



Why finance should lead the adoption of generative AI



Finance is ideally positioned to lead firm-wide generative AI adoption, developing best practices for governance, partnerships, and broad use of the new technology.

Introduction

In a few months, generative AI has gone from sci-fi novelty to business game changer. In “KPMG Generative AI Survey Report,” our June survey of top corporate leaders, three quarters of top corporate leaders respondents said generative AI is clearly the top emerging technology that they are considering for their businesses in the next 18 months.

But where to start? We suggest the finance function. Finance involves the kinds of tasks for which generative AI shows great promise: generating reports, analyzing data to spot anomalies, checking the validity of data, etc. Finance is also positioned to do something more: it can lead generative AI adoption for the firm, developing best practices for governance, partnerships, and use of the new technology that will help other functions and business units get up to speed quickly and avoid mistakes.

Finance can build the strategy that fully considers all the opportunities, risks, and tradeoffs of adopting the technology for the enterprise.

Finance function leaders expect generative AI to make a positive impact

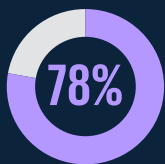
(March–June 2023)

■ March survey ■ June survey

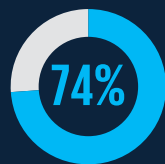
Executives perceive generative AI as a top emerging technology with significant impact in the coming years...

Emerging technologies

Respondents believe that generative AI is the top emerging technology:



Selected generative AI as having the most impact in the next 3–5 years



Selected generative AI as having the biggest impact in the next 12–18 months

... they express generative AI risk concerns, but are confident they can mitigate them and view generative AI workforce impact as positive

Risk management areas of priority

The following risk management concerns have increased the most among professionals:



Weaponization



Legal/copyright/IP issues



Lies and misinformation

Impact of generative AI

There is a significant shift in respondents' perspectives of the impact of generative AI in their organization:



Expected a moderate impact



Expected a moderate impact



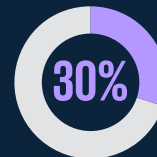
Expected a high impact



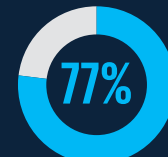
Expected a high impact

Risk mitigation

Executives have great confidence in their ability to mitigate risks:



Considered risk mitigation a high concern in implementing generative AI



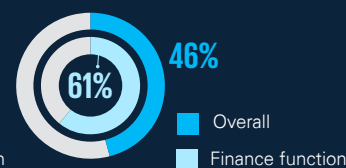
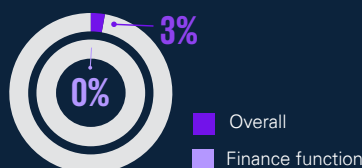
Said they are highly confident in their organization's ability to address and mitigate risks associated with generative AI

Gen AI governance

Finance function leaders have been quicker to implement AI governance programs:

In March, 3 percent overall had implemented AI governance and finance function had none

By June, that number rose to 46 percent, with finance jumping to 61 percent



Workplace impact

Perceived positive workforce impact of generative AI has increased among finance function professionals:

82% Anticipated generative AI to have a negative/neutral impact in the workforce

19% Anticipated generative AI to have a negative/neutral impact in the workforce

18% Anticipated a positive impact in the workforce

81% Anticipated a positive impact in the workforce

Note: Findings are based on KPMG surveys on generative AI in March and June 2023; the comparative March survey data points are based on 225 U.S. respondents.

Why finance should lead

Because finance touches so many parts of the business, it makes sense for the function to lead the organization in generative AI adoption. CFOs have already assumed broad oversight in strategy, enabling technologies, and risk management. They bridge the front, middle, and back offices, and they are stewards of enterprise data. As the “tip of the spear” in generative AI, finance can build the strategy that fully considers all the opportunities, risks, and tradeoffs of adopting the technology for the enterprise. Finance is also a function ripe with opportunities for applications of generative AI. These include:

- 1 Forecasting and budgeting** – Among the respondents to the KPMG survey, 83 percent said their finance and accounting functions were exploring generative AI for use in financial forecasting and budgeting. The possibilities include integrating predictive models, creating scenarios, and generating insights on potential financial outcomes.
- 2 Generating financial commentary and presentations** – The technology can reduce the time and labor needed to create recurring materials required for financial reporting milestones, business reviews, management reports, and board meetings. It can bring data into templates and models and generate insights into financial and business trends, potential risks, and opportunities.
- 3 Collecting market intelligence** – Generative AI can be a powerful research tool, able to find and synthesize data from publicly available material to generate insights on markets, competitors, and customers. As an example, analyses can be tailored to geographies or customer personas.

- 4 Generating strategic insights** – Analyze data from internal and external sources and partner with other functions to provide insights from various systems such as customer relationship management (CRM) or enterprise resource planning (ERP) to share across the business. Use finance’s unique position to inform strategic decisions and solve the most pressing problems with pricing, performance, and benchmarking metrics.
- 5 Managing contracts** – Generative AI tools can quickly draft contracts with preferred terms, prioritize contract reviews based on deviations from standard terms and conditions, and identify contracts with clauses relevant to revenue recognition and document their relevant accounting treatment.
- 6 Detecting anomalies/fraud protection** – Generative AI shows great promise as a tool for detecting errors and spotting potential fraud. It can quickly compare new data or activity with past patterns to identify anomalies. The same technique can improve the quality of financials by continuously monitoring transactional data.

And that’s just a start. Once the organization is ready, generative AI solutions are available and relatively simple to roll out. Building them as complements to existing AI systems can provide a new layer of contextual value-add to data. In time, generative AI will evolve to enable a whole new set of applications. Companies will integrate it more tightly with their proprietary data. Models will be retrained and optimized for specific purposes. And capabilities across the corpus of media inputs and outputs—pictures, video, text, voice—will become cross-modal (i.e., text in, video responses out). What’s important now, though, is getting started with the possibilities that exist today, including those related to compliance and tax.

Challenges in adoption

As with any transformation project, it's important to balance quick action with risk mitigation. Generative AI teams will need to sort through tricky governance, ethical, and legal/regulatory questions as they build their strategy. In our June survey, however, nearly 75 percent of finance function respondents were extremely confident in their organization's ability to address and mitigate risk associated with generative AI. Another challenge is determining who to partner with to move quickly. Among the challenges companies will face are:

Security/reliability

This includes the potential for cyber-attacks, and biases in the data that are imperceptible to humans but distort machine learning, causing algorithms to misclassify data. There's also the risk of data leakage when private or highly sensitive data is involved. Concerns over output reliability have increased; in March, 29 percent of business leaders ranked this as high priority, but in June the figure had risen to 56 percent.

Intellectual property

Protecting intellectual property rights can be a challenge with generative AI. Large language models use information that has been posted online and it can be difficult to determine the provenance of generative AI results. Alleged IP theft by generative AI has already sparked lawsuits.¹

Understanding output

It's hard to understand limitations in the output of the models when you don't control them. When using open source or off-the-shelf generative AI solutions, companies sacrifice transparency into underlying training sets and the algorithms that power the generative AI. Teams need to build compensating controls to mitigate negative impacts.

Data protection

Protecting and managing data used by generative AI requires a high level of diligence and process discipline. In our June survey, executives said that data security and privacy credentials are a top capability that they are looking for in generative AI partners and vendors.

Job redesign

The ability of generative AI to perform human-like tasks to gather and synthesize data and generate content has significant implications for how jobs are designed. From March, when we conducted our first generative AI executive survey, and June, when we conducted a follow-up, perceptions about the impact on jobs flipped. In March, 82 percent predicted generative AI would be a job destroyer. In June, 81 percent said the technology will have a positive impact, enhancing the capabilities of employees and making them more productive.

A balanced approach of urgency and risk awareness is required: start now and build innovation velocity for generative AI adoption, while establishing the proper legal, governance, and ethical guardrails for the enterprise.

¹ Source: Alia Shoaib, "This is why comedian Sarah Silverman is suing OpenAI, the company behind ChatGPT," Business Insider, July 9, 2023

What comes next

Taking the lead on behalf of the organization, the finance function can build an institutional framework for generative AI that is true to the organization's risk tolerance, cultural complexity, and investment appetite for technology-led transformation. Here's how to get started:

1 Appoint leaders

If finance is to pioneer and champion generative AI for other parts of the enterprise, high-level, empowered leaders will need to be involved and visibly engaged.

2 Assess the organization's risk appetite

Are you risk takers? Are your clients? Does your industry embrace rapid change, or follow others into the technology breach? Determining where your organization sits on the risk and maturity spectrum will dictate your level of comfort with diving into generative AI.

3 Align your approach and your experts

There are significant decisions the organization must make around security, privacy, and legal risk, not to mention practical considerations like whether to allow staff to use public generative AI models. There are partnerships and build/buy choices. While finance might lead the effort, they can't make these choices alone. Build a cross-functional team committed to identifying the issues and finding the right solutions for the organization.

4 Identify partners and their strategy

Build an ecosystem of collaborators and vendors to support you and learn what they're investing in. Then figure out where to invest and how you'll create the capability. Generative AI is not so much a question of buy versus build. It's an opportunity to buy and build using leading-edge foundational models and platforms and your own tailored solutions and data.

5 Identify initial use cases

Real-world, value-adding use cases will help validate generative AI and justify investment. Pick the projects that can quickly deliver tangible business benefit. Choosing the best starting point includes an evaluation of the processes, people, risks, data, and effort level involved.

6 Define success and measure

To get real value from generative AI, adopt a set of best practices and success prerequisites. That includes having clear leadership commitment; establishing a center of excellence with representation across functional areas and business units; getting your data in order; and preparing to retrain the workforce.

7 Build a sandbox

The key to accelerating innovation in generative AI is creating an environment where people can innovate hassle-free. Provide the tools, environment, and support so enthusiastic adopters can start experimenting.

8 Get moving

Start small. Once you've identified and scoped a few use cases, start building them, then expand their scope as you prove out the value. There's no need to identify every use case across the enterprise before you launch proofs of concept. Scoring some quick wins can help build momentum.

How KPMG can help

KPMG has been a leader in finance transformation—helping organizations of all kinds modernize the finance and accounting functions. We help CFOs, CAOs and finance leaders increase efficiency and capacity of the finance function and have greater impact across their organizations.

We are well prepared to help finance leaders use generative AI in finance transformation. With our deep experience in machine learning and natural language processing, we can help guide your organization through strategy, use case development, vendor selection, and implementation—and then provide ongoing support to help you enhance your investment in this transformative technology. We understand both the promise of generative AI and the process and cultural changes that will be required to realize its full potential. We help our clients develop the correct processes and controls to identify and mitigate these risks using our Responsible AI framework.

The stakes are high to get this right. The risks of doing nothing are substantial. In a few short years, we'll see the profound changes from generative AI take root in everything from the labor force to technology stacks. If ever there was a moment to think big about a new technology's possibilities for your organization, this is it.

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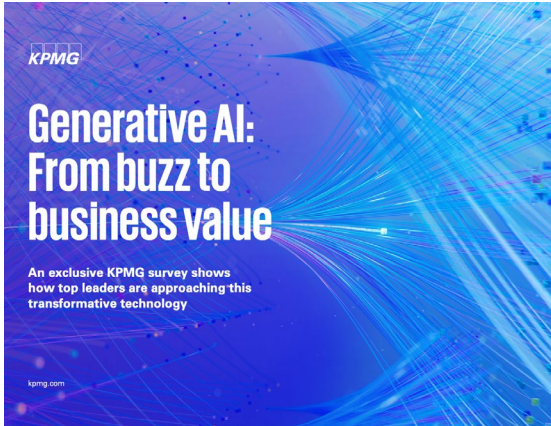


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