Welcome to The Evolution of Financial Services, a podcast series from Deloitte about just that - the evolution of financial services and how to harness the disruption. Here we'll address how operating environments for insurers, banks, and other financial services firms are undergoing dramatic change - from shifting regulations to new entrants that disrupt traditional service models, and everything in between. Each episode we'll meet with a leader from Deloitte's Consulting practice to discuss these changes in the industry and what your company should do. Today we’re talking with Steve Hatfield, a Human Capital principal with Deloitte Consulting LLP, about rapidly advancing technology such as robotics and its effect on the financial services industry and its workforce. Steve, let’s get right to it - are we going to be replaced by robots?

Not at all. And I totally appreciate the level of hype in the market right now on “robots are taking our jobs.” It's true, we're seeing definitely an increasing level of automation, and with cognitive tools and artificial intelligence sort of gaining ground in terms of its capability set, more and more opportunity for those tools and for robots to sort of take on portions of what people do today from a work standpoint.

But I might argue that the headlines on the end of jobs, are intended just to sell publications, to sell newspapers. But the reality is, that a lot more of the transactional things that happen today are likely to now go away, and it's going to sort of, shall we say, augment the workforce that we currently have and open up an entirely new set of opportunities.

We can't deny, Steve, that things are changing. And it's nice to hear that not all of our jobs are going to go away simply because of technology. But certainly things are changing. How do we look on the bright side of this change?
Steve: Well, we need to think back to the fact that we've been dealing with technological change for hundreds of years. Back in the days of the industrial revolution, and even before that, there were social forces in the US and the UK that were technology resistant. The “luddite” is certainly a term that was drawn from a social movement around not having different technologies, different industrial tools, take jobs out of the textile industry.

And there was actually a social group in England in the seventeen hundreds, eighteen hundreds, that actually, broke into factories and sort of dismantled different industrial tools that were created then. And today, we look upon that term somewhat affectionately, but that's where it was drawn from. From a societal standpoint, that's an example of the kinds of technological change that we've been grappling with. But typically what happens when those sorts of augmented tools join a workforce, is that yeah, jobs do change, but productivity goes up massively and more jobs are created.

The augmented capabilities that are emerging around robotics and cognitive tools will likely remove a lot of the transactional work, and enable us to sort of do much less of the rote stuff and much more of the stuff that is, shall we say, enduring to human beings - complex systems thinking, financial insight, things that have to do with navigating humans and diplomacy, creativity. Those enduring skills will remain.

Greg: So Steve, if 150 - 200 years ago we saw a farmer turn into a line worker in a manufacturing plant, can you translate that to present day, how technology is going to transform jobs in the coming years? And what kind of jobs will go away, and what will people be doing as a consequence?

Steve: Well, the kinds of things that we're seeing emerge already, are cognitive tools supporting the workforce and what it does. I'll step outside of the world of financial services and give you an example. What we're seeing a lot of today is that cognitive tools are learning more and more about how to do medical diagnostics. And so, because they're able to sort of look at multiple MRIs, many, many more than a doctor will ever look at in his or her lifetime, they're able to actually make a rapid and very accurate diagnostic of what that MRI is showing them.

Now again, what's happening in cognitive toolkits is that they're learning and the machines are learning. What we anticipate emerging, logically, is that doctors will use that as part of their support in the diagnostics that they'll do. And if you support that back into kind of a business environment, you could see a cognitive tool trolling through a great deal of the data that exists within a firm, and coming back with some answers to the questions that are being asked much more rapidly than a human would be able to do looking at all the vast databases and spreadsheets, and the other things that exist. That will enable that person to then report back with that information in a way that is much more rapid, and spend
more time on the result of what's found and thinking about what that means, and thinking about sort of the creativity that goes around that and/or how we explain that and/or the story line of that. As opposed to the work itself and just finding the information and generating the report.

So, I would argue, given those kinds of examples, that you're going to be seeing much more emphasis placed on, shall we say, the creative side, much more emphasis placed on the complex systems thinking side, much more emphasis placed on things that have to do with how you tell the story, how you navigate the organization to get the information out. And those skills, I would argue are, as we said, much more about an enduring set of skills that humans have. And you'll spend much less time on things that are transactional and rote.

**Greg:** People are often averse to change, Steve. And if there isn't a bigger change than having a piece of technology take a job that is common in the workforce, what is. I'm wondering what organizations can do to prepare themselves and their workforce for this environment?

**Steve:** I think what I would suggest is that companies should think now about how they can begin to innovate and innovate using these tools and create potentially options for them to do so maybe at the edge. Create an environment where you can have a hotbed of activity where you are playing and learning and adapting these tools to your operation and doing so - in a way that I described earlier – wrap all that around sort of the talent dimensions and you can gain quite a benefit from that. I think it’s also important to recognize that as this toolkit comes to life in your organization it likely going to mean that you’re going to begin to need to reengineer the current jobs almost every job within your organization will be impacted with a cognitive tool. It’s predicted that about 40 percent of the current work done today is likely a candidate for an automated or cognitive tool to take that on. That’s a huge impact in the organization and so what that will mean is a reengineering of jobs and likely a reengineering or redesign of the organization structure. And so getting ahead of that as well so understanding how the tools will come to life and then thinking about what that will mean for the jobs in your organization will be paramount and important to do because of not just as we pointed out the engagement issues but clearly as you start to rethink what is transactional today there will be some other benefits – where people are located, the kind of cost structure you have, and your ability to sort of do things shall we say more efficiently more rapidly. And finally, when things are more automated there's less opportunity for human error and you can begin to connect dots around all sorts of efficiencies and costs and risk dimensions to that.

**Greg:** If I'm hearing you correctly, Steve, it means if I'm a leader of an organization that wants to be involved in this, I need to be in on the cutting edge, I need to be at the front, I need to be the first on the wave, as it were.
Steve: I would argue that organizations that are thinking about it today are already those folks. So if you've not gotten there, you need to step up now. I would also suggest that there are ways to do it so that it can be engaging for your talent, that it can support, if you will, the culture of an innovation that you're trying to create within your organization, and then, be something that you can talk about broadly within your organization and to the world at large. Because if you are trying to attract specific talent, talent that's graduating from school today or talent that is keen on the kinds of new technologies that are emerging, if they don't think that you're an organization that's exploring these technologies, they are likely to choose to work for a more cutting edge organization.

It's not just about getting smart about if for your own operational sense, it's about getting smart about it in order to further engage your workforce and more broadly, attract the talent you're looking for.

Greg: There's sure a lot to consider here, Steve. As we come to the conclusion of our conversation, is there a way you can help us wrap all this up?

Steve: Sure. I just think it's important for leaders in organizations to recognize that what's coming is not a threat, but actually an opportunity for your workforce. And so, doing what you can to both get familiar with it so that you can bring it to life in your operation in a way that can serve your cost needs, your scaling needs, your risk needs, and so forth, are a huge opportunity, but also bringing it to life in a way that it non-threatening and engaging for your workforce, engaging for the talent that you're trying to attract.

I think that opportunity in front of us is massive and as technology gets more and more productive, efficient, capable, the places where these tools can be used will just continue to expand, and thus all the more reason to think about getting smart now and beginning to consider what future will emerge so you can plan for it. If done right, there can be huge benefits to organizations, broadly speaking, in taking advantage of the automation that's coming.

Greg: I'm Greg Jarret and thanks for listening to The Evolution of Financial Services brought to you by Deloitte Consulting. If you liked this episode, you can subscribe wherever you get your podcasts. And to receive more information on Deloitte's service offerings, visit www.deloitte.com/us/FS-MA-evolution. Until next time.