

EMERGING IMPACTS OF AI ON TURNAROUND PROFESSIONALS

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An increasingly popular topic and focus in many businesses, including law firms and advisory firms, is artificial intelligence (AI). While AI may be revolutionizing various industries around the world, a lot of uncertainty remains about what it really is, how it could be used, and what its overall impact will be. In many ways, AI has become a generic term tossed around when people think of automation and efficiency, but what is it, really? And when and how will it help us?

In its basic form, AI is a tool designed to learn, problem-solve, and read, among

other things, by mimicking human-like cognitive functions. As a means of defining current capabilities and highlighting the early phases of what these solutions are expected to be able to do, the term “narrow AI” has been floating around. “Narrow” indicates the ability to solve specific problems, but not handle more than one differentiated task at a time. Terms like narrow help us understand that more is coming—and it is expected to be here sooner than later.

Common AI Terms

1 Machine learning (ML) focuses on the automated use of data and algorithms to mimic human learning.

Current examples include product recommendations, social media algorithms, and image recognition.

2 Natural language processing (NLP) focuses on the ability of computers to process and learn text and spoken words. Current examples include autocomplete/autocorrect, speech recognition, and translation.

3 Large language models (LLMs) are advanced AI systems designed to understand and generate human language by leveraging deep learning techniques and massive datasets. These systems can perform a wide range of

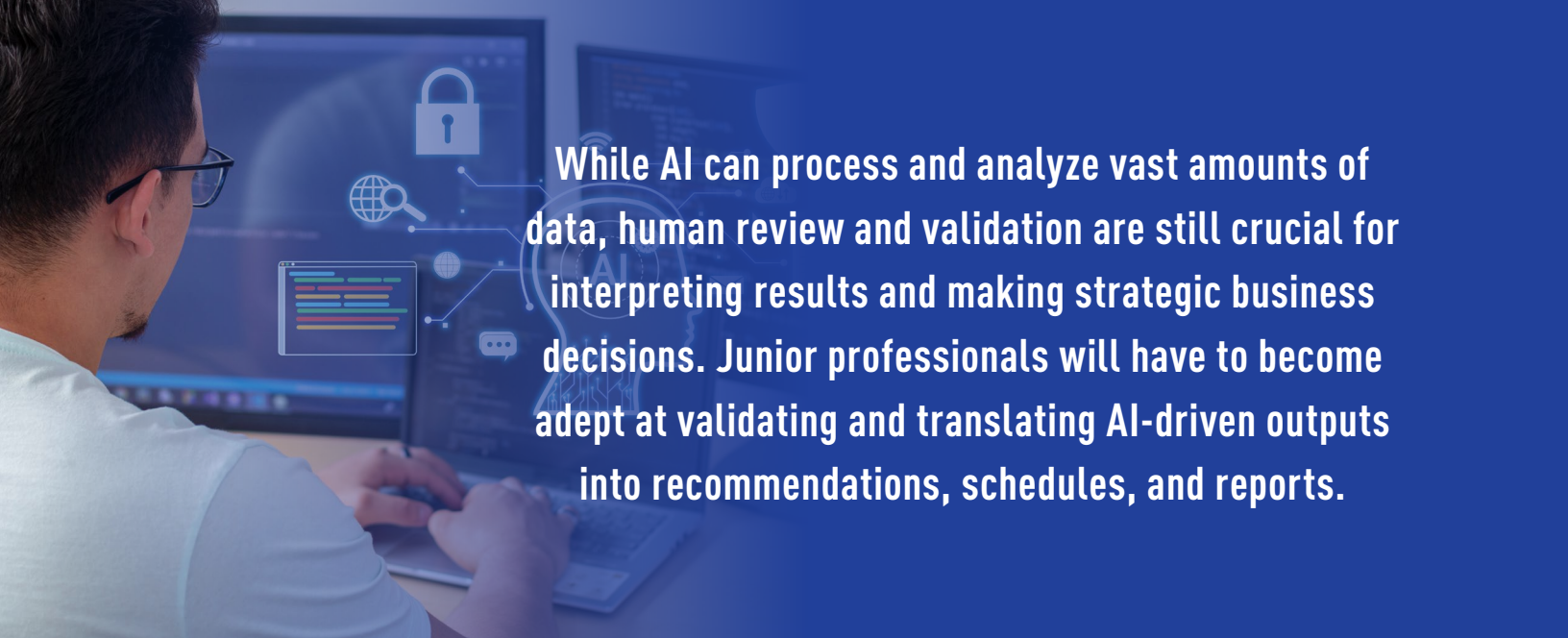
complex tasks including text classification, generation, and conversational question answering.

Many advisory firms are feeling the urgency to market their capabilities, incorporate AI into business operations, and share what AI can do for their clients. But what are the implications for professional services firms themselves? The potential to optimize reoccurring and tedious tasks—including document review, data consolidation and analysis, and basic creation of schedules—offers immense opportunity to both professionals and their clients. Consider how junior professionals

(loosely defined as those with less than seven years of experience) who are often at the forefront of data collection and preliminary analysis could soon find their work augmented using sophisticated AI tools. This development has the potential to reshape traditional professional roles and interactions with broader teams, especially junior professionals who will have the opportunity to be at the ground level in determining and implementing efficiencies as well as areas of risks due to data limitations or bias with AI tools.

Integrating AI into the workflow of junior professionals could have a

profound impact, freeing up time to perform better quality control and work on critical analyses faster. But it also could hinder their professional development and basic understanding of important factors including data origins, data bias, and constraints that come with operating a business. In the near term, and certainly as the technology advances, firms will need to consider that candidates in current undergraduate and graduate recruiting classes will likely have some form of AI exposure or training and have been

A person with glasses is seen from the side, working at a computer. The background is a blue-tinted image with various digital icons overlaid, including a padlock, a magnifying glass over a globe, a document with a checklist, and a speech bubble. The text is overlaid on the right side of the image.

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using available AI tools for some time, nudging a natural tendency to use AI anywhere it may be convenient.

Changes in Job Responsibilities

AI advancements will impact the restructuring profession by automating routine tasks and enhancing data analysis capabilities historically executed by junior staff. Traditionally, these professionals have spent significant time on tedious, labor-intensive tasks, such as document review, data collection and extraction, general diligence, data entry, and preliminary first-pass analysis. With AI solutions that can automate many of these tasks, engagement teams can now focus on higher-value activities. Indeed, some AI systems are capable of quickly processing large amounts of financial data and can identify patterns and automatically conduct data extraction, validation, and itemization with minimal human intervention. This shift not only enhances the efficiency and effectiveness of junior professionals but, if handled and implemented appropriately, could also accelerate their professional development by allowing them to work on more strategic and intellectually challenging tasks from the outset of their careers. At a minimum, several AI tools can circumvent a Google search by providing a better resource for Excel formulas. On the other hand, a challenging issue for all professionals in restructuring is that client data is often messy. Bad data in means bad

data out, no matter how sophisticated the tool. This data quality issue could mean a slower path to finding efficiencies through AI advancements for everyone in the industry.

The junior professional will likely help firms recognize how AI outputs may require refinement and correction. Those who are eager to learn and adapt to AI advancements to augment their project work are poised to thrive in their professional growth.

New Skills Required

Beyond the necessary technical skills, junior professionals must develop strong analytical skills and critical thinking as they advance in their careers. While AI can process and analyze vast amounts of data, human review and validation are still crucial for interpreting results and making strategic business decisions. Junior professionals will have to become adept at validating and translating AI-driven outputs into recommendations, schedules, and reports. As part of the validation, they will need to address, correct, and/or highlight any limitations or issues related to bad data that are a common barrier in restructuring engagements.

Managing up, a more challenging soft skill for most junior staff, will be essential when communicating with leaders about the use of AI in billable work. Working with senior professionals who have less exposure to AI-assisted work products may present an obstacle for junior staff.

Effective communication will be key—junior professionals must be able to explain complex AI concepts in simple, understandable terms. This will likely involve technical explanations and the need to highlight the practical benefits and strategic value of AI insights. For instance, rather than just presenting AI-generated data, junior professionals should contextualize it within the broader business strategy, demonstrating how these insights can drive decision-making and improve outcomes. This upward flow of information requires technical proficiency and strong business acumen, along with the ability to visualize the bigger picture and understand the personalities and nuanced motives of the stakeholders. Soft skills such as adaptability, problem-solving, and continuous learning will continue to be vital as the AI landscape evolves, requiring everyone to stay current with the latest advancements and trends.

Enhanced Learning and Development

Currently, platforms are available that provide professionals with access to customized training programs on AI, such as IBM Watson Studio and Google Colab, that suit their needs and goals. AI coaching platforms, such as CoachAccountable and Savvy, provide tools for junior staff to improve their skills in communication, negotiation, project management, and client relations. Content creation and curation,

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through platforms such as Open AI's ChatGPT and Microsoft's Copilot, are available to access tailored and up-to-date content that can help them learn about industry trends, best practices, case studies, and unique scenarios that other professionals have experienced.

Potential Changes in Career Progression

For those that embrace generative AI, these tools may also create new opportunities and pathways for career progression for junior restructuring professionals. As AI automates some mundane and repetitive tasks, such as data collection, analysis, and reporting, junior staff will be able to focus more on strategic activities, such as developing solutions, providing insights, and building relationships with clients and stakeholders. AI may also enable junior staff to take on more complex and challenging assignments that would otherwise require more seniority and experience. By leveraging AI tools and platforms, junior staff can enhance their creativity, innovation, and problem-solving skills, which are essential for career advancement in the restructuring industry.

A recent article in Fortune quoted KPMG executives that believe the company can save as much as 15 hours per worker every month with the help of AI.¹ Of course, this depends on the nature of work, among other factors, but translating that efficiency to a restructuring matter could make a splash.

Considerations & Risks

AI may also pose some challenges and concerns for firms and junior staff in the restructuring industry. Use of AI platforms may create a dependency on this technology, but a comparison could be made to professionals' current reliance on tools like Microsoft Excel, Teams, Word, PowerPoint, and Zoom, all of which now have their own AI-integrated capabilities. Those capabilities will continue to grow and be augmented with further AI advancements. Looking ahead, it will be hard to imagine maintaining a competitive edge without some form of AI assistance.

Some professionals may find themselves conflicted about using these tools, as AI may raise ethical, legal, and social considerations in the



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restructuring industry, particularly with respect to data privacy, bias, accountability, and transparency. Firms will need to prepare junior staff to be aware of and adhere to the relevant regulations and standards when using AI tools and platforms. Additionally, firms will need to consider the potential impact and consequences of AI applications on various stakeholders, including clients, employees, creditors, and regulators.

The vulnerability of routine, high-margin billable tasks to AI-driven automation is another important area of discussion. One of the main sources of revenue and profit for the restructuring industry is the billable hour, which reflects the time and effort spent by the professionals on a case or project. Some common high volume billable tasks led by junior staff, such as data analysis, document generation, and contract review, may be partially automated and accelerated by AI tools and platforms, which may reduce billable hours on an engagement. Typically, junior professionals have the highest number of billable hours given their involvement with these routine tasks. This may create pressure and challenges for the restructuring industry to adapt its business model and pricing strategy to changing market conditions

and client expectations. Additionally, for matters in bankruptcy, advisory firms may undergo additional scrutiny from the U.S. Trustee in their consideration of fee applications that may include alternative pricing structures related to the use of AI and other efficiencies.

Conclusion

Artificial intelligence tools are poised to revolutionize the restructuring sector, bringing both fresh opportunities and challenges for entry-level professionals. On the one hand, AI will likely advance their ability to focus on more strategic activities and enhance career prospects. On the other hand, AI will also create challenges by reducing billable hours and requiring new skills and competencies. Junior professionals will need to embrace AI as a partner rather than a threat and leverage its potential to deliver better outcomes for clients and stakeholders. Firms will also need to support junior staff with training, guidance, and ethical frameworks to ensure responsible and effective use of AI in the restructuring industry. ■

¹ Irina Anghel and Bloomberg, "Some of the Big 4 consulting giants believe AI could trim years off the path to partner," Fortune (December 4, 2023): <https://fortune.com/2023/12/04/big-4-consulting-giants-pwc-kpmg-ai-trim-years-path-partner/>.