YOU AND AI: BREAKING BOUNDARIES EVERYWHERE

Announcer 00:02

Please welcome the panel on “You and AI: Breaking Boundaries Everywhere,” moderated by John B. Quinn, executive chairman and founding partner, Quinn Emanuel Urquhart & Sullivan LLP.

John B. Quinn 00:39

Good afternoon. It's four o'clock in the afternoon, and we're having yet another panel on AI. I've been attending a number of these conferences over the years, and I think there's a certain amount of fatigue, AI fatigue, that has been set in in these kinds of panels and discussions. And we're going to try to make this one different. We're not going to talk about whether AI is an existential threat. Does anybody object if we don't bring that subject up? We're not going to talk about whether AI should be regulated. We're going to try to talk about what actually is happening today and whether there's a gap between the promise and what might be called hype and what we're really seeing in the business world. And I'd like to ask each of the panelists to just very briefly introduce themselves and maybe give the audience just a little bit of information about your perspective, how you come to the world of AI. Hans?

Hans Dekkers 01:39

My name is Hans Dekkers, I'm the general manager for IBM, for Asia Pacific. We're focused on three simple things, John, hybrid cloud, AI for enterprise and governments, and quantum computing.

John B. Quinn 01:50

Thank you. Grace?

Grace Park 01:52

Thank you. Very good to be here. My name is Grace. I'm the chief data and AI scientist at Prudential. The key things that we're really focusing on is, how do we really drive AI and embed it into our corporate strategy, enable our—to make sure that we drive value back to the company, but also to share it back with our customers.

Rodrigo Kede Lima 02:11

Lima. I am the president for Microsoft in Asia. I've been on the road for about 32 years, 27 at IBM and 5 with Microsoft. I've been in the early days of Watson, so I'm a big believer this is going to change every industry and every profession. So I'm happy to be here.

Panos Madamopoulos-Moraris 02:37

Hi John. Good to be, good to be back. And thanks to Milken for having us. I come from San Francisco. I was one of the first five people at Stanford HAI when we didn't have that many AI folks on campus. And we're currently focusing on incubating research ideas and taking them from lab to real life impact.

John B. Quinn 03:03

Thank you. I'm going to be begin by maybe being a little bit provocative, but maybe not so provocative, maybe realistic. And that is, we're reading a lot of stories about companies that are facing challenges in implementing AI, that they're not seeing the productivity gains, that they're struggling, that they're spending a lot of money and not seeing the ROI. Of course, we hear from the hyperscalers and the consultants—it's transformative, it's going to change all our lives forever, et cetera, et cetera. But on Main Street is that really what's happening? Just today, I saw in the publication, many of you will know, The Information. There's an article that begins, "Artificial intelligence services will take years to penetrate the economy because businesses need to figure out how to use new AI products and train workers to use them, and that isn't happening yet." So what the panel's response to that, to these— this kind of, is really kind of—I don't think I'm exaggerating to say a drumbeat of negative comment coming from the business community. Rodrigo, what's your reaction to that?

Rodrigo Kede Lima 04:14

Yeah, so first, I think we are at the early days of AI. Remember, you know, the internet in the mid 90s. You know, what we were doing by then, and what we're doing now. And I do believe there are articles on different directions. There is an article from MIT saying 95 percent is not seeing any value. If you go and see what the advisory firms are saying, they're actually saying, No, we—their companies, their industry-

John B. Quinn 04:14

Well, that's what you'd expect the advisory firms to say, selling services, right?

Rodrigo Kede Lima 04:25

Well, many of them are feeling threatened because of, because of AI. And when I try to use my my own data, for example, customers that we have sold Copilot and we launched Copilot about two years ago. In every year, we have been selling more to those customers, 98 percent are buying more and more and more. So again, I believe every article, positive or negative, are important right now, because it's going to force us think, it's going to force us challenge what is happening. And again, I think we're in the early stages, and I like your point on, just to finish, I like your point on a lot of companies are not trying to implement AI the right way. They're simply believing that this is a technology or a product that's going to be used. And I don't think this is about the tech. I mean, the tech is important, but it's about the business.

John B. Quinn 05:40

That is a remarkable statement, Rodrigo. AI is not about the tech. I'm not really understanding about that. What do you mean by that?

Rodrigo Kede Lima 05:49

What I mean by that is I don't think that somebody that knows how to write a line of code will solve problems by design. You're going to solve problems by industry, by process, I think this will transform business processes. For example, you get a large bank, they have, like, thousands of people working on financial crime, and AI can make that simpler. AI can reduce that, so can you apply AI without understanding banking, without understanding regulation, without understanding financial crime? No. So I think the outcome is more important than the tech. You need both. But the tech, per se, is not going to solve any problem. You need the expertise in the industry, in the business process, in that specific domain.

John B. Quinn 06:32

Grace, what's your reaction to this? You work in house at a big insurance company. How is AI being implemented? Is it being successfully implemented? How do you think? What do you—what are the necessary elements for a successful implementation of AI in your experience?

Grace Park 06:48

So let's try to demystify and decouple that, right? First of all, I think I do echo to what Rodrigo was saying that, yes, it's not the technology that really solves it. It's about how you adopt it, and what are you trying to solve for? And you're right, the stats are saying all different things, and they're all equally true, right? If you look at most of the

articles, I'm sure you've seen a lot of instances where they say only—people are investing a lot more on AI, but only 1 percent see a true value of it. And I don't think it's untrue, but it really goes back to what are you really measuring? Let's talk about Copilot? Does it gain productivity to the employees? The answer is absolutely yes. We measure it, and we know there is, but does it lead to a P&L impact is a different conversation, and that's where you see a lot of noise in terms of, are we seeing the value of that or not? What Copilot does is it raises individual productivity. And with that, how do you use that productivity gain back into the businesses, and that's harder to measure, right? I do believe that AI does create value. And what I also see for us being adopting into insurance, it does anything from, how do you, how do you contain the right claims leakage to make sure that we're not—we're able to make sure that we have them—we reduce medical inflation, for example, that everybody can afford it. I think that without AI we're not going to be able to do that. For example, we're also able to streamline all of our processes and also help our agents serve our customers better. I think in that sense that we have, I think it's a matter of, what are you really trying to measure and what are you really trying to solve for? And is it all have to be AI? Because one of the things that I'm also trying to help my business counterparts is try to understand what are you really trying to solve for here? Because if you look at the true value of where AI unlocks value, 70 percent is more traditional AI. It can also be just simple algo and just propensity models. People are dabbling with Gen AI. That's where we're still trying to learn, and that's where you see limited and we're at an inflection point. We will get there, it's just that, where you get the value in which part of the area [inaudible] is just, it's running a really wide spectrum now.

John B. Quinn 08:57

How do you measure successful implementation at Prudential? I mean, what are the metrics that you're looking at? What are you seeing?

Grace Park 09:03

I don't think we can say that it's a very broad based. So let me just kind of talk from a public figures, right? If you look at how the insurance go to the investors and try to demonstrate their value of AI, you see anywhere who's ranging from how many use cases they have launched to STP is often a very good measurement for insurance, or you can kind of talk about from a P&L impact. So everybody's choosing their own path of doing it. Prudential has taken an interest in terms of, how do you pivot that it kind of maps better into where we're trying to add as a company. So it really depends. So it can be anything from a client satisfaction improvement to a better automation or cost save or productivity lift from an agent, and it really depends.

John B. Quinn 09:48

Hans, I know you have some thoughts on what's needed for a successful implementation.

Hans Dekkers 09:52

Let me give a reaction first to the discussion. I do believe the technology, what we're doing in AI, is deeply transformative, and I think it will make a massive difference. I think there are eight technological changes in the world over the last centuries. You can go from electricity to steam to the internet. AI will be one of those. Okay, so I do believe that what AI will do to all of us is deeply transformative. The way we like to look at it, to make it real, is really the enterprise side of it. Think of every enterprise today, every government today. It basically follows an organizational setup that was invented in 1946 following the GE model, right? You're organized by product, you're organized by geography. You're organized by your vertical. What this technology allows you to do in the way we're looking at it, is think through workflows. So how does the workflow of HR, how does the workflow of claim management? How does it flow through your organization? The way AI will actually help you optimize that on the back end is phenomenal. It will unlock value that many companies, many governments they don't see yet. And then, to finish my statement, I would say we started three to four years ago within IBM ourselves. We're a big corporate enterprise, active in over 175 countries. We've applied this technology to ourselves and a lot of failure, a lot of learning, but to date, we're saving 4.5 billion of cost by taking this technology and implementing it ourselves in HR and supply chain and the way we develop our chips and our technology, all unlocked and enabled by AI. And that type of return we're now bringing to our clients, and it's got phenomenal interest. So technology is real, yes, it needs a big change component, but I do think it will change everything.

John B. Quinn 11:54

All right? Well, we're hearing that a lot that's going to change everything. You've spoken about, the need companies have to have—what you use, the term data sovereignty, right, to have control over their data right? Now, that's a big problem in these organizations, which are historically organized vertically. You have 1000s of apps, the data is in different places, right? And the challenge that presents, could you talk a little bit about that?

Hans Dekkers 12:19

So we see five key challenges. First, every enterprise, every government is managing multiple environments. On premise, off premise, there's a multitude of environments. Second, the data has been exploding in the last decades, and it will continue to explode. These problems are compounded. Thirdly, there's a lack of automation, right? So a lot of the automation that is needed to make sense of this all hasn't happened yet. Fourthly, there's a huge skills gap, right? Actually running these multiple environments, multiple data without automation skills. And then fifthly, there's a huge security concern in all of this, right? Because if your data is everywhere and you're running multiple infrastructures, you don't have the right skills, you haven't automated. Obviously, you're prone to security issues. What we believe in is an environment that needs flexibility and control at the client level, that spans across all of these infrastructures and places, and that's what we bring through our hybrid cloud vision. So the foundation needs to be right on top of that AI and unlocking AI is all about data. So also on the data layer, we create an independent offender, horizontally integrated data set for which you then can apply correct AI with the right governance, the right structures that will help you gain that control and flexibility you need to run your enterprise of the future. So that's what we're doing.

John B. Quinn 13:45

Panos, any reaction to this?

Panos Madamopoulos-Moraris 13:48

Yeah, those are very sobering views. And I think to the question of diffusion, talking about reports, not necessarily the ones that consulting firms put out. I mean, we have a lot of literature already, the last at least 15, 20 years, that gives us pretty consistent and compelling evidence that in every platform shift, the major blocker to wider diffusion was not CapEx, was not the budget. Most companies have plenty of budget for tech. It's really what we discussed earlier, what lies beyond tech. So it's really people and the workflows. So how you can, like, reinvent, reimagine your business model, and then equip your people properly. And by people, it's not only middle management. Most people feel, Oh, it's middle management, frontline workers. I mean, board members, executives. Up until one year ago, we would have board members on campus that have never played with any tool themselves. So I think diffusion takes time. There's another thing—I'm a big believer of this framework that you know, AI, short term is very underhyped. The signal to noise ratio is pretty high, but long term is extremely under hyped. The thing is, R&D moves extremely fast. It's very, very difficult to keep track. So AI is like general purpose technology, and unlike cloud or mobile or any of the other platforms, it's like it's move extremely, extremely quickly. And those things compound in a very accelerating pace, and they sit on top of each other. So there's really no playbook. If you go ask, you have a bunch of CXOs here? Oh, this is what we did five years ago. It's obsolete. So there's a lot of confusion, there's a lot of experimentation. Everyone is trying to figure out as the plane—as the plane goes, and I think eventually we will get there, but I'm always very skeptical when I read those big claims. So no ROI this, no ROI this, no ROI that. Those are very nuanced conversations. The way Meta and Microsoft and the big tech will measure ROI is drastically different than how 80 percent of S&P is going to measure ROI when they put those things in production. So always try, for the audience and people that they're trying to better understand the nuance of those things, to ask the underlying questions. Because I don't, I don't believe there is a wide global sort of approach to those questions.

John B. Quinn 16:45

Want to give anybody on the panel a chance to react to anything that's been said, anything top of mind?

Rodrigo Kede Lima 16:50

Yeah, I do. I mean, if I look back, the companies that at least, that I'm serving, that I've seen more success, are not companies that are received the message from the board and have 250 use cases that they're trying to implement. They're following a different approach. They're trying first, follow a bottoms up and a top down. First, they want to enable the entire organization with AI tools like the same way—

John B. Quinn 17:16

What does that mean? Like what?

Rodrigo Kede Lima 17:18

For example, if you give Copilot to to everyone.

John B. Quinn 17:21

For example?

Rodrigo Kede Lima 17:22

If you are an HR person, if you are a salesperson, if you are a finance person, the same way that everyone today uses Excel. Excel is a local tool, and nobody questions. And the first time you use Excel, you do something, and three years later, five years later, you're doing much more. We make a joke that some companies run on Excel because they have like, 10,000 lines. So the minute that you enable everyone to be wired to AI, and they start using AI, they will improve what they do. They will improve their own process, and a lot of innovation will come. And from the top down, there are some use cases that are proven, that I don't think there is a debate, like customer support, right? We as a company, we have a large, very large company. We provide support for, you know, a large customer like Prudential, or to a kid that just bought the Xbox, and we're able, over the last two years, to take almost 25 percent of the cost out. Automate the processes with the NPS, the net promoting score improving, so customer support is kind of, you know, something that nobody debates anymore. It might be complicated, company to company, to implement it, but it's there. For developers, the same thing, one-third of our code is being generated by machine. So I think there are certain use cases depending on the industry that every company should be trying to implement. But it's not just bottoms up or top down. You have to do both and selectively.

Grace Park 18:57

That's a journey. I think it's a journey. There's, there's always going to be trade offs, but it is a journey that you have to take everybody else with you, right? Technology is definitely going to get you there. However, in order to get to a place where you can actually see ROI, it has to be embedded. It has to be adopted. And there's a huge change management factor that everybody was alluding to, right? So, and that's what you mean by driving the literacy. So through doing simple AI that anybody can just embed and drive that literacy, that's one so that you gain the acceptance. But you also have to start thinking a little bit more in terms of, how do you bring that back to the business values, but also look at it from a wider horizon, right? Because, especially with all the tools coming in, because a lot of the things that we talked about is going to reach an inflection point. It's always going to be a matter of when, not if. Agentic AI last year, when we first started talking about it, was something that was far off. Now you see people dabbling in it, because you know that it's going to take up at one point in time. So it's not as though you can kind of think through it incrementally. I'm not saying you should have 250 use cases. Absolutely not. That's the best way to kill an organization. But you also have to figure out, where do you want to prioritize, which ones that you're going to opt into play as much as opt out, and for the ones that you're opting into play,

which ones are you willing to fail fast and learn because you need to—you have to kind of go in with a leap of faith that and be sure that your management, the board, and your employees, are willing to play that game as well, because nobody has all the answers now. We're going on a journey.

Panos Madamopoulos-Moraris 20:32

Yeah, just want to double down what's been said before. I mean, you don't need to reinvent the wheel. I think this should be commonly understood by now. Last year, I feel we reached a point in the ecosystem where I used to call it death by 1000 pilots. Every company would show up on campus or meet with our startups, and we'll have those Excel spreadsheets, most of them on Excel and okay, those are all the pilots we're experimenting with. I don't think that's an intentional approach. It's a lot of dilution in terms of institutional resources and focus. And again, most organizations, you don't need to invent the wheel. There are certain use cases that you can have, you know, pretty clear path to ROI and have been tried the last couple of years. People know what they should be doing.

John B. Quinn 21:34

So we're hearing AI needs to be embedded. Everybody needs to have AI tools. We got to break down these vertical barriers. We have to get sovereignty over all our data across the enterprise. We're going to reinvent our processes. It kind of sounds like this is not something that can be done on an incremental basis. We can't be AI in part. I mean, you're kind of telling me, Rodrigo, there's some low hanging fruit out there. I hear that. But does an organization have to commit across the board, or to what degree is it? Does it have to commit? Can you just start somewhere and see how it works out? I mean, Hans, any reaction?

Hans Dekkers 22:11

I think you have to commit to the technology, because your competition will. So I think the commitment to the technology is—I think needs to be there. How you do that? Right? It differs by company. Our philosophy is, is that when you look at enterprises, there's this difference between large language models and small AI models. We believe in creating small—smaller models, domain specific, trained on our clients data.

John B. Quinn 22:41

We don't hear so much about that. We hear about the large language model. You're saying that's not really the future.

Hans Dekkers 22:46

No, I think, I think the world will have 10 to 12 very big language models, OpenAI, there will be others. 10 to 12, that's what I think we'll have. For an enterprise, the asset of a small AI model will be at some point in time their

value on their balance sheet. They will have smaller models, maybe hundreds of them. They're trained on their data. They are unique to and proprietary to them, right? They can be built with open source, but they're proprietary to the client, and they're trained on their data. So I'll give you an example. If you take a steel company, a steel manufacturing company, we're running very small language models for blast furnaces. I guarantee you, these blast furnaces need to be 100 percent accurate. If they're small, we can train them very, very fast, at a very economical way, and it's their proprietary data. You don't want that small model to be trained on Russian literature, right? It doesn't, it doesn't help. A blast furnace, doesn't help, right? So, so we see many, many small models, assets for our clients, trained on clients data, and we believe that those assets will, will reset how these companies operate.

Rodrigo Kede Lima 24:01

Can I add to that? Because I agree 200 percent. So I mean, if you look to what we have on the cloud today, and people sometimes get surprised, we have more than 1,800 models available, right? 1,800 and there are more than that. And there are large language models, there are small language models. I do believe we're going to a world where you're going to have very powerful large language models, and they're getting better, better and better. I mean, in two years, you see how much better they got. But I believe we're going to start seeing small language models that are going to be industry and domain specific. So for example, you might have a small language model that is going to be fantastic on oncology or on breast cancer, and they are good. It's going to be trained by MSK, you know, effort, and it's going to be good at that and not good at anything else. But you need an orchestration layer so you're going to have to be able to have, you know, an orchestration layer that is going to know which model to use for what. So again, you're going to have one for tutoring, for middle school. You're going to have one for financial crime. So you're going to have very specific, small language models that are going to be domain or industry, and I think that's where the world is going to go.

John B. Quinn 25:24

Any reaction from the panel?

Panos Madamopoulos-Moraris 25:27

I think those guys are going to take care of the infrastructure, the Microsoft, the IBM's, the OpenAIs of the world, which is fantastic news for everybody else, because the overall level of capabilities will keep improving, potentially exponentially, and the barriers to entry and the cost will drop, which is party times for everybody else in the enterprise to figure out what they're going to do with those capabilities. So Wall Street and Silicon Valley will continue to subsidize this for everybody else. So it's up to executive teams in every other enterprise around the world to figure out how they can reinvent their workflows to get maximum, maximum impact out of the emerging capabilities.

Grace Park 26:27

So I would echo to what Pano and what Hans and Rodrigo were saying, right? And I think that's Hans where you were alluding to as well. There's always, I mean, we see even the tech partners and hyperscalers pivoting as well, right? We see a lot more coming from specialty models down to a foundational model, and that's where a lot of the R&D pockets, where companies like ourselves can leverage into. But in terms of what makes it unique for a company is, how do you play with the data? Because that's really proprietary, and that's because—there's no way that a company is missing out, because the solution is not there. With the deep pockets, from an R&D to a marketing tool, everybody has access to the 1800 solutions. That's not the answer. It's about going back to the business acumen. What are you trying to solve for? What data sets do you have? Do you have the savviness to marry the three of them all together and make it uniquely yours? And that's why it takes a village to make an AI really work and to be able to get to that value creation that's gonna be measurable.

John B. Quinn 27:32

Well, if I'm a CEO, and I've heard you all and I'm persuaded, you know, I want to dive in here. I want to get these benefits. I want to transform my business. But I have a lot of questions, like, what does it mean to train my employees? What is—what's that going to involve, and what's that's going to cost? What? What in-house AI talent do I need? What's this going to—what's this going to cost me? How long will it be before I can see some ROI and, you know, I keep reading that this is going to mean some of my employees are going to lose jobs. Can you tell me about that? How many employees are going to lose jobs if I do this? Can you all give answers to CEOs who have these questions, or do they kind of have to dive in and assume the risk?

Hans Dekkers 28:23

Dive in and assume the risk. Back to our earlier comments, right? The technology, the technology will be there and will be there to stay. I don't think it will cost people's jobs. It will offset jobs, as I think everyone in the audience knows, to get started actually is much easier than you think today, than it was six months ago, than it was two years ago.

John B. Quinn 28:48

How so?

Hans Dekkers 28:50

Because the way we look at it, if you look at the unification of the data of the platforms, we have to build these smaller models to basically ingest the use cases. A lot of that learning has been done already. So to get started, I think, is very, very fast. The use cases are there already to get started for many enterprises, and it doesn't take a whole village to start doing that. I think you can—you can really incrementally go very, very fast.

Grace Park 29:22

With my role, actually, that is what I'm going to deal with. I have to answer those. And the answer is, yes, we do have a tangible roadmap with the costings that played out into it. And one of the things that we're going to be doing differently is, how do you invest sufficient amount in change management? It's not just about, you know, are people going to lose jobs? Are, you know, how much is it going to cost us? But how do you make sure? Because at the end of the day, just cutting job is never a story that a CEO wants to tell, much less a company, right? How do you upskill and reskill the people so that you're able to move across the different agencies? AI should never be the only tool to make sure that there's a cost reduction at the end of that, right, although that's gonna be the easiest ones to measure. But think about it. Because if we look at the—we ourselves, and this is my view only, we ourselves as a company, have to start thinking about, how do we prepare that company for the next future? I mean, if we have our kids, they don't want to be going—they're not used to paper. They're not used to the way that we—how we operate our business today. So how do we future proof our own company so that we're able to hire the best and the right talents? And that has to start investing now, right? Because if we do it, the currently way that we have, we're going to be losing out on the world for talent who actually comes in and joins us, and that's going to be cutting across all the different functions, whether it be HR, whether it be the operations team, or even within my own data and AI scientist teams. And a lot of the roles that they're going to be taking on is going to be very different from your traditional data scientist, because what really is going to end up happening to them, and what I see, an inflation coming in from the tech players coming in with a lot of these open source tools, is that it is no longer, how—about how cool are you, or how good at coding? That's so 18th century now, right? So as you move up, what is the business acumen and the domain knowledge that you bring forward and the path—the crossover is getting to be a lot grayer, because even on the business side, they also have to be very well versed in AI and be an AI business translator to understand how it should be adopted. So the skill sets that you see is always going to be migrating, and I do believe that it's going to be going up a chain from where they currently are. And that's the delta and the change management that we have to bring that literacy.

Rodrigo Kede Lima 31:47

Yes, so look, I do think the number one challenge is going to be reskilling the organization. I mean, we have a gap on cybersecurity professionals in the world. We have a gap in AI professionals in the world. So if you look back all the previous waves of technology disruption, the PC, the internet, mobile, and cloud, they all caused some type of shifts. I don't think we have a bigger unemployment today than we had before. I think, though, this wave is moving faster, and the need for CEOs, for organizations to really invest in reskilling is important. And today you can be an expert in cyber without having to get a four year degree in university. So you have much more access to many more tools, much more content. So I think the big shift is really rethink the way we deal with reskilling.

Panos Madamopoulos-Moraris 32:55

Boards are—have a very hard job trying to map out an optimal course on how to balance short term with long term, because there's so much uncertainty, and again, things are moving so quickly. So yes, short term of course, in particular for publicly listed companies, every time they're going to have earning calls, they're going to be grilled. Oh, this CapEx, the [inaudible] of what do you do with your people? But longer term, in particular some of the bigger bets we have placed in the Bay—play out. We are talking about arguably the most major dislocation of time,

in the history of capitalism. So again, those questions about ROI are very, very nuanced, because what you are benchmarking against? What are the underlying assumptions in what you are trying to do? So short term, yes, I absolutely agree. People number one priority. And there are other aspects of the people part, I think they are not very well covered by the media. So, for example, there's something in economic called—in economics called power laws. People who are in venture, they are very familiar, typically, our location of, say, 10 companies, two companies that will return 80 percent of the fund, if successful enough. We have seen, and we are seeing power laws on steroids in core AI talent. There is a reason why the big labs, they are competing against each other so ferociously, to attract the best researchers. But then what's the derivative impact of this? The derivative impact of this is in particular ecosystems that there are relatively small. Bay area is a village, everybody knows each other and those technical universities, everybody knows each other. People want to go work where their friends are. So companies really need to rethink their talent acquisition and retention strategies and factor in for power laws. This is not going to be applicable to every company, but companies that they want to be at the bleeding edge in whatever industry, they need to start taking power laws very seriously across the organization. I guess long term, I know you wanted to talk later, but there are some bets that again, if they do pan out, then we got to rethink the assumptions.

John B. Quinn 36:17

Well, you talk, we talk about all this money going into AI labs and the recruiting and the like. What's the knowledge transfer, the inventions, the AI research and insights that we're getting from laboratories? And how does that find its way? Is that finding its way quickly, slowly, however, into the business world, the practical business applications?

Panos Madamopoulos-Moraris 36:41

It's a great question, and it's a topic very close to my heart, because I think collectively, the research community, academic institutions around the world, and this is pretty consistent, of course, there are some edge cases, but it's pretty consistent. We've been doing a pretty lousy job getting innovation from labs to real life impact. I think in the US, only 10 percent of innovation makes its way out of the market. If you think about where is alpha, where is alpha and AI research. When you find alpha and AI research, it's really at the intersection of three worlds. It's like hardcore researchers and startups. It's enterprises and then the capital allocation community. Like at the very intersection of those three, this is where you find alpha, and you've been finding consistently. Then on the research side, if you take this Venn diagram and you translate on the research side, what is that you truly need? You need people, you need data, and you need compute. The common denominator is cross pollination. Like those walls need to be properly cross pollinated. So you have, you know, measurable, measurable derivative impact outside in the real economy, and again, institutionally. Be it because of very bureaucratic approaches, both from federal government, state governments, university leaderships, or institutional inertia that had university presidents for many years, playing bad, bad venture capitalists and having predatory terms on the teams, like asking 20, 30 percent on their IP. You know, it has been extremely suboptimal. But there's the other side of this, which is the enterprise. And I think this is not a representative panel, because two of those companies like have been pioneers. IBM and Microsoft for many years, like with Watson Labs and Microsoft research on how they create this flywheel, but organizations also need to develop that muscle. How do they engage with the research community in, in the age of AI. This is an organizational muscle. You're aligning incentives. How you make sure you

create that bridge to properly curate this ongoing dialog between foundational research and applied and applied intelligence. So I think that should be a big priority for governments around the world, but also universities.

John B. Quinn 39:26

Think the whole evening would be remiss if we didn't talk a little bit about sort of what you might call the global AI ecosystem or competition. I live in Los Angeles. I'm up in the Bay Area two or three times a month, it seems like the most energized, dynamic—I can go up and meet 10 new startups a day without any problem. I mean, the feverish level of activity, the talent, it just seems like the center of the AI universe. Now, you're going to tell me that this is a really US-centric perspective, and that the same thing can be found in Asia. Or what's you've spent a lot of time in Asia, Hans, and we're sitting here in Asia, we should talk about this US, the West, versus Asia, China. What's your perspective on where the world—you know, where it's going in terms of AI?

Hans Dekkers 40:21

Where it's going in terms of AI and talent are two different things. For a moment, Asia—I lived more than one-third of my life in Asia, and what's happening here, I think paramounts the rest. If you look at the way Asia is embracing open source, the way they're learning, the way they're experimenting, the startups, even in Singapore, the thousands of startups that are here, it will absolutely blow away the rest.

John B. Quinn 40:44

Including the Bay Area?

Hans Dekkers 40:51

I don't know, but if you look at at Korea, you look at China, you look at many of the bigger countries in the region. It's, it's unbelievable. What's happening with—with small startups. Everyone now has access to this technology. Everyone's using it, the way the Asian companies, the startups, are collaborating, it is, it is absolutely amazing to see—so.

Rodrigo Kede Lima 41:18

Look, I was in the US for the—almost the past decade. And I do believe that the center of gravity of innovation is shifting. I do believe that the West Coast of the US will continue to be something unbelievable, creative and innovative. But what is happening in Asia is going to be very different going forward. And I'll give you some, some data. The thing—the region was, for the past two decades, a hub for labor and manufacturing for the world. But in that model, when you produce, you know, phones in China, or you serve, you know, a telco in the US out of India or the Philippines, or you manufacture a shirt out of Vietnam. That model, most of the wealth that is created in

that model goes back to the Western countries. But throughout two decades, enough wealth stayed and created better infrastructure, better education levels in large companies and large conglomerates that are now going global. So let me give you some data. We—everyone knows that the GDP of Asia is bigger than the rest of the world. Middle class is four and a half times bigger than the rest of the world. High income class is one and a half times bigger than the rest of the world. The region has been filing for 70 percent of the patents of the world for the few years now. We do have two-thirds of the IT workforce of the world. And I'll give you some internal data that I think maybe it's the best metric to measure innovation with AI these days, which is GPU consumption. So the GPU consumption in my company in Asia is bigger than America than Europe together. So I think there is another data that is important, the number of companies that are headquartered in Asia going global over the past five years, multiplied by five. So I think we're going to see a massive change in GDP per capita over the next decade. And a lot of innovation is happening here. And it's not just China. It's happening everywhere. So I'm really bullish that Asia is going to have a different role going forward on innovation for the world. And instead of just manufacturing things for the world, a lot of things are going to be built and created for the world here.

Grace Park 43:52

I also think where Asia is a little bit different. You have strong government sponsors. I know, at least for Singapore, as well as China, who's made it very publicly known that they would like to be the digital hub, or the next AI hub going to the future. And you see people really tracking in terms of how many data scientists are actually nurturing. So with that, that also opens up deregulation. It's a lot easier to launch AI solutions, or you even test fit it for anybody. So the barrier is much lower too. So I do definitely agree that there will be a huge rise in the Asia.

Panos Madamopoulos-Moraris 44:23

I agree with Grace. One should ask, what are the driving forces of this amazing energy in Asia? And I always feel fantastic being here. There are very strong sovereign strategies, Korea, Japan, Singapore, across ASEAN. And this time around, they were early. And they were early, not just on the capital allocation front, but also internally what they do with national AI roadmaps, this and that. Second, the economy predominantly is driven by conglomerates. And those conglomerates were early as well, both on the R&D side and on the capital deployment side. So indeed, I also feel very optimistic.

John B. Quinn 45:13

Right, we're about out of time. So just very briefly, I'd like to ask each of you just quickly tell the audience what's next in the business world for AI, what's coming that they may not be aware of?

John B. Quinn 45:26

What's coming that nobody's aware of—

John B. Quinn 45:30

Yeah, what's next?

Hans Dekkers 45:33

I think the level of value unlock that we'll see in the next five years, we haven't seen in the last century. So if you're willing to take that leap of faith, and are, are willing to relook at your company and the value you need to create for your end clients, I think you'll find tremendous opportunity for growth, however you depict that in the next five years.

Grace Park 45:59

Humanization of AI, humanization of AI. Because where AI is—I see AI making jumps at a tremendous speed, right. The—now, it's gone beyond just the ability to be logical, inferencing, and reasoning. We're getting the cost of having them to the capability to have empathy on top, right. So how do you make them as—how do you make it seem almost seamless between an AI and a human, and make sure that on the receiving side, it feels like very seamless to them?

Rodrigo Kede Lima 46:35

I do think AI is the new math. Everyone, independent of what you do, if you're a lawyer, if you are a doctor, if you are a professional in any career, you're going to need to understand AI the same way you understand math, not that you're going to write a line of code, but you need to understand the impact that will have in the workflow, in the business process, in your life, so you can work better and you can continue to grow. So I think this is a massive change.

Panos Madamopoulos-Moraris 47:12

World models and spatial intelligence and the journey to transition from a world where we predicting the next word to a world that we can act in, you know, physical environments in a way that it's fused. It's a fusion of physical and digital. So I think we live in very exciting times across the robotic stack, both on the software side, but also on the hardware side, and this eventually is going to have tremendous implications, mostly positive. I want to believe that.

John B. Quinn 47:58

Well, that's a great spot to end on. We're out of time, I thank the panel for a fascinating discussion. Thank you very much.

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