EMBRACING THE FUTURE: HOW GENERATIVE AI IS SHAPING THE PROFESSIONAL SERVICES INDUSTRY
Generative AI and professional services firms - it’s a question of when!

Recently, there has been plenty of buzz around ChatGPT. Companies and individuals are in a frenzy as they explore and discover ChatGPT’s potential. Technology companies are also caught in this whirlpool of activity as they figure out how to incorporate it into their offerings. For example, Microsoft announced that CoPilot, an AI tool, will enhance Office365 to enhance the productivity of office workers. When the trendline strongly points towards the deep learning technology Generative Pre-trained Transformer (GPT), it’s time for Professional Service (PS) firms to jump on the bandwagon and launch their own versions of Co-Auditor, Co-TaxPro, Co-Counsel and Co-Copywriter.

After OpenAI released ChatGPT for public use in November 2022, it released GPT-4, its next-generation Large Language Model (LLM), on 14th March 2023. GPT-4 can use images as input, whereas previous versions only accepted text-based input. GPT-4 will significantly boost the capabilities of AI platforms like ChatGPT and Dall-E. It is expected to be more intelligent, creative and reliable, although not 100% error-proof yet.

Generative AI tools such as ChatGPT provide well-organized summaries in response to information requests and questions. The output depends on how the questions are framed and the quantum/quality of relevant data in the underlying dataset. Every time someone uses ChatGPT, the questions asked, how they are phrased and how many iterations it takes before the user appears satisfied with the response become “inputs” to the underlying model. If other users feed into their creation, that becomes a part of the underlying dataset after appropriate curation.

Across the PS industry, firms are at varying maturity levels when using AI-powered tools. Many already use them to amplify revenues, reduce costs, enhance employee productivity and improve collaboration. Following the success of OpenAI, other players (including Google, Meta, Amazon and various startups) have entered the market with their Generative AI solutions. As AI learning models and related technologies evolve over the next 12-18 months, newer use cases will emerge for PS firms, propelling them to embrace AI faster. So, AI adoption by the PS industry is imminent because of its transformative power.

AI will ring in large-scale shifts in the Professional Services industry

AI’s impact on the PS industry will be significant for two major reasons:

• Clients will re-evaluate the “value” delivered, affecting how the scope of work is defined, pricing models, and how they negotiate.

• As a result, PS firms will need to reimagine their working methods. It will shape organization structures and workflows as well as the skills needed not to differentiate themselves and drive internal efficiencies.

AI tools signal a paradigm shift

Many medium and large PS firms that provide consulting, accounting, legal, advertising/digital marketing services already rely on teams (remote captives or shared services model) to support client-facing teams. These teams perform various tasks, such as:

• Researching clients/industries
• Creating proposals, pitch presentations and research reports
• Researching case laws, analyzing judgments and precedents
• Writing copy, creating animations and videos for advertising campaigns
• Analyzing financial data and other company or industry metrics
• Preparing and filing tax returns, compliance support
• Writing software code
• Digital marketing (including targeted ad placement and creating content)
• Transcribing calls and meetings

• Tracking and recording time of consultants, accountants, lawyers etc., on various tasks so that engagement and client level billing is more accurate and profitability managed more effectively.

• Generating invoices on time and reminding project and account managers to follow up.

Generative AI tools and other kinds of automation can be used to perform the above tasks more efficiently and with less human input. However, while this saves money for PS firms and allows them to deploy their staff on more value-added tasks, it also changes client expectations.

Client expectations evolve too

Clients will perceive using AI tools to produce advertising copy, computer code, images, audio, infographics, videos and marketing campaign designs as reducing the human effort required for various tasks. And because most PS firms charge for such effort, clients will expect a share of the productivity gains derived from AI. As a result, a demand for reduced fees will manifest in these forms -
• If accounting and tax firms use AI-powered tools for auditing transactions or coming up with preliminary tax computations for clients, a large chunk of traditional manual effort (hence, the “time-cost” of the people deployed) will be saved. Clients will be unwilling to pay on an effort basis for these services.
• Advertising and PR firms can use ChatGPT to develop the first versions of copy or draft press releases. Digital marketing firms can use Generative AI to create summaries of thought leadership articles that can be used on social media platforms. In addition, AI can improve the readability of marketing content to rank higher in searches. However, such firms will need to explain to clients that raw AI output may not comply with the client’s brand guidelines that dictate structure, writing style or tone of voice - and therefore, the effort involved in the creative process is unlikely to significantly decrease.
• Law firms can use generative AI to quickly obtain summaries of case laws, judgments and citations. This can save time during preparation for arguments in court; it can also enhance the level of preparation by enabling a more comprehensive study of precedents. On the other hand, clients may quibble about the time lawyers and law firms book for briefing and preparation, arguing that AI considerably reduces the time for these activities.

What lies ahead for Professional Services firms
Therefore, PS firms must redefine their value propositions and delivery and pricing models. Despite the growing use of AI, they will need to convince clients of the value of what they deliver. It can happen through new lines of service or by charging for additional diligence to ensure that the output generated by AI tools does not create new problems for clients.

For instance, AI tools can generate copy based on the underlying datasets and language models. However, there are risks of inadvertent IPR violation if:
• the datasets used to train the model includes copyrighted material used by other companies or brands for their advertising
• the output produced by ChatGPT contains data or insights from an unattributed source (which could even be from a competitor).

Therefore, PS firms using AI must persuade their clients of the value of ascertaining that no IP violations can lead to lawsuits or professional embarrassment.

In theory, fewer people can use AI tools to transcribe more calls in a day or week. However, despite the significant progress in Natural Language Processing capabilities, AI powered transcription tools may not always be able to recognize certain accents or insert the right words that are lost to voice drops caused by unstable connectivity or background noise. Further, these tools may not always accurately make out who said what. Global PS firms deal with clients across geographies, which means conversations can occur in many languages. In addition, certain documents may only be available in languages other than English. Thus, multilingual capabilities may be needed to deliver accurate transcripts/translations, adding to overall transcription costs even though AI tools can help teams generate first pass transcripts faster.

Given that AI models generate output using more data points and variables than human teams exponentially can be expected to process, the hypotheses that consultants work with to frame the problem must be more robust than before. This raises the confidence that their solution approaches will deliver the expected value. So, there can be a big push to outcome-based pricing models, which PS firms have experimented with for at least two decades but have not replaced time & material and fixed price contracts.

Clients, too, will approach negotiations differently. As a result, PS firms must enhance their ability to transcend traditionally distinct service lines to address client needs effectively. Indeed, this may even mean creating ecosystems of PS firms, much like partnerships are being built by banks, payment platforms, online retailers, and others.
THE ROAD TO AI ADOPTION FOR PS FIRMS

From the preceding analysis, it is fair to say that PS firms that adopt Generative and other AI tools will stand to gain significantly. However, firms must appreciate the limitations of AI tools as most are still in a nascent stage. Currently, individual users (business enterprises included) do not have access to or control over the datasets used to train AI models such as GPT-4 or ChatGPT and its rivals such as Alphabet's Bard, Microsoft's Sydney and Claude by Anthropic, a startup. This increases the risk of bias in the underlying models. Furthermore, if competing PS firms also use ChatGPT or similar publicly available AI tools to obtain industry analysis and insights, the output may not be unique. Worse, there could be instances of AI “hallucinating” i.e., generating output that seems convincing but is factually incorrect. Some other examples of how the limitations of AI can cause problems have been mentioned in the earlier section.

PS firms can develop custom-built AI tools trained on the firm’s in-house repository of proposals, reports, presentations, process diagrams, and an externally available large language model. PS firms can convert their websites to a natural language AI assistant, improving lead generation, qualification, customer service and conversational commerce. The release of ChatGPT API makes it easier for PS firms to customize their AI software.

The cost of training AI models is currently high and thus a barrier. The emergence of new players will reduce this cost, making it more affordable for even smaller PS firms to benefit from Generative AI. According to a recent report, the performance of Alpaca, Stanford’s open-source AI platform, is similar to ChatGPT, yet it costs only around US$600 to train. While this is exciting, it’s still early days and many technicalities are involved. For example, OpenAI explicitly disallows output from ChatGPT to be used to train other models that will compete with it.

To optimize returns from their investments in AI, PS firms must identify the right processes and functions and use cases to harness AI. They will need to redesign organization structures, roles, workflows and even the training some employees need. Staff responsible for using AI tools must ensure that they frame questions in ways that generate sensible and easily usable output. After all, the old saying “garbage in, garbage out” applies as much to AI as it does to traditional software.

AI holds enormous transformative potential for PS firms that goes beyond the automation of repetitive tasks, reduction of headcount and cost savings. In the next two years, PS firms will have to compete not just with the formidable skills and experience of partners and other individuals but also with rival versions of AI-powered “Co-Auditors,” “Co-Consultants,” “Co-TaxPros,” and “Co-Advocates.” So it is an interesting time ahead for PS firms.

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