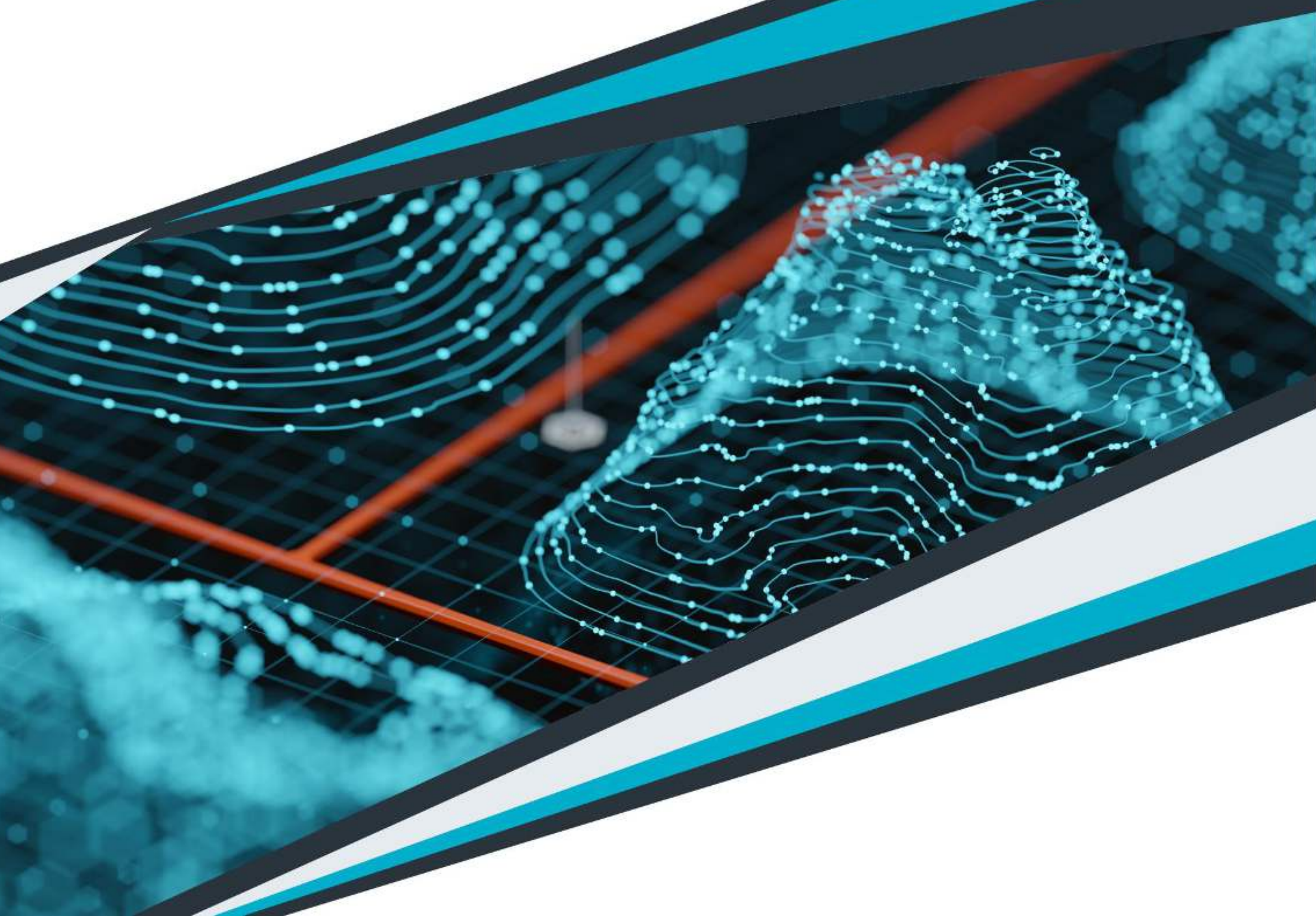
7 Best Practices for Faster Adoption of AI in Finance Departments

Artificial Intelligence can't replace 30 years' worth of accounting with an insurer instantly: unlike a machine, a human being can deal with partial data that can't be reconciled at first glance and make sense of it all to integrate it correctly into systems. Likewise, integrating Artificial Intelligence modules into financial systems smoothly and efficiently cannot be improvised, and requires a great deal of thought, preparation and iteration: it's not by sprinkling market AI modules here and there in your systems that your capabilities will instantly increase tenfold.

In this article, Alpha gives you 7 tips on how to anticipate the development of AI in the financial sphere and best prepare for its integration within your organization.



1 PROVIDING AI WITH QUANTITATIVE AND QUALITATIVE DATA

The main obstacle to experimenting with Generative AI in the insurance sector, and more specifically in finance departments, remains data management. To operate effectively, AI requires large data sets, which must be methodically and rigorously governed. AI models are based on data, which quality is crucial, as biased or incomplete data can lead to erroneous decisions. It will therefore be essential to constantly improve and monitor models to minimize suboptimal outcomes.

Finance departments must now anticipate the rise of AI in the financial sphere by preparing their data systems for the standards of this technology. They will need to ensure that quantitative data is matched, so that cross-analyses can be carried out with greater intelligence. This data quality is even more important as AI will be able to analyze transactional postings at contract-by-contract level, which an accountant cannot humanly handle.

2 CO-CONSTRUCTING USE CASES WITH SOFTWARE PROVIDERS

From an operational point of view, it is imperative for finance departments to collaboratively construct solutions adapted to address commonly-faced issues. Software providers continue to develop AI-integrated functionalities however their use remains limited, notably in the finance and account sector.

This is in sharp contrast with other business areas such as customer experience, pricing or distribution, which have already seen significant progress in their own AI-integrated solutions. Software providers must take proactive steps to understand the challenges faced by finance departments in order to provide relevant solutions. Not doing so will mean that the use of AI in the financial sphere will continue to remain limited!

3 ENSURING DATA SECURITY

Beyond the principle of protection set out in the GDPR regulation, it is essential that financial teams ensure the clear scope of the use of financial and non-financial data provided by external suppliers such as Bloomberg, S&P or Fitch so that it is only used for the purposes specified in the contract with this service provider.

This will enable teams to develop AI in their department, while making sure information stays within the boundaries of proper data use.

4 PROMOTING COLLABORATION WITH THE INFORMATION SYSTEMS DEPARTMENT

Collaboration between the information systems department, business units and software providers is essential for the successful development of artificial intelligence within finance departments. In order to tackle hot spots such as IT architecture transformation, cybersecurity and data quality as early as possible, finance departments will need to work jointly with the IT department.

As investments in AI are typically costly, it is crucial that both teams define a coherent strategy together, in order to ensure that implementation is coordinated and efficient. Feasibility and profitability are key to the success of AI projects.

5 IDENTIFYING AND TRAINING TALENTS FOR AI

CFOs will need to prepare their teams for AI, so that they better understand the challenges and opportunities offered by these technologies. Upskilling teams will generate relevant discussions and use cases useful for the optimization of existing processes to help make better decisions.

It's important to reassure your team by showing them how AI will not threaten or replace them, but rather complement their work and free up their time for higher value-added tasks. The aim is to encourage workers to see AI as a powerful assistant who knows the organization, the data and the rules in place very well.

6 EVOLVING GOVERNANCE

With the development of new use cases, AI poses new challenges in terms of governance. Ensuring the transparency of AI-based decision-making processes is a major challenge for all stakeholders involved: indeed, a decision taken by AI that is not understood by CFOs could have detrimental effects on decision-making processes. Finance departments will thus be responsible for guaranteeing the reliability of corporate financial data produced via AI, while continuing to ensure full auditability.

To meet this challenge, they need to keep a contextual record of how data is collected and consolidated as soon as AI is implemented in their internal processes. This is essential to ensure compliance with the accounting standards to which the company is subject.

From a legal standpoint, the EU Artificial Intelligence Act (adopted on 13th March 2024) will force companies in the financial and insurance sector to comply with new requirements should they use AI. The main idea of the Act is to regulate AI based on its ability to harm society, using a risk-based approach: the higher the risk, the stricter the rules. Although the Act was adopted in March 2024, It will only gradually apply from the end of 2024 until the summer of 2027. Finance departments will therefore need to take this new regulation into account if they wish to develop AI.

7 KEEPING ABREAST OF THE LATEST AI-RELATED INNOVATIONS

Generative AI has been evolving at an unprecedented pace since late 2022. It currently excels in text generation (e.g. ChatGPT) and is rapidly perfecting its skills in numerical analysis. However, AI struggles to excel in mathematics, since it relies essentially on probabilities. For example, to solve ‘1+1=2’, AI will search its immense database to find that the most likely sequence to ‘1+1’ is the number 2. In the financial sector, problems are often complex and require sophisticated mathematical models. If AI is still unable to solve these problems, it may be due to specific limitations linked to the data, algorithms or architecture used.

AI technology will continue to develop as the main market players (ChatGPT, Google, Microsoft etc.) and researchers work on an artificial superintelligence or ASI. This is still hypothetical, but in the long term it could surpass human intellectual capacities.

Thanks to our business and IT expertise, Alpha FMC is perfectly placed to help you transform your Finance Department by rethinking existing operating models through the use of new technologies.

Our teams can help you identify practical cases for implementing AI within your organization and support you in selecting suppliers offering solutions tailored to your complex needs.

If you would like to discuss with our teams how Alpha FMC could help you, please contact Thomas Noël-Betrancourt or Yoann Delarue.

Thomas Noël-Betrancourt
thomas.noelbetrancourt@alphafmc.com
+33 7 88 55 07 42

Yoann Delarue
yoann.delarue@alphafmc.com
+33 6 74 48 70 81

Alpha