requests move faster. More transactions pass through fewer hands.

Each improvement may be real. Yet together they may leave the organization's most consequential problems untouched.

The ability to automate a task does not establish the wisdom of automating it.

Before choosing a technology, leaders must decide which outcomes deserve attention, which constraints prevent them, and which responsibilities require a person capable of questioning the process itself.

These choices become more demanding as technical possibilities expand. Every additional capability creates another plausible claim on capital, attention, and institutional patience.

Vilfredo Pareto offers a starting point for examining those claims.

His relevance begins with unequal distributions. It develops into a larger executive question:

On what grounds do we decide that one intervention matters more than another?

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Pareto Beyond the Formula

Vilfredo Pareto studied the unequal distribution of income and wealth, developing mathematical accounts of their concentration.

The managerial principle now associated with his name came later.

Joseph Juran extended the idea of unequal contribution into quality management: relatively few contributors could account for a large share of an observed effect. He subsequently acknowledged that naming this generalization after Pareto had created a misleading impression of its origins.

That distinction matters.

The familiar 80/20 ratio should be treated as a proposition to investigate. It cannot determine in advance how value, defects, effort, or risk are distributed in a particular organization.

For executives, its usefulness lies in a discipline of inquiry.

Where are outcomes concentrated? How do we know? What have we counted? What has our method left outside the picture?

A memorable proportion may invite attention. It cannot complete the analysis.

EXECUTIVE ESSAY No. 004

VILFREDO PARETO

The Model and the Organization

Pareto understood that an abstract model and the concrete world were different objects of study.

In his *Manual of Political Economy*, he compared the relationship to geometry and crystallography: studying ideal forms helps us understand actual crystals without requiring us to believe that actual crystals are geometrically perfect.

The distinction belongs in every executive discussion of concentration.

The distribution is evidence. The decision still needs an argument.

A chart may reveal that a small group of customers generates most current revenue. It does not establish why they do so, whether that pattern will endure, or what sustains their relationship with the company.

A product may depend on maintenance, service, or accumulated trust whose contribution never appears as a separate revenue line.

Concentration can identify where to look.

Determining where to intervene requires an account of causes, dependencies, and change.

EXECUTIVE ESSAY No. 004

VILFREDO PARETO

What the Count Conceals

Consider an organization selecting its first automation projects.

Routine requests dominate the workload. Exceptional cases represent a small fraction of transactions.

A ranking by volume makes the routine work an attractive starting point. That may be a sound decision: reliable automation could release time, reduce delays, and improve service.

The mistake comes when the same ranking is used to determine the importance of everything that remains.

Such events contribute little to the count. Their consequences can be substantial.

A single decision to suspend a critical supplier may affect production across several markets. One mishandled complaint may reveal a failure that thousands of successful transactions concealed.

Such events contribute little to the count. Their consequences can be substantial.

Frequency, economic contribution, and severity describe different distributions.

An executive who treats them as interchangeable may improve the average while weakening the organization's capacity to handle the case that matters most.

EXECUTIVE ESSAY No. 004

VILFREDO PARETO

The Work That Sustains Value

A visible concentration of results can conceal a broad network of supporting work.

A handful of products may generate most profit. Their success may depend on capabilities shared across the business: training, maintenance, distribution, experimentation, and relationships built over years.

Cutting the activities with the smallest directly measured contribution can damage the conditions that make the strongest contributors possible.

This is a risk in how we interpret concentration.

The question is not simply how much an activity produces in isolation. It is what other activities can continue to produce because it exists.

Some work creates value directly. Some preserves the capacity to create it. Some keeps alternatives available when circumstances change.

An automation proposal should explain which role the activity performs.

Without that explanation, an apparent saving may represent the gradual consumption of an institutional capability.

Some work creates value directly.

Some preserves the capacity to create it.

EXECUTIVE ESSAY No. 004
VILFREDO PARETO

Efficiency and Its Limits

Pareto's work also provides a separate concept: the condition now known as Pareto efficiency.

In its standard formulation, an allocation is Pareto efficient when no feasible change can make someone better off without making someone else worse off.

This concept is distinct from the 80/20 principle. Pareto's analysis also separated questions of production from questions about how goods should be distributed, recognizing that the latter involved additional social and ethical considerations.

That separation exposes a limit of executive optimization.

A process can improve a measured result while distributing its costs unevenly.

The company may reduce handling time by transferring work to customers. A department may save resources by imposing new burdens elsewhere.

Aggregate improvement requires examination of who benefits, who bears the burden, and whether that burden is acceptable.

Efficiency alone cannot settle those judgments.

EXECUTIVE ESSAY No. 004

VILFREDO PARETO

The Exception Needs a Path

Imagine a company automating routine customer claims.

Clear cases are processed quickly. Costs fall. Most customers receive an answer sooner.

Then a claim arrives that does not fit the available categories. The customer cannot reach someone empowered to reconsider it. Repeated attempts return the same answer.

The problem is now larger than an incorrect classification.

The organization has failed to provide a path through which an exception can change the decision.

Good design anticipates that path. It establishes how uncertainty is recognized, where a case is escalated, and who has authority to depart from the standard outcome.

Automation can handle substantial volumes while preserving this capacity.

The executive responsibility is to ensure that improved routine performance does not make exceptional circumstances harder to hear, understand, and resolve.

The organization has failed to provide a path through which an exception can change the decision.

EXECUTIVE ESSAY No. 004

VILFREDO PARETO

Before the Ranking

Every ranking begins with choices about what to measure.

A proposal assessed by hours saved will favor one set of projects. A proposal assessed by reliability, customer experience, or prevention of serious harm may favor another.

Those choices belong to management.

Before approving an automation initiative, leaders should be able to explain the outcome it serves and the evidence connecting the proposed change to that outcome.

They should also understand what happens when it fails: who experiences the consequences, whether they can be detected, and how the organization can recover.

This inquiry need not become an elaborate ritual. Its depth should reflect the decision's consequences.

But it must precede the ranking.

Otherwise, a portfolio can appear disciplined while merely arranging projects according to the easiest benefits to quantify.

Its depth should reflect the decision's consequences. But it must precede the ranking.

EXECUTIVE ESSAY No. 004
VILFREDO PARETO

The Time That Returns

Automation may release human time. Whether that time becomes better judgment depends on what the organization does next.

If every saved hour is immediately absorbed by additional output, the institution may gain throughput while retaining the same limits on reflection.

A different choice is possible.

Some recovered capacity can support investigation of recurring failures, discussion of difficult cases, or closer attention to relationships that require understanding rather than another response.

This does not make all manual work valuable. Repetition can consume attention without developing expertise.

The responsibility is to identify where human involvement contributes knowledge, challenge, discretion, or accountability—and to give that involvement adequate time and authority.

An organization's automation strategy should therefore explain both what machines will do and what people will become better able to do as a result.

Whether that time becomes better judgment depends on what the organization does next.

EXECUTIVE ESSAY No. 004
VILFREDO PARETO

The Judgment of What Matters

Montaigne asks leaders to recognize the limits of what they know.

Popper asks them to expose their convictions to challenge.

Deming asks them to understand the system in which results are produced.

Our reading of Pareto adds a question of selection: where should attention and intervention be concentrated, and what must that concentration preserve?

The answer cannot be borrowed from a ratio. It must be established through evidence, an understanding of dependencies, and a defensible account of consequences.

As technical capacity expands, institutions will face more opportunities to act than they can responsibly pursue.

Their maturity will become visible in the choices they make—and in the grounds they can give for those choices.

The first responsibility of automation is to justify what it serves.

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COLOPHON

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