

# Five Strategies for Achieving Al Excellence in ASEAN BFSI

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### Introduction

Imagine a world where you can understand your customer needs better than they do. Thanks to AI, this is becoming a reality.

From personalised recommendations to streamlined operations, AI is transforming the products, services and processes in the Banking, Financial Services and Insurance (BFSI) industries.

Al holds significant potential but turning that potential into reality is tough. Many BFSI organisations struggle to move beyond Al pilots. Building a comprehensive Al strategy that covers everything from use case identification to data governance is key. Staying ahead of the curve with emerging trends like Generative AI (Gen AI) is no easy feat, but the potential rewards are immense with the right approach.

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 the ASEAN's BFSI industries. It also features insights from a recent executive roundtable in Singapore attended by data and technology leaders of top BFSI organisations, along with other regional discussions.

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



### ASEAN'S BFSI Industries Riding the AI Wave

ASEAN, home to nearly 700 million people and a tech-savvy young population, is a rapidly growing digital market with an economy poised to be the world's fourth largest by 2030.

To thrive in competitive markets and explore new opportunities, BFSI organisations are focusing on core modernisation, cloud adoption, fintech partnerships and adapting to evolving customer needs. This dynamic environment underscores the need for increased Al investment.

While many organisations are initially using AI to streamline back-office operations (Figure 1), there is increasing interest in applying AI to customer applications. Think real-time chatbots, robo-advisory, automated underwriting and credit scoring for those without a traditional credit history. It's a dynamic landscape and regulators are keeping pace. Singapore introduced the world's first AI Governance Testing Framework and Toolkit, A.I. Verify, to ensure transparency and ethical AI use through technical tests and process checks.

### Figure 1: ASEAN BFSI Industries: AI Focus Areas

**37%** Back-office business process automation

### **30%** Enhancing customer experience

**14%** Sales automation and customer lifecycle management

**9%** Optimisation of IT functions

5% Others

While process efficiency and productivity are significant immediate benefits of AI, the technology's full potential extends far beyond these areas.

Question: What is the biggest focus of the organisation's current AI deployments? N=91; Source: Ecosystm Digital Enterprise Study, 2024



### Al in ASEAN BFSI – A Growing Trend

#### Singapore Banks Leading the Way in Al Adoption

Banks in Singapore have been at the forefront of Al adoption. OCBC is a prime example, with their Gen Al chatbot to enhance global employee productivity. DBS has made significant strides in Al-driven personalisation, offering tailored recommendations to millions of customers.

#### ASEAN Banks Embracing AI for Efficiency and Customer Experience

Maybank in Malaysia leverages AI/ML to automate financial crime detection, enhancing fraud prevention and compliance while improving efficiency. Thailand's Krungsri Bank uses a cloud data platform with ML-powered applications to optimise cash delivery routes to their ATMs, reducing fuel costs and improving cash availability for customers.

#### Insurance Companies in ASEAN Leveraging AI for Innovation

Insurance companies are also adopting AI to enhance customer profiling and improve operational efficiency. AIA Singapore is using AI to automate data collection and gain deeper insights into customer needs. NTUC is developing an AI agent to assist customers with insurance inquiries and Great Eastern is investing in AI-driven predictive underwriting and robotic process automation.



## Expanding Al's Reach: Scaling Al Beyond Initial Experiments

# Why is ASEAN's financial sector struggling to translate AI excitement into tangible results?

Challenges include navigating regulatory mandates, business readiness and technological hurdles. Although early-stage Al projects show promise, transitioning to widespread Al implementation remains a significant obstacle (Figure 2).

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BFSI organisations in ASEAN 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 Al Leaders Study (Conducted by Oxford Economics)

### Figure 2: Al Scalability Hurdles for BFSI Organisations in ASEAN



Question: What are the top 3 challenges in scaling AI successfully in the organisation? N=91; Source: Ecosystm Digital Enterprise Study, 2024

### **Rethinking Strategies for Al Reality: Strategic Success Factors**

The bigger challenge lies in the chasm between traditional business models and the rapid evolution of Al. A common misconception about Al 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 Al 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.

Ultimately, successful AI implementation requires a holistic AI vision that encompasses strategy, talent, technology, data, governance and change management. By addressing these interconnected elements, organisations based in ASEAN can position themselves for long-term AI success.



### #1 An Al-First Mindset

Many organisations fail to maximise their Al investments due to a lack of strategic vision. Enthusiasm often results in isolated use cases rather than broader business transformation. However, organisations in ASEAN, amidst legacy transformation journeys, can benefit immensely from Al integration. This requires strong leadership, internal alignment on business priorities across business lines, a culture of experimentation and rigorous performance measurement. A forward-thinking Al strategy, focused on long-term gains, is essential for organisations looking for a competitive edge with Al.

#### Centralised Al Vision, Operating Model, & Governance

BFSI organisations in the region with common cross-organisational strategies and AI centres of excellence (CoE) are already reaping early benefits (Figure 3). Centralisation allows organisation-wide buy-in, efficient allocation of scarce talent, better adaptation to the evolving AI landscape and easier risk management. Figure 3: Al Scalability Linked to Centralisation in ASEAN BFSI Industries

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**2/10** Implemented pilots in specific business functions

**2/10** Scaled deployments within specific business functions

**2/10** Rolled out cross-enterprise use cases

All the organisations that have successfully scaled their Al deployments across business lines acknowledge the presence of a central strategy or CoE.

Question: How would you best describe your organisation's general usage of generative Al today? Source: Cognizant Generative Al Leaders Study (Conducted by Oxford Economics) For AI to deliver value, it must be woven into the organisation's fabric. A top-down strategy that fosters cross-departmental collaboration is essential for discovering innovative AI applications and driving business transformation.

#### **Essential Leadership Actions for Al Success**

01

**Promoting Cross-Functional Collaboration** Fostering teamwork among different departments to break down silos and drive organisation-wide value.



03

#### Creating a Nimble Culture

Promoting experimentation, learning from failures and rapid iteration to adapt to the evolving AI landscape.

#### Prioritising Change Management

Monitoring adoption and effectiveness to develop change management strategies for hesitant employees or business units.

#### **Employees as AI Partners**



#### **Domain Expertise**

Identifying opportunities and user needs with an understanding of processes for intuitive, user-centric AI solutions.

### 02 Data Insights

Providing early and regular feedback on data quality, accessibility, relevance, potential biases and ethical implications.

#### User Acceptance

Evaluating and leveraging pockets of Al acceptance, to identify the success factors that drive adoption.

"To make Al implementations successful, senior leadership must champion a cross-functional approach. Collaboration helps with business case identification and guides organisations on where to allocate resources – especially skills." ROUNDTABLE PARTICIPANT

### #2 Placing Impact Over Innovation

BFSIs organisations in the region have experimented with the latest AI tools, with some having mapped out ambitious roadmaps. But the real winners are those who've cut through the noise and focused on use cases that truly move the needle. It's not just about innovation for innovation's sake; it's about delivering tangible value to the core business.

Identifying the right AI use cases is the cornerstone of a successful AI strategy – not all applications deliver the desired organisational value. Alignment with strategic objectives such as revenue growth, enhancing customer experience, employee productivity or competitive advantages, secures leadership buy-in and sponsorship. "Organisations need to be selective and make sure that every dollar they put in delivers the ROI identified. Just because your competition has 150 AI models does not mean your business demands it or is ready for it." ROUNDTABLE PARTICIPANT

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The expected impact of AI can be gauged by examining investment motives. In ASEAN, BFSI organisations are primarily focused on financial benefits from AI.



organisations aim to use AI to enhance financial results through increased revenue or cost reduction.



are exploring AI to uncover new and innovative revenue streams.

Question: Which of the following metrics are most important in terms of justifying your organisation's generative AI business cases? Source: Cognizant Generative AI Leaders Study (Conducted by Oxford Economics)

#### An Incremental Approach

Most Al use cases do not yield immediate financial gains; they are focused on long-term benefits. They also require significant upfront investment. Calculating the ROI of Al is difficult due to uncertainties about how far into the future to project and how to account for the substantial upfront costs. A key consideration in defining high impact use cases is a realistic assessment of when the benefits will be realised. This is crucial, as Al projects demand not only an initial resource commitment but also sustained support from leadership and business users. While a compelling value proposition and co-creation are important, focusing on easily achievable opportunities to demonstrate early results can also be beneficial.

"Business leaders often push the data science team for early results without grasping the complexities and data analysis required. We have found it useful to demonstrate easily deployable use cases with short-term benefits through the project lifecycle, for continued internal support and trust." ROUNDTABLE PARTICIPANT



Successful Al implementation needs a comprehensive evaluation framework, considering not just financial metrics but also broader impacts like job roles and data governance.

- S Impactful Metrics. Frame measurable KPIs linked to business outcomes to assess and track AI progress and ROI.
- Data Availability and Quality. Ensure access to high-quality, accurate, complete and consistent data for reliable AI results and user trust.
- Resource Allocation. Assess Al talent, business skills, computational requirements and budget for successful project execution.
- Process Mining. Identify inefficiencies that could be improved through AI by using tools like process mining or workstyle analytics.
- Risk Evaluation & Mitigation. Identify risks like job displacement, data privacy and bias early and develop mitigation strategies and guidelines.



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### **#3 A Strong Digital Foundation**

Selecting the right Al use case involves a two-part journey: prioritisation based on a structured assessment, followed by an in-depth evaluation of the technical feasibility of implementation. This readiness assessment should include examining data usability, infrastructure, architecture, past digital investments, process readiness, empirical evaluation methods for progress and success and resources for implementation and maintenance. This assessment, when comprehensive, defines Al success. By addressing data-related bottlenecks, organisations can unlock the full potential of Al, starting with immediate productivity gains and gradually progressing to more complex applications.

Most BFSI organisations lack the necessary data infrastructure and technology to fully leverage AI (Figure 4). An AI journey is not a sudden sprint; it's a marathen built on years of digital groundwork.

### Figure 4: The AI Foundation Gap in ASEAN'S BFSI Industries

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Not evolved tech infrastructure & data to accommodate Al needs

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**3/10** Work done to evolve governance, data & infrastructure

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**1/10** Evolved data & infrastructure to be cutting-edge

No BFSI organisation in ASEAN feel that their data and technology are fully AI-ready. 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.

Question: Which of the following statements most accurately represents your organisation's operations in relation to generative Al? Source: Cognizant Generative Al Leaders Study (Conducted by Oxford Economics)

### The Power of Process Re-Engineering

Simply overlaying technology on existing processes is ineffective. Digital transformation requires a re-evaluation of the existing workflows. By categorising processes as tactical, transformational or decision-making, organisations can tailor their digital interventions for maximum impact. This approach ensures technology enhances productivity, agility and strategic decision-making.

"We often skip the pre-project analysis. And then we tend to blame the tools, overlooking the underlying process and data issues."

ROUNDTABLE PARTICIPANT



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:



Data Infrastructure Evaluating data storage, processing and management for scalability, security and performance to support Al training and deployment.



Data Architecture Examining how data is structured and integrated across systems to facilitate discovery, access and utilisation for Al.



**Digital Investments** Assessing the maturity of past digital investments, like CRM, core modernisation and digital platforms, which impact AI readiness and integration.



Data Access and Quality Ensuring access to highquality, secure data; understanding data availability at decision points; and ensuring its accuracy and consistency.

### #4 The Human Factor in Al

### Upskilling Technology Talent

The shortage of AI/ML expertise is not unique to BFSI organisations in ASEAN. While some organisations have dedicated data science teams, the scarcity of talent hinders complex AI projects and innovation (Figure 5). Building internal AI/ML expertise is crucial for long-term autonomy, enabling teams to leverage the technology earlier and adapt AI tools as the technology evolves. AI is also impacting traditional technology roles such as infrastructure, cybersecurity and development. Organisations must integrate AI fluency with existing expertise to bridge the gap between traditional practices and newer opportunities with AI.

### Figure 5. BFSI Organisations in ASEAN are Limited by In-House AI Skills





Ave a few specialists with Al/ ML expertise



**32%** Use embedded Al; do not feel the need for Al/ML expertise



**16%** Dedicated data science team with deep AI/ML expertise

A significant portion of ASEAN BFSI organisations rely on embedded AI solutions or have limited in-house expertise. This highlights a potential pitfall of relying solely on off-the-shelf AI tools without a deep understanding of their underlying principles. Dedicated data science teams, focused on business outcomes rather than purely technical implementations, are crucial for successful AI adoption.

Question: How would you describe your organisation's internal AI capabilities? N=91; Source: Ecosystm Digital Enterprise Study, 2024

### Shifting Narrative to Role Augmentation

Al is automating repetitive tasks, freeing employees to focus on higher-level cognitive functions. This empowers them to use their creativity and problemsolving skills more effectively. However, the real value of Al lies in its ability to augment decision-making. By handling 90% of the decision-making process, Al can provide valuable insights and support, enabling humans to make more informed and effective choices. Instead of fearing job displacement, employees can embrace becoming "augmented workers", using Al as a tool to enhance their capabilities (Figure 6) – benefitting both employees and the bottom line. User adoption can be challenging when employees feel threatened by Al.

### Figure 6. Role Augmentation Nascent in BFSI Organisations in ASEAN



**21%** Employees are wary of AI tools



**20%** Employees are open to using Al but have seen no benefits yet



**30%** but Al tools have improved employee productivity



**18%** Al tools have improved quality



12% Al 'augments' employees and allows expansion of job functions

Employees are more likely to adopt AI when they experience its benefits firsthand and request specific use cases. Effective change management is key, requiring early and ongoing stakeholder engagement and communication.

Question: How has Al impacted the organisation's employees? N=91; Source: Ecosystm Digital Enterprise Study, 2024



### A Tale of Two ASEAN Insurers

"One of our biggest AI failures was our AI-generated recommendations for telemarketing scripts. The agents saw it as a threat to their jobs, found the scripts poorly aligned with customer feedback and in short, completely rejected the solution."

"While we faced challenges with adoption in areas like Underwriting, AI has seen immense uptake in Distribution and Sales. This success stemmed from agents identifying their own problems and approaching the data science team for solutions. By collaborating with us, challenging our assumptions and refining the solutions, they ensured that the final outcomes effectively addressed their needs and pain points."



Cultivating an AI-savvy workforce goes beyond data science teams. A successful AI strategy demands broad technology and business understanding:

Human-Al Partnership. Clearly communicate Al as a collaborative tool to gain buy-in, showing it complements human skills.

**Building Expertise.** Develop both a dedicated data science team and a broader technology team skilled in Al technologies.

**Seamless Integration.** Ensure AI enhances productivity and automates tasks without disrupting workflows, through upskilling and user insight.

**Managing Change.** Support employees with adequate training and resources to smoothly adapt to new Al-driven workflows.

**Knowledge Sharing.** Foster a culture of open knowledge exchange to drive innovation and problem-solving.

**Measuring Training Effectiveness.** Use clear metrics to assess training effectiveness and employee engagement with Al.

### **#5 Establishing Al Guardrails**

BFSI industries operate in a complex regulatory environment, particularly those with cross-border operations. To ensure compliance, these institutions often develop comprehensive internal guidelines that encompass the core requirements of multiple jurisdictions. Implementing effective AI governance is essential for managing risks and organisations should not limit their responsible AI measures to mere compliance (Figure 7).

### Figure 7. Key Drivers of Responsible AI for BFSI Organisations in ASEAN



**0%** Guided by external factors (compliance with regulations)



**11%** Have defined a set of internal guardrails



**59%** Working on a risk-based approach



**27%** Actively consider factors such as bias and model drift



**3%** Focusing on explainability and ethical Al

While most organisations claim to adopt a risk-based approach to Al governance, it often centres around compliance with data use and security regulations. A risk-based approach also requires anticipating regulations that address factors such as bias, ethics and explainability.

Question: What drives responsible AI measures in your organisation? N=91; Source: Ecosystm Digital Enterprise Study, 2024 While the majority of organisations in the region have established internal guardrails with a risk-versus-outcome perspective, responsible AI initiatives in an industry that handles vast volumes of customer data must actively address model drift and explainability. This is particularly important when handling emerging challenges such as multimodal AI, which combines data from multiple modalities (e.g., text, images, audio) to create more comprehensive and accurate models. Investing in tools and processes to track AI model performance and explainability is essential for maintaining trust, compliance and ethical AI practices.

"Bias and model drift must be considered when evaluating data for AI projects and should be monitored throughout implementation and beyond. Unintended bias and drift can alter the intent of a use case over time."

ROUNDTABLE PARTICIPANT



#### **BFSI Organisations Welcome Regulations**

"Our AI journey would be a lot more advanced if guidelines and regulations were clearer. In a regulated environment like banking, clear guidelines and governance are essential for managing AI risks like security, compliance and model drift. Without proper oversight, the potential for unintended outcomes becomes a serious concern." BANKING CIO, INDONESIA "I credit the Monetary Authority of Singapore for leading conversations like Project MindForge, which bring together the best minds to build banking synergies and establish guardrails. It's a learning journey, but prioritising risk management before launching customer-facing products ensures long-term financial integrity." BANKING CDO, SINGAPORE

## Many organisations face challenges with fragmented responsibilities, unclear ownership and inadequate tools for monitoring AI performance, particularly with multimodal AI.

- Centralised Governance, Federated Projects. Establish clear central policies for governance, ethics and security, while empowering business units with project ownership.
- Discrimination with the second s
- Data Protection. Prevent proprietary or sensitive data from being leaked by public AI models, by enforcing correct usage policies, training and data loss prevention.
- Anonymisation. Implement de-identification and masking techniques to protect privacy and address legal and ethical concerns. While key during AI training, it is also crucial to assess re-identification risks for results containing PII.
- Transparency. Define an appropriate degree of transparency for each AI model to ensure data sources can be identified, results explained and confidence levels assessed.
- Bias Minimisation. Incorporate diverse data sources in Gen AI solutions and model training, along with multiple perspectives during testing, to avoid perpetuating social inequalities in areas like loans, investments and underwriting.

### Conclusion

BFSI organisations in ASEAN span two ends of the spectrum. Early AI adopters, while pioneers, might find themselves playing catch-up as the technology rapidly evolves. They face the challenge of identifying and addressing their digital debt. On the other hand, those yet to embark on their AI journey have a unique opportunity: to integrate AI into their digital transformation and core modernisation strategies.

#### Key Points for a Successful Al Journey:

### 01

#### A fundamental shift in

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

### 02

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

## 03

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

### 04

### A strategic focus on human-Al collaboration and ethical Al practices, to foster the right culture of experimentation and cocreation.



### A pragmatic approach that prioritises achievable, highimpact Al initiatives while aligning with long-term goals.



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