



TAX NEWS & VIEWS PODCAST

Episode - GenAI integration: Tax's next frontier

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Carrie Falkenhayn: From Deloitte tax welcome to the Tax News and Views podcast. In this series, we talk to specialists from Deloitte, about the latest business issues and developments. I'm Carrie Falkenhayn, your host for Tax News and Views. Today we're recording another in our series focused on Gen. AI for tax. We're calling the series integrating Gen AI tax solution - sizing the breadbox. And today we'll be talking to Craig Darrah. He's from Deloitte's Tax Technology consulting group, and James Glover, who is with Deloitte consulting's finance transformation practice where he leads how generative AI can be used to transform finance organizations. So, this is going to be a great conversation today, James, maybe you can start us off with what are some of the consistent themes that you're seeing for organizations trying to launch their Gen AI journey within finance?

James Glover: Yeah, thanks, Carrie, and thanks for inviting me to this podcast look, when we talk to clients, we generally are being asked questions around 4 areas. The 1st is and very applicable to this podcast is around ROI. What is the return on investment? The second, I call the opportunity question, which is, where and why do I start, or where should I be looking to apply AI? The 3rd is really a technology question in terms of how? What is the enablement path from an AI perspective, and then the last one which is near and dear to a lot of finance organizations. What do I do about data? How do I think about data in the light of AI, and does my data need to be perfect for me to start adopting AI. So, when you think about those 4 questions, I think the answers are slightly different from an ROI perspective, we're certainly seeing, you know what

I would call green shoots of benefits from AI deployments in the finance organization or the office of the CFO. A lot of the bigger more ambitious efforts are still underway with defined business cases around sort of either effort, reduction, or capacity releasing and then there are other ones where we're looking at? Can we do more with the technology? Can we produce better results? But the ROI equation is still emerging? There are again, like proof points in the marketplace. But there's still a lot of opportunity for us to realize benefits from AI. Second one is opportunity. Where and how do I think about where to apply? AI in the finance organization given it's fairly broad and potential. We generally say, you know clients need to think about the intersection of 2 things, the intersection of their strategy.

In other words, why are they making the change in finance? And where would that change have the highest quote unquote impact in their finance, capability or process areas? And then the second is whether they think the technology can be the most transformative. So, at the intersection of AI transformative application plus, you know, alignment to strategy is largely where we, where we encourage our clients to start their AI journeys. 3rd question is really from a technology perspective, how do I think about enablement? And that's a really interesting question, because there are multiple different types of technologies out there using AI, obviously, there's user productivity tools, your enterprise, GPT type of tools. But there's also more custom built solutions that companies are looking at to sort of achieve very specific enterprise benefits aligned to how they operate. So, you do have to be smart about how and which technologies and which technology path you choose to go down. Obviously, the user productivity tools are bought off the shelf and can be deployed to many users sort of in a very kind of straightforward way, whereas some of the more solutions will require a bit more thought around change management, and how you roll out, and how you utilize enterprise platforms that you have in play, whether your Erp would be, you know, an oracle sap or workday, or you using some of the cloud providers like Oracle and and Google.

So the final question then would be like, how do I think about data? And unfortunately, the answer is a little bit. It depends right? There are use cases where you know you can get for what make progress and deliver benefit where you don't have to have perfect data across the whole spectrum, and you can have narrow parts of your data that are ready to go. And there are other use cases that are going to need more work on the data as it stands today. You know, there isn't a magic one to solve for bad data, and that the traditional methods of addressing data and organizations and enterprises remain the paths to take. Now will that change over the next few years, as AI helps to kind of improve the data landscape. I absolutely believe that is true. But as we've seen over the last couple of years is that some of the traditional methods are still the primary places to focus on how to address some of your data. But you don't need to be perfect across the board from a data perspective to make progress. So those are really the key themes in terms of how do you get started? And how do you think about application of AI within the organization of the CFO.

Carrie Falkenhayn: Well, so it sounds like we're at this really transformative moment of, you know, figuring out the impact that Gen. AI could have to a finance function. Any thoughts on how tax can best align their own AI initiatives for success?

James Glover: Yeah, in my mind, is kind of maybe one or 2 areas. I think one, you know, tax is part of finance in my mind. So, it should align with the efforts that are going on in finance and make sure that some of their requirements and their needs are being kind of captured in the in the broader finance. You know, process or change landscape. They also, you know, having worked around finance transformation programs for a long time. You know, the data is pretty critical to tax. So anything happening from a data perspective and any investments happening from a data perspective to ultimately support the adoption of AI within the finance organization. You know, I think tax needs to play an important role there because they have a lot of data needs and data requirements. And if you're solving more granular data needs for finance, you should be solving them across finance and tax. Given that the data set is a very similar one, and has a sort of a similar starting point so very much collaborate with finance around all the data efforts and all the AI efforts. And then the final one is, you know, make sure that you're attached at the

hip. With technology partners. We see it be critical and paramount, that finance and technology are very collaborative on these AI journeys. Finance is going to need the technology partners to help from a data perspective and an application perspective. And the data technology partners need finance because the success of AI is going to be predicated on how well the AI performs functional duties that historically were performed by the finance workforce. So, you know, given that, it's, you know, it's even more important that technology and finance collaborate. And therefore, technology finance and tax collaborate on the AI journey than any other technology that we've deployed in finance to date.

Carrie Falkenhayn: Craig. Let's bring you in and let's make it a little bit more specific to tax. Just given your area expertise. Could you walk us through what you see as the essential steps for assessing and implementing frameworks to integrate tax data with Gen AI?

Craig Darrah: Yeah, absolutely. Thank you, Carrie. So, this is going to be different by client. You know the specifics of how that's done. But there are a lot of general themes that are going to be constant that we work with. And when we say framework, what we're really talking about is kind of the foundational basic building blocks of the tool sets that are pulled together for building use cases and utilizing AI data, as James has mentioned, is going to be very paramount as we approach this. And, you know, tax like a lot of corporate functions, relies on a wide variety of sources of data in order to meet their responsibilities. We've got all of the enterprise systems that are there, the ERPs and data warehouses and different things like that, but tax also has a fair amount of tax specific software solutions that they are using to do their work in, and that ultimately also will be potential data sources for an AI environment. So, it's best to really bring together all of those disparate source's data often into a single spot, so that they can be used efficiently and effectively. And we've got data that we've got trusted and enriched the way we need them to have enriched. And we you know, we use tools, things like Snowflake data bricks, other cloud data platforms to really kind of make that happen and bring it all together into a single spot, so that we can have the way we need to be.

And when you think about the process of that, really, it's you know, you kind of want to establish what your landing spot is that you want to have for that data and go and identify the data that's going to be necessary and useful in our in our AI journey create the pipelines, you know, from those sources into the data store, and do the necessary kind of like transformations and the information the enrichment steps that are needed to get that data in good shape. And then, of course, we will need to have all the different supporting technologies, all the different kind of development platforms, the AI functionality, different software apps all put together, and a strong team of Devs to support it all. And then there's a lot of, you know, governance and maintenance that will need to be part of it.

And as you know, as we mentioned before, it's really just important, that tax be aligned with the overall approach. So, whatever the enterprise has established for its program, we want to make sure that tax is really just a part of that, and not trying to do things just off on their own.

Carrie Falkenhayn: And when I talk to organizations, tax departments are certainly very excited about generative AI, but sometimes are concerned about just how rapidly the technology is evolving. And you know, how can they make sure they're staying on top of things so that they continually find new ways to drive value thoughts around that Craig.

Craig Darrah: Yeah, absolutely. So this, in the AI space there is a ton of leapfrogging, if you will, of capabilities and functionalities that's happening among the different vendors that are out there. Just kind of like a kind of like a cell phone type culture. But it's, you know, for tax to really kind of stay with that flow, I think, is important, that 1st of all, that there be a good culture within the organization around continuous learning of innovation, of creativity, experimentation, things like that. So, they have that kind of that

support. If you will to continue with the their learning journey. And we should think of this is not sort of like a 1 and done exercise. You know. It's not like we're just in this, you know, this 6-month window where we need to build all our AI, and then we're all good to go. This is really an iterative type of a situation where we need to probably start small and kind of scale up as we go and continue to expand what we're doing with AI, whether that's based upon just our maturity as a user group of AI or potentially other capabilities coming along from the various vendors and software stacks.

James Glover: I'll also echo that, you know, while the technology and the technology companies that are developing models and platforms are moving at breakneck speed in terms of new capabilities and opportunities. I think the application of that technology into the function of tax or the function of finance is happening. But it's happening at a much more measured pace. And that's very deliberate, because I think we're trying to understand what the technology can do what it maybe can't do, and maybe what it shouldn't do right. And that that adoption cycle is happening. It's very real. Companies are moving. But they are moving, you know, at a far more measured pace than say, what the technology companies on the West Coast are doing in terms of building. You know, more and more sophisticated models. So, I think what we'll see through that adoption cycle is, you know, addressing a lot of the kind of quote unquote risks that are perceived around the technology, and how models will impact. You know how we, how we work in, you know, in our day-to-day jobs.

Craig Darrah: Awesome. Thank you. A few other things I can think of Carrie. Here one is. It does help to have a little bit of a focused attention on AI. Not like saying a tax department. You don't need every single person in the department. Hyper focused on staying up on the latest and greatest we can. We can sort of, have a pinpoint of that a little bit within the tax department, and certain certainly in most organizations there's a typically a center of excellence that is part of their enterprise program. So, relying on the center of excellence to help stay on top of things and monitoring trends is helpful. In tax. We do work with a lot of vendors that are tax specific vendors for different software applications that we use. So, paying attention to what those vendors are doing because they're all doing something with AI in their packages. So, paying attention to what they're doing and including that in our evaluation of how we're addressing our problems, those vendors often are very domain specific and focused on specific problems. So, they may have really elegantly solved something that we don't need to recreate ourselves and just kind of leverage what they're doing. So that's something to consider.

I'd say, probably last and most important would be, let's really stay focused on business value. You know, I talked about that. There's a lot of leapfrogging and different things like that. But let's just really stay focused on what it is that's actually driving value for us in our business. Maybe we don't need to upgrade from version 3.1 to 3.5 or whatever to really move the needle. Let's just say, focus on hey? What is it that we haven't addressed yet in our business? And let's get off from 0 to something that's working for us and adding value.

Carrie Falkenhayn: Well, those are all very helpful comments as tax organizations. Think about how they adopt these new technologies. So, thank you so much, Craig and James for sharing your insights with our audience, and thank you audience, for listening. As always. As I said, this is one in our micro series focused on Gen AI for tax. So, I encourage you to check out the other episodes as well as all our Tax News and Views content. If you'd like more information, feel free to go to [Deloitte.com](https://www.deloitte.com) and search on Gen AI for tax. You'll see some of our thoughts were there. But in the meantime, thank you again for listening, and I hope everyone continues to be well. Take care, everyone!

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