Strategies for AI Excellence in ANZ BFSI Organisations

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Introduction

AI is a game-changer for financial services. The rapid acceleration of AI adoption in the Banking, Financial Services and Insurance (BFSI) sectors provides business and technology leaders with diverse opportunities to improve customer experiences, streamline operations and reduce risks.

Despite the potential of AI, many organisations struggle to scale up successful pilot projects. A "fail fast, learn fast" approach is essential for overcoming these hurdles, but it's challenging in these highly regulated, risk-averse industries. Additionally, the rapidly evolving AI landscape requires ongoing training and reinvestment in platforms and tools. And let's not forget about staying ahead of the curve with emerging trends like Gen AI. It's a complex challenge, but with the right approach the rewards can be substantial. Building a comprehensive AI strategy that spans from identifying use cases to effective data and change management is key.

This eBook leverages data from a study conducted by Oxford Economics in collaboration with Cognizant* and Ecosystm research to highlight the key challenges and opportunities in AI adoption within Australian & New Zealand (ANZ) BFSI organisations. It also features insights from data and technology leaders of leading ANZ BFSI organisations who participated in BFSI Roundtables in Sydney and Melbourne.

While this study primarily focused on Gen AI, Ecosystm research, the roundtable discussions and this ebook offer a broader perspective on AI.

ANZ BFSI Industries are at the Forefront of AI Adoption

As with other areas of technology innovation, ANZ BFSI organisations are actively pursuing AI adoption. The industry is highly digitised, with mobile apps now central to banking, insurance, payments and wealth management – often replacing branch visits. Our young, affluent and tech-savvy population has high expectations for service from financial institutions driving them towards strategic planning, strong foundations and a commitment to continued growth.

To succeed BFSI organisations are focusing on digital transformation, cloud adoption, fintech and public/private collaborations to adapt to evolving customer needs. This dynamic environment underscores the need for increased AI investment.

"We have deployed enterprise-grade AI models in specialised areas such as credit decisioning and risk modelling, where we've already seen significant value."

ROUNDTABLE PARTICIPANT

The BFSI sector recognises the significance of AI, with 89% of organisations viewing AI as important for continued business success. They are focused on integrating AI into their business strategies. (Figure 1).

Figure 1: Main Drivers of AI Implementation in BFSI Organisations in ANZ

59%
Improved employee experience and productivity

50%
Product improvement/ innovation

50%
Reduction of operating costs

44%
Increased customer satisfaction/ retention

38%
Increase in revenue

31%
Increase in profit margin

AI is transforming operations and customer experience by boosting productivity and driving innovation to increase revenue and profits. However, organisations are being cautious as well, making sure that robust foundations and guardrails are in place to help guide AI efforts with confidence.
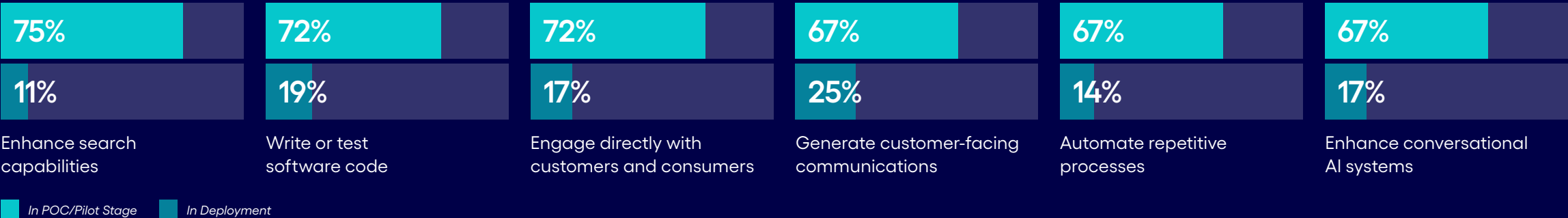
Expanding AI's Reach: Scaling AI Beyond Initial Experiments

AI-enabled use cases for ANZ BFSI organisations align with overall industry trends. Key applications include automating repetitive processes, improving customer engagement, enhancing documentation and knowledge systems, creating new applications and streamlining technology development.

For BFSI organisations, the challenge lies less in identifying AI use cases and more in moving from pilot projects to full-scale implementation and integration into their business model and operations (Figure 2).

Figure 2: Scalability a Bigger Challenge than Use Case Identification in ANZ BFSI Organisations

Enhance search capabilities	Write or test software code	Engage directly with customers and consumers	Generate customer-facing communications	Automate repetitive processes	Enhance conversational AI systems
75%	72%	72%	67%	67%	67%
11%	19%	17%	25%	14%	17%

In POC/Pilot Stage   In Deployment

Turning AI vision into actionable, repeatable practices is a major hurdle for BFSI organisations in ANZ.

Moving from pilot use cases to widespread adoption presents significant challenges (Figure 3).

Speed of Adoption vs Fear of Competition

There is a gap between organisations' current and desired implementation. BFSI businesses recognise AI's potential but fear competitors are outpacing them.

> 86% of ANZ BFSI organisations believe they are not advancing quickly enough with Gen AI to keep pace with their industry and its expected impact on their business.
>
> Source: Cognizant Generative AI Leaders Study (Conducted by Oxford Economics)

This slow adoption can be attributed to organisational inertia, resistance to change and the complexity of integrating AI into existing processes. A major barrier is the uncertainty surrounding future AI regulations. The time-consuming and resource-intensive nature of existing regulatory requirements, such as APRA audits, highlights the potential challenges of ensuring compliance in an AI-driven environment. As AI adoption grows, organisations may face increased scrutiny and complexity in explaining model behaviour, addressing biases and mitigating risks.

Figure 3: AI Scalability Hurdles in ANZ BFSI Organisations

67% Current and prospective employee perceptions

64% Cost/availability of talent

58% Data privacy and security

58% Flexibility of existing business model

53% Consumer perceptions

50% Cost/availability of AI-related technologies

50% Regulatory environment

Widespread AI adoption faces complex hurdles, from employee perceptions and privacy concerns to skills gaps, security and evolving business models. Regulatory constraints, ensuring explainability and reducing hallucinations are major barriers when scaling AI beyond POCs in regulated industries. As adoption expands, these regulatory and integration challenges will intensify.

Rethinking Strategies for AI Reality: Strategic Success Factors

The bigger challenge lies in the chasm between traditional business models and the rapid evolution of AI. A common misconception about AI implementation is that it may not "play nicely" with existing decision support frameworks. This is often cited as a major challenge, but the truth is that AI can seamlessly integrate with existing systems when implemented correctly.

The real issue lies not in the compatibility of AI with existing frameworks, but in the lack of understanding of its implications. Many organisations fail to fully grasp the potential benefits and drawbacks of AI, leading to suboptimal implementations.

Realising AI's full potential in BFSI demands an AI-first mindset embedded in core strategies. Achieving long-term success requires a holistic approach, beginning with a clear AI vision that encompasses strategy, talent, technology, data, governance and change management.
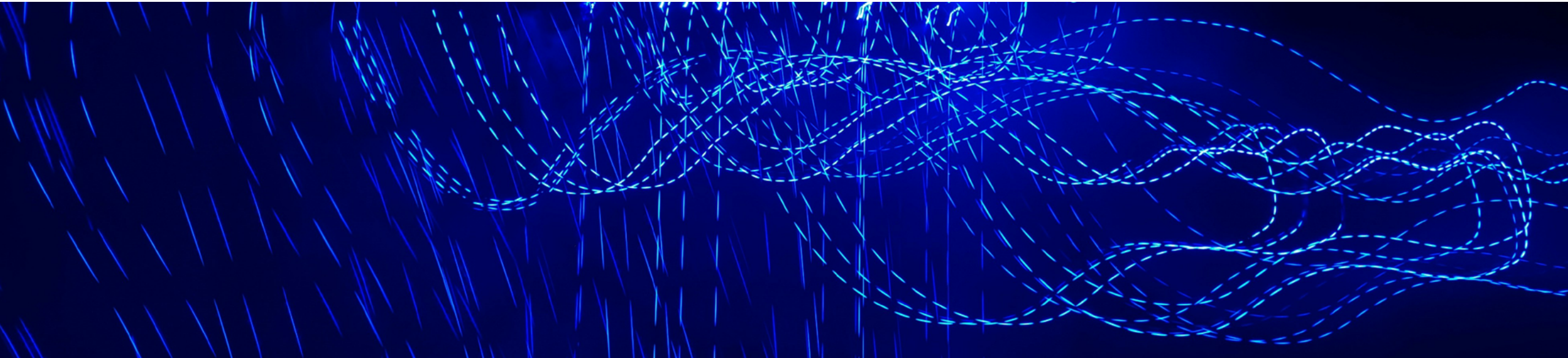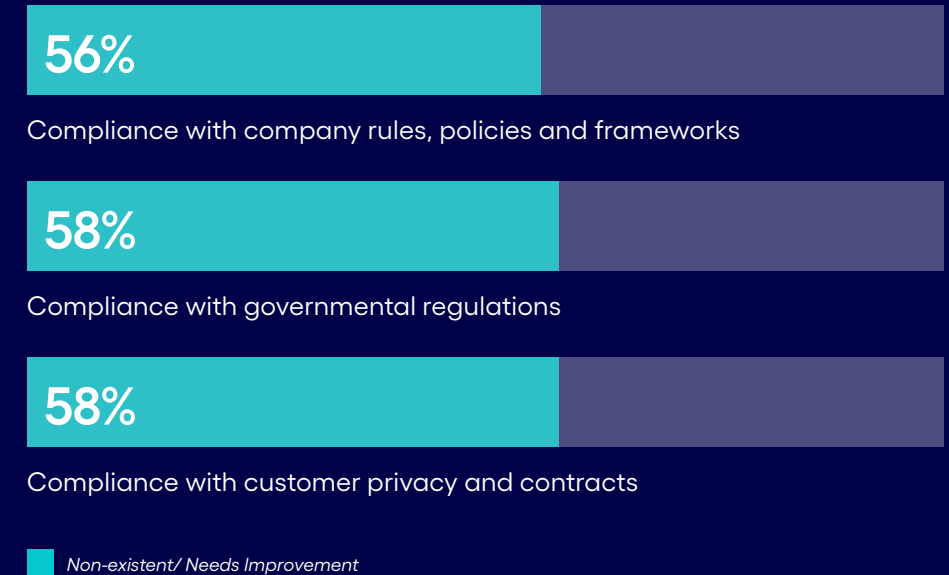
#1 Setting the Right AI Guardrails

Establishing robust guardrails is essential for responsible AI adoption in the ANZ BFSI sector. As AI becomes more prevalent, regulators increasingly emphasise AI readiness, effective risk management and strong internal controls. The cross-border nature of many BFSI operations creates a complex compliance landscape, requiring a comprehensive approach beyond specific regulations.

56% of ANZ BFSI organisations have established formal AI policies and guidelines, with another 33% in progress. However, there's a broad consensus that improvements are needed across all governance and compliance areas, including adherence to internal policies, external regulations and customer/staff privacy safeguards (Figure 4).

> *"Striking a balance between local needs and global standards is a significant challenge. Successfully implementing AI involves an adherence to a complex patchwork of regional regulations."*
> ROUNDTABLE PARTICIPANT

Figure 4: ANZ BFSI Organisations Not Confident of their AI Guardrails

56%
Compliance with company rules, policies and frameworks

58%
Compliance with governmental regulations

58%
Compliance with customer privacy and contracts

■ *Non-existent/ Needs Improvement*

ANZ BFSI organisations must adopt a risk-versus-outcome approach to governance. Responsible AI initiatives, especially in data-intensive sectors, must tackle model drift and explainability, particularly with multimodal AI which combines data from multiple modalities (e.g., text, images, audio) to create more comprehensive and accurate models. Investing in tools to track model performance and ensure explainability is crucial for maintaining trust, compliance and ethical AI practices.

While encouraging AI adoption is crucial, it's equally important to focus on improving compliance and governance to ensure responsible and effective AI implementation. This involves steps that will clarify responsibilities, task ownership and the management of AI tools and models:

Centralised Governance, Federated Projects
Establish clear central policies for governance, ethics and security, while empowering business units with project ownership.

Responsible AI Guardrails
Develop internal policies that promote responsible, ethical and explainable AI – beyond compliance.

Governance for Multi-Vendor AI
Implement a unified governance strategy for multiple AI vendors, to streamline control and monitoring while staying vendor-neutral.

Automated AI Lifecycle Management
Ensure scalability and accountability with a central model inventory that tracks progress in real time.

User Empowerment
Foster awareness and engagement through clear communication and training, enabling informed decisions and upholding data governance standards.

#2 Defining the Value of AI Investments

Defining the value of AI initiatives is crucial for securing buy-in and funding from stakeholders. While productivity gains are tangible, reinvesting these savings into further AI initiatives is essential. Rather than a mere cost-cutting tool, AI should be viewed as a growth catalyst. By aligning AI initiatives with broader strategic goals – enhancing customer experience, improving productivity and driving innovation – organisations can achieve long-term benefits. Establishing clear metrics is vital to measure AI's impact and justify ongoing investment.

To varying degrees, ANZ BFSI organisations are viewing AI as a strategic investment that can drive growth, improve efficiency and create a competitive advantage. (Figure 5).

"AI investments must follow the same rigorous business case process used for all organisational investments."
ROUNDTABLE PARTICIPANT

Figure 5: Metrics for Justifying AI Business Cases in ANZ BFSI Organisations

17%
Opportunity to create new products or services

15%
Cost savings

15%
Improved product and service quality

14%
Increased productivity/ time savings

13%
Increased revenue

11%
Potential for new revenue sources

While justifying AI investments is crucial, organisations must also rigorously measure the impact of these solutions to ensure they deliver tangible value. A comprehensive evaluation and approval process, along with a thorough ROI assessment, is essential for ensuring AI initiatives align with organisational goals and drive meaningful outcomes.

BFSI organisations must strategically plan AI initiatives to align with their business objectives and capitalise on the opportunities presented by AI while mitigating risks and maintaining a disciplined, growth-oriented focus.

Strategic Reinvestment of AI Gains. Reinvest AI-driven productivity savings into further AI initiatives to foster continuous growth and innovation. This aligns AI efforts with long-term strategic goals rather than viewing AI as a short-term cost-cutting tool.

Clear Definition of Value, Metrics and Performance Indicators. Establish clear, quantifiable metrics to measure the impact of AI initiatives, such as improving time-to-serve, reducing bad debts, enhancing loan quality and lowering customer acquisition costs. This ensures that AI projects can demonstrate tangible value, fostering accountability and gaining stakeholder confidence.

Diversified Funding Sources with Rigorous Evaluation. Leverage a wider range of funding sources, such as IT, marketing and special project funds. However, it's crucial to conduct rigorous business case evaluations to ensure that projects align with organisational goals and deliver tangible ROI. This requires carefully considering factors such as future value.

#3 Ensuring Data Readiness

The success of innovative AI applications hinges on the quality and accessibility of data. Many ANZ BFSI organisations recognise this, with nearly 60% identifying data accessibility as a key challenge. To scale AI initiatives, organisations must prioritise data unification and integration across distributed systems. By addressing data-related bottlenecks, organisations can unlock the full potential of AI, starting with immediate productivity gains and gradually progressing to more complex applications.

> *"The foundation of any successful AI implementation is clean, reliable data. While structured data remains essential, unstructured data is emerging as a goldmine for us. Recent projects increasingly use unstructured data, highlighting the importance of robust data management for optimal outcomes."*
>
> ROUNDTABLE PARTICIPANT

While structured data supports BFSI, tapping into unstructured data can unlock immense AI value. However, poorly implemented models risk damaging customer trust. Clean internal data, paired with select external sources, forms a solid foundation for AI. Although external market data may not directly boost model accuracy, it helps adjust models for shifting trends. Combining customer data with market insights enhances predictive precision and improves forecasting.
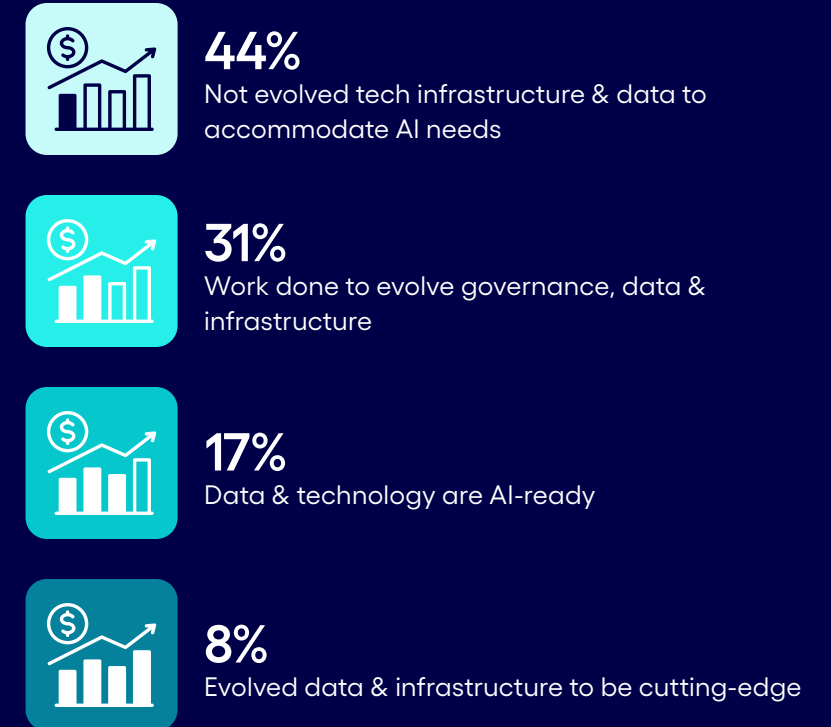
Organisations must prioritise data quality, accessibility, integration, governance and security. Most ANZ BFSI organisations have made the first steps towards evolving their infrastructure, data and governance to prepare for AI, but few are completely ready yet (Figure 6).

ANZ BFSI organisations must prioritise data readiness. This requires a pragmatic approach, focusing on use cases that align with the availability of accurate and accessible data. Organisations should simultaneously focus on building a future-proof data foundation that involves:

01 **Improving data quality.** Focus on data quality improvement by investing in tools and processes such as data quality (DQ) metrics that enhance data accuracy, completeness and consistency.

02 **Prioritising data integration.** Instead of aiming for full data integration across cloud and SaaS environments, focus on the specific needs of your AI initiatives. Conduct AI pilots to identify critical integration points and avoid unnecessary complexity.

03 **Strengthening data governance.** Implement robust frameworks for data management and AI model oversight.

04 **Fostering a data-driven culture.** Train employees in data quality and accessibility and promote a culture of data stewardship.

05 **Ensuring privacy compliance.** Follow strict data privacy and security measures, complying with regulations and maintaining transparency to build customer trust.

Figure 6: The Gen AI Foundation Gap in ANZ's BFSI Industries

44%
Not evolved tech infrastructure & data to accommodate AI needs

31%
Work done to evolve governance, data & infrastructure

17%
Data & technology are AI-ready

8%
Evolved data & infrastructure to be cutting-edge

Building a robust AI-ready foundation requires strategic planning, targeted digital interventions to bridge gaps and a clear AI strategy that understands the implications of a strong data foundation.

#4 Empowering Employees

While some organisations have established dedicated data science teams, they are often disconnected from the business, hindering innovation. Organisations need to align data science efforts with business objectives by integrating AI/ML expertise across teams, ensuring innovation is both business-driven and technologically sound. AI impacts traditional roles like infrastructure, cybersecurity and development. Organisations must integrate AI fluency with existing expertise to bridge the gap between traditional practices and new AI opportunities.
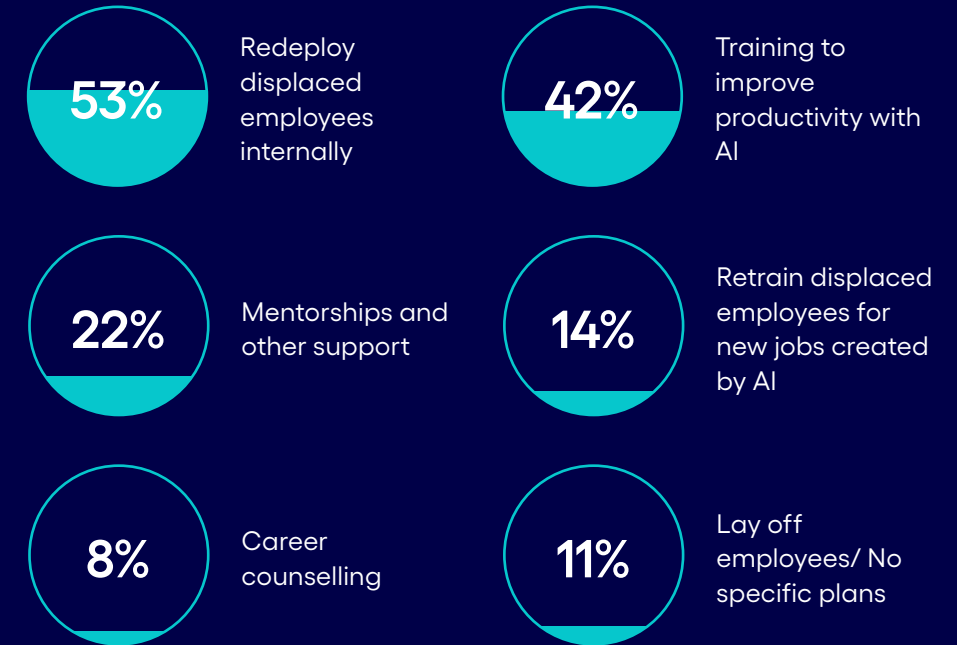
> Only 25% of ANZ BFSI organisations believe they have a comprehensive AI upskilling program or are able to attract AI talent from external sources.
>
> Source: Cognizant Generative AI Leaders Study (Conducted by Oxford Economics)

Employee empowerment should extend beyond the tech team to all employees. While AI displacement concerns are valid, many organisations are focusing efforts on augmentation rather than replacement. Organisations are investing in continuous learning and retraining (Figure 7).

Figure 7. Impact of Gen AI on Employees in ANZ's BFSI Organisations

53% Redeploy displaced employees internally

42% Training to improve productivity with AI

22% Mentorships and other support

14% Retrain displaced employees for new jobs created by AI

8% Career counselling

11% Lay off employees/ No specific plans

Partnering with external sources can accelerate and further enhance AI skills. Some organisations are taking innovative approaches by partnering with universities, external partners or even acquiring companies with AI solutions to bolster their capabilities.

N=36
Question: How do you plan to handle employees displaced by generative AI?
Source: Cognizant Generative AI Leaders Study (Conducted by Oxford Economics)

The rapid rise of AI raises a crucial question: who owns AI within organisations? While IT often leads, AI success depends on cross-functional collaboration. Building an AI-savvy workforce extends beyond data science, requiring diverse expertise. Clear ownership and governance are vital to align AI with business goals and ensure effective adoption. A successful AI strategy demands broad technology and business understanding:

01 **Develop AI Upskilling Programs.** Implement role-specific AI training across the organisation to equip all staff with the necessary knowledge and skills for effective AI use and an understanding of its limitations and implications.

02 **Create Internal AI Champions.** Train key employees as 'AI champions' or 'black belts' to lead adoption, share expertise and promote best practices throughout the organisation.

03 **Partner with External AI Experts.** Collaborate with universities, AI firms, partners and tech meetup groups in your state to equip employees with advanced AI knowledge and skills.

04 **Implement Continuous Learning.** Promote ongoing training and development through regular workshops and resources, keeping employees up to date with AI advancements and evolving technologies.

05 **Facilitate Career Transition and Mentorship.** Create support systems like career counselling, mentorship and retraining for employees affected by AI. This helps retain talent and fosters a positive outlook on AI-driven changes.

> *"Empowering employees to work with AI isn't just about simply providing new tools. It involves training, support and a shift in mindset, so they see AI as an enabler rather than a threat to their jobs."*
>
> ROUNDTABLE PARTICIPANT

#5 Managing Organisational Change

Effective organisational change is crucial for successful AI adoption. The rapid evolution of AI tools, models and use cases forces constant adjustments to business models and operations. Unlike previous technologies, AI requires accepting that what works today may be superseded tomorrow, demanding frequent refinement or replacement. With AI lifecycles often measured in months or even weeks, employees face an exciting but fast-changing environment.

> *"There's a gap between business expectations for quick changes and the reality of tech implementation timelines. Leaders often overlook that technology is only 30% of the equation – the other 70% is change management."*
>
> ROUNDTABLE PARTICIPANT

Organisational inertia and resistance to change are major obstacles to AI adoption. While many organisations invest in change programs, their effectiveness can be hindered by insufficient integration with existing processes, systems and priorities. To overcome these challenges effective change management strategies, including the use of change agents and digital processes, are essential. BFSI organisations in ANZ are appointing change agents, but they must focus on maturing their AI-specific change practices (Figure 8).

Figure 8. Impact of AI on Employees in ANZ's BFSI Organisations

25%
Changes to processes are made ad hoc and there is no formal change management

50%
We are building digital capabilities and empowering change agents

25%
We have developed new processes for managing AI lifecycles and have created change management tracks to support scaling

No organisation stated that AI is deeply integrated into enterprise processes, maximising change capabilities company-wide

Change management is key to mitigating fears of job displacement and fostering a culture where quick failures are seen as learning opportunities. Organisations often find that engaging with an external consultant or systems integrator can accelerate their change journeys.

To empower employees and foster a culture of AI adoption, organisations must establish a clear vision and strategy. By promoting AI as a tool for enhancement and career growth rather than replacement, organisations can cultivate a new mindset that embraces AI as an opportunity for innovation and development.

Establish Transparent Communication. Maintain regular, open updates on AI initiatives and their impacts. Address concerns directly, framing AI as a tool for enhancement rather than replacement, to build trust and ease resistance.

Empower Change Agents. Appoint dedicated leaders to drive AI transformation. Equip them to manage resistance, foster innovation and model AI adoption.

Encourage Safe Experimentation. Promote a culture where AI experimentation is rewarded. Create environments for employees to test ideas and learn from failures without fear, boosting innovation and AI adoption.

Balance External and Internal Expertise. Combine external consultants with internal talent development. Use external support to complement, not replace, internal staff by involving them in AI projects, offering training and highlighting career growth opportunities.

Adopt Proactive Change Management. Develop structured change management programs that include digital processes, new job tracks and continuous feedback. This approach reduces resistance and aligns the organisation with the fast-paced AI landscape.

Conclusion

The adoption of AI in the BFSI sector in ANZ is marked by cautious optimism and a focus on effective integration.

By taking a holistic approach that includes strategic planning, robust infrastructure, continuous employee engagement and a focus on data usability and accessibility, organisations can navigate the complexities of AI adoption and drive significant value. Key points for a successful AI journey:

○ **A fundamental shift in mindset** to recognise that traditional approaches may not be right for AI, requiring a more holistic, yet agile approach.

○ **A comprehensive assessment** of the organisation's current capabilities, strengths and weaknesses in AI to identify areas for improvement and investment.

○ **A clear understanding of the need for flexibility and adaptability** to navigate the evolving AI landscape, breaking down complex initiatives into smaller, manageable projects.

○ **A strategic focus on human-AI collaboration and ethical AI practices,** to foster the right culture of experimentation and co-creation.

○ **A pragmatic approach** that prioritises achievable, high-impact AI initiatives while aligning with long-term goals.

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