IMpact: An investment management podcast series

Episode 4: Artificial intelligence in investment management: Consider it an evolution, not a revolution

Host:

Reese Blair, partner, Deloitte & Touche LLP

Guest:

Mike Bechtel, chief futurist, Deloitte Consulting LLP

Reese Blair: *Hello, everyone. I'm Reese Blair, your host of IMpact, the new investment management podcast series from Deloitte. IMpact brings you hot takes and fresh perspectives from top experts in the industry. Whether we're discussing issues like regulation, recession, or resiliency, we'll take a deep dive into the latest news, trends, and challenges facing investment management professionals. So, tune in, learn something new, and walk away with insights that will help you make an impact on the IM industry and the world around you.*

Reese: Welcome back, listeners. I am beyond excited to be sharing another speaker with you today who happens to be one of Deloitte's very own. I'd like to introduce you to Mike Bechtel, chief futurist with Deloitte Consulting.

Reese: Welcome, Mike.

Mike: Oh, thanks for having me, Reese. I'm absolutely pumped to be here and really grateful to be able to chop it up with you today.

Reese: Nah, I'm looking forward to it, man. We've heard you speak many other times and so I'm a fan, and we are beyond honored to have you join us to share your insights with our listeners. And so, we've been asking our guests to share either a book they're currently reading or one of their all-time favorites. So, either something you're currently reading or one of your all-time favorites.

Mike: Man, Reese, I know it would be on trend and futuristic of a futurist for me to hit you with some really newfangled something. But I might go into the wayback machine on this. I am rereading for the third time an all-time favorite. A piece of speculative fiction called The Diamond Age by my favorite sci-fi author, a fellow named Neal Stephenson. He's the cat who coined the term "metaverse." That was in his book Snow Crash. The Diamond Age—it's all about the idea of how artificial intelligence, and in many ways, generative artificial intelligence can be used as a tool for good, a tool for education, a tool for strivers to move up the socioeconomic ladder and change the world for the better. And it's a heck of a good story. So, The Diamond Age by Neal Stephenson. Gen AI before that was even a term.

Reese: Love that, love that. And actually, that's the perfect tee up for our topic today. If nothing else, you are a futurist to your core. Thank you for that amazing recommendation. I'm going to download that book today because I'm certainly interested in taking a quick read of that book because that sounds fascinating. But the topic of generative AI, I mean, look, it's a topic that's ever-changing. It seems like we can't keep up with it. It's moving at lightning speed. And so, we are so excited to have you here with us to give us some perspective on the topic.

Before we get there, though, I'm wondering if you could maybe tell us a little bit about your role at Deloitte and what it entails. We'd love to hear maybe a bit about your background, how you actually became the chief futurist with Deloitte, which by the way is the coolest title. I thought audit partner was cool, but my goodness, I think you somehow eclipsed my role here as audit partner! But chief futurist with Deloitte. How'd you get that title?

Mike: Man, well, first of all, thank you. That's super kind. And I'm the first one to lean into the self-deprecation here. Because people that hear a title like that, they go, "What? You got a crystal ball or something? Well, you got a time machine. Is it a DeLorean? Is it a hot tub?" And what I'll tell you is I think in a different time, we might've called it emerging technology research director. But the truth is, when you want to think about what's coming, you want to be not just informed, but inspired. So, I think chief futurist puts a little sizzle on the steak, as it were. Now, the second question is, how do you become one of those? Well, to answer your kind question, Reese, I'm an inventor turned investor. I worked for 12 years in really nerdy technology research and development. And US patents and soldering guns and code compilers, kind of building next practices where best practices wouldn't cut it. And that kind of taught me the art of the possible, but I figured, man, I should try putting my money where my mouth is. And so, I worked for about eight years as a venture capitalist. And that was a journey to try to figure out the art of the profitable. And what I found, Reese, was it's that intersection between what we could do and what we should do that really informs our work as futurists, as emerging technologists. Because you've got to have a wide enough aperture to consider all the things but an amount of healthy business skepticism to down select that set of things, which will actually help us create value.

Reese: That is incredible, Mike. Wow. I've heard of the art of the possible, but I'm coining art of the profitable. I'm going to give you credit the first time, and then after that it's a Reesism. I'm just letting you know!

Mike: That's your next podcast, man. That'll be—

Reese: The art of the profitable, I love it. Well, Mike, that is so cool. And I think I want to just maybe double-click on some of what you just shared and maybe dive a little bit deeper into the topic that we're covering on our podcast today. What exactly, from your perspective, is Gen AI—and maybe unpack it, explain it to all of our listeners?

Mike: Sure, sure. One of the first things, Reese, that I tend to lead with is this recognition that from a geek perspective—and by geek, I mean 25 years up to my eyeballs in all things newfangled—AI isn't new. AI—as Larry Tesler, who was a computer scientist, inspiration of mine, the guy invented copy/paste. So, we can trust Larry. But he said, "AI is whatever computers can't do yet." And the reason I love that definition is it holds up in 1956. It holds up in 1996. It'll hold up in 2056. Now, that said, if AI isn't new, there always is something new in AI. And so, generative AI is this recognition that whereas traditional AI has been about discernment and decision-making, pattern recognition, hand it data and ask for meaning, generative AI flips that script. It runs the math backwards. It says, "Ask for meaning, and we'll hand you some data." And my version of this, my "wizardry for Muggles" take on this, is we've been training systems for 20 years. When you try to log in… Reese, have you ever tried to log into a website, and it asks you to tell which of these six pictures are a picture of a bus?

Reese: A bridge, or a bus, or something like that. Absolutely. Hey, all the time, all the time.

Mike: Well, while the following isn't mathematically precise, it's directionally helpful. Think about it like this, Reese, we've been training mechanical minds for 20 years what buses look like, what bridges look like, what good poetry is or isn't. What proper analysis is or isn't. And so, it stands to reason that we can run that math backwards and say, draw me a bus, paint me a picture, write me a poem. And so, generative AI, it's really not a revolution, in my opinion, as much as an evolution of machine intelligence we've been cooking for 55, 75 years.

Reese: Not a revolution, it's an evolution... I can't even begin to wrap my head around that. That is such a profound concept. But it's so interesting because we talk about being an evolution and not a revolution. And maybe I just wanted to get you to unpack sort of where do you think we're headed. I mean, like you said, we've been on a journey for decades at this point. And so, what do you think is right around the corner as it relates to gen AI?

Mike: Well, picking up on that evolution-not-revolution mojo and kind of meeting you where your question sits, Reese, because I love your question. People want to know what's coming. And I think that's human nature, it's business nature. It's the basis of forecasting and planning. But one of the things we tend to say in our work, Reese, we say, "Hey, listen, futurists are secretly historians." Absent case studies from the far future, all we have are patterns and trend lines from the past and present. And so, when I mention evolution-not-revolution, here's the score. The origins of machine intelligence were really all about basic arithmetic. Like, "Hey, we've built—you can find these great old videos online of like a mechanical mind, a computerized colossus that will add and multiply." And by 1950s and '60s standards, that was a proper mechanical miracle. And then 20, 30 years later, we started to see structured data, rows and columns—things that you and I might take for granted, like a spreadsheet. But that was an evolution of that mechanical miracle. This idea of structured data, patterns. And that gave way to predictive analytics, this ability to forecast and predict what's next based on what we've had: Business intelligence systems and the like. And so, AI, the kind we've been dealing with lately—cognitive automation, robotic process automation—that's really all about the kind of clickin' and clackin' and pattern and pickin' that maybe a young STEM graduate would do in an organization. We've gotten gradually comfortable with that sort of automation. The corner we're turning with gen AI says, "OK, these are the families of activities that say a junior humanities arts and sciences, liberal arts major might be doing." That generative, not in the techie term, but in the creative sense. And so, with that lens, from math to structured math, to descriptive, to predictive, to generative, what our team has seen, Reese, is that machines have different forms of intelligence like our children do. I've got three kids, Reese. One of them is an empath, one of them is a creative, one of them is a classic down-the-middle problem solver. And so, it stands to reason that there are other forms of machine intelligence that we've yet to unlock. Finally, getting to your question, what's around the corner? Artificial emotional intelligence. What does it mean to have an empathic machine? What does it mean to have an intuitive machine? One of the great futurists, Ray Kurzweil wrote a book famously 20 years ago. He said, "What does it mean to have a spiritual machine?" It feels funky now, but so did robots painting pictures and writing poems 10 years back.

Reese: Wow. That's intriguing and scary at the same time, I'll be honest with you! But I'll be honest with you, putting my sort of investment management hat on, the notion of predictive analytics and the notion of emotion maybe either being infused in or taken out of those predictive analytics—because we all know how behavioral economics works. It's people are zigging, they ignore the crowd. You hear all these buzzwords all the time. And so, it's so fascinating to think that AI could potentially take some of what we do as human beings, but then do it in a more predictive way and maybe leverage some of its learnings. And obviously, there's whole conversations that could be had around the biases and all those other things that come in and sort of what informs AI. But at the end of the day, from a predictive perspective, I'm really fascinated in the concept of how that applies to our world in investment management. And so, I maybe want to maybe pivot a little bit and think about AI and maybe some of the predictive analytics. I don't want to steer you down that path specifically, Mike. I want to give you free reign to take it wherever you'd like to, but maybe I want to talk about what this looks like in the investment management industry specifically since we are on the IMpact podcast. And so, how has gen AI impacted the IM industry, let's maybe say in the past year? And again, thinking about what's coming around the corner, what impacts do you think it'll have maybe in the next year or five?

Mike: Well, Reese, one of my favorite quotes by Carl Sagan, the great science communicator, he said, "You want to keep an open mind, but not so open that your brains fall out." And the reason I share that is because I'm with you. This stuff can get so far reaching and so philosophical and/or poetic that we risk forgetting all the value we can create

today—that "art of the profitable" that we talked about a bit ago. And so, let me tell you, the investment management industry stands to benefit in at least three big ways, as I see it and as our team's research is beginning to suss out. For starters, how's this for direct? Generating alpha, upside investment returns, superior return with less risk. Now, that's the holy grail. An investment manager would say, "Oh, yeah?"

Reese: Sounds like a Ponzi scheme! [laughs]

Mike: Right, right. "Sounds like snake oil, kid!" But what I'll tell you, Reese, is if you think about it, investment managers have used machine intelligence, algorithmic systems, pick your poison, for years as part of their proprietary means of generating superior returns. Now, imagine rolling generative AI capabilities into your proprietary investment and/or trading algos. How? Let me give you real rich examples. We've seen systems that crawl the daily news looking at not quant stuff, but geopolitical news. Marketing news, social network news, rolling that into a bag of words, if you will, that can be queried and indexed by a generative AI, by a large language model, so as to come back with trading advice, investment insights. The news in this part of the world is X, Y, Z, and within minutes, the trading position or diversification posture is adjusted. And so, right off the bat, in the same way that investment managers have begun to come to learn the value of algorithmic trading, I think we're already seeing the emergence of seeing the value of generative AI assisted or augmented trading. So, that's number one. Better alpha, better returns. I think two is experience. And let me give you an example here. I heard this great quote and I was rolling. I mean, Reese, I think it's so funny, it said, "The way you say 'representative' to an automated phone system is the real you."

Reese: Representative. [laughs]

Mike: Right! Representative! Representative! And the thought being that I think all of us, no matter how techy, no matter how progressive, how future forward, we all appreciate getting past the robo and into the human. Well, with generative AI, you can begin to develop kinder, gentler, more sort of situationally aware automated systems that can begin to do anything from pick up your tone of voice or stress level, and auto-magically refer you to that human before you have to pound on zero and say representative. All the way up to (and this is a great example we've seen in market with some of our clients) taking all those call center logs that have been sitting in a warehouse collecting dust and saying, "No, no, no, no. Let's arm our representatives with that as a searchable, conversable knowledge base." So that when you're talking to a human at an investment management organization, you are talking to not just them, but them standing on a shoulder of many, many, many giants in the form of all the conversations they've had to date. A far cry from the old intranet where, "Yeah, the answer's somewhere in there. Good luck finding it, kid." The third thing I'd say besides alpha and experience is efficiency. I like to use an analogy with this one, Reese, if I could. As a parent with kids, and you don't need to be a parent for this one, folks, because we've all at least been kids. I like to build with bricks, with blocks. Why do you do that? You do that because it's fun, and you do that to make memories. But the problem is, you spend most of your time hunting and pecking through a big messy pile to find the right brick. Where am I going with this? Well, there exists now, AI tools that will help you find the bricks in your pile with the camera on your phone, and it'll help tell you all the neat things you could make. That's the power of AI. It's automating the mucky, yucky part, so I can do what? Spend more time building fun things, making more memories. Now, translate that over to front-office muck, back-office stuff, all the ticky-tacky stuff in your investment management business that is the equivalent of finding little pieces. [laughs] If the AI automation waterline can do that, team, it doesn't mean we can do the same work with less people. That's the lazy weight-loss crash-diet approach to gen AI. Like, "Ooh, same stuff, less cost." No, it's more stuff with those same people. It's this righteous opportunity to say, "Hallelujah! Our people's time has been freed from back-office administrivia and muck. We can now, redeploy that precious human talent on our growth strategies, our experiences, our alpha." And so, when we talk about efficiency on the back end, Reese, it's not just shrinking, it's redeploying people, so we can get back to growing.

Reese: Love that, love that. Mike, you're a futurist, I'm a CPA, and I live my life by balance. So, every debit there's got to be a credit. And what you just shared, I am hook, line and sinker sold on everything that is to do about AI. I mean, generating alpha, enhancing the experience, being more efficient. I mean, what else would you need to think about? But then my brain goes to, wait a minute, there's another side to this.

Mike: Hey, what's the catch? [laughs]

Reese: What's the catch? [laughs] And so, with all these amazing benefits and sort of just "Captain Obvious" arguments for why you'd want to really go all in on AI, what do you think some of the challenges are that our clients may face, again, specifically in the IM industry when it comes to adopting and sort of evolving on their gen AI journey?

Mike: Yeah. Well, Reese, I think that change is hard. And I mean, straight talk, that's not a terribly profound statement, but it doesn't mean it's not true. Cliches are cliches for a reason, and change is hard. So much so that what we're starting to see, Reese, is that trust trumps technology. And take it from a geek. That's a bonafide geek telling you that tech comes last and trust comes first. And, in turn, the organizations who are going to be able to make these changes are the ones who are going to treat these changes as a change management process, as a learning and development exercise that requires training adaptation, so that we can begin to work profitably, productively with our inorganic colleagues. Which is a mouthful. That's like a weird way to say it. But it really brings about this idea that it's not robots coming for jobs, it's robots helping with tasks. And we better figure out how we're going to buddy up with these robot copilots. And so, number one, I'd say part of the gotcha here, or the risk, is that we under think the trust and change management dimension. One of my favorite people, my friend and colleague, Bill Briggs, our Deloitte CTO, he likes to say that good does not come from making bad things faster. And so, I think that the rush and race to automate risks the amplification and acceleration of negatives along with positives. And so, I think stamping bias out of data sets. Ensuring that we are getting our house in order and getting our data management platforms ready—and prepared. That's going to be the difference between I think the people who win mindfully and the people who accidentally find themselves mindlessly making messes. There's this old quote we use in technology and business, "garbage in, garbage out." I think the risk with gen AI is garbage in, garbage squared.

Reese: I mean, listen, I think you have tons of just amazing, amazing insights. And this whole concept of change management when I think about it, you said it's hard. And I've actually heard that people describe change as it's hard in the beginning, it's messy in the middle, and that it's beautiful in the end. And so, I sometimes wonder where our clients are in their journey. I wonder where they are. Are they in that sort of the spaceship taking off and in that first 60 seconds, where the most energy is expended, the most things that can go wrong is going to likely happen? Are they at that phase of the journey? Are the boosters now broken off and they're kind of getting to that mid? Where are they in their journey? And so, I don't know, that's something that I'm just thinking about. And we've obviously talked about the case for generative AI. We've talked about the challenges, and when I think about… I view it as a power tool. That's just my simple way of thinking about it. It's like I could build this desk that I'm sitting at here with a screwdriver and a hammer, and it could take me several hours, or I could just whip out the drill and [makes drill sounds] there we go. And so, when I think about it, I love the concept of not competition, but collaboration. That really does resonate with me. And so, when I think about leveraging the benefits of generative AI to really enhance your business, what do you think some companies should be doing or thinking about to maybe get their arms around gen AI and make the most out of this power tool that's now available to us?

Mike: Yeah. Man, Reese, first of all, I want to high five you on your inimitable power drill sound effect, because that was legit. I heard that little [makes drill sounds] in there. And I want to respect and high five you for that. That was amazing.

Reese: Thank you, sir. Thank you. I've been working on it all week. [laughs]

Mike: I'm also a big sound effects guy. Two, I also want to high five you on your recognition. I love your framing, and I'm going to borrow this from you, sir, this power tool metaphor. Because here's the deal. Technology is a three-syllable synonym for tool. Truly. I happened to study anthropology back in undergrad, and we spent a lot of time figuring out what differentiated Australopithecus africanus from Homo habilis, from Homo sapiens, and all the rest of it. And I'll tell you what, the short answer is use of tools. The whole honking history of Homo sapiens is a story of these evolved bipedal primates who figured out how to force multiply their impact on their environment with tools. Now, that started out as stone flakes, but it soon made its way to fire and wheels and hammers and printing presses and the internet. And here we are with thinking machines. And I'll tell you, it feels unprecedented. It feels like it came down from heavens in November of 2022 and changed everything. But in my personal and professional opinion and research, no. This is yet the next chapter in our ability to automate and outsource lower-value functions. For what? So, we can get busy solving higher-order problems. There's this great quote, I love it, Reese, that success is having better problems to solve. And so, here we are, able to raise our sights, elevate our ambitions. And so, as a business leader, what I would say to you as an investment manager, as an investment management executive, resist the allure of this

stuff as a weight-loss pill, as a crash diet, as a chance to skinny up. Because you can't shrink your way to success. Rather, think of this as rocket fuel for your elevated ambitions. Think of this as an opportunity to raise your game. Because it's not scary, it's not alien. "It's a power tool," as a great man named Reese Blair once told me. And it's going to get you to your desired outcomes faster if you use it mindfully, carefully, and responsibly.

Reese: Love that. Mike, I could literally listen to you all day. And so, I did a little bit of research and I saw that at one point you were a professor. So, needless to say, I would've probably been in the front of your class and probably taking your course for multiple semesters in a row, because you are brilliant. You are not only someone who imparts knowledge in a way that is just very digestible and just easy to remember. And again, in this age of social media, clip it and put it on, have it go viral, because it's such a powerful, pithy statement that it just resonates. It's so memorable. But I saw that you were a professor. I know that you are a lifelong learner. I know that, obviously, you've been on a journey of growth and development. The anthropology thing, that one escaped me. I didn't see that before. So, I've got to add that to my bio stat sheet here on Mike Bechtel. But fascinating stuff here. But I want to come back to the concept of, if I were in your class, obviously, just hanging on every word that you're imparting, curious to hear about what our young folks are saying about AI. And so, we have a lot of young professionals at the firm, and I think we probably would—suffice to say, there are a lot of young folks who listen to podcasts. And are probably tuning in. And so, curious to get your take: Is AI really the way of the future? I think I know the answer, but I'm not trying to lead the witness. [laughs]

Mike: Well, thanks for all those kind words, Reese, and back at you. You're a pro's pro, and it's a real privilege to be here on your show. Is AI the future? Absolutely, unequivocally. But (and you knew there'd be a but) a couple frames here. One, a great quote I heard years ago is that every technology that existed until you graduated college is just normal. Everything that shows up after college is emerging. [laughs]

Reese: So true. [laughs]

Mike: Right. And for me, back in the olden days, that was the internet. Internet, man. Yeah, of course there are machines that know the things. Of course I can use a search engine to find who won best picture in 1985, because that's normal. That's the world, man. But up until that was normal, that was an endless discussion at the bar. And no one would know the answer. We'll never know that it was Out of Africa or whatever. And so, here's the rub. My students, I think more than anything… and I still teach at the University of Notre Dame. And my students, they don't see this as a big scary binary: hero or villain. They just see it as normal. Like a goldfish asking another goldfish, "How's the water?" And David Foster Wallace, the famous author, he said, the other goldfish would respond, "What's water?"
Reese: Right! [laughs] Right, exactly.

Mike: Right? Because when it's all you ever know, it's not… you can't read the label when you're sitting inside the jar.

Reese: That's true.

Mike: And so, it's not that my students don't understand it, it's that they presume that this is how humans "human" because this is the tool set that they've been born into. And so, in the same way that the hypertext transfer protocol, HTTP, is alive and kicking under the hood and continues to run the internet, we just don't think about it, because we've leveled up. And so, I think my students, generally speaking, like, of course there's thinking machines. Why wouldn't there be? Because they're focused on higher-order stuff.

Reese: I want to tease out that concept of a fish and share a quote with you. I think it was Albert Einstein who said, "If you judge a fish by its ability to climb a tree, it will spend the rest of its life thinking it's stupid."

Mike: Oh, that's good. That's good.

Reese: If you judge a fish by its ability to climb a tree, it'll spend the rest of its life thinking it's stupid. And so, I wonder about the brain drain that can potentially happen when people like… AI could be the great enabler, or it could be the great disabler.

Mike: Ooh, ooh.

Reese: And I wonder about where we go as a race, as a humanity in general, by starting to lean more and more—because I'll tell you, Mike, I can't remember phone numbers anymore. I just can't. [laughs]

Mike: No, no. [laughs]

Reese: If I'm thinking about recalling some random sports stat or some factual, I just literally, it's a pick up the phone and boom, there it is. And so, what are your thoughts around AI potentially causing some atrophy with regards to our critical thinking and ability to... you see where I'm going with this?

Mike: Reese, I am here for this because, sir, I'll tell you, another one of my dear friends and colleagues, Scott Buchholz, who leads our quantum practice here at Deloitte, he said, "If you're worried that we're becoming cyborgs, don't worry, we already are." And his follow-on is, "Take your teenager's phone away from them for a day and monitor the result." I remember my daughter had a birthday party when she turned 13 at a hockey rink. And the fella took great joy in taking all their phones from them. And these girls, I mean, some of them had the shakes.

Reese: I believe it.

Mike: Because they were unaccustomed to being away from their outsourced knowledge base, their 5,700 friends at moment's notice. They were back to being earlier in that—remember that Homo sapiens, Homo habilis evolutionary curve—they all felt like they were moved one to the left. And what I would say—and I love, Reese, your term atrophy. I think it's a trade-off. And here's, with humility, my advice to parents—and I am one, and I'm learning, too. I struggle just as much as the next, but I think it comes down to fundamentals and first principles. I remember, Reese, in the 1990s, man, the big debate was calculators in math class. Remember that?

Reese: I remember that.

Mike: And there were two objections. I'll always remember, there were two families of objections. The less interesting one, and I'll never forget my math teacher. She goes, "You're not always going to have a calculator with you, kid." Well, respectfully, I've got two. [laughs] Like, yeah, I think I am. But the more principled objection was, well, I headline it sort of "weapons in the hands of children." That a mindless, atrophied—or not atrophied—not yet developed user could do mindless harm or worse with those tools. And that's just a calculator. And so, I think to your point, the takeaway here is education around first principles, logic, philosophy, humanities, history, design. We're already seeing in our university cohorts a bit of a pendulum coming back from STEM, STEM, STEM with a side of STEM and some extra STEM, over towards first principles and fundamentals. Because in a world where the machines don't think for us, but they help us think, the primacy is going to be on, what do you want to think about?

Reese: Let's stay on that concept of talking to young folks, and obviously as a professor, you're steering them down the path of directions that they can take as they embrace gen AI and not fear gen AI. I think we do fear what we don't know and don't understand at the end of the day. And so, when I think about the demystifying things a little bit, can you maybe shed some light and demystify what career opportunities exist in the realm of AI? I mean, there has to be countless craftsmen who could leverage this power tool for a lucrative career. [laughs] What would you maybe offer to those students who are looking for how they could be a part of this journey? What would you say?

Mike: Yeah. [laughs] I'm laughing Reese because I'm laughing with you. It's because the billion-dollar question. Like how do I get a part of that gold rush? Well, let's use the gold rush. Let's use 1849 California as a lesson. Because again, if it's not clear, I mean it when I say futurists are historians. There were plenty of prospectors who made plenty of money finding gold in 1849 in the California gold rush, and more power to them. But you know what history shows? The people who actually did best were the purveyors and outfitters who sold things to the gold seekers. [laughs] Like how do you profit from a gold rush? Sell pickaxes, sell pans. [laughs]

Reese: Something to eat, maybe. Open restaurants! [laughs]

Mike: Right, right. Opening a bed and breakfast, right?

Reese: Exactly.

Mike: And so, in turn, I think the higher risk, higher reward advice would be, yeah, join the gold rush and find a niche. And, I think, well, I used to be a venture capitalist, and one of the patterns I picked up with successful startups is two ways to make a fortune. Either fish where almost all the fish are, or you fish where most of the fishers aren't. And so, what I'd say is if you run in with an undifferentiated focus on generative AI, you're going to have a hard time. It's going to be crowded, commoditized. A few people will win. But that's an elbows-out strategy. I think a perhaps more differentiated strategy in that arena would be domain-specific generative AI. What would a generative AI tool set be for an investment manager? And could I build that generative AI capability tuned to the unique needs of someone who counsels high-net-worth individuals, the mass affluent, the strivers, the unbanked. Because what we're going to see likely, Reese, is that this idea of one tool from one company being the one gen AI is going to start to give way to hundreds and thousands of domain-specific products and capabilities that service specific niches. And so, that would be one set of advice. The purveyor or supplier side would be, yeah, these things are going to need better user interfaces than mere chat. They're going to need better computer voices than the stock robo voice. They're going to need risk and governance and integrability into investment systems, government systems, you name it. And so, whether you profit in the arena as a prospector or take that purveyor role, where you're serving the whole movement, I think there's a lot of exciting opportunities
out there.

Reese:
I love that. Speaking of exciting opportunities, maybe let's double-click on where we kind of bring this plane in for a landing: the impact conversation around what we want to leave our listeners with. Because at the end of the day, we've had a pretty lengthy conversation around the pros, the cons, the things you need to think about as it relates to gen AI. And I maybe just want to boil it down to one thing, Mike. What's the one thing, maybe even the one call to action perhaps regarding gen AI, that we want to leave with maybe even say company management and an investment manager or even an investor? What's the one thing or call to action you want to leave our listeners with around gen AI?

Mike: Reese, no, I love that question. Because it's innovation loves constraints, and that's one doozy of a constraint. So, I'm here for it. OK. Here's my one thing. Stop talking, start walking. Here's what I mean. I was in my comfortable chair as a thought… maker… critic. I'm doing everything I can to not say thought leader, because never trust anybody who calls themselves that! [laughs] But I was in my armchair with thinky thoughts on what this was and what it meant. Until one day, I had the harebrained idea on my personal device to put a large language model—not just on my phone, but on the front screen, front row, most thumb-friendly spot on my phone. Why? Because I was tired of talking about it, I wanted to start walking with it. And so, I'm at a kid's soccer game, and I think to ask a question about why the soccer goal is the shape it is, and how the game might be different if it weren't. I'm in a work meeting and somebody says something, I say, "Let's listen to that and summarize the meeting." That moment for me was the zero-to-one shift in my understanding. It was stop critiquing it and start creating with it. And so, to your audience, Reese, I would say leaders, executives, investors, investment managers: Stop thinking about it, start doing it. The learning you'll get from the interaction, the interplay, the experience will (and I say this with self-deprecation) dwarf anything you're going to hear from me or anything you're going to read online. Just get busy living. Get busy using.

Reese: Well, there you have IMpact podcast listeners. Mike Bechtel, thank you. I wish I could do a virtual round of applause. Let me see if I can do another [makes applause noises]. The crowd goes wild!

Mike: [makes drill sounds]

Reese: Oh, I like that one! That was a big drill.

Mike: Yeah, yeah, yeah.

Reese: But no, Mike, seriously, extremely grateful and in your debt for just the insights that you shared today, man. Unbelievable, unbelievable commentary. I could talk to you for hours and hours and hours, but unfortunately, we

got to clip the rows and close, my friend. Hopefully we can pick this back up again in the future iteration if you'd be gracious enough to come back and share more of your amazing thoughts and some of the perspectives and amazing quotes as well. I'm a big quote collector, so I've been racking them up as we've been going along. So, I just want to say thank you for the investment of your time here at the IMpact podcast. We always say you can either spend time or you can invest time. And we just thank you for investing time with us today. Hopefully everyone has got a return on their investment. So, with that, we'll close out. And Mike, I just can't thank you enough for your time today.

Mike: Yeah, pleasure's all mine, sir. Thanks, Reese.

Reese Blair: *Thanks for joining us for today's episode. Be sure to listen to IMpact each month. You can find us on deloitte.com, Apple Podcasts, Stitcher, Spotify, or wherever you get your favorite podcast. Simply search I-M-P-A-C-T. For more insights on investment management, visit the investment management page at deloitte.com. You can also connect with me on social media. Just search Reese Blair on LinkedIn. Until we meet again, keep making an impact.*

Deloitte.