

McKinsey
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Unleashing GenAI through People

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Contents

- 1** What is Generative AI (GenAI)?
- 2** How does GenAI affect people and organizations?
- 3** How are other companies getting started on GenAI?



1

What is Generative AI?

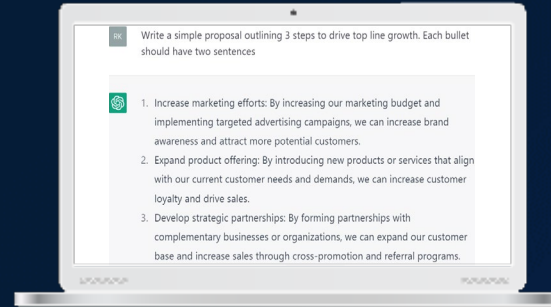


What is Generative AI?

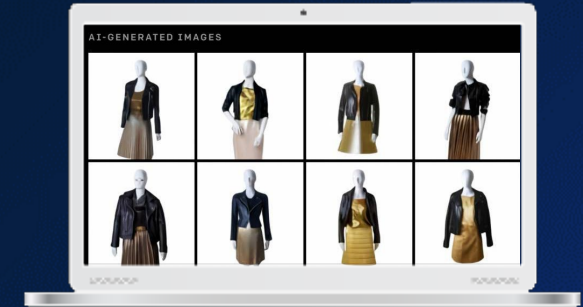
Generative AI (GenAI) enables the **creation of new unstructured content**, such as text, images, etc.

GenAI is powered by Foundation Models (artificial intelligence models) trained on a **broad set of data** that can be adapted to a wide range of tasks

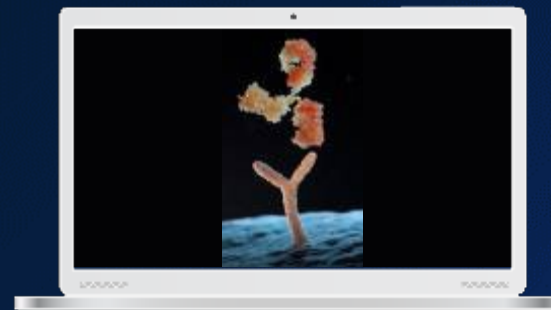
These models are typically also **better at interpreting / labelling unstructured data than traditional AI**



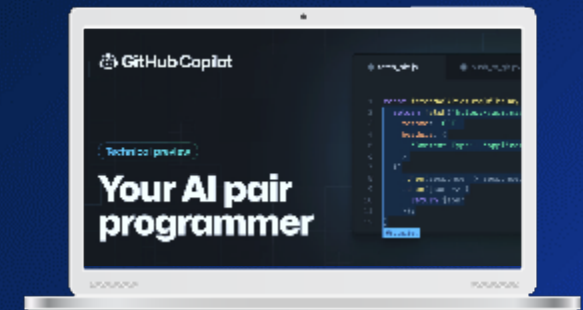
Generate marketing or social media copy in "house style" using ChatGPT, Copy.A, etc.



Create new product design concepts using DALL-E2, Stable Diffusion, etc.



Accelerate the drug discovery process, reducing time in laboratories with ABSCI, etc.



Automate code generation in programming languages like Python with Codex/Github Copilot, etc.

We see 4 leading uses of Generative AI

Archetype

Content Synthesis



Coding & Software



Content generation



Customer Engagement



Description

Generate insights and drive actions based on summarization and synthesis of unstructured data

Interpret and generate code and documentation

Support ideation for new product development or generate personalized marketing copy

Streamline interactions by interpreting text or model customer journeys

Selected use cases

Extract insights from large document sets (e.g., ESG information from sustainability reports)
Augment capabilities of operations staff (e.g., chat interface for maintenance operator)

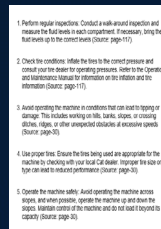
Generate code and assist developers
Refactor or translate code to accelerate mainframe migration

Personalized customer comms or marketing
Generate RfPs or technical documents
Generate visuals (images, designs, 3D models) to accelerate the product design process

Streamline customer communications, e.g., issue resolution (driving action to resolve) and Q&A
Model and predict elements in patient or customer journey

Examples

Technical report query



Code optimization

```

COMPUTE GROSS PAY:
IF HOURS_WORKED > 40 THEN
  MULTIPLY PAY_RATE BY 1.5, CARRYING OVERTIME_RATE
ELSE
  MULTIPLY PAY_RATE BY 1.0, CARRYING OVERTIME_RATE
SUBTRACT AN HOUR FROM HOURS_WORKED, CARRYING OVERTIME_RATE
MULTIPLY REGULAR_HOURS_BY PAY_RATE, CARRYING REGULAR_PAY
MULTIPLY OVERTIME_HOURS_BY OVERTIME_RATE,
CARRYING OVERTIME_PAY
ADD REGULAR_PAY TO OVERTIME_PAY, CARRYING GROSS_PAY
ELSE
  MULTIPLY REGULAR_HOURS_BY PAY_RATE, CARRYING GROSS_PAY
END

```

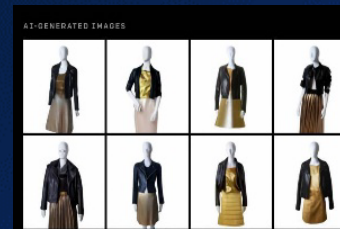


```

def compute_gross_pay(timecard):
    if timecard.hours_worked > 40:
        overtime_rate = timecard.pay_rate * 1.5
        regular_hours = 40
        overtime_hours = timecard.hours_worked - 40
        regular_pay = regular_hours * timecard.pay_rate
        overtime_pay = overtime_hours * overtime_rate
        gross_pay = regular_pay + overtime_pay
    else:
        gross_pay = timecard.hours_worked * timecard.pay_rate
    return gross_pay

```

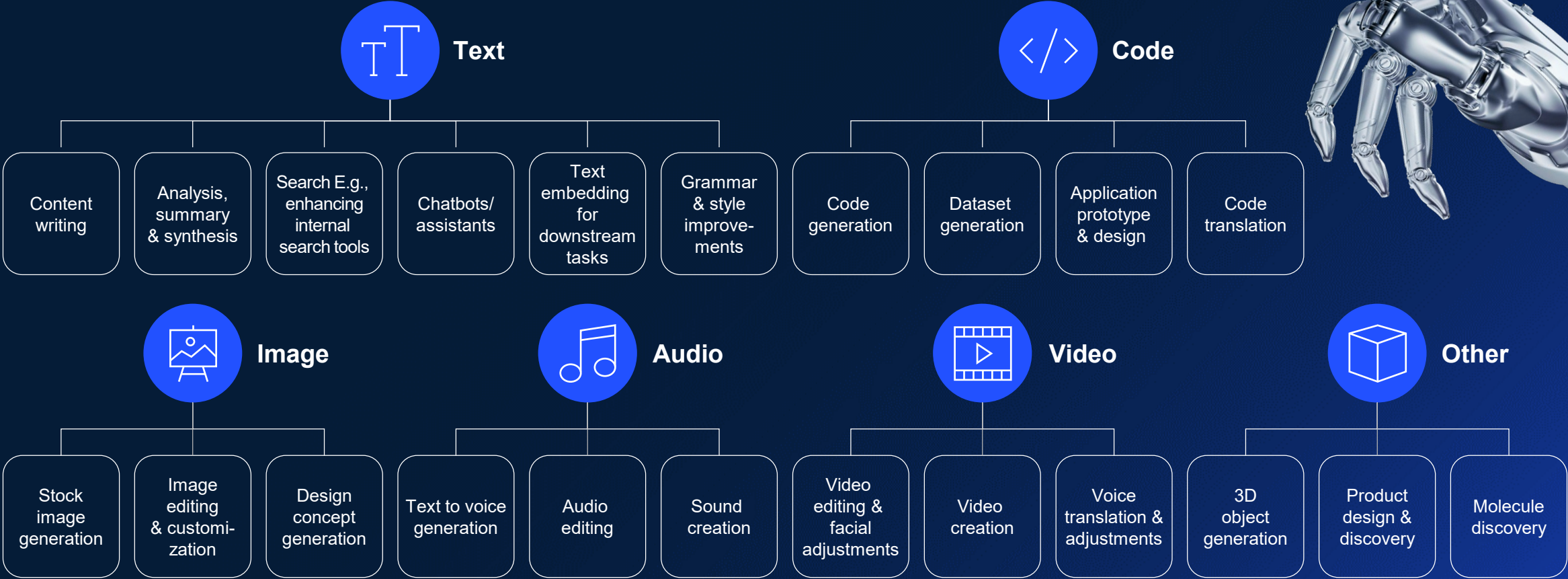
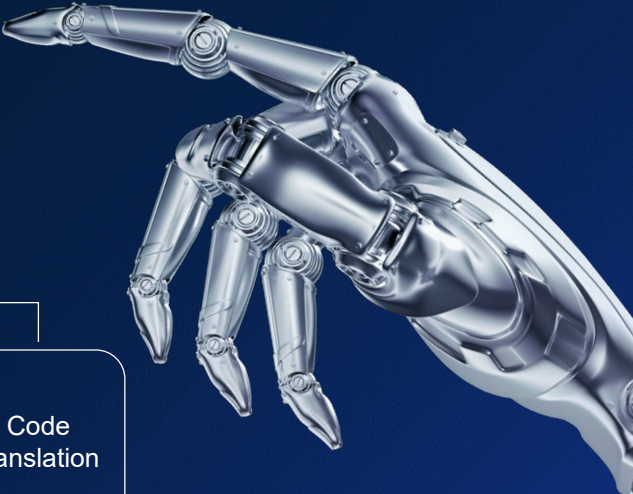
Design ideation



Always on chat bot



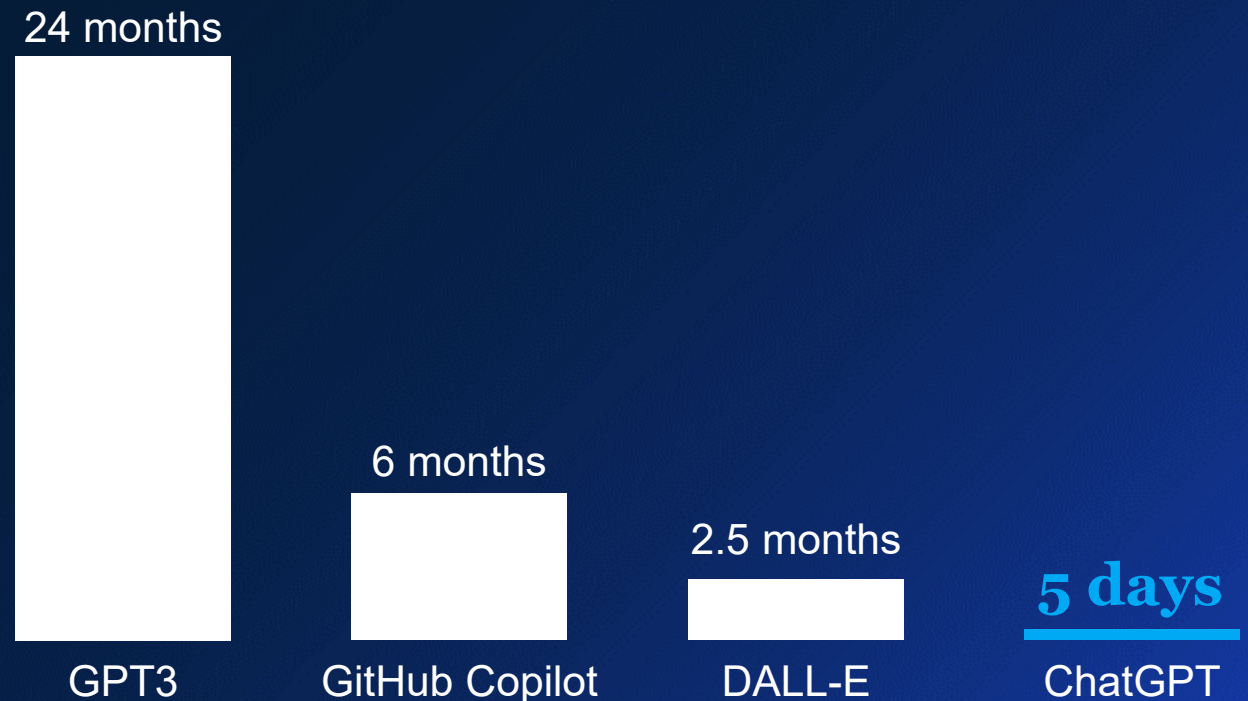
The world of Generative AI is far broader than ChatGPT and large language models, and has many applications



Early adoption of Generative AI indicates the impact of AI in day-to-day life is taking off

Adoption rates are reaching scale faster than ever before with users actively engaging with multiple applications

Time to 1 million users¹



1. OpenAI and GitHub data

2

How does GenAI affect people and organizations?



GenAI's impact on organizations will be faster, broader and deeper

Continuation..



Automation and digitization reshaping Future of Work and Future of Workforce



Demographic shifts changing structure of workforces and talent pools



Employees placing increased demands on their (potential) employers



...and exacerbation of talent challenges and opportunities



Faster

The pace of workforce transformation is likely to accelerate

10 year

acceleration of widespread automation compared to pre-GenAI



Broader

GenAI will reshape the way we work impacting all employees, incl. occupations with higher levels of education

70%

of jobs significantly exposed to automation due to GenAI – with some professions 2X compared to pre GenAI



Deeper

GenAI has the potential to change the anatomy of work, augmenting individual tasks for all employees

25%

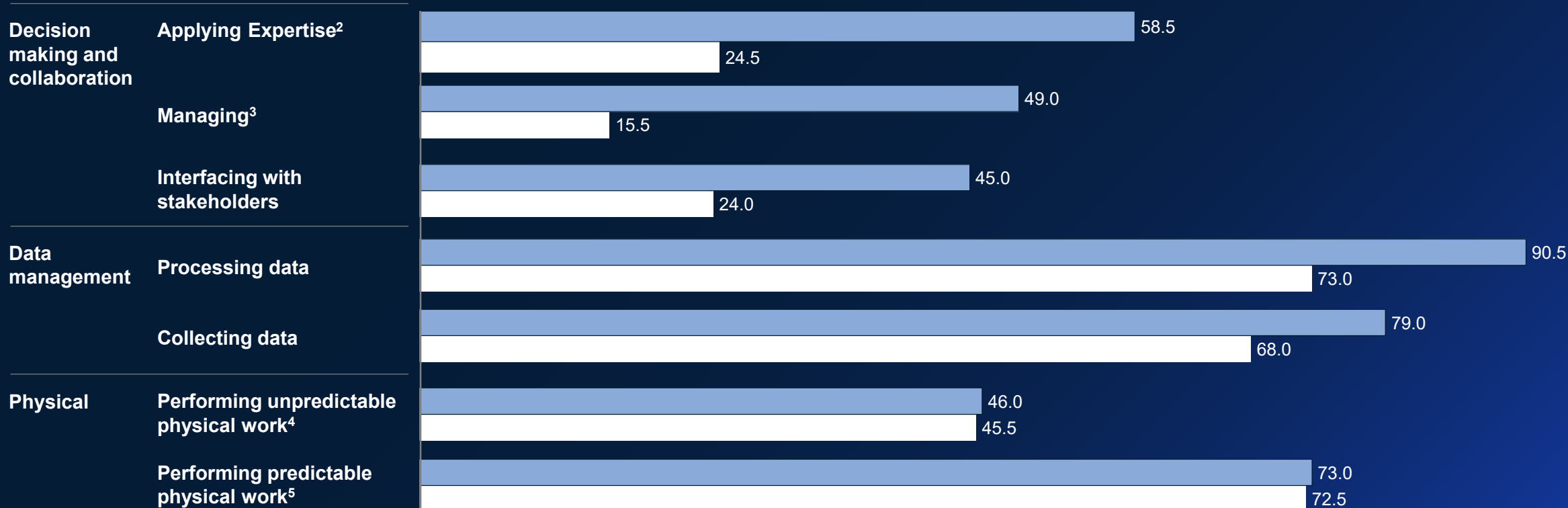
of employees' time previously not automatable, is now potentially automatable by GenAI

Generative AI could have the biggest impact on collaboration and the application of expertise, activities that previously had a lower potential for automation

Overall technical automation potential, comparison in midpoint scenarios, % in 2023

■ With generative AI ■ Without generative AI¹

Activity groups



Note: Figures may not sum, because of rounding

1. Previous assessment of work automation before the rise of generative AI. 2. Applying expertise to decision making, planning, and creative tasks.

3. Managing and developing people. 4. Performing physical activities and operating machinery in unpredictable environments.

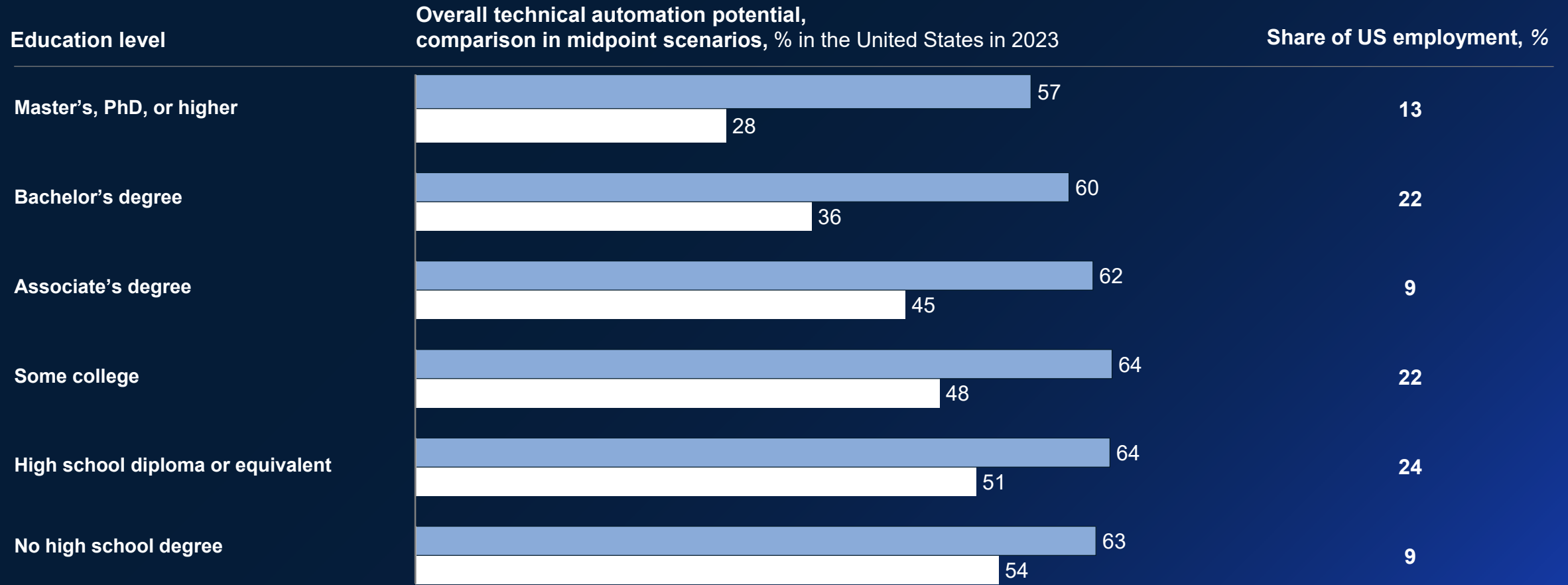
5. Performing physical activities and operating machinery in predictable environments.

Source: McKinsey Global Institute analysis

Generative AI increases the potential for technical automation most in occupations requiring high levels of educational attainment.

Impact of generative AI on technical automation potential in midpoint scenario, 2023

■ With generative AI ■ Without generative AI¹

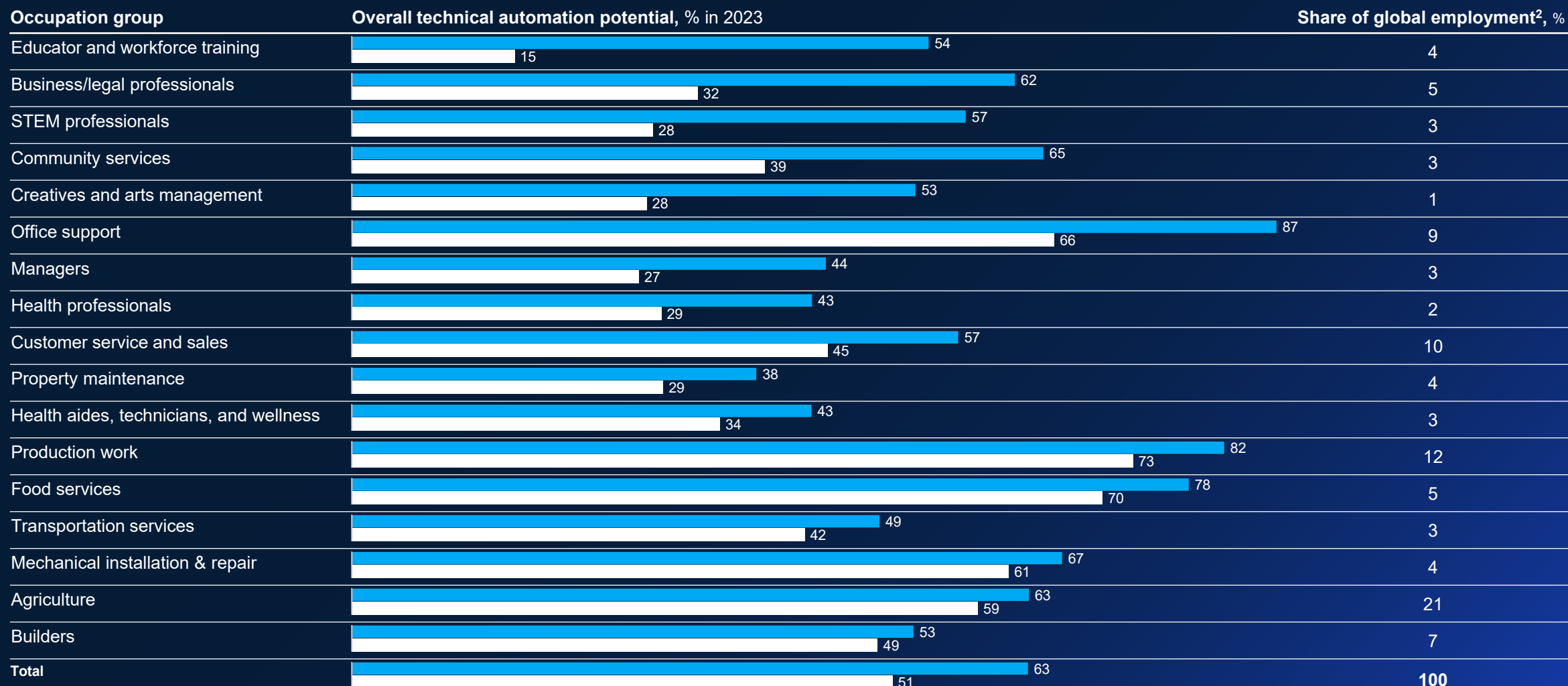


1. Previous assessment of work automation before the rise of generative AI.

Advances in technical capabilities could have the most impact on activities performed by educators, professionals, and creatives

Impact of generative AI on technical automation potential in midpoint scenario, 2023

■ With generative AI ■ Without generative AI¹



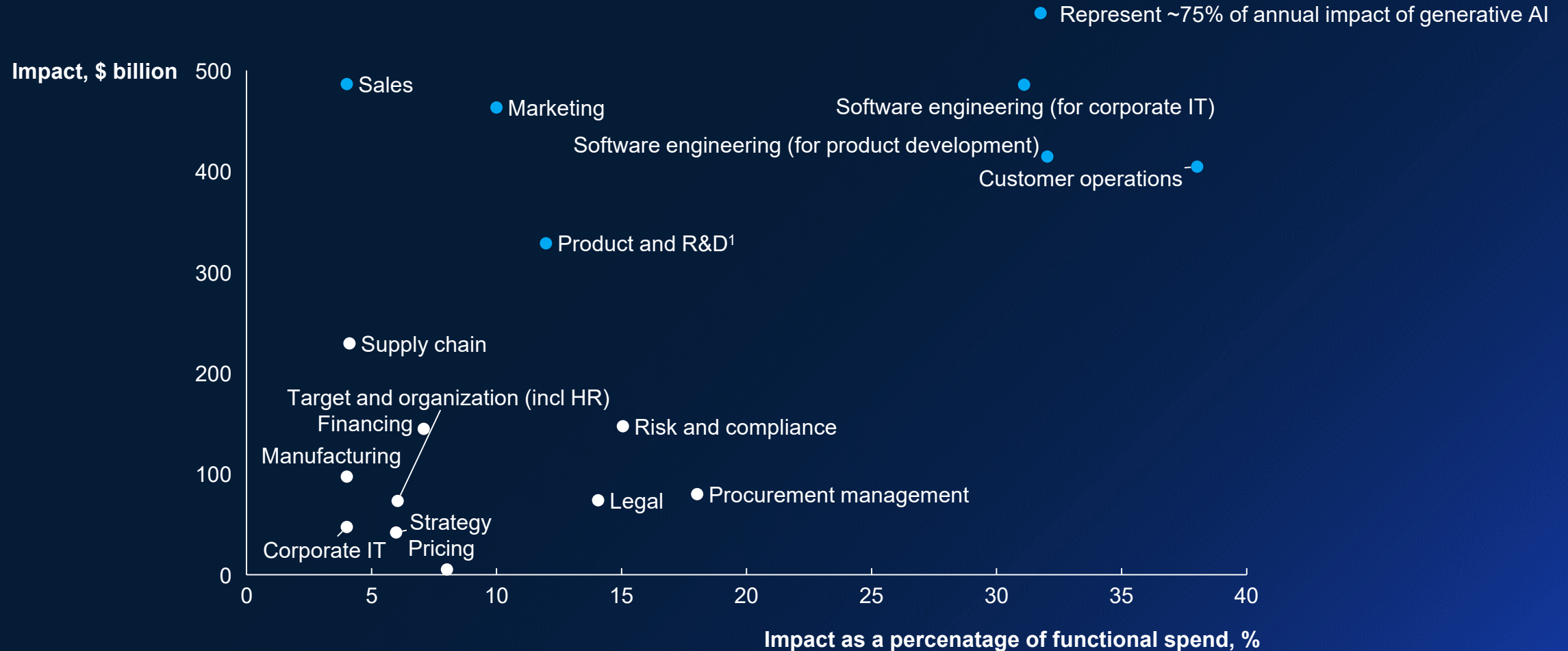
Note: Figures may not sum, because of rounding.

1. Previous assessment of work automation before the rise of generative AI.

2. Includes data from 47 countries, representing around 80% of employment across the world.

Source: "The economic potential of generative AI: The next productivity frontier", McKinsey Global Institute, June 2023.

Using generative AI in just a few functions could drive most of the technology's impact across potential corporate use cases













1. Excluding software engineering

Note: Impact is averaged.

Source: Comparative Industry Services (CIS), HIS Markit; Oxford Economics; McKinsey Corporate and Business Functions database; McKinsey Manufacturing and Supply Chain 360; McKinsey Sales Navigator; Ignite, a McKinsey database; McKinsey analysis

GenAI opportunities exist across the talent lifecycle

Non exhaustive

1 Workforce planning 	2 Talent acquisition 	3 Onboarding 	4 Talent management 	5 Learning 
Conduct labor market analysis Create organization scenarios	Draft skill-based job postings Draft customized candidate communications	Create pre-onboarding checklist and assist with forms Virtual “buddy” to answer common early-hire questions	Career co-pilot to uncover career paths and draft associated development plans Develop learning and employment records	Create simulation-based, personalized learning experiences Develop multimodal learning content (not limited to text)
6 Performance management and coaching 	7 Benefits 	8 Diversity, Equity, and Inclusion 	9 Employer and Manager Self Service 	10 Workforce productivity 
Aggregate performance input from multiple sources for manager review Assist in developing specific goals tied to business strategy	Answer benefits eligibility questions via advanced chatbot Assist in suggesting additional benefits offerings for which employees are eligible	Aid in accessibility with multi-model support (text, image, language) – including translation Support DEI in implementation of GenAI across other elements of talent lifecycle	Provide self-service through improved interface for administrative tasks Auto-complete medical leave form	Summarize / create first drafts to save time and enhance productivity Summarize meetings and send to attendees

GenAI can create first-drafts, personalized content and enhance accessibility but must be used with caution in domains of high risk

Non-exhaustive

GenAI's functional strengths in the People Domain...



Capability	Use Cases
Providing easy-to-use information	<ul style="list-style-type: none">• Career navigation (e.g., “what career paths exists for people with skills like me?”)• Employee policy information (e.g., “what are the steps to apply for FMLA¹?”)• Benefits selection and navigation (e.g., “where can I get a colonoscopy covered by the plan?”);• Trends in employee concerns
Generating customized content	<ul style="list-style-type: none">• Candidate communications (e.g., tailored thank you communications in the organization’s tone)• Customized learning scenarios (e.g., training customized to an upcoming event)• Survey communications (e.g., tailored follow-ups to boost response rates)
“Co-pilot”: Generating draft content for human review	<ul style="list-style-type: none">• Job descriptions for well-understood roles• Employee feedback from multiple sources for performance management process• Drafts of individual development plan for discussion with manager• Drafts of action plans following employee survey results
Enhancing accessibility	<ul style="list-style-type: none">• Translation of employee-relevant content into different languages• Conversion of corporate job descriptions into easy-to-understand descriptions for frontline workers• Image-to-text work aids for visually impaired (e.g., GenAI coach for step-by-step advice via headset for neurodiverse colleague)

GenAI's limitations/shortcomings in the People Domain...



Writing survey questions – ChatGPT has the functionality, but output may not be effective (i.e., due to limited context, need for human survey designer, potential bias and inappropriate language)



Drafting content and making decisions related to job design, pay, or performance – It can lead to high risk of potential bias and misrepresentation (e.g., based on demographics or due to model inaccuracies) especially if used without human-in-the-loop



Providing responses with employment law implications – It can lead to legal and reputational risks especially if the model is unable to extract the right information from pre-written policy pages or without human-in-the-loop (e.g., “is my job really supervisory?”, “what is the process for filing a harassment complaint?”)



Gen AI and skill-based practices

Skills-based practices move beyond traditional approaches and help solve employers' toughest talent challenges – by focusing on knowledge, skills, and abilities (vs credentials) needed to do a job

Examples:

- **Expand talent pipelines** – look for candidates outside of industry with non-traditional experience
- **Write job postings** based on core skills needed, instead of core experiences or credentials obtained
- **Evaluate candidates** based on demonstration of skills and willingness to learn
- **Promote internally** using upskilling trainings and apprenticeships

Examples of how GenAI can help accelerate skill-based practices

Draft skill based job descriptions – and find talent which could match: Beamery's Talent GPT can help write skill-based job descriptions – and find where talent with relevant skills exist internally and externally

Write better interview questions: Interview Question Generator powered by SkillsEngine and OpenAI makes skills-based interviews easier by generating skill-based questions

Provide career navigation for learners : Gen AI-powered talent management platforms can provide guidance to employees on what careers could be available for someone with their skills – as well as what learnings and job experiences would be required for the next roles

3

**How are others
getting started?**



How we have seen People Function lead on GenAI

	Assess automation impact by area of workforce – and implications on roles, functions, and ways of working	Prioritization of HR- specific use cases (and integration into People transformation agenda)	Design, build, and implement GenAI solutions in People domain	GenAI governance and operating model	GenAI Academy
<p>Examples of Activities</p> 	<p>Rapidly identify roles – and functions -- most likely to be impacted by automation – including GenAI over next 5 years</p> <p>For higher priority areas, develop 3-5 year automation roadmap by function linked to shifting customer expectations, emerging technology, and operational plans (including technical foundation required)</p> <p>Understand organization-wide implications – including enterprise tools, cross functional ways of working, and talent needs</p>	<p>Build list of domains with GenAI use cases</p> <p>Prioritize / confirm use cases for piloting deployment</p> <p>For prioritized use cases of deep dives build</p> <ul style="list-style-type: none"> • Value proposition and business case • Pilot execution plan • Technology requirements (e.g., data, consumption model) • Organizational readiness assessment • Responsible AI (e.g., risk assessment) 	<p>Prepare for delivery (design concept & workplan, align requirements & resourcing, staff team)</p> <p>Lead rapid design and dev sprints to build and launch an MVP</p> <p>Set and track OKRs, refine and learn</p> <p>Build capabilities and conduct change management</p> <p>Communicate success stories and learnings across the organization</p>	<p>Collect and assess progress of current state efforts (owners, resources, areas of focus, etc.)</p> <p>Develop Responsible AI principles and governance framework for GenAI including operating model for GenAI – including Legal, Product, IT, and HR</p> <p>Stand up GenAI pilot program with tangible assets to be produced, areas/groups of people for pilot, key activities & owners, pilot milestones, success markers to scale</p>	<p>For executives: Plan and execute “Go & Learn” for executive colleagues</p> <p>For “makers” (i.e., product and business owners): upskilling on technical and responsible AI elements of GenAI as required for build (e.g., vector databases; core design tradeoffs)</p> <p>For knowledge workers across org: upskilling on core tools; demonstrating personal productivity enhancements; managing risk)</p>
<p>Outcomes</p> 	<p>Rapid identification of roles most likely to be impacted by GenAI – to assist in prioritization of enterprise-wide use cases</p> <p>Functional automation roadmap - in conjunction with junctions</p> <p>Talent, enterprise-wide tool, and governance roadmap</p>	<p>Validated value and feasibility assessment of priority use cases</p> <p>Integrated GenAI roadmap tied to People function strategy</p>	<p>2-4 high impact use cases for activation</p> <p>Launched pilot with ongoing tracking against OKRs</p>	<p>Consolidated, clear-eyed view of current state and success criteria</p> <p>GenAI principles, guardrails and governance model</p>	<p>Business executives empowered with knowledge of GenAI capabilities to explore opportunities</p> <p>Equipping “makers” and the broader organization to explore GenAI</p>