Transformation's Edge: The State of GenAI in Global Financial Institutions

A BCG benchmarking survey

April 2024

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Transformation's Edge: The State of GenAI in Global Financial Institutions

Key survey insights:

- 85% of financial institutions in our survey believe GenAI will be highly disruptive or transformational.

- But only 2% have a fully developed GenAI talent strategy.

- Just 26% are actively investing a significant proportion of their innovation budgets in GenAI implementation.

- Almost three quarters of survey respondents are in the early stages of use case development.

- The most progressed GenAI use cases focus on boosting internal productivity, rather than re-shaping critical functions or inventing new business models.

Introduction

Decision makers at some of the world's leading financial institutions (FIs) believe Generative AI (GenAI) presents a transformative business opportunity, according to new survey from BCG. But only a few have made significant progress in pursuing that vision - for instance, by establishing delivery teams or developing detailed plans for use cases. Indeed, many FI leaders say more groundwork is needed to assemble the tools and capabilities that would foster a winning GenAI proposition. Acquiring specialized talent is a key priority. Where FIs are using GenAI in practice, it is most often to serve support functions such as call center services or software development, rather than transform business-critical operations at scale.

These are some of the findings of BCG's inaugural GenAI in Financial Institutions Benchmarking Survey, designed to offer market participants an inside track on how FI leaders view one of the most talked about technologies of the decade.

Focusing on five distinct pillars of GenAI readiness (overarching strategy, use case deployment, tech stacks and data architecture, the talent gap, and responsible AI policy frameworks) the survey asked FI leaders in North America, Europe, the Middle East, Latin America, and Asia Pacific to share their insights on the tail-winds and headwinds that are shaping their GenAI journeys.

Taken together, these create a first-of-its-kind perspective on the progress of financial sector GenAI adoption around the globe, rooted in FI's own assessments of their achievements.

While our respondents have made it clear that GenAI adoption is generally a work in progress, BCG's experience shows what is possible when the technology is successfully (and strategical-ly) implemented. In more than 170 global client cases across multiple industry sectors, we have seen benefits including a 10-fold reduction in customer enquiry costs, a 25% decline in time spent creating marketing content, and a 30% jump in content creation productivity – all while improving customer satisfaction and accelerating issue resolution. All told, these add up to significant potential impacts, if institutions can find the right formula for scaling.

One of our aims in launching our benchmarking survey is to create a tool for decision mak-ers to gauge where they are on their GenAI journeys, and to highlight the issues, risks, and opportunities shaping the technology's evolution at a critical time in financial services. In this article, we drill down into the inaugural survey's insights and briefly offer our thoughts on its implications for FI decision makers as they consider how to engage.

BCG's experience in supporting GenAI

- Advising clients regarding AI has been a top BCG priority since 2015. Starting in late 2022, Generative AI (GenAI) became a topic top of mind for CEOs and other senior leaders across all sectors. In 2023, BCG performed hundreds of GenAI proj-ects for industry-leading clients.

- BCG X, the innovative technology build and design unit of BCG, has unique capa-bilities in AI/GenAI, bringing together more than 3,000 BCG tech experts. BCG X has nearly 50 patents and patents pending designed to deliver integrated, end-to-end solutions that maximize impact at scale.

- BCG is collaborating with many of the world's leading global technology com-panies, including AWS, Google, IBM, Microsoft, Salesforce, SAP, and a number of AI-centered enterprises such as OpenAI, Anthropic, Articul8, LangChain, and Palantir, to help clients strategically deploy AI/GenAI and digital solutions.

- In 2023, BCG invested heavily to train the firm's consultants to harness AI/GenAI internally, including on a range of proprietary tools for knowledge management and content creation.
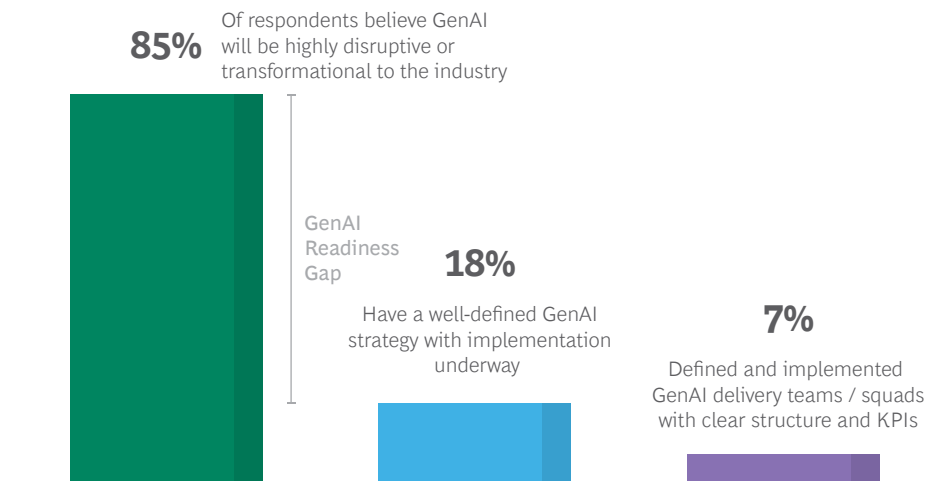
Pillar 1: Few firms are GenAI 'adoption ready'

While 85% of surveyed FI leaders expect the impact of GenAI to be either highly disruptive or transformational, most are still in the early stages of articulating a vision, implementing a dedicated operating model, and defining KPIs. (See Exhibit 1). Indeed, just 18% of respondents say they have a well-defined GenAI strategy that they have started to implement.

Despite the generally significant gap between ambition and reality, larger banks[1] appear to be ahead of their smaller peers in developing their thinking. Some 63% of the large-bank group say they have a well-defined GenAI strategy in place, and the same percentage are investing a "significant proportion" of their innovation budgets.

Across our survey group, fewer than one in ten institutions (7%) have launched delivery teams or developed accompanying structures and KPIs. This suggests that most are still working to understand the technology's potential, or are reluctant to dedicate the time, money, and team resources to ramp-up delivery capabilities or establish detailed KPIs. Again, larger institutions are ahead of the curve, with 63% saying they have set up GenAI teams and are in the process of implementation.

One common challenge facing our survey respondents is in identifying where GenAI can add most value. A full 74% of respondents say they find it "moderately or very challenging" to assess the potential of individual use cases. In a similar vein, 85% say that they find it "moderately or very challenging" to define relevant or actionable KPIs. One reason for these headwinds may be that most institutions are still at a relatively low point on the investment curve. In contrast to larger banks, just 26% of the wider cohort say they are investing a significant part of their innovation budgets, with only 18% having drafted a detailed list of prioritized use cases supported by a clear view on sequencing.

Exhibit 1 – GenAI is expected to be highly transformational, but institutions face a significant readiness gap

85% Of respondents believe GenAI will be highly disruptive or transformational to the industry

GenAI Readiness Gap

18% Have a well-defined GenAI strategy with implementation underway

7% Defined and implemented GenAI delivery teams / squads with clear structure and KPIs

Source: BCG GenAI in FI Benchmarking Survey; n=62.

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1. We define large banks as those with assets exceeding US$800 billion and with more than 10,000 FTEs.

Many financial institutions have made a welcome start on getting ready for the transformative impacts of GenAI. However, without a strategy signed off by the wider leadership team, they risk missing out on many potential benefits. In fact, a scattergun approach could compound operational inefficiencies, with some parts of the organization potentially on a different capability plane to others. And without a clear strategy and consistent communication across the organization, businesses face major challenges in identifying and measuring potential value. This, in turn, may dampen appetite for experimentation, delay investment decisions, and stall execution capabilities.

To forestall inertia, we recommend a more holistic approach, based on a view of how the technology could transform key value chains. Once that view is established, FIs can make the required changes to tech stacks and data architecture, think about how to address the talent gap and employee upskilling, and ensure they have established a holistic set of Responsible AI policy frameworks and systems.

Pillar 2: Most Institutions are experimenting with GenAI use case development and implementation

GenAI was one of 2023's buzziest technologies and we expect it to remain high on C-Suite agendas over the coming year. But its impact can only be accurately measured once it is fully embedded in business workflows. For now, institutions are experimenting with use cases focused on everyday tasks, rather than thinking about transforming critical functions. Among the most prominent use cases are those aiming to boost capabilities in internal productivity (most actively), customer services, including engagement and retention, and customer acquisition. (See Exhibit 2).
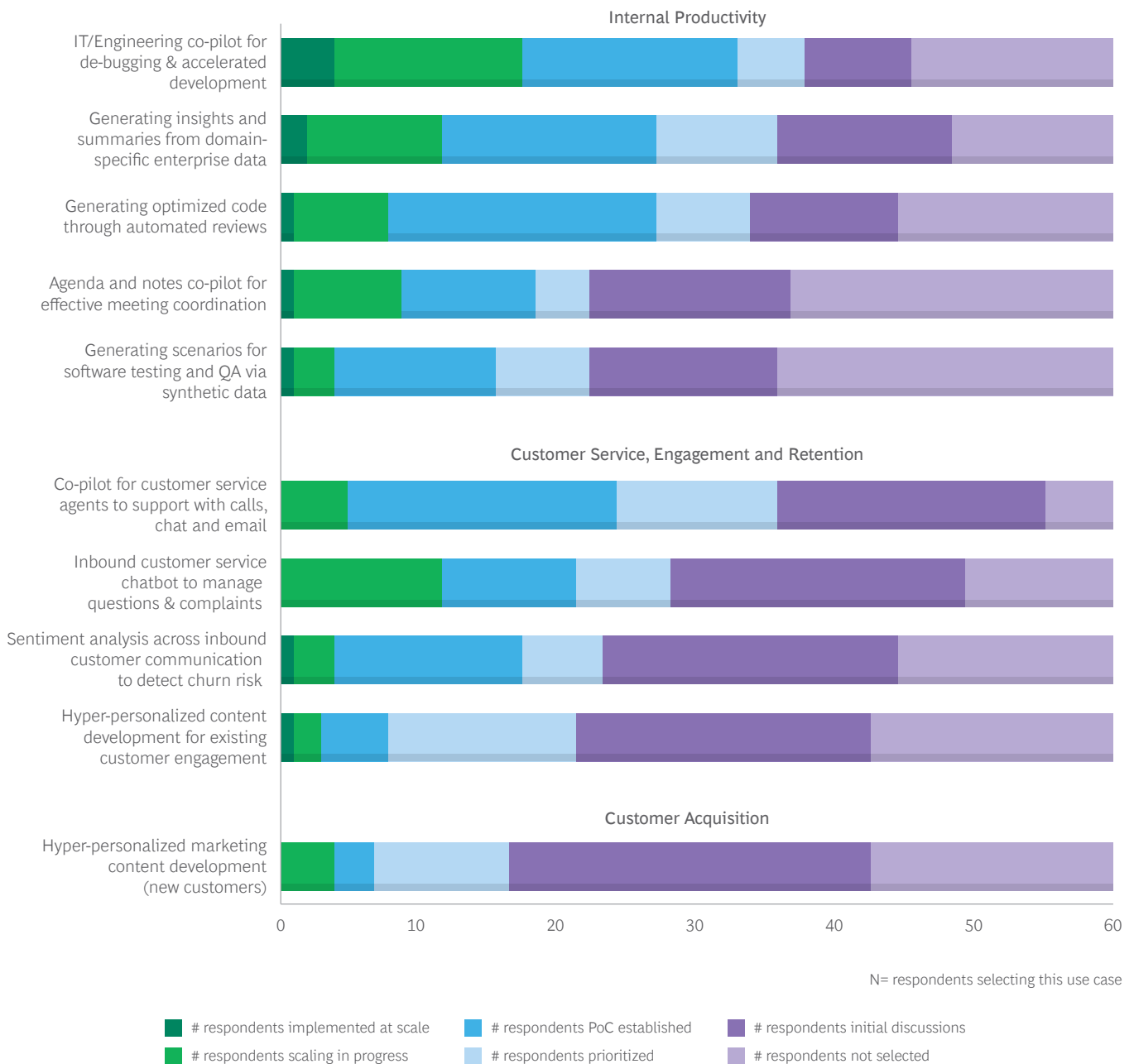
The majority of institutions we spoke to are at proof of concept (PoC) stage or are preparing to launch PoCs. For example, in the case of IT/Engineering co-pilots for de-bugging and software development, about 21% of respondents are still in initial discussions or prioritising this use-case, with about 25% having established a PoC. Interestingly however, only 6% have managed to implement their solutions at scale. Similar proportions apply to other productivity-focused use cases, for example relating to generating insights from summaries and domain-specific data.

Given their resources, it is not surprising that larger banks are ahead on use case development, with 63% reporting that they are largely adhering to set timelines for GenAI use case implementation, compared with 33% of respondents overall.

When it comes to customer service, financial institutions in our study are most advanced in applications to support agents with GenAI-enabled co-pilots, ahead of use cases to serve inbound customer enquiries, sentiment analysis, and personalization. (See Exhibit 2). Still, a relatively sizable proportion of institutions (10–15%) are in the process of rolling out inbound customer service chatbots at scale – thereby providing an excellent illustration of GenAI's capabilities. That is, the models are adept at finding and synthesizing information from various (unstructured) data sources, making sense of written and spoken language, and suggesting high-quality replies that often require only minimal edits. On the other hand, there are limits to these endeavors: unlike in some other industries (retail, consumer goods), full customer-facing personalization experiences are relatively underdeveloped, with more than 90% of institutions still in the planning stage for PoC development.

Exhibit 2 - GenAI use cases focused on everyday tasks rather than reshaping critical functions or inventing new business models

Establishing a Proof-of-Concept is (relatively) easy, but implementing at scale is proving more challenging

Internal Productivity

- IT/Engineering co-pilot for de-bugging & accelerated development
- Generating insights and summaries from domain-specific enterprise data
- Generating optimized code through automated reviews
- Agenda and notes co-pilot for effective meeting coordination
- Generating scenarios for software testing and QA via synthetic data

Customer Service, Engagement and Retention

- Co-pilot for customer service agents to support with calls, chat and email
- Inbound customer service chatbot to manage questions & complaints
- Sentiment analysis across inbound customer communication to detect churn risk
- Hyper-personalized content development for existing customer engagement

Customer Acquisition

- Hyper-personalized marketing content development (new customers)

N= respondents selecting this use case

- # respondents implemented at scale
- # respondents scaling in progress
- # respondents PoC established
- # respondents prioritized
- # respondents initial discussions
- # respondents not selected

Source: BCG GenAI in FI Benchmarking Survey; n=62.
Note: Chart shows responses selected across all 62 respondents incl banks, asset & wealth managers and payment companies.

In BCG's experience, isolated delivery of PoCs stops misses an opportunity for accelerated capability development across the organization. To unlock more value, businesses leaders may wish to consider a structured approach to scaling, based on a three stage-gate framework:

- **Deploy GenAI in everyday tasks.** We have seen that many leading institutions focus their deployment activities on productivity initiatives, including making meeting summaries, coding, processing documents, and generating reports. In this context, the strongest headwinds are realizing measurable value and working out which use cases to prioritize. BCG recommends deployment in concentrated teams to generate early wins and use case prioritization based on business case and pilot learnings.

- **Reshape critical functions.** Forward-looking institutions concentrate their efforts on boosting their productivity and increasing the speed and quality of their outputs across the value chain. Examples include transformations of the marketing and sales function, systematic customer service enablement across channels, and empowerment of relationship managers in both wealth and corporate banking to deliver more value to clients – and spend less time on administrative or low-value tasks. Compliance monitoring is also a growing area of interest. Among institutions we have worked with, common challenges include reimagining the end-to-end transformation required, as well as the necessary systems, process changes, and trainings. Finally, many institutions are unsure whether to build or buy (or a combination of both), and face challenges in integrating new systems with existing architectures.

- **Invent new business models.** We believe that institutions could add significant value where they launch new Gen-AI powered business models focused on the customer experience, as well as platforms to support innovation and insight, or new financial products and offerings. Challenges to these aspirations include finding the right combination of product, market, and user experience to drive customer adoption, and identifying economics that work at scale, as well as managing latency issues (the time delay between a user action and a system response). Leveraging GenAI to overcome these hurdles could unlock new business models, including value-based pricing.

Pillar 3: GenAI-ready tech and data stacks are being held back by integration challenges
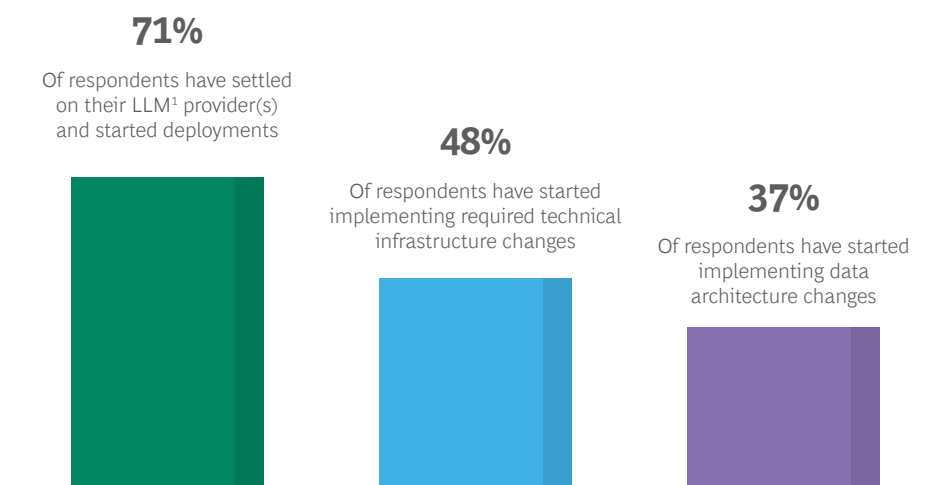
Like many tech innovations, GenAI needs to be able to work in concert with existing systems. But that's not easy to achieve. In fact, the majority of FIs in our survey say that integration with existing infrastructure is their number one technology challenge, followed by ensuring data security and privacy in their platform selection. Indeed, just 34% of respondents say they are "well underway" in implementing their GenAI tech stacks, and just 10% say they have made "significant progress" in upgrading data architecture to be GenAI-ready.

FIs have made progress on selecting large-language model provider(s), with 71% of respondents saying they have made their choices. Still, only a half are implementing the necessary infrastructure changes, and only one in three have adjusted data architecture as required. (See Exhibit 3). The task ahead will be to accelerate the processes of marrying legacy assets with new capabilities.

Organizations can benefit from setting up a GenAI 'Centre of Excellence' (CoE). This would be a centralized structure that could support a consistent change management process as GenAI use cases are developed and scaled. Winning organizations furnish the CoE with a broad remit, including being able to define data enterprise architectures, select strategic partners, and keep pace with emerging tech developments, vendors, and regulation. This provides the best chance of effectively integrating large language models whilst ensuring a consistent approach aligned with risk and regulatory guardrails throughout the business. Over time, it may be appropriate, for larger institutions at least, to decentralize GenAI capability development and execution while still enabling a central oversight function. This would help business units or dedicated incubation teams to experiment and deploy faster.

Exhibit 3 – The majority of respondents have settled on their LLM[1] provider(s) and started deployments, but are taking longer to make enterprise-wide technical changes

71%

Of respondents have settled
on their LLM[1] provider(s)
and started deployments

48%

Of respondents have started
implementing required technical
infrastructure changes

37%

Of respondents have started
implementing data
architecture changes

Source: BCG GenAI in FI Benchmarking Survey; n=62.

[1]Large Language Model.

Pillar 4: FIs are overlooking the chance to future-proof their GenAI talent strategies

Perhaps not surprisingly given GenAI's nascent status, not a single respondent to our survey says they have conducted an organization-wide assessment of GenAI's potential impact on talent and people. Moreover, 55% say they will not embed a GenAI talent strategy before 2025, of which 30% lack any target timeline at all. (See Exhibit 4). That said, there are signs that decision makers are moving in the right direction, with 73% having started some form of employee upskilling and 43% recognizing they will need to hire experts in future. At the same time, 63% of large banks (compared with 37% of total respondents) have conducted a *partial* impact assessment of their people and processes.

The capability gap is also manifested in ways of working, with just 7% of respondents saying they have established mechanisms, feedback loops, and improvement cycles to understand and promote GenAI usage. Once organizations move to wider adoption, these shortfalls in readiness are likely to be a constraint on effective GenAI implementation, and on achieving the productivity gains that many of our respondents believe are possible.
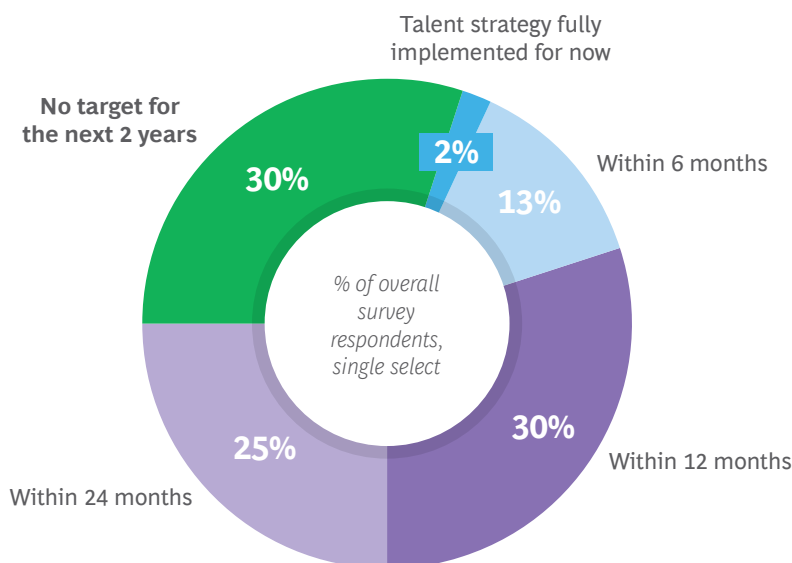
WHAT WE THINK

GenAI offers significant potential for institutions to boost productivity, but that is predicated on strategic commitment at all levels of organizations. FIs must be willing to transform their operating models end to end, and importantly invest in sufficient, dedicated talent resources. Looking ahead, BCG estimates that GenAI will impact almost two thirds of the workforce, with new roles emerging that can help institutions across the four key dimensions of building, shaping, using, and governing.

Winning talent strategies require excellent foundational steps. That means starting with an impact assessment across the workforce, helping institutions speedily identify where they need to make process changes and launch initiatives for up-skilling and reskilling. If companies can roll out solutions to roles at all levels of the business, they will be best placed to graduate from a series of targeted GenAI pilots to a coherent, organization-wide transformation.

Exhibit 4 - Majority of players underestimate the importance of talent strategy in the GenAI race

Most respondents will not have their GenAI talent strategy in place before 2025; one third have no clear timeline in place at all

Talent strategy fully implemented for now

No target for the next 2 years

30%

2%

Within 6 months

13%

% of overall survey respondents, single select

Within 12 months

30%

Within 24 months

25%

Source: BCG GenAI in FI Benchmarking Survey; n=62.

Pillar 5. Responsible AI and risk policy frameworks are still under construction

When it comes to GenAI policies, most financial institutions in our survey are still working to embed best practice. Just 13% have implemented a company-wide Gen-AI policy and practices framework, while 23% have no target timeline within the next three years. This indicates that a general lack of preparedness extends into strategic agendas. Still, the industry has made more progress in developing individual risk policies and guidelines. For example, 74% of respondents have data privacy and security policies in place, while 52% have drafted ethical guidelines for AI use and 40% have created AI regulatory and compliance frameworks. Only 18% confess to having no risk policies at all.

As with the other pillars discussed here, large banks are generally ahead of their peers. Indeed, 88% of that group have either implemented a holistic GenAI policy and practice framework, or intend to do so within the next 12 months. That compares with 57% of the wider cohort.

Even where companies have put in place guardrails for GenAI adoption, many institutions continue to struggle with implementation. A significant 87% of survey respondents say that managing risk in that context is a top three challenge. The other two are enforcing alignment with GenAI risk and policy guidelines, cited by 82% of respondents, and ensuring compliance with data protection and privacy regulations, cited by 78%. Meanwhile, just 13% are monitoring global trends and working with regulators to shape new rules – a unique window of opportunity that will likely narrow in the medium term.

Why do policies and practices matter? Our experience across numerous client engagements shows that experimentation without a Responsible AI (RAI) framework tends to increase institutional exposure to blind spots in process efficiency, quality checks, and risk management. Thus, an RAI framework has a vital role to play, not just in expressing ethical values but in reducing the risk of potentially costly errors, reputational damage, and regulatory penalties – reflecting policymakers' heightened awareness of potential financial industry conduct issues.

Effective RAI frameworks combine ethical guidelines with contingencies for the potential impacts of technology-supported decision making, the demands of data privacy, and model risk management, where the roots of risk often lie. The best-prepared institutions are taking active steps to engage with regulators and shape regulation, ensuring they have skin in the game when decisions are made.

GenAI offers FIs a transformational opportunity to streamline to their operations, sharpen their insights, and innovate across their products and services. Most decision makers in our inaugural benchmarking survey recognize this potential - but only a few are ready to take full advantage. Many institutions are stuck in second gear, as they struggle to transition away from individual use cases and toward a more orchestrated and holistic approach. The challenge is often exacerbated by a lack of change management readiness, and deficits in risk management and guardrails.

The antidote to these challenges lies in adopting a more expansive lens, and a strategy that reflects GenAI's potential impacts across many aspects of FI operations. In this context, the first task for leaders will be to pivot to a more active articulation of GenAI's potential across value chains. From there, they can start in earnest to unlock potential in each of the five pillars and create lasting value on the bottom line.

Our methodology

BCG's inaugural GenAI benchmarking survey was conducted in December 2023. Some 68 clients across the Americas, EMEA, Latin America, and Asia Pacific provided a detailed self-assessment of their capabilities, priorities, and progress to date. A significant 44 percent of respondents had 10,000 or more FTEs, while 26% had 5,000 to 10,000, and 21% had 2000– 5,000. By region, 60% of respondents were based in EMEA while 16% were in Latin America, 13% in APAC, and 11% in North America. By sector, 15% were in specialty FI sectors, including asset and wealth management and payments, while 85% were banks.

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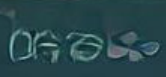If you would like to discuss this report, please contact the authors.

Acknowledgments

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