What do organizations need most in a disrupted, boundaryless age? More imagination.

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David Mallon:
Welcome back to Capital H, the podcast where we explore the latest trends and developments to make work better for humans and humans better at work. I'm your host, David Mallon. I'm a managing director in Deloitte's Human Capital Practice in the US, and I'm chief analyst for our Insights2Action research and sensing team. Today is another episode focused on our 2024 Global Human Capital Trends research. Today's is focused on imagination deficit.

We're living in an age of disruption, but also one of possibility. As well-known boundaries fall away and new technologies, especially artificial intelligence, advance at ever-faster speeds, it's not surprising if people feel a bit of anxiety, even a bit dizzy, but with it, we find comes a degree of wonder.

Both leaders and workers see risks, but data would say they also find reasons for optimism. There is a door here opening to opportunities to drive human performance, to drive outcomes that'll be beneficial to the organization of course, but also to workers in society.

When you look at technologies like GenAI, what we're finding is they might be exposing them to take full advantage of this moment. What we need is more imagination. The question is, "Do we have enough? Are organizations scaling those traits that define us as humans? Curiosity, empathy, divergent thinking, emotional intelligence—are we scaling those in our organizations such that we have a sufficient imagination to imagine how our roles might change into the future, but also to lean into those roles once we get there?

Today's episode just going to have one part, our leader roundtable. I'm going to be joined by a few of my Deloitte colleagues and authors of this year's report, and we're going to dive into why we think organizations need more imagination in this disrupted boundaryless age. Let's get started. Welcome back, we're going to get into our

roundtable now on this year's 2024 Global Human Capital Trends report, specifically the chapter related to the imagination deficit.

I'm joined by three of my Deloitte colleagues today, Carissa Kilgour, Matteo Zanza and Nic Scoble-Williams. Carissa is the US leader in our human capital practice, for workforce impacts and transformation related to GenAI.

Mateo is a leader in our Deloitte central Mediterranean practice. He is leading change efforts for ECM's GenAI center of expertise. Matteo is also a contributing author to this year's Global Human Capital Trends report.

Lastly, Nic is Deloitte's global leader for our future of work practice. She's a partner with Deloitte Tohmatsu Consulting in Japan. She's also one of my fellow lead authors for this year's Human Capital Trends research.

Matteo, Nic and Carissa, thank you all very much for joining me today.

Carissa Kilgour:
Thank you so much for having us here. I'm really pleased to be here.

Matteo Zanza:
Thank you very much. Very glad to be here.

Nic Scoble-Williams:
Wonderful to be here with you all. Really looking forward to the conversation.

David Mallon:
Of course. So, let's get started.
So, in this year's Human Capital Trends report, we talk about this concept of the imagination deficit. As new technologies are getting better and better at replicating the functional and technical parts of work, much of the differentiation going forward is going to come from the human element, what we do, what humans do, and evolve to do, not just the technology. Put simply work is changing.

Take advantage of this current moment, including to take the full advantage of technologies like GenAI, it's going to take a lot of imagination, not just with our executives and our leaders, but with every

worker. Imagination to see our future selves, how we might be powered and complemented by technologies...

But this is also critical, and all the examples we have so far of what work looks like on the other side, as it were, once it's been transformed by AI, for example. What's left are those capabilities that define us as humans, curiosity, empathy, so on. These are the foundations of our ability to imagine if we don't have enough or if organizations can't scale them, they could be at a very critical and debilitating deficit.

So, Matteo, I'm going to start with you. That kind of the definition in the study, but let's unpack that a bit. From your point of view, what are we meaning by the imagination deficit? What is this issue?

Matteo Zanza:
Thanks, David, for this great question. I think an explanation of what an imagination deficit is in the world of work, is showcased by what historically has been done versus where we need to go. Traditionally, organizations have been focused on developing specific, easily replicable, functional or technical skills.

Not only were these skills easier to teach, but organizations were also operating in a more stable, predictable environment. In that environment, executing repeatable processes to produce standardized products and services was the most effective way to operate at scale.

However, as the world becomes more interconnected, scaling the efficient execution of processes is becoming less important than the ability to adapt to changing market condition and drive new value. This is why 8 out of 10 of the new core skills of the future reported by the World Economic Forum are related to problem-solving and self and team management.

These abilities closely tied to the entrepreneurship and innovation depends less on training workers in specific technical skills than on cultivating curiosity and other human capabilities, that allow people to respond to changing condition and imagining different futures.

We say that if an organization has this kind of lack, that's an imagination deficit, and solving for the imagination deficit is centered on operationalizing human capabilities.

David Mallon:
Matteo, so you talk about a new way of thinking about work and imagination, and that there's a need historically we haven't had. Carissa, pick up on this and maybe talk about what's driving this new historic need.

Carissa Kilgour:
Absolutely. I mean, we are all experiencing this right now. The pace of technology changes faster than ever, and the expectation for transformational change is very real. Our research, it shows that 79% of businesses expect Generative AI to drive substantial transformation within the next three years. And the expectation of that is also very palpable.

And while we've been witnessing the ever-decreasing half-lifes of skills, if we go back years and years on the trends, we've been talking about this for a while—the potential disruption to jobs and roles from AI and Generative AI is rapidly accelerating this focus.

One client example, and we'll get into more of these later; we found that 80% of the roles across the entire organization had the potential for Generative AI automation. And this is an imperative now because while organizations are continuing to invest in AI and explore different use cases for where they can deploy it, they're increasingly prioritizing value creation and demanding tangible results from these initiatives.

Many of the benefits they're targeting are around improving their existing products and services, encouraging innovation and growth, and uncovering new ideas and insights, and all of these point to a need for greater curiosity and creativity at all levels of the organization.

And as Matteo described, this is not a fully developed muscle. This is not how we've worked in the past. And it's something that we all need to cultivate individually and collectively. Because as Generative AI is deployed to assist workers with different activities, and in some cases, eliminate

entire business processes, organizations are shifting their focus simply from driving efficiencies to value creation.

I want to pause for a second because this is some insight that should give comfort to the entire workforce because our research is showing that business leaders and more than 45% of organizations are primarily planning to reinvest the savings from Generative AI into innovation. And that is furthering the case for this human-centered skills and making imagination even more essential at this pivotal moment.

There's a bit of a saying around efficiency is good, but innovation and growth are better.

David Mallon:
Matteo, just to go back to how you set this up: why is this so pressing at this particular moment? It seems like we have had other points in time where technology has disrupted things.

Matteo Zanza:
Well, David, I mean, for sure, we are living in an age of disruption. And as well-known, boundaries fall away, and new technology, and especially artificial intelligence, advance at even fast speeds. Anxiety can be a natural reaction.

Therefore, both leader and workers see risks. And they also find reasons for optimism. But a door is opening to extraordinary opportunities to drive human performance, outcomes that benefit organizations, workers and society.

So, crossing these thresholds is putting a renewed premium on human capabilities, in particular, empathy and curiosity, both as an antidote to anxiety and an input to imagination.

So, therefore, for organizations and workers to fully realize the opportunity available to them, they should have a scaled, operationalized way to grow and sustain human capabilities. Those that can create an abundance of these capabilities will likely have differentiated advantages. Those that find themselves at the deficit will be at risk of being left behind.

David Mallon:
I think it's a great encapsulation of the issue at the heart of the imagination deficit. Nic, why now?

Nic Scoble-Williams:
Why now? Well, I think that as we have been hearing Carissa and Matteo, it's really highlighting the burn-in platform. It's clear that the rapid advancements in AI and tech innovation are really outpacing the capacity for many organizations, many workers, in embedding these uniquely human capabilities that we need to unlock the boundless potential that AI and humans working together can create.

In fact, our research this year showed that less than 10% of today's workforce have the imagination, the curiosity that we need to inspire and realize the new value and competitive advantage that all of these advancements in AI and tech innovation can create.

While we are seeing organizations focusing on increasing investment and prioritization around fluency and upskilling, we are just not seeing that same attention and prioritization on cultivating and in particular operationalizing the uniquely human capabilities.

I think we're seeing an increasing recognition that we are in a generational moment where the future success of AI and all of the tech innovation is going to hinge on us placing a renewed focus on humans, what we talk about as the human agenda.

And it's the organization's prioritizing how to cultivate and operationalize these human capabilities that will continue to accelerate their competitive advantage and are going to be very, very hard to catch.

And I think a really great example that highlights the burning platform to really tackle the reality of the imagination deficit is from an experience I had recently when speaking at a B20 summit in India.

During one of my talks, an AI startup founder raised his hand, and he shared the dilemma that he has been struggling to tackle. He talked about how he has been focusing on hiring the best of the best AI

experts to really unlock the Generative AI market opportunity.

He talked about how he's been paying a premium, a ridiculous amount of money for these AI experts. But he really believed and had this hope that having the best technical expertise would create the dream team that he needed to really drive competitive advantage in the market.

But six months later, those AI experts are coming to him, the CEO, every single day and asking him what he wants them to work on. And he said, it was only during my talk that he realized that the missing ingredient to his dream team that he's been trying to form is not what he thought it was.

He had thought that team needed more technical expertise in AI, but he recognized now that it was the creativity, the curiosity, the imagination, the empathy, having talent with the ability to know how to prompt the AI engine with the right questions, how to synthesize the response in creative and innovative ways. How to detect when the AI may be hallucinating and need to be challenged.

And as he shared his reflections, the room went silent and created this dialogue around recognizing that while there's been a laser focus on accessing, engaging and developing AI and digital capabilities, that has been at the cost of neglecting to think about how to cultivate and operationalize these uniquely human capabilities that we're talking about. So, really highlighting that, our ability to inspire and realize the value that all of the advancements in AI and tech innovation can create, relies on us placing this renewed focus on humans and at these uniquely human capabilities.

Carissa Kilgour:
Nic, that's so inspiring. I love hearing that example and how you were able to be a part of that conversation and see the unlock in that founder's brain. And I'm so excited to hear how that manifests in the future. As I think about some of the work I'm doing with my clients right now, the biggest focus is really on trying to extract that value of all the investments they've been making in Generative AI. And the way they're going

about doing that is looking at how they increase adoption.

So, yes, the AI fluency; yes, the upskilling. But how do they create the space and the capability around the new skills that are required?

So, one of the clients we're working with right now is a leader in the financial services industry, and they are looking at how they can scale the deployment of a few of their GenAI use cases across the organization and do that through adoption.

And the way we've been working to help them is using our Deloitte Periscope Workforce Analyzer tool, which can both estimate the potential disruption to a job and tasks at the functional level of Generative AI, but it also assesses the human necessity score. And we do this in conjunction with our clients to look at where that disruption can take place and where the human gets involved.

And using this tool, we've been able to identify that some of those capabilities that we think are most susceptible to Generative AI disruption, like some of the software development and coding that engineers are doing, are also some of those roles that have the highest human necessity factor where critical thinking, problem-solving, coming up with new ideas, understanding the customer to improve the product, these core human capabilities are really core to how these roles add value.

So, while the disruption of AI and the potential to automate a lot of what these workers are doing, these roles are essential because they bring the human component to drive that value beyond just taking efficiencies out through improved processes.

David Mallon:
Matteo, what examples are you seeing with your clients?

Matteo Zanza:
Well, first of all, David, I have to say that, I mean, I found this example very, very good. And what I'm seeing in the market is that as we were saying, that organizations are more working usually on technical skills,

but here, I have two nice examples on how organizations are investing on human capabilities. So, the first one is IKEA.

So, IKEA is using AI technology to transform its global call center operation. So, this is quite normal, but it's very interesting to understand how they are transforming their call center operation. And especially because they're working on both increased efficiencies, and turn each agent into a designer. So, this is really new.

So, basically, they are shifting the focus of their roles from procedure to creativity and human connection. So, IKEA is implementing these AI bots that, of course, is called Billie, to handle routine the customer asks, but at the same time, they're also investing in upskilling initiatives for call center workers to strengthen design skills and human capabilities.

And another very interesting example is Best Western. So, Best Western hotels use VR to help workers better empathize with tired and frustrated travelers.

So, Best Western offers front desk personnel the opportunity to participate in live virtual simulations. And of course, in this way, workers can interact with characters that present challenges similar to those encountered in real life. Afterward, they discuss scenarios with managers to improve decision-making in the future, basically in order to make their client happier.

David Mallon:
I have a sense that this is not the last time we're going to have this conversation. I think this seems such a pressing and sort of poignant issue. How will we as leaders, how will the organizations we work with, how will we all take advantage of this sort of new world of work that these new tools and the opportunities that they bring?

But we're going to wrap up for today, and maybe look for more future examples. We can come back and have a part two conversation on, next time. Matteo, Carissa, Nic, thank you, of course, for joining, but before we go, any final parting thoughts you'd like to share with our listeners? And Matteo, I'll start with you.

Matteo Zanza:
Thanks, David. I mean, first of all, I'm working with several clients to understand the impact of AI solutions in their organization. In doing that, I realize that as of today, they aren't investing sufficiently on how human capability and soft skills need to be introduced and reinforced within the organization.

Basically, as we said before, I see them working more in the adoption of AI instead of working on how to challenge the AI. So, I strongly believe that in order to leverage as much as possible the advantages of new technologies, especially GenAI, leaders need to communicate the importance of curiosity and empathy to the whole organization population.

And to make it real, they need to provide opportunities to workers to explore and exercise launching internal challenging, contest, hackathons, where employees from different areas can work together and understand different business requirements. That's my point of view on this.

David Mallon:
Thank you, Mateo. Nic?

Nic Scoble-Williams:
Look, I think in this generational moment where we see the convergence of humans and technology and the phenomenal promise that it holds, I feel we really must pause and reflect on the choices in front of us, and in particular, reflect on what is truly at stake.

Focusing on the human agenda, that relentless pursuit of human-centric innovation, powered by the uniquely human capabilities–that must be our guiding star, our compass. The possibilities are tantalizingly close, but they remain elusive unless we act boldly to tackle the realities of the imagination deficit and act now.

David Mallon:
Thank you, Nic. I'm ready. I'll start working with you. Carissa, we'll give you the last word.

Carissa Kilgour:
Gosh, these are really hard parting thoughts to follow, I'll say. I do think that the opportunity ahead of us in this moment in time is very unique. And we need to think about this at an enterprise organizational level and how we can create the space and the reward for our teams to exercise their creativity, to cultivate that muscle, to build it in a way that we probably haven't done for a really long time in our lives.

And while I see this as an organizational imperative, I see this as an individual leadership imperative. And each of us are responsible, and our legacies will depend on this: How we create the atmosphere, the space and the permission for people and our teams to bring that creativity and curiosity to work, it rests with us to build the environment for them to be successful and to move our organizations forward.

David Mallon:
Thank you, Carissa. I think that's the great place to end, that will do for today. Thanks so much.

That brings us to the end of today's Capital H episode. I want to thank my Deloitte colleagues who joined on the roundtable today and shared their insights.
So, imagining our work going into the future, especially in the context of technology and disruption, it's no longer just the exclusive remit of a few organizational leaders, it's a team sport and it involves everyone in the organization and probably beyond.

When imagination does become an expectation of everyone at every level, it actually creates tremendous potential. Workers can lean in, workers can imagine opportunities for their own growth and reinvention, and they can help position the organization for an ongoing reinvention innovation.

Of course, thank you listeners for tuning in today. We're glad to see you. We hope that you found today's conversation valuable, and we look forward to continuing this conversation with you on future episodes.

To learn more about our Deloitte Human Capital Trends research, you can find the full report at deloitte.com/hctrends. Let us know what you think of Capital H. Rate us in whatever service you find us and look us up on social media, we'd love to hear from you. Thanks again and we'll see you next time.

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