

Speaker A 00:00:01

Welcome to the Future of the Firm podcast. I'm Emma Carroll, Head of Client Voice here at Source, and today I'm really pleased to welcome Bhaskar Ghosh to the podcast. Bhaskar is an author, an independent director at HDFC Life, and also former Chief Strategy and Innovation Officer at Accenture. And today I'll be asking Bhaskar the question, how is AI set to transform consulting? And we'll be looking at this from both the firm and the client perspectives. So Berska, a really big welcome to the podcast today. Before we get into the meat of the conversation, it'd be great if you could introduce yourself in a bit more detail to our listeners.

Speaker B 00:00:43

Thank you Emma for inviting me in this podcast. So as a part of my introduction, I feel I'm a technologist by heart and a strategist. Worked in Accenture for more than two decades in various leadership roles including the Global CEO for Technology Services Business and last five years was primarily Chief Strategy and Innovation Officer. Retired in December last year. And now I am focusing more on writing, authoring my second book. I'm advising few CEOs and doing a little bit of a board services in few, you know, listed companies. But pleased to be here today and share some of my experience and with the journey of technology and AI.

Speaker A 00:01:36

Okay, thank you. And a really wide open question to start on AI and industry in general. What's your view on the maturity and industry readiness of AI at the moment?

Speaker B 00:01:49

First let me give you a one line answer and then explain. I will say that the technology is now matured, primarily AI gen, AI agentic AI orchestration. The technology is mature, organizations are not. Let me explain that AI is not a new thing. It is there for a quite long time. But the consumerization of AI happened in 22 when ChatGPT came. But from last few years I think the progress is phenomenal in terms it is backed by investment, it backed by the interest from the enterprise and every individual professionals.

Speaker B 00:02:35

So that is how it has changed. But today I'm very confident that it has reached in a level, maturity level that it can be implemented in the enterprise at scale. So question today is

not the future possibility. Question is it is inevitable this will come to every enterprise. If you look at the AI, you know, whole cabinet of these technologies there are four fundamental components. One is the reasoning, second is the understanding of natural language, third is the orchestration capability and fourth is the continuous learning. Now in all these four capabilities are now production grade, production grade quality. So it is absolutely ready for the implementation.

Speaker B 00:03:33

But when you talk about the industry as a whole, there is some noise around. That noise is coming is that the everyone, every enterprise is implementing AI, but most of them are not getting the business value, they are not getting the business outcome, what they are expecting. So that is the primary, the noise. And of course, you know, there are valuation challenges, are there, there's early stage, a lot of investment is happening. So the valuation for AI companies are very high. That may not be justified in the financial lens, I leave that aside. But in terms of the expectation mismatch in one side, it is hugely successful that in every enterprise is adopting AI, they are doing the experiment, all experiments are successful, at least 70% plus are successful. But when you go for the enterprise value, the real number in the balance sheet and the profit and loss account, we don't see that the fundamental reason for that gap is because this technology is coming from consumer to enterprise.

Speaker B 00:04:49

We all learned about, you know, the public Learned about all AI in ChatGPT. That was the consumerization of technology and then it has come to enterprise. So when we use it on the individual level, you know, any of those tools, whether it is chat, GPT or Gemini or any one of these things, you can write an email, you can summarize a document, you can do so many things and you see that 70, 80, 90% productivity, that is real, that sets the expectation. And we go back to our enterprise and think in our own scope of work, we will implement AI here, there and everywhere in the different pockets. And, and we expect the same level of productivity and value like what we experience at the individual level, at the enterprise level. But that never happens. That implementation of technology at the enterprise level is much more harder than using it at the individual level. So this scale and complexity goes up the scale, the complexity goes up when you use individually compared to that when you use at the enterprise.

Speaker B 00:06:02

If you use at the country level or if you use at the continent level, your complexity will significantly go up and the value realization is much more difficult. So if I summarize, the technology is here to stay. AI technology is real. It is amazing. It is here to stay. You is going to touch every individual, it is going to touch every enterprise. But there is an execution gap today. The enterprise need to get more mature to learn how to use this technology, to get the maximum business value.

Speaker A 00:06:43

Okay, thank you. And to home in for a little while on AI and consulting. Specifically, what's your perspective on the future of the consulting industry and, and specifically on the impact of AI?

Speaker B 00:06:55

Oh, that is a huge subject by itself. And I'm sure there's a hot item today, the future of consulting. So I will say that the consulting industry will go for a structural shift. It's not a cyclic shift, it's a complete structural shift where the consulting is done. Let me make a bold statement that what I strongly believe in next two to three years down the line, you will see that there is a more consulting opportunity than less. So in the future there will be more consulting opportunity than less, but it will be different. Let me explain that.

Speaker B 00:07:42

Why do I think that opportunity will be more than today? There are three simple reasons. The one is this technology is such that every company, every industry, big or small, need to embrace in next few years to stay relevant for their business. So if you implement, if I do not implement, then you get a competitive advantage. So everybody is implement. We have seen lot of large technology shift in the past, like cloud wave in 2010 and all. And still there are a lot of companies have not implemented, you know, not 100% move to cloud. Nothing happens.

Speaker B 00:08:29

You know, if you move to cloud, you get the agility, you get the, you know, flexibility, you get speed to market, so on and so forth. If you don't move to cloud, you can still survive. There are many companies have not moved. We have seen in 2000 the offshoring wave. A lot of company has used the global sourcing. But if you don't use still you survive.

There are a lot of companies that still not done it now. So question is that those mega shifts are not mandatory.

Speaker B 00:08:57

But this AI change is mandatory for every organization. Every CEO need to think how they redefine their business in the future and using AI. And so that is a skill. So that point one is all about the scale. So there'll be huge opportunity will come up. Point number two, let us go back to the school of organization. The organization is all about what we Learned in consulting 30 years back. It is all about people, process and technology.

Speaker B 00:09:32

That is the organization is all about. Now if you think that one platform, one tool will completely change your organization overnight, it is wrong. You cannot do it. If you have to transform the organization, you have to take the people along with you. You need to make sure your processes are changed accordingly. It's extremely important. So you have to change that, implement this technology holistically across the people, process and technology transformation so that you can get value. So AI is not one single tool that you implement once and you get value.

Speaker B 00:10:14

It will affect the way people work, the way the processes has changed. Like I'll give You the example. Historically, processes are built based on functional silos. Okay, like finance people know finance, they do finance work. Legal people do legal, they do, you know, they are all legal experts. So when you suppose create a big proposal for a client, you do the pricing, you get checked with legal, you check with 10 different experts, and so on and so forth. And every department comes and adds value with their professional expertise. That is how the processes are built.

Speaker B 00:10:59

Processes were built with the expectation that human will work with their human constraint. That means the legal person is not expected to be expert in finance or expect expert in marketing and so on and so forth. But now when the agent work, you know, when you do it through AI, it will use the same database, it will use the same gen knowledge, knowledge graph. So it's basically it will democratize the knowledge. So

your process silos will break. You can break the process silos, you can immediately can do the finance check, legal check, marketing check at the same time. And after that there will be some role of the human to make sure it is all still right. But the point is it will significantly improve the speed to market and customer experience.

Speaker B 00:11:55

So that is why that it is not only the implementation of one tool or a platform. It is very important. It is the key critical factor, it is the driver for the change. But if you have to get the change, you have to make that people process and technology changes. There you need a consultant. You need a consultant who has got a holistic view to bring everything together. Third thing, I will say that the AI as a technology, it's not like a readymade package. You just implement and you get value because you need to make sure your data sets are correct and clean.

Speaker B 00:12:33

You need to make sure that different system actually gets enabled with AI. So actually when you implement in the system in a large organization, not in a pocket, not as a pilot, when you implement in a large into a system, then you have a lot of integration work. You have lot of additional work which is more than just tools implementation. One thing we need to all understand that you know, this whole AI is a probabilistic system. It's not a deterministic system that you implement and it will you do a predefined logic and it will continually, continuously operate exactly the same way. This is a probabilistic model. That means the how the AI will behave based on the training and based on the data it feeds. So the question is that you need not a one time project consulting, but you need a continuous consulting, continuous management of the system in the future.

Speaker B 00:13:35

So These are the three reasons the scale of work will significantly implement increase. Second is that not only technology, you need to implement people, process and technology, all aspect including culture, training and everything. And third is that there is a significant integration work and maintenance work for the AI to perform well within the guardrails. So that is why I believe that there will be a future opportunity for consulting will be more than less. But the key point is that it will be different.

Speaker A 00:14:12

That's a really positive story. But if I was to ask you to pull out what you think will be the big challenges, are there maybe three big challenges you could surface?

Speaker B 00:14:24

I will explain the three big challenges. But before I explain that, I first explain that what is different point is that if you look at the consulting at the core, what it does is that it brings the human expertise, it brings a team. That means it's a scale, that there are pyramid, there is skill, they will come with that. Third thing, what it brings is the methods and processes and methods. Every consulting company has got a process methods. They bring along with that. It brings the human expertise, brings the scale so that you can implement fast and then it brings the process and tools.

Speaker B 00:15:09

Now the point is that when you talk about the AI, especially the gen AI, it will impact all three of these. It will change. So that is why it will be different, that this will change. On the other side, lot of new work will come. New work will come in terms of how. How do you create a process where human and machine will work together? Because today all the processes are designed only machined, only human to work, not machine to work. So how do you completely redesign the process?

Speaker B 00:15:42

That is a whole new set of skills will come. It's a different thing. How do you make sure that you focus more on the business outcome of implementation of AI? So there are certain difference in this work. So that will be very important. So the question is the opportunity is more and then, but it will be different. Now let me come to your question on what are the three top challenges. I define that in a very simple way as three Cs.

Speaker B 00:16:17

Three C. The first C is the cannibalization. The second C is the cost structure. Third C is the capabilities. Let me explain each one of them. And I believe that the challenges are in order of 1, 2, 3, the way I have said. Now, first is the cannibalization. That because the sum of the work, what is done today manually or in a certain way today that will be done by AI. So we can go on, we can continue to debate.

Speaker B 00:16:53

But the large part of the existing consulting work, the way it is done, it will be automated. And we all are thinking that. So that is why that if you ask somebody about the what is the impact on consulting? People only talk about oh, there will be a lot of human reduction and the so on and so forth. Because that is the one part of it. But the point is the cannibalization is nothing new to the professional services or consulting industry. Because you know, like the way I see that, you know, I have worked in the industry for last 30, 40 years. Always we give the promised client 10, 15 productivity or the year on a year.

Speaker B 00:17:38

So every time you continuously give a productivity. But only thing is a difference is this time earlier was productivity means automation. It was primarily elimination of repetitive manual job. But this time it is auto. It means this. Of course there will be some more repetitive automation job will be automated. But it is more value is in terms of augmentation of the capability of the human being. So you are enhancing the intelligence, decision making capability of the people.

Speaker B 00:18:15

That is the ultimate value of Genai. So it is different. So when is a cannibalization? We talk some of the things will go. But at this sometime the new work will come in front of the consulting companies. And so that they need to grab that. And so the point is why this point is so much discussed? Because we only talk about the cannibalization part.

Speaker B 00:18:41

But sometime we don't understand or miss out the opportunity part of it. So cannibalization will reduce the revenue and opportunities will increase the revenue. So if the these two get balanced, then you will have a zero growth. Your opportunities are more than the cannibalization. Then you will have a more positive growth and so on and so forth. So it will go through that cycle. It has to transform in next few years. So I will say the right word I use is better than cannibalization.

Speaker B 00:19:13

What the company need to focus on rotation. So they are focused on existing work. Now they have to rotate their business model and the revenue in more towards the new work. So that that will be bigger and better in the future. So that will be the first point on cannibalization. The second point is on the cost. I think this point is the more difficult for the companies to manage than the cannibalization. Because historically professional services companies work very large part of the professional services work is based on ft. That means, you know, people and time.

Speaker B 00:19:58

It is directly links to the time. Now the point is that of course it is not 100%. There are, you know, large percentage in different company to company, they operate the fixed price project and so on and so forth. But the fundamental of consulting is based on time and the people time people's time cost. But the point is this gen AI challenge that foundation. So what these companies need to figure it out. The consulting companies need to figure it out. And I know most of the companies are to trying trying that how to switch more towards the value based pricing, how to change more towards the platform economy, platform based pricing or value based pricing and so on and so forth so that the dependency on the human reduction is not directly to their business performance.

Speaker B 00:20:48

This is easy to say, I can talk in this podcast but this one is more difficult than the cannibalization problem. Cannibalization problem is in my mind it's a not a big problem actually it's a rotation is a timing issue. They will all rotate. They will be. Some company will rotate faster, some company will rotate slower. But this one is the bigger challenge that how the company change their financial model so that they are more linked, their revenue is more linked with outcome not based on fte. So that was the second problem I said. Now the third problem I will say is the bigger than the second problem which we don't talk about.

Speaker B 00:21:36

It is the capability because the consulting company means that they have their some own knowledge. Every big company has got their organizational knowledge that they have learned over time with their human expertise and they doing the similar project again and again. But what Geni will do that it will democratize that knowledge. Now if a small company, if I just say in any of this chat, GPT or Gemini or Claude, if I take and

give a one prompt write down the S4 HANA migration methodology it will take five minutes to for me to get the full methodology. You can debate it is not correct, it is not 100% correct, it needs more fine tuning, so on and so forth. But I will have a methodology earlier it was not there. The smaller company had got an entry barrier because that methodology and capability was controlled only by the larger companies. So that is so the question is that for the question that each of the consulting company should ask what capability they bring which is AI plus what capability I bring on the table what is AI plus what AI cannot do it.

Speaker B 00:23:00

And most probably the fundamental MOT they need to create around them is with their organizational data. Because these large companies has got a huge knowledge the organization knowledge in sitting within them as a, you know, different files and databases and so on and so forth. They need to learn the art of digitizing that and Create that as a differentiated knowledge for that company. So that they have to get obsessed that the capability they bring AI plus. Because otherwise if you just bring as good as AI then it is of no value of consulting anymore. So cannibalization, cost model and the capability that is in the order I go in the challenges all three are addressable. All three can be addressed with right strategy. But these all threes are critical they need to address.

Speaker A 00:24:04

Okay, thank you. And pulling all of that together, I'm wondering how fast you think consulting is going to transform.

Speaker B 00:24:13

I think it will be very fast. I think that it is not about the 10 years timeline. It is all about the horizon. In two to three years maximum, you can say five years horizon, it will change. But the point is that the technology adoption is becoming faster and faster. So they change. What I am talking about change.

Speaker B 00:24:37

What we are discussing is already here, you know, from 22 to 26 in last three years kind of progress has been made. If you extrapolate that for next three years it will be very different. So the question is that I feel that the. The adoption technology adoption will

be very fast. The last two years it was primarily the enterprise was experimenting. The that era of experimentation is over. And it is very successful. Now it is a time for the next two to three years will be scaled implementation to drive the tangible business outcome.

Speaker B 00:25:20

So that is what will be the next two to three years. And it will be fast. So the organizations like consulting company as I say that they have to rotate and they have to rotate their business and adopt AI as their DNA very, very fast. And I know that some of the large companies are investing huge amount of money in terms of training their people and building this capability, changing this methodology and so on and so forth. But that will be the race of the rotation to AI and that will make them successful.

Speaker A 00:25:55

Okay, thank you. And is there anything you'd pull out in terms of how you really think engagements with clients will change?

Speaker B 00:26:04

So I think that that's a very important question. And you know, I say that the historically the consulting business is lot of time is a people based business to we provide the consultant and they work with the client and deliver the outcome. But now what will happen that there are three things will happen in the consulting business model change? I think of there are many things top things. One, it will be more of a advisory to implementation. Advisory to. There will be shift towards more of advisory to implementation.

Speaker B 00:26:43

So just only advice is not enough. You show them this thing. So it is not about the PowerPoint. At least show the prototype and you know that how exactly it will work and show the implementation journey. That is very important. Second is that consulting will shift towards more outcome based. And this is something will be push full will come from both side. One, the consulting company will push more outcome based because they will not be able to make money if it is only people based.

Speaker B 00:27:16

So they will push that agenda. On the other side, the business side, I historically they are, you know, more more comfortable in buying in people mode. But they will be comfortable in the future in buying the outcome mode because they understand it. Last two years of experimentation, what we have learned that just like that if you implement multiple gen AI it does not produce any result. So the customer will demand the outcome. So consultant will push outcome driven model. Customer will demand business outcome for their investment. And that is why I believe that there will be shift more from effort based to outcome based.

Speaker B 00:28:02

So that will be the first thing. First is the advisory to, you know, more of advisory to implementation. Second is the effort based to outcome based. Third thing I think which is very fundamental change in the consulting will come. You know, consulting today primarily the people based. That is people and their expertise. That is what we bring on the table. But in the future it will be people plus platform.

Speaker B 00:28:29

You have to bring the right platform and you have to bring some organizational data which will help you to differentiate and stand out. So the question is that same point, come on AI plus that you bring people and bring certain capability in terms of the data or any other assets which will create that AI plus impact in consulting. So you know, so those are the three broad area. Of course there are other changes will also take place. But speed will be another thing that with this whole, whole development of this technology cycle time for the project will significantly come down. So there is, you know, earlier which were six month cycle, that was you are coming down to six week cycle. Now it will come down to five days cycle or maybe a day cycle, things like that. So it will be a significant cycle time reduction will happen.

Speaker A 00:29:33

Thank you, Bhaskar. And one of the threads that's definitely coming through is the important of the importance of people and the importance of capability. And so I'm wondering, wondering about talent in consulting firms. And you know, there's such a big debate about junior talent and how people will be trained and what will happen with the volume of that talent. What's your perspective there on junior people in consulting?

Speaker B 00:29:58

I think that is another big subject of debate. I think that I have talked to many people regarding this and read different articles. Most of the people believe that AI will eliminate the lower part of the pyramid in the consulting business. So that will get all automated by AI and the junior people job will be eliminated. So what you all need is some senior people and experts and so on and so forth. So that is the school of thought. And that may actually happen.

Speaker B 00:30:33

Now if that happened, then what will happen? What will be the implication of the consulting business? Implication of the consulting business will be consulting costing will be more expensive because you do only with the senior people, not with junior people. So they will be. Their projects will be much more expensive. Second thing is that your normally all the consulting company make higher margin in the junior level role than lower margin in the senior level role. So you will make less profit, you are more expensive and you make less profit. So both the parameters are not good for the consulting company.

Speaker B 00:31:14

And third thing, what will happen that if you do not have the bottom of the pyramid after five years you will struggle to find the top of the pyramid also middle of the pyramid. So you have to always grow like that. So that is might happen. But what I personally believe, and this is my strong belief that one should think the other way. One should think that how do you empower the junior people to do the senior people's job? So I'll give you an example. Like say today when I go to a hospital, if I go to a hospital, if I beat a doctor normally in India, always I prefer to go to a doctor at least 20 plus years experience. Even if the, you know, one year experience doctor is the same qualification.

Speaker B 00:32:01

Invariably I will be more comfortable with the 20 years experience doctor. Why? Because it's 20 years of experience. It is not about the qualification. But what happened that if one year experience doctor is seamlessly empowered or enabled with 200 years of medical experience so that they can have a easy access. You know, I. I may not still

change. I may still go to a 20 years experience doctor. But the point is that then the same person is enabled.

Speaker B 00:32:33

Now the question is you think of a bank 20 years experience banker approved the higher amount of the loan and the two years experience banker approves the lower amount of the loan even if they have the same qualification because of the experience. Now I can democratize that experience with this thing in the future. So I'm not telling that we'll replace the senior people. That is not the point. The point what I want to make that organization should think how do you empower the junior people to do plus plus work? Maybe one level higher work, two level higher, lower. And that is now possible with the technology. And if you can do that, the impact of the AI on a consulting business will be more positive than negative.

Speaker B 00:33:27

Because junior people will do the senior people's job. You should be able to get the work done at the cheaper cost that will benefit the client and you will make more money. Because the junior level you make more money. So the question is that if you can enable this thing, the all consulting company, that will be good for the industry, good for the junior people, good for their business and good for the client. So my theory is that junior people should be empowered to do the senior people who are enabled by the technology and that will help both of them. So that was your first question on this thing. Then other thing you mentioned that the what kind of skills. You mentioned something.

Speaker A 00:34:08

Yeah, I was wondering in terms of skills, what skills you think will be important in the future? And I'm thinking particularly for consultants there.

Speaker B 00:34:17

Yeah, I think for the consultant there will be again. There will be again very different skill they need to develop. See, first of all they need to understand the domain. Suppose a consultant earlier knows how to collect data, do the analysis, do a presentation. That is the first six weeks of work. Now one need to understand that what the same consultant should be able to do it in maybe one day, maybe half day. Now with the using the tool,

all the data is there, the analysis and all this presentation can be done with the technology very fast.

Speaker B 00:34:59

So the first thing, the consultant should know the modern technologies and should embrace that and use it effectively. Instead of sticking to the old rule, old game. It's, it's easy to say, but you know, believe me, it's not easy. As a human tendency is that we wanted to first wants to do what we know, but we need to embrace that the new technology to do it. That is number one. Number two is that very important is that it is not about the technology. It is more about the business outcome. So to the consultant understand the business.

Speaker B 00:35:36

You know, consultant must understand the business. So the more of an industry domain and the business domain is more and more important in the future for the consulting skill. So it is not a less important, it is more important. Third thing is the consultant in the future need more of a skill to organize, coordinate and deliver the outcome. You know, because there at the same time there will be process change, there will be platform change, there will be, there will be, you know, these people skill change, everything they need to take this thing together and do it. The way I define this new consulting, maybe I just try to explain so that you understand the skill, what is needed. See, if you talk about the broadly there are three type of skills. One is the technology skills, one is the business or industry skill, and third is the data skill.

Speaker B 00:36:30

So if I draw a three circle and overlap each other, then the intersection of the technologies business was historical consulting. Consulting is the intersection of business and technology. Now if you take the business and data, that is the sweet spot of the management consulting, management consulting, understand the business, understand the data around that and tell that exactly what you have to do. And if you talk about the data and the technology that overlap is the platform companies. The platform companies basically use the power of the data and monetize that with their platform, I.e. Meta and other people on that. So if you take draw these three circles, there will be a common point where the intersection of these three circle. So that is the new consulting, that is the new skill where the consultant need to understand and

appreciate the technology, understand the business domain and they need to understand the data structure.

Speaker B 00:37:33

So these three things they bring together to deliver the business outcome for the client.

Speaker A 00:37:40

Okay, thank you. And I can really visualize that. So thank you. And Bershka, we always like to end on a really practical question. So I'm wondering what do you think is the biggest mistake that consulting leaders risk making around AI?

Speaker B 00:37:54

In my view, the biggest mistake or biggest understanding now today is that AI will take our jobs. But what I believe the biggest risk is not the job loss, it is judgment loss. There will be a job loss, but new job will come, new client will come and they will survive. They will grow bigger than this. But the judgment loss is the capability loss. If you do everything through AI and AI democratize the knowledge, then you don't differentiate yourself anymore. Because every organization has got the organizational knowledge, the organizational capability.

Speaker B 00:38:41

They need to learn how to store that and continue to differentiate with that. If that get democratized, that if everybody knows that, then as a company will not survive. So biggest risk is not the job loss, it is a judgment loss. And that is what people need to protect in the future. So that your offerings are AI plus.

Speaker A 00:39:06

And what's your advice in terms of protecting that judgment loss?

Speaker B 00:39:11

So protecting the judgment laws, as I said, that the organization has got got the knowledge, it has got a knowledge. But knowledge is now scattered in the organization

in different people's head, in the people's laptop, in a different file database. And it has grown over 20 years. We never bothered to collect that in one place. But we need to create the organizational knowledge base and create that as a competitive differentiation. Create that as a competitive differentiation because that is something that AI cannot produce, reproduce from outside until and unless they have access to your own organizational data. So your organizational data, your organizational knowledge is your business mode.

Speaker B 00:40:02

That is how you protect yourself. And then one need to think through how effectively you use your that mode so that you stay relevant in the era of AI. And your offering in front of clients are always AI plus Bhaskar, thank you.

Speaker A 00:40:22

So much for your time today. Really appreciate it.

Speaker B 00:40:25

Thank you Emma. Nice talking to you.

Speaker A 00:40:28

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