



## For CFOs, time to gather intelligence on GenAI

If a generative artificial intelligence (GenAI) chatbot had produced this article, it could have rapidly outlined a path for CFOs seeking to implement and apply the algorithmic tool to reduce costs and improve decision-making. And it would have been able to do so in a tone of absolute certitude—even if it started making up information, detecting unrelated patterns and presenting these so-called “hallucinations” as facts.

Such inaccurate output, when GenAI departs from any relevant context, occurs because the technology still has learning to do. Despite the froth surrounding GenAI—which differs from traditional AI in that it can create new content, ranging from text to videos to computer code—the models possess roughly the same cognitive aptitude of a kindergartner. GenAI might confidently

use words it doesn’t actually understand, and connect ideas with little in common.

But GenAI is maturing swiftly, which may explain why many CFOs are evaluating how they might integrate the deep learning technology into their workflows. In Deloitte’s [3Q23 CFO Signals™](#) survey, 42% of the 116 respondents say that their organizations are experimenting with GenAI, while another 15% say their companies are incorporating it into their business strategy.<sup>1</sup> The results dovetail with the [2023 CFO Agenda](#), which cites the pressure on CFOs to bring actionable information from the data finance collects.<sup>2</sup>

GenAI appears to fit the bill. Indeed, GenAI may ultimately reshape the finance function’s entire value proposition to the business,

given the range of its prospective use cases, from automating heavily manual processes to powering real-time predictive models.<sup>3</sup> Understandably, CFOs might feel overwhelmed about where to start. As they prepare to implement their 2024 strategic plans, keeping a close eye on inflation and the risk of recession, many CFOs may also wonder how they can begin to engage GenAI to drive efficient growth.

In this edition of *CFO Insights*, we’ll explore how CFOs can identify where to deploy GenAI in the finance function. We’ll also look at what leaders can do to prepare their companies for the transition. And we’ll address a very human concern: How much should CFOs and others really worry about losing their jobs to AI-fueled machines?

### Intelligent design

With some corporate boards flooding CFOs with questions about GenAI, finance chiefs may fret that they are late to the party. But GenAI's impact is just beginning. Throughout the next 10 years, research suggests that GenAI breakthroughs could increase global GDP by 7%—nearly \$7 trillion—and boost productivity growth by 1.5 percentage points.<sup>4</sup>

GenAI's emergence stems from the intersection of two technological advances. One is large language models (LLMs), algorithms that can analyze massive amounts of text. The other: machines with mammoth computing power. While LLMs lack an innate understanding of words, they can predict the next most likely word in a sentence based on patterns they detect—misfiring as much as 27% of the time, according to recent research.<sup>5</sup> Nevertheless, a GenAI chatbot actually passed the CPA exam.<sup>6</sup>

While adopting GenAI entails challenges—such as proving the business value and focusing on appropriate use cases—many leaders clearly see AI's transformational potential. In Deloitte's most recent [State of AI in the Enterprise](#) survey, 94% of the 2,620 respondents say they believe that AI is critical to their success strategy over the next five years.<sup>7</sup>

GenAI and finance seem a natural fit, given that the former is powered by data and the latter draws upon abundant amounts of it. Deloitte's [3Q23 CFO Signals](#) survey found

that two-thirds of surveyed CFOs are either experimenting with GenAI or talking about it (see Figure 1).

In assessing the importance of GenAI as part of their company's business strategy, 24% of respondents see it as important (18%) or very important (6%). Forty-two percent see it as either not important or not very important with almost equal proportions in each of those camps.

CFOs seeking insight into what GenAI can do might be tempted to roll out a pilot project. But GenAI needs to be approached gingerly.

The technology requires vast amounts of data and serious processing power. Given the investment needed, CFOs may be wise to start with a small, targeted set of use cases aimed at delivering specific benefits. For CFOs, that can mean identifying a challenge where the company has already been collecting data and has established frameworks to govern the process.

Simply unleashing the capabilities of GenAI at full throttle can reveal various risks, only some of which—cybersecurity, data privacy, and regulatory compliance—are knowable in advance. Indeed, it likely won't be long before legislatures and other regulatory bodies pass rules governing the corporate use of GenAI (see the accompanying story, "AI regulation: What can CFOs expect?")

### Higher learning

Integrating complicated GenAI into a complicated workflow is, unsurprisingly, complicated.

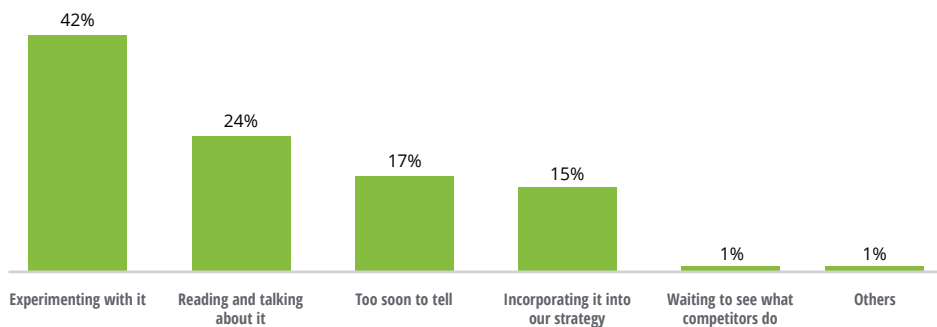
But even getting to the testing phase is an accomplishment. In the [3Q23 CFO Signals](#) survey, roughly two-thirds of surveyed CFOs say they will spend less than 1% of next year's budget on GenAI.<sup>8</sup> In preparation, CFOs might want to take some proactive steps, including the following.

- **Get up to speed on GenAI.** CFOs don't need to become experts in GenAI. But finance leaders should know enough to decide what outcomes they hope to achieve through it (such as opening up new revenue streams). And they should also know how GenAI makes decisions. Even a basic understanding of the technology could help CFOs demystify the process for team members.
- **Collaborate with other functional leaders.** In the [3Q23 CFO Signals](#) survey, 59% of respondents say that ownership of GenAI within their organization belongs to the Chief Technology Officer, Chief Information Officer, Chief Data Officer, or equivalent.<sup>9</sup> In any case, leaders should not perceive of GenAI as an IT issue to resolve. CFOs and other functional leaders should participate in shaping strategy and driving execution around GenAI. After all, GenAI is not merely another emerging technology; it represents a new way of making decisions.
- **Assess the company's technology skills.** One challenge to any proof of concept involving GenAI: the technology stack needs to be stood up. This means companies need to make sure they have access to the necessary skills required to do so. Those may include familiarity with data analytics and engineering, machine learning algorithms, and facility with certain programming languages.

### Beyond hype

Moving past the GenAI hype and into real-world applications will often mean first deploying it to improve efficiency and productivity. In fact, in the [3Q23 CFO Signals](#) survey, a plurality of respondents, 52%, ranked "reduce costs" among the top three benefits they hoped to achieve by using GenAI; a slightly smaller proportion, 45%, prioritized increasing margins, efficiencies, and/or productivity (see Figure 2).<sup>10</sup>

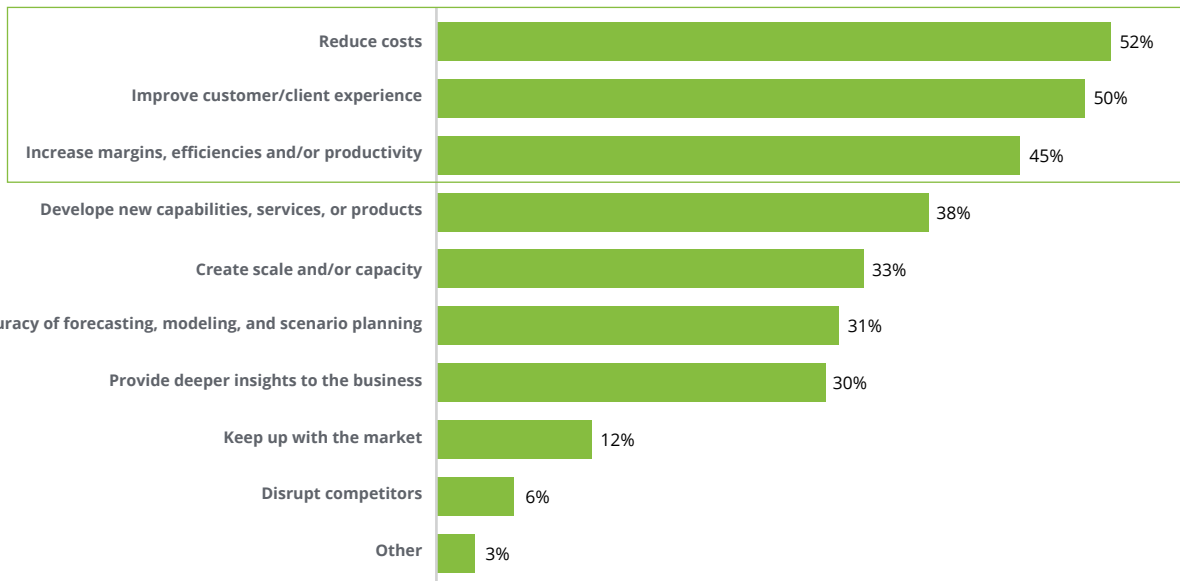
Figure 1. Where is your organization on its GenAI journey?



\*115 (99%) of respondents across eight industries answered.

Source: [3Q 2023 CFO Signals™](#) survey, US CFO Program, Deloitte LLP.

Figure 2. If your organization plans to adopt GenAI, what top three benefits do you hope to achieve?



\*112 (97%) of respondents across eight industries answered.

Source: 3Q23 CFO Signals™ survey, US CFO Program, Deloitte LLP.

For finance, that may mean using GenAI to generate scripts for earnings calls, or anticipate questions analysts might pose. GenAI might also be used to produce succinct summaries of meeting minutes or create a coherent impact analysis regarding new regulations.

Cutting manual tasks may save money, but it doesn't typically enhance competitive advantage. However, integrating GenAI into the organization's processes could increase gross revenue. For example, the technology may enable businesses to bring products to market faster. By analyzing data from a variety of sources, GenAI might inform the design of new offerings—and ultimately generate insights that can help leaders better understand the business. First, however, CFOs may want to consider some of the following actions:

**1. Assessing data readiness.** GenAI's voracious appetite for data—both structured and unstructured, and drawn from a host of sources—can only be properly fed once that data is put into a consistent format. It also needs to be centralized to safeguard the consistency of the data. Meeting regulatory requirements should also be a priority, especially with regard to consumer data. (See "[Mastering data](#)

[for better insights—and competitive advantage," CFO Insights, January 2021.](#))

- 2. Bridging skills gaps.** Whether through upskilling or hiring, it's advisable to consider the needed expertise prior to implementing GenAI. In the 3Q23 CFO Signals survey, 63% of respondents cited "talent resources and capabilities" as one of their top three barriers to adopting and deploying GenAI.<sup>11</sup>
- 3. Identify quick wins.** To generate ROI, a simple GenAI use case may be to set up a chatbot to answer basic HR-related questions about travel or vacation policies. But such implementations are no substitute for a long-term strategy. Without an

overarching view, companies can end up with a loose federation of GenAI use cases.

- 4. Clarifying the role of humans.** In introducing GenAI, CFOs and other leaders may want to emphasize that the technology is intended to enhance employees' experience and productivity. GenAI's "thinking" should supplement the cognitive abilities of the organization's employees—not replace them.

Employees, then, should be regarded as customers of GenAI, not rivals. Granted, it's hard to predict what the future will bring. But the real value of GenAI for finance may lie in supporting decision-making—not taking over responsible for doing it.



## AI regulation: What can CFOs expect?

The sudden accessibility of GenAI has jump-started conversations about how organizations will use it. But equally important: how will it be regulated?

At this point, it may be too early to anticipate what lawmakers and regulators in Washington will do. However, understanding how other countries have approached AI may offer some insight as to how the US might handle it.

Deloitte's analysis of the more than 1,600 policy initiatives from 69 countries and the EU suggests that many countries are taking a similar path to ensure rules are in place to protect the public without stifling innovation.<sup>12</sup>

Some countries and regions are taking bolder steps than others, however. Compare the EU's draft AI Act with the US AI Risk Management Framework. Both policies take a risk-weighted approach but differ in how to apply it. The US Risk Management Framework includes nonbinding recommended actions. Conversely, the EU's draft AI Act is binding legislation that, if enacted, would directly regulate use cases or applications of AI algorithms.<sup>13</sup>

Draft policy proposals, however, frequently focus on controlling how AI actually works rather than outcomes. Deloitte's research finds that this approach may overlook critical tools available to government leaders, including:

- **Outcome-based, risk-weighted regulations.** Of the more than 1,600 policies analyzed, only 11% focused on regulating AI-adjacent issues like data privacy, cybersecurity, and intellectual property. Even when limiting the search to only regulations, 60% were focused directly on AI. Only 40% addressed AI-adjacent issues.

Of course, directly regulating a fast-moving technology like AI can be challenging. Our data suggests regulators should focus on incentivizing desired outcomes in high-risk uses of the technology instead of addressing how AI works. For example, if it's in the public interest to limit bias in AI-enabled decisions, then requiring that the outcomes of all those decisions meet certain standards may help protect public goals even as new generations of technology emerge.

In the US, the recently released *Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence* reiterates that AI and AI-enabled products must follow existing consumer protections for bias, discrimination, privacy, and more.<sup>14</sup>

- **Providing infrastructure and buying power.** Regulators aren't the only ones involved in shaping AI's development. Governments have long used their buying power to steer the development of technology. But our data suggests one of the most underused tools available to governments is providing needed infrastructure. While the US has shaped technology by providing infrastructure in the past, very few governments have invested in providing technical infrastructure for AI such as computer-sharing platforms or representative training data sets. Such tools can help accelerate AI development.

To read the complete report, click [here](#).

## End notes

1. [3Q 2023 CFO Signals™](#), US CFO Program, Deloitte LLP.
2. [The 2023 CFO Agenda](#), US CFO Program, Deloitte LLP.
3. [“The Generative AI Dossier: A selection of high-impact use cases across six major industries,”](#) Deloitte AI Institute, Deloitte Development LLC.
4. [“Generative AI Could Raise Global GDP by 7%,”](#) Goldman Sachs, April 5, 2023.
5. [“Chatbots May ‘Hallucinate’ More Often Than Many Realize,”](#) *New York Times*, November 6, 2023.
6. [“ChatGPT aces CPA exam after prior version flunked,”](#) *CFO Drive*, May 25, 2023.
7. [State of AI in the Enterprise](#), 5<sup>th</sup> edition report, Deloitte Development LLC, October 18, 2022.
8. [3Q 2023 CFO Signals™](#).
9. Ibid.
10. [3Q 2023 CFO Signals™](#).
11. Ibid.
12. Data drawn from OECD AI Policy Observatory database and analyzed using a number of frameworks to find patterns in global AI regulation.
13. [“Artificial intelligence risk management framework \(AI RMF 1.0\),”](#) National Institute of Standards and Technology, January 2023; European Parliament, [“EU AI Act: First regulation on artificial intelligence,”](#) June 8, 2023.
14. The White House, [“Executive order on the safe, secure, and trustworthy development and use of artificial intelligence,”](#) October 30, 2023.

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