Deloitte TECHTalks | Deloitte Global Generative AI | Future Forward With GenAI | Optimize for Organizational Value

With Costi Perricos, Deloitte Global GenAI Business Leader and Clare Harding, Deloitte Global Chief Innovation Officer.

Raquel Buscaino: Welcome to Deloitte TECHTalks. I'm your host Raquel Buscaino, and I lead the Novel and Exponential Technologies team at Deloitte Consulting in the U. S., where we sense and make sense of emerging and advanced tech. We are continuing with our three-part AI series with Deloitte's global colleagues as they discuss the trends around GenAI, identifying signal from the noise, optimizing for organizational value, and navigating the path to opportunity.

This episode features Costi Perricos, Deloitte Global GenAI Business leader, who will be speaking with Clare Harding, Deloitte Global Chief Innovation Officer on Optimizing for Organizational Value. They will look at key trends that have emerged from the State of Generative AI in the Enterprise Q4 report that was recently released, where they explore key findings and challenges.

If you missed any of the other episodes in this series, be sure to check them out afterwards. I'll hand it over to Costi and Clare and let them take it away from here.

Costi Perricos: Hi, I am Costi Perricos, and I'm Deloitte's Global GenAI Business leader, and I'm absolutely delighted to be here with my friend and colleague, Clare Harding, to talk about optimizing for organizational value using GenAI.

As some of our listeners will know, we run a State of Generative AI in the Enterprise survey regularly, and our latest wave of the survey, the fourth wave to date, has found a number of findings, three that we will focus on today. As we know, lots of organizations have been experimenting, but organizations are finding it somewhat difficult to scale.

And that is because our survey suggests organizations are moving at the speed of organizations, while GenAI is moving at lightning speed, faster than any technology wave we have seen. And, of course, in doing so, organizations are struggling to keep up with the pace, but they're also finding that scaling their proof of concepts in the business is still a work in progress that not only has technological barriers, but there are also many human and general transformational factors that play a role.
And of course, we couldn't have a conversation around Generative AI today and not mention the rise of agentic AI. But let's start with the first one, Clare. Let's talk about the speed of organizations. versus the speed of technology.

Clare Harding: Thanks, Costi. I'm Clare Harding and I'm Deloitte's Global Innovation Leader.
And what we're seeing in the survey is that whilst our technology leaders are still really enthusiastic about GenAI, the passion of business leaders appears to have waned somewhat from wave one of our survey to wave four. We would say what we're seeing is a real move into a more pragmatic phase of adoption of GenAI. And so that shift might seem a little bit like a step backwards for GenAI, that reduction in enthusiasm among broader business leaders, but it's entirely consistent with the usual life cycle that we see for transformative technologies like this. What we are seeing is an increase in technical preparedness of organizations, so tech infrastructure strategy preparedness has increased, but at the same time what we're seeing is that talent and governance preparedness is lower and probably not increasing. The budgets are going towards the technology preparedness, which is good, but yes, there's still that sense of needing to understand and manage governance risk and the challenges of acquiring talent.

And when we look at the barriers that were cited in the survey in terms of slowing organization, regulatory uncertainty and risk are prominent in there. So we'll delve into those a little in the conversation. So let's start with those barriers, that consistently seem to slow organizations down so that it's slower than the pace of technology and I think the first thing Costi is about C-Suites and boards and making sure they're consistently engaged and really breaking down and clarifying their role in adoption.

Costi Perricos: I think that is spot on Clare and as you know Deloitte have had many board conversations and conversations with executive teams over the last year. What I would generally say is that there's a huge desire for fluency - you speak to execs who perhaps are not technical at all, and they're very interested in understanding GenAI.

But generally, I would say the fluency isn't at a level where they can actually use their own transformational levers to drive adoption of these technologies through the organization. And what we're finding is that it really is a case of adoption, just like in every other technological wave. This one just happens to be moving faster, rather than necessarily technical barriers.

Because as you point out, the technical preparedness is certainly there or is certainly maturing and we've seen that increase from wave to wave in this survey. And I think for me, the big challenge is what I would call dealing with the fearers and the reverers of the organization. This is new technology, but everybody's heard about it, it's in the zeitgeist of society and business- and what we're finding is that when you talk to the people who could use this technology, you often get people who fear it. They don't understand it. They read the articles that suggest it might replace humanity at some point. And then you have the people that revere it, who want to use the latest tools, perhaps are not using them appropriately or using them in a way that's not safe for business and business need.
And so there is a set of steps that organizations need to take in order to help that adoption and part of that, as you said, is C-Suite fluency, part of that is giving the technology to as many people in the organization safely so that they understand how to use it, they understand its limitations, but also crucially to manage risk in organizations.

Clare Harding: Absolutely and of course, the other side of that is that the organization isn't necessarily achieving the benefits that it wants to from the use of GenAI tools, particularly when they're used off grid, so to speak. And so when it comes to the C-Suite, one of the things that we're seeing is that this is a multidisciplinary area, it's an area that requires involvement from multiple different executives and leaders across an organization, where setting an ambitious strategy for GenAI is really important, and that strategy could come from technology leaders equally, it could come from the CEO, but the tone from the top is really important.

And for organizations, one of the keys is to really understand and be clear on whether the GenAI strategy is about productivity, cost effectiveness, whether it's about growth, whether it's about innovation. The things that the organization is trying to achieve using Generative AI is a really important thing to set from the outset.

And then looking at value, then you can measure your value against those strategic objectives, but value is one of the key areas that we're starting to see coming through significantly. Now the CFO, being really keen to understand the return on these investments and where are the use cases being scaled?

Where are we starting to see value from this? And having high impact use cases or groups of use cases from a top down perspective is really important in this. And we'll come back to this a little bit more in a minute on scaling and return on investment. Just double clicking into a different barrier that we're going to talk about is risk.

We really need to step up our game in relation to how we look at risk, how we consider risk, risk appetite in organizations. And in the survey, we saw that respondents listed regulation and managing risks and compliance as one of the top barriers holding them back in developing and deploying GenAI tools and applications at scale.

So, perhaps maybe Costi you could comment a little bit on that and what we're seeing.

Costi Perricos: I have to say I have a lot of sympathy for many of the functions that you mentioned, Chief Risk Officers, Chief Compliance Officers, to a certain extent even Chief HR Officers, because as we already mentioned earlier in our conversation, everybody needs to step up if you're on a board or if you're an executive member of an organization, particularly with, I would say, Risk Officers, the challenge is.

They carry a lot of weight on their shoulders in terms of managing the firm's risk, but at the same time you're dealing with a technology that is unknown and brings in risks that are very difficult to quantify. But at the same time, if organizations are going to be successful in this journey, and that includes all organizations, I think all these functions need to move from saying yes or no to saying how and that becomes very difficult because the question can't be can we do this can we adopt this technology the question is we have to adopt this technology how can we do that and that means taking some risks that you wouldn't do as an organization and if you're a Chief Risk officer a Compliance officer or a HR officer if you're trying to figure out how agentic technology is going to affect your workforce, you need to be supported in taking those risks.

I would argue that if you're sitting on a board or you're sitting on exec and you're used to perhaps read one or two questions deep on a topic before making a decision, you probably need to go three or four questions down. To give you an example, there's lots of debate around how information is stored and whether information that is stored can be used in particular ways with large language models, for example, to train large language models.

And I would say that if you don't know the difference between a vectorized database and a regular information store, it is not really possible to have an informed debate as to whether a particular information that you have received from a client or is confidential to your organization can be used to train a model, whether that model sits outside of the organization or within the organization.
And so it is important to become much more acquainted with intricacies of these technologies than in previous technological waves. But actually, this discussion that we're having really leads to the one thing, which is how do you drive value and how do you scale and get ROI through GenAI in your organization.

The survey found that organizations are still heavily experimenting and scaling its really taking its time for reasons that we have already touched on. The survey also found that IT operations, marketing, and customer service are making up more than half of the most advanced GenAI initiatives that have scaled.

And from an ROI perspective, the one area that really stands out is cyber. We're seeing a lot of gains, which ironically is all about managing risk in cyber, where this technology is driving a lot of efficiencies and also increasing the company's ability to repel cyber attacks. And almost three quarters of the respondents agreed that value is being achieved with the most advanced initiatives meeting or exceeding ROI expectations.

So we do know that when you take the right steps, the right transformational steps to drive adoption of these technologies, the ROI is definitely there.

Clare Harding: Double clicking on that slower path to scaling that we're now seeing, we see that 64 percent of organizations in the survey have fewer than 20 GenAI experiments.

What we're seeing is fewer experiments, more targeted, and then slower scaling. And that suggests that organizations are taking the time to test out the capabilities of GenAI, what it can do, how it can benefit the organization, and then figure out where it can help the most and I think ROI becomes part of that consideration set as well and interestingly the most advanced GenAI applications outside of IT as you mentioned overwhelmingly are targeting critical business areas.

So these aren't back office functions, they're critical business areas that are fundamental to success in a company-specific industry. So for example, marketing in the consumer industry or operations in energy, we're seeing cybersecurity you mentioned, but it particularly in financial services where it's core to operations.

And it's quite an important insight because many of our business leaders still associate GenAI with personal productivity, but what we're starting to see through the survey is a real focus on some of those core business areas as where you can get real return on investment from GenAI and some organizations starting to experiment in those areas.

Costi Perricos: Yeah, and that's actually really good to see that we are moving into what I would call vertical scaling of these solutions, really addressing the heart of the business issues and product development. But I would argue, Clare, that the personal productivity and the big vertical use cases are two linked transformational endeavors.

As I mentioned earlier, it is very difficult to get a set of human teams to adopt GenAI technology when this technology may have perhaps be replacing 30 percent of the workforce or doing a job that they're doing 30 percent more efficiently. It is much easier to do that once they have actually used this technology and have understood the personal productivity that this technology can bring, what I would call horizontal scaling.

And as you know, at Deloitte, we have done just that. We have put this technology at the hands of practically all of our employees across the globe. And what we're finding through that is that now like other companies at Deloitte, we are rolling out a number of these high value use cases, our employees are much more accepting of this.

And we should also state that the added bonus here is that a lot of innovation in this space doesn't necessarily come from the boardroom or from management and we are finding huge amounts of innovation ideas coming out from the workforce, and many companies that are doing the same as us are also finding that this is a great way to drive innovation in this space.

But speaking of innovation, we did mention a number of times the rise of agentic AI, I know that Heather and Nitin referred to that when they were talking about trends. I don't think I've had a client conversation in the last month and a half that hasn't talked about agents or agentic AI, both in terms of the opportunities that agents are going to bring to the workforce, as well as some of the governance and ROI issues that organizations are trying to resolve.

We are already seeing a number of organizations going public with stories of using agents in customer service and actually seeing, not only a very big productivity game, but actually increased customer satisfaction. Most companies and executives understand the values that agents can bring, but really how things like errors made by those agents, or perhaps the improper use of these agents may lead to increased risk and reputational damage to the companies.

And that's something that we talk a lot about with our clients. I get a lot of questions around what happens if an agent creates a mistake and we don't have the right governance processes with humans to check that or give a customer, if it's a customer service agent, the wrong advice. So all these things need to be worked through.

However, there is no doubt that agentic AI is driving excitement and we're already seeing some public examples of autonomous agent development and deployment, for example, in customer service centers. And of course, like everything, there is a very high expectations of a very quick ROI, like with other areas of GenAI, but with all these things, we're going to have to be patient. I think agents at the moment are great, but they're still at the beginning of the journey, and we need to wait for these technologies to mature to really be able to drive ROI. But they're moving so fast that unless organizations start experimenting with agents now, they're not going to be able to catch up with the competition once this technology fully matures.

What's your view?

Clare Harding: It's interesting you say that. I have been amazed by how quickly this trend of agentic AI has taken off, and in our survey, 26 percent of the respondents said that they're exploring autonomous agent development already, to a large or very large extent. Gartner has predicted by 2028 that 33 percent of enterprise software applications will include agentic AI.

So, we're seeing this as a broad point of view across the market. And as you know, agentic AI has enormous potential to increase productivity by automating tasks and workflows. And there are many different definitions of what an AI agent is, but fundamentally it's about AI agents being able to act independently, so do human tasks or tasks previously done by humans, to think intelligently, to reason and interact with humans and also with other agents, which I think is in itself a really fast moving trend and execute autonomously, so orchestrate workflows, make decisions, perform processes and activities. And so what we're seeing at the moment is the most rudimentary agents we'll ever see as well, which is quite interesting how fast this could develop and take off where we will see multi-agent systems.

So where we've got agents working with agents orchestrated by agents, enhancing the quality of outputs or the complexity of workflows, all those kinds of things. So this is a really fast moving and interesting area where forward thinking and I would say fast moving businesses and governments are already starting to implement basic agents and multi-agent systems across a wide range of use cases. And from a strategic point of view, in order to be successful, leaders have to start thinking about how they're going to integrate agents and multi-agent systems into their overall technology strategies,

business strategies, talent strategies, and roadmaps. You know, it involves a lot of re-thinking and reimagining of processes, investment in capabilities and as you mentioned before that real fostering a culture of innovation.

And as organizations go through this the thing that's going to be most challenging is actually going to be how people work with the agents. So that effective change management is going to be super important for successful integration, having a comprehensive communication strategy, keeping employees and other stakeholders informed and engaged so that this doesn't feel like a threat, it actually feels like something really exciting and new that employees can do and work with agents rather than a threat to jobs and security. So it's going to be an interesting time.

Costi Perricos: I think you're spot on, Clare. Through this discussion and others, what I'm realizing is that businesses have a lot of experience dealing with technological waves.

Some of the things that we are talking about are no different to the introduction of spreadsheets and some of the questions of what that would do to accountancy, which is still alive and well, or the introduction of ERP systems and what that might mean to finance and shared service functions. The only difference is, is that this wave is coming very, very fast.

Just in recent months, GenAI tools have shown significant improvements in reasoning and in agent orchestration capabilities, as you already mentioned. And I have to say, this is why I love working in this field. Every week there is something new. I actually went on a two week vacation, Clare, and came back and felt I had fallen behind because things develop so fast.

We anticipate a significant evolution in core language models, AI agents, and AI agent orchestration platform within the next 12 months. And I look forward to continuing this conversation and seeing how we at Deloitte develop our own journey, but also seeing how we can help our clients and wider businesses do so.

Thank you.

Raquel Buscaino: Such great insights in this episode all around. To all our tech savvy listeners, thanks for listening in to this special episode from Deloitte's Global Colleagues. If you enjoyed this episode, please share and subscribe. And make sure you check out our other episodes in this series, where we discuss AI trends and identifying the signal from the noise and navigating the path to opportunity. Until then, stay savvy.

About Deloitte

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.