

Navigating the Stages of AI Value Creation for **Financial Services**



Executive summary

AI has come a long way since 1956, when John McCarthy first coined the term at a conference he organized at Dartmouth College.¹ The unprecedented pace of innovation, along with the accessibility of ChatGPT and other generative AI tools, has galvanized virtually every organization.

Given the number of AI technologies, the possible uses, and the range of opportunities, it can be challenging to know where to start.

To better understand key drivers of AI readiness and their impact on AI readiness, Microsoft commissioned IPSOS to conduct a research study using qualitative data from experts and quantitative data from more than 1,300 information technology and business leaders across a range of industries and regions.²

IPSOS then used the survey data to build a predictive model to help identify the stage of AI readiness—from exploring to realizing.

This book provides our research findings for financial services, focusing on how industry leaders can realize the value of AI.

Industry summary

Financial services

Financial services leads in AI maturity and spending, integrating emerging technologies into different departments and business processes. However, this sector is seeking opportunities to realize the value of AI, with only 7% reporting they consistently see significant ROI from AI projects.

Leverage our financial services-specific insights and use cases to create more value with AI. Based on a study commissioned by Microsoft and conducted by IPSOS, this guide identifies the key stages of AI readiness and drivers of AI and offers best practices and next steps for realizing value with AI in financial services.

212

Financial services
decision-makers
participated in this
research

Research, methodology, and modeling

Market	Total	IT decision-makers	Business decision-makers
United States	n=500	251	249
India	n=200	100	100
United Kingdom	n=200	100	100
Germany	n=207	103	104
Japan	n=206	105	101

The research behind this e-book included multiple phases conducted by IPSOS on behalf of Microsoft. In August of 2023, IPSOS conducted an expert workshop with representatives from business and academia. They then conducted a quantitative survey of enterprise business and IT decision-makers (BDMs and ITDMs) on the topic of AI readiness and success from September to October of 2023.

These decision-makers had a budget responsibility, covered a mix of business factors and departments, and represented enterprise or higher mid-market organizations (500+ employees for U.S organizations, 300+ employees for global markets). They also covered 4 core industries,

financial services (212 individuals), healthcare (153 individuals), manufacturing (171 individuals), and retail (89 individuals). We obtained input from more than 1,300 decision-makers in multiple markets, including the United States, India, United Kingdom, Germany, and Japan.

The survey included more than 40 questions related to each of the five drivers of AI success: business strategy, technology and data strategy, AI strategy and experience, organization and culture, and AI governance. The analyses and models described in this paper were created using multinomial logit analysis to protect the AI readiness level of each driver using the items

in the survey for each and then the overall AI readiness from the predicted assessment of the five drivers.

For each stage of AI readiness, the study identified typical values to represent the stage’s characteristics and opportunities. For example, in the initial “exploring” stage, the responses to all the scale questions were at a value of 1. Similarly, for the “planning” stage, questions were set at a value of 2. The values serve as standard examples for each stage. However, the specific recommendations for an industry might differ, depending on the organization’s unique situation and opportunities.

Financial services AI readiness summary

As demands for transparency increase and digital currencies rise alongside the continued emergence of financial technology, the financial landscape presents significant opportunities and challenges for all stakeholders. AI is helping financial service providers optimize costs, accelerate processes, and enhance the customer experience.

Among financial services organizations:

70%

Are currently using **big data analytics** in production

Cross-industry average: 58%

63%

Seek to increase **operational efficiency** through AI investment

Cross-industry average: 59%

27%

Have piloted **AI applications** or **AI-assisted solutions**

Cross-industry average: 22%

61%

Of **data and analytics departments** are currently using AI

Cross-industry average: 46%

74%

Started on premises or are in the process of **migrating to the cloud**

Cross-industry average: 69%

13%

Spend more than **\$5M on AI** per month

Cross-industry average: 9%

3.4

Average number of departments **implementing AI**

Cross-industry average: 2.9

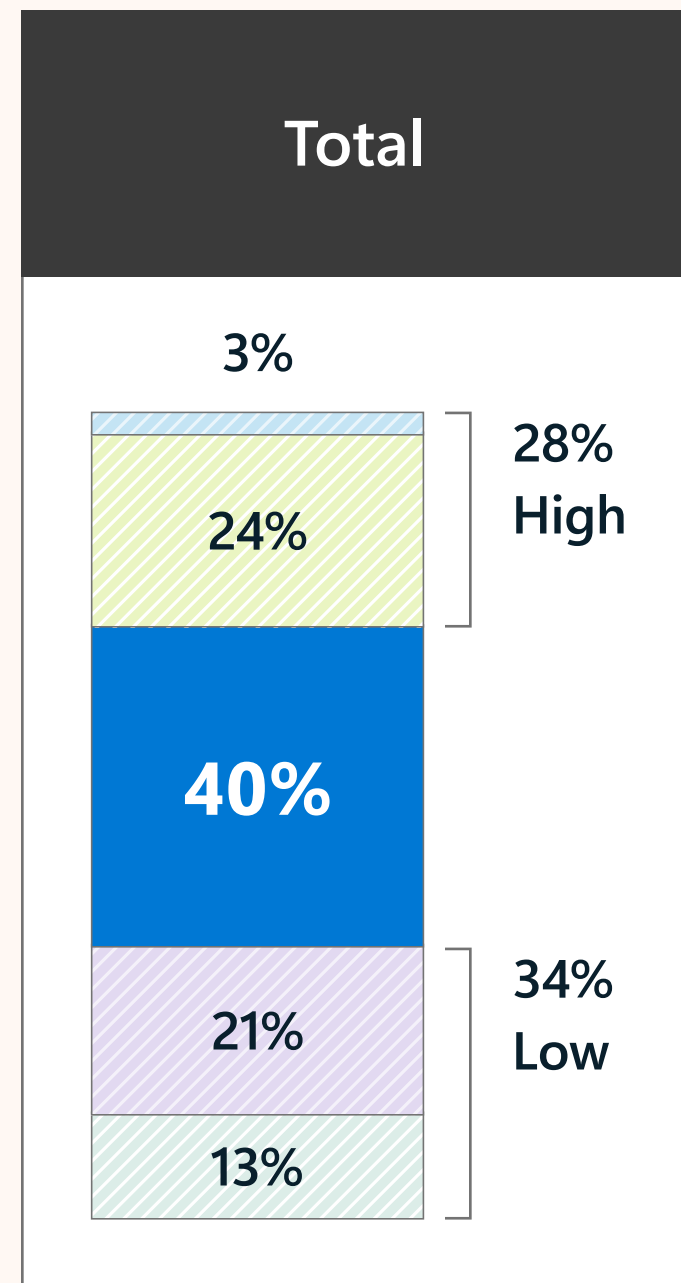
16%

Have a **chief AI officer**

Cross-industry average: 20%

Financial services AI readiness insights

Financial services stages of AI readiness



Overall AI readiness in financial services

The financial services sector is advancing more rapidly than other industries in terms of AI readiness, with 40% of organizations in the **“implementing” stage**. This stage is characterized by piloting, promoting, and applying AI strategies in selected business units. In the implementing stage, most organizations are beginning to yield value from their AI investments.

The finance sector is more proactive in enhancing AI implementation, as 58% allocate budgets for AI resources and projects, 54% provide AI-specific training to existing staff, and 52% create internal knowledge sharing initiatives. This commitment to AI advancement has led 27% of financial services firms to reach the “scaling” and “realizing” stage, exceeding the 25% general industry benchmark and marking them as above-average in AI leadership.

Drivers of financial services AI readiness

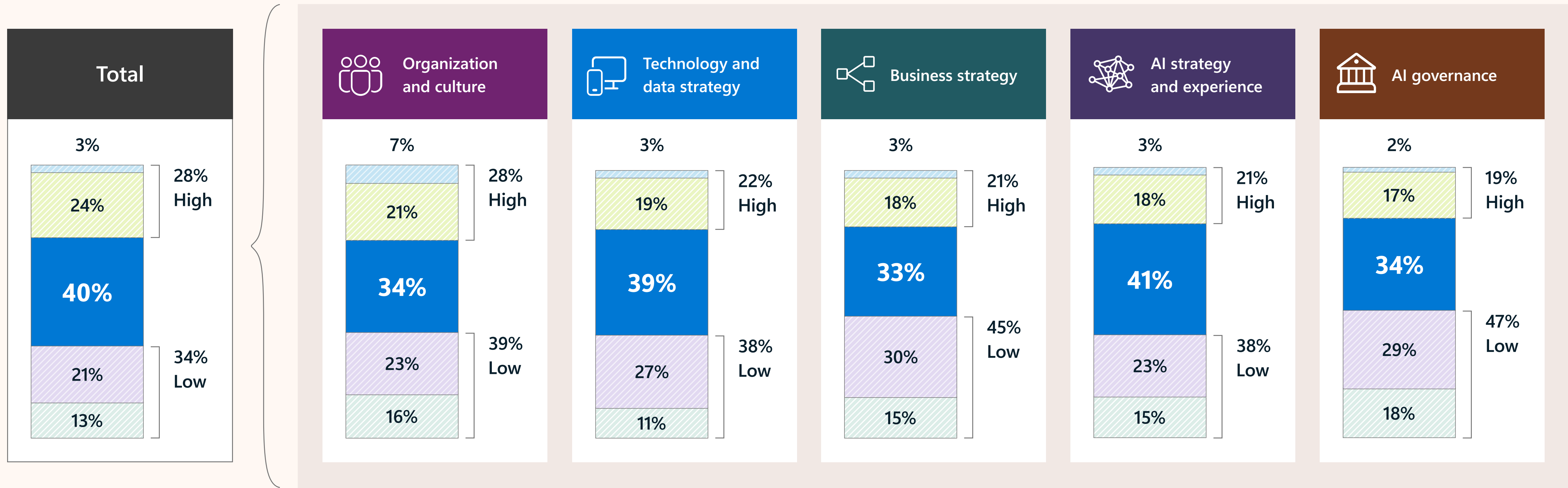
It is promising to see that 67% of working hours in banking could be affected by generative AI, which could lead to a potential increase in productivity of 22-30% for banks that use this technology effectively.³ Yet, research indicates that financial services trail behind other sectors in **technology and data strategy** during the “scaling” and “realizing” stages. This is likely due to the additional compliance and regulatory requirements, which also causes the industry to move more deliberately in **AI governance** as evident in the fact that 19% are in the advanced stages of readiness compared to 28% across all industries. Despite these requirements, only 39% of financial institutions prioritize trustworthiness in their selection of AI tools, which is the lowest percentage across all industries and falls below the 44% average.

As a professional in the financial services industry, focus on advancing from the “implementing” stage by continuing to prioritize building a solid organization and culture linked to your business objectives. This leadership support, as well as your AI and business expertise, will prepare you for the “scaling” stage.



Financial services AI readiness drivers

Financial services drivers and stages of AI readiness



Financial services dominant AI readiness stage: Implementing

Most financial services companies are in the **implementing stage** with the opportunity to use **organization and culture** to advance towards realizing AI value.

Top drivers for implementing stage

Organization and culture

Rank #1

Financial institutions empower their employees through AI-assisted solutions that increase productivity, reduce friction, promote better collaboration, and make operations more efficient. These tools create a secure, innovative, and agile culture, helping employees adapt to the fast-changing sector. They enable real-time customer interaction and increase agent efficiency, enhancing customer experience and employee satisfaction.

Top trend

- Empowering banking employees

Top opportunities

- Leadership has clearly communicated vision and importance of AI
- Availability of experts to contribute to AI projects

[Learn](#) how financial services companies empower employees with AI.

Business strategy

Rank #2 (tie)

Financial services companies are looking for innovative ways to use AI-assisted solutions to accelerate decision-making, improve customer experience, achieve compliance, and cultivate a collaborative and efficient workplace. Unified data platforms break down information silos, optimize operations, enhance data use, and improve compliance, fostering interdepartmental collaboration and delivering real-time insights.

Top trend

- Improve productivity through better teamwork, insights, and communications

Top opportunities

- Prioritized, approved, and socialized use cases for AI
- AI objectives support business objectives

[Discover](#) ways to improve productivity and increase access to insights.

AI strategy and experience

Rank #2 (tie)

Financial services organizations have grown more reliant on AI to create an agile foundation for growth. Modernizing infrastructure with cloud-based solutions accelerates time-to-market, keeping institutions competitive. AI and machine learning provide deeper data insights and better market responsiveness, reducing operational costs and improving customer experience.

Top trend

- Increase agility to roll out new products and services while saving on infrastructure costs

Top opportunities

- Identifying AI models best suited for AI use cases
- Diversity of roles and experiences of people involved in AI projects

[Learn](#) how firms use AI to innovate and gain a competitive edge.

Transform financial services with AI

The financial services industry is making significant progress in its AI readiness journey, with most organizations in the “implementing” stage.

To accelerate progress in AI readiness within the financial services sector, prioritize strengthening organization and culture.

There are opportunities for improvement in business strategy such as prioritizing, approving, and socializing use cases for AI. Building a robust AI strategy and experience will also push financial institutions closer to the “scaling” stage. Integrating these opportunities will fully harness the potential of AI, enabling the financial services companies to position themselves for value creation in the age of AI.

➔ [Get the full e-book](#) to learn how to develop an AI strategy roadmap for success and explore more valuable industry insights.

➔ Discover more at [Microsoft Cloud for Financial Services](#).

Endnotes

1. Grace Solomonoff, "The Meeting of the Minds that Launched AI," May 6, 2023, accessed February 29, 2024, [The Meeting of the Minds That Launched AI - IEEE Spectrum](#).
2. Please see the "[Research, methodology, and modeling](#)" overview for more detail on the research and analytical approaches that support this study.
3. Accenture, "Commercial Banking Top Trends for 2024: Bridging Today's Challenges and Tomorrow's Possibilities," 2024, <https://www.accenture.com/content/dam/accenture/final/accenture-com/document-2/Accenture-Commercial-Banking-Trends-2024.pdf>.