



ARTIFICIAL INTELLIGENCE

A STRATEGIC IMPERATIVE FOR CFOS

ANCHORING THE AI STRATEGY

While Artificial Intelligence has been a transformative force across decades, the emergence of generative AI represents a paradigm shift in human-machine interaction, fundamentally altering how we work, create, and communicate. Our initial encounters with AI through virtual assistants marked a preliminary phase of adaptation—learning capabilities, establishing trust, and accepting AI-mediated communication. However, these early steps pale in comparison to the profound organizational transformation that lies ahead.

AI has evolved from a specialized tool into a foundational technology that drives innovation and efficiency across sectors. As organizations encounter an expanding array of AI applications, they face a strategic inflection point: Should they pursue a focused implementation targeting specific high-impact use cases, or embrace a comprehensive transformation through an enterprise-wide AI strategy?"

While delving into AI in discrete processes may offer initial benefits, realizing its transformative potential demands a comprehensive enterprise-wide strategy.

CFOs occupy a distinctive position to orchestrate this transformation, partnering with the rest of the C-suite to architect and implement an organizational AI framework. The CFO's central role in this transformation stems from their dual mandate as guardians of value preservation and partners in value creation. In an era of unprecedented technological disruption, their strategic oversight becomes paramount.

This report explores the transformative power of AI in business across different dimensions and functions. It also outlines how organizations can develop an AI strategy, who should be responsible for its creation, the collaboration imperatives, and the critical success factors.

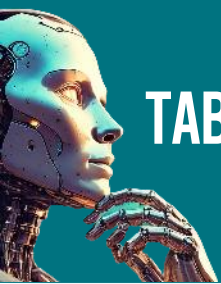
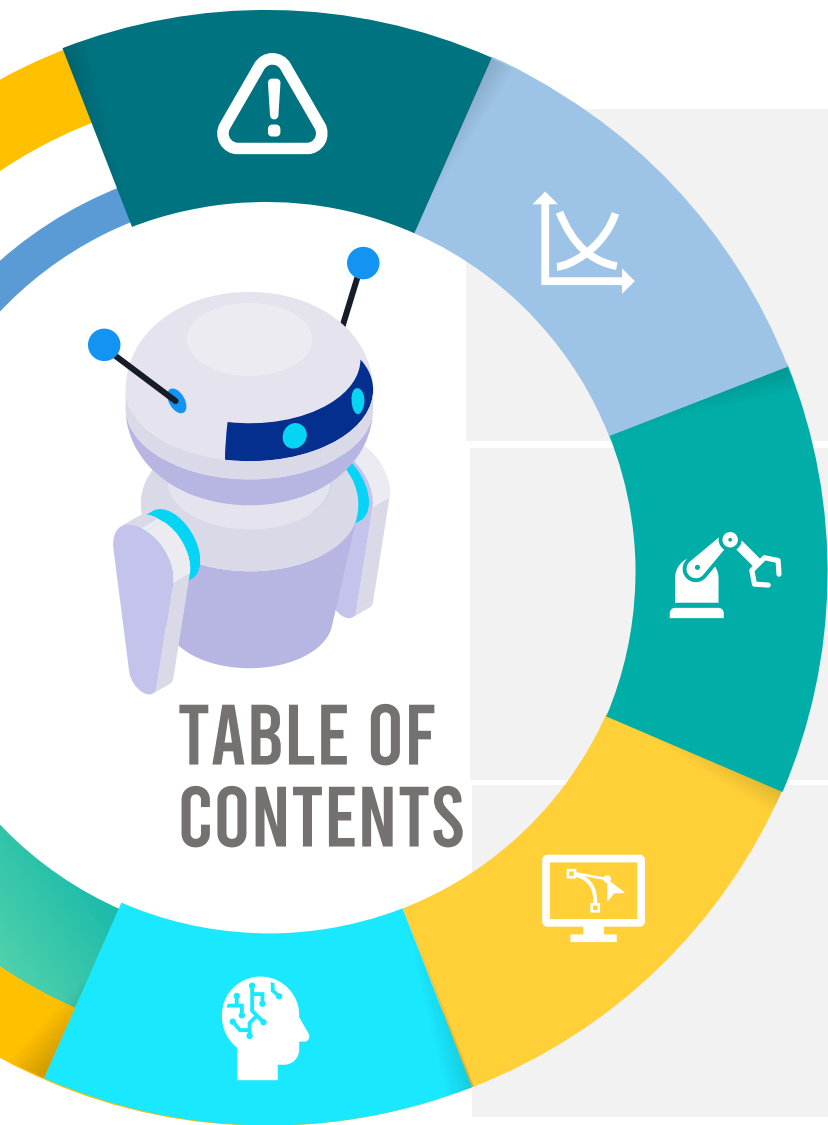


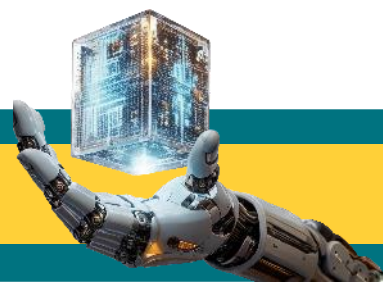
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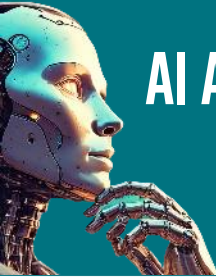
Building the AI Strategy

AI in Action



AI ADOPTION IN BUSINESS

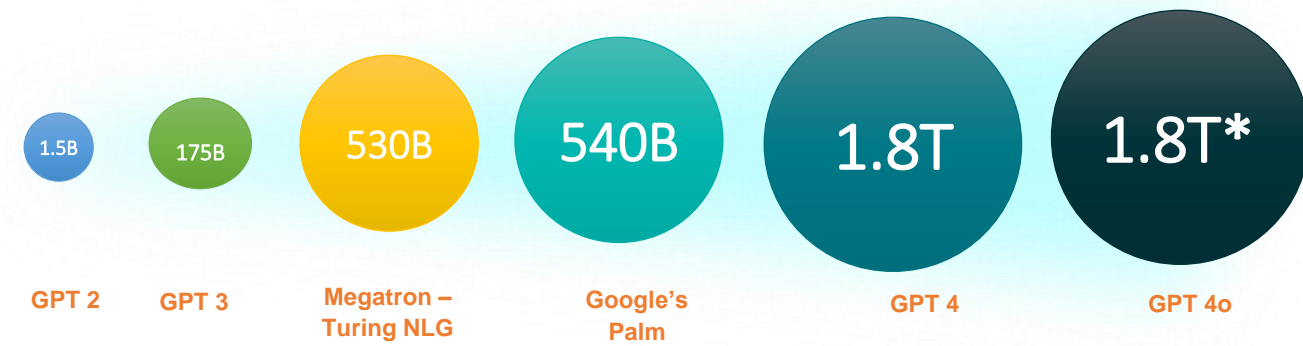




HOW HAS AI EVOLVED?

While Artificial Intelligence is not new, Generative AI is a type of AI capable of creating new, original content such as text, images, audio, and video by learning from vast datasets. Creativity and conversational ability are a huge unlock that makes it a significant enterprise-wide transformative force.

With the release of every new language model, there is an increase in the number of model parameters and the amount of data employed.



WHAT ARE THE KEY VALUE PATHWAYS ?

There is a growing global commitment to artificial intelligence, with various industries already harnessing this technology to create business value. Some of the key value pathways include:

Amplify Human Performance

- ❖ Find and surface relevant information
- ❖ Extract meaningful insights from Data
- ❖ Anticipate future events
- ❖ Deliver tailored experiences

Automate and Streamline processes

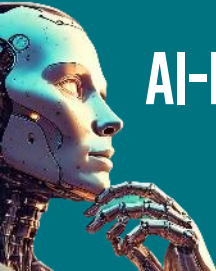
- ❖ Extract and organize Data
- ❖ Detect anomalies and issues
- ❖ Compare and contrast differences
- ❖ Enable and optimize decision making

Unlock new Possibilities

- ❖ Collaborate and create new content
- ❖ Discover new pathways
- ❖ Spark new ideas and concepts
- ❖ Experiment and confirm ideas

*OpenAI’s CTO has said that GPT-4o “brings GPT-4-level intelligence to everything.” CNET estimated that if that’s true then GPT-4o might also have 1.8 trillion parameters





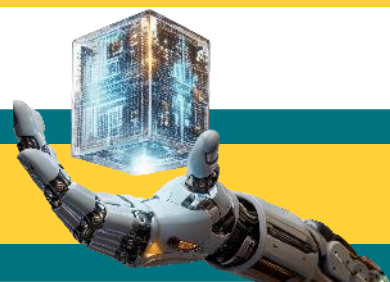
AI serves as a transformative catalyst, fundamentally reimagining business performance through enhanced efficiency, accelerated growth, and breakthrough innovation. It can unlock data-driven insights and enable rapid hypothesis testing, enabling ideation and concept development faster than ever before."

AI-POWERED OUTCOMES FOR THE CFO



"CFOs stand at the intersection of strategy and execution—their mastery of financial insights and risk management makes them natural leaders in transforming AI potential into business value without losing focus on the ROI"

Gejoy Kuriakose
Partner – KPMG in India





WHAT ARE SOME EARLY INDICATORS OF THE TRANSFORMATIVE IMPACT?

Artificial Intelligence (AI) is fundamentally transforming how businesses operate, influencing various key parameters that drive success.

CFO Opportunities...

... to create value

... across functions

Improve productivity	Eliminate inefficiencies and enable operational excellence	40 - 70% capacity gains 5 - 6x more time spent on collaboration & innovation	Finance Sales & Marketing
Increase profitability	Enable dynamic commercial strategies & more agile operations	30 - 40% lower costs to serve for select functions 10 - 20% improvement in operating margins	Supply Chain & Operations Procurement
Enhance quality & experiences	Improve job satisfaction & enhance the customer experience	15 - 25% decrease in voluntary employee attrition 20-30%+ Uplift in NPS	Technology Human Resources
Accelerate growth	Facilitate more agile and effective investment allocations	25 - 50%+ CAGR 3 - 5x Return on Investment	Legal & Compliance

*Source: Potential value estimated based on extrapolation of KPMG AI & Technology surveys and cross-industry analysis on the impact of AI over the next 24 – 36 months

30%

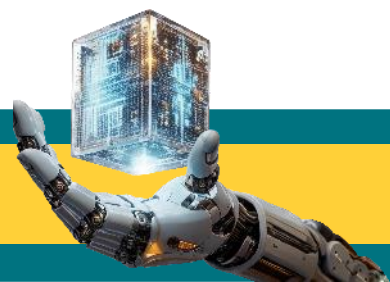
drop in **operational costs** for companies using AI for business processes.

20%

Increase in **average revenue** for companies that have integrated AI into their operations.

40-70%

Improvements in **key processes** for companies adopting AI



BUILDING AI STRATEGY FOR BUSINESS



BUILDING THE AI STRATEGY

"Developing a comprehensive AI strategy is fundamental to harnessing artificial intelligence's transformative potential. A well-crafted framework must integrate several critical elements to ensure strategic alignment and drive successful enterprise-wide implementation. The following strategic pillars form the foundation of an effective AI transformation journey.



Case Study

Schneider Electric, global corporation with a revenue of **\$39.6 billion** (2023), announced in November 2021 the appointment of a Chief AI Officer. The appointee, a veteran business leader from within Schneider, had previously held leadership roles in Industrial Automation. The company emphasized that AI has the potential to transform industries, necessitating a bold strategy and C-suite attention. Although Schneider had already implemented AI use cases in some areas, they recognized the need for a clear, overarching strategy.

BUILDING THE AI STRATEGY

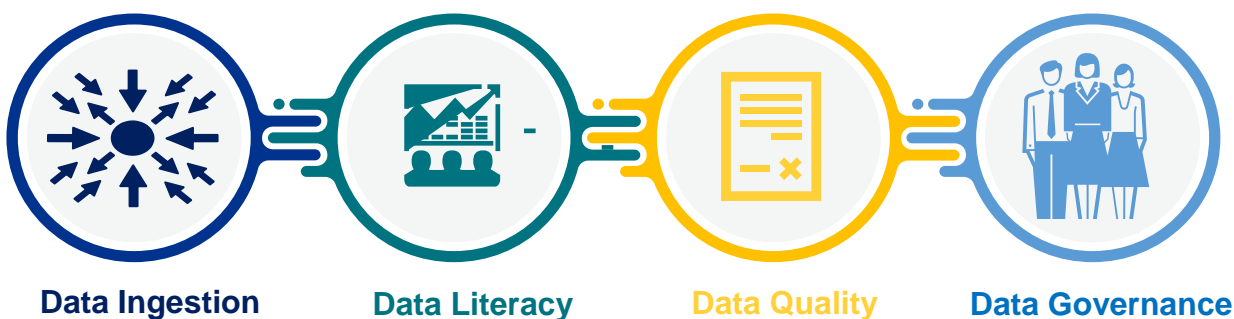
The framework for developing and implementing an AI strategy mirrors established enterprise transformation models—anchored by a dedicated Center of Excellence (CoE) with executive oversight through a strategic steering committee.

AI AS A BUSINESS INITIATIVE

AI adoption must be viewed through the lens of enterprise-wide value creation. AI represents a fundamental business transformation that should align seamlessly with corporate strategy. Framing AI as a strategic imperative rather than a technological initiative ensures appropriate organizational focus, driving both superior resource allocation and sustained executive commitment.

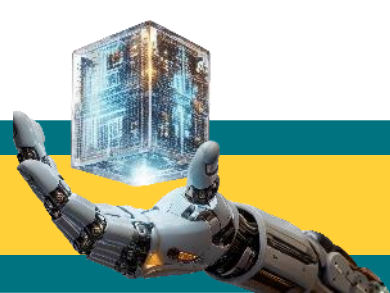
DATA: THE CORE ASSET

"Data forms the cornerstone of any AI initiative. High-quality, relevant data is crucial for training AI models and deriving meaningful insights. A Center of Excellence (CoE) should be backed by skilled data specialists, with data stewards embedded throughout the organization to ensure data integrity and accessibility. CFOs have already begun implementing data roadmaps to facilitate AI adoption. The key data imperatives are:



COMPUTING

Robust computing resources are essential for supporting AI applications, particularly when processing large datasets and running complex algorithms. These resources can be either commissioned in-house or outsourced.





AI GOVERNANCE

Governance in AI usage has become crucial due to the associated risks. Beyond managing risks related to development, access, and usage, there are inherent ethical and compliance challenges in AI development and deployment. These are as follows:

- A. Bias in AI models:** AI models often learn from behavioral data, which can introduce biases. These biases can skew data interpretation and decision-making processes, potentially leading to severe consequences.
- B. Unacceptable nature of output:** AI models generate outputs based on learned human behavior, which can sometimes include toxic or otherwise unacceptable content. AI models can sometimes generate false or misleading information, known as hallucinations.
- C. Violation of data privacy:** Compliance with data privacy laws and regulations is crucial. AI models must be designed and operated in a manner that respects and protects user privacy.
- D. Other compliances:** Depending on the application area, AI solutions and decision-making processes must adhere to relevant regulations to ensure that AI is lawful.

Organizations can adopt various frameworks and guidelines for AI Governance. One notable example is the OECD Principles on Artificial Intelligence.



PARTNERSHIPS

Collaborating with external partners can significantly enhance an organization's AI capabilities. While the core business drivers should always originate internally, partners can contribute valuable expertise in technology, processes, and governance.



“AI is a transformative force for organizations, reshaping business models and operations. It will redefine customer interactions, fostering empathetic relationships, while also changing how businesses engage with employees and leverage talent.

David Rowlands

Global Head of AI – KPMG

AI IN ACTION



INDUSTRY-WIDE APPLICATIONS OF AI

AI has a wide range of applications across various industries, including the following:

- 1. Risk Assessment:** AI empowers firms to analyze data, identify patterns, facilitate decision-making through testing and simulations, and predict potential risks.
- 2. Personalization:** AI leverages user data and preferences to tailor products and services based on past interactions, enhancing customer engagement, satisfaction, and loyalty.

Hero MotoCorp's Shubh Muhurat Saathi, one of the largest AI-powered campaigns in the auto industry, used Gen AI to create personalized videos for over **2.3 million** customers. These videos, customized with customer names, preferred models, and languages, featured celebrities to boost engagement. The campaign achieved a **40%** engagement rate and a **6%** increase in inquiries by guiding customers through their buying journey and creating urgency around offers.

- 3. Customer Support:** AI-powered chatbots provide 24/7 customer support, efficiently directing queries to the appropriate departments for quicker resolution. By managing simple inquiries, they free up agents to concentrate on more complex tasks.

- 4. Demand Forecasting:** AI can forecast demand by analyzing historical data and patterns, leading to improved resource management and a more efficient supply chain. Additionally, AI can assess real-time data, enabling quick responses to changes in demand.
- 4. Benchmarking:** AI can automate the collection and analysis of data from various sources, extracting valuable competitor and peer insights. This enables organizations to make informed decisions and maintain a competitive edge in the market
- 5. Project Planning:** AI enhances project planning by generating detailed plans, timelines, and optimizing resource allocation. It improves decision-making, reduces costs, and boosts outcomes through data-driven insights throughout the project lifecycle.
- 6. Quality Control:** AI vision systems enable precise quality inspections, detecting defects on production lines to enhance product quality. AI-powered predictive maintenance ensures smooth machinery operation, reducing downtime and maintaining consistent product quality

“ We have already cut our workforce from 5,000 to 3,800 in the past year, and we want to reduce that to 2,000 employees by using AI in marketing and customer service ”

~ Klarna CEO, Sebastian Siemiatkowski

DEEP DIVE: REVENUE GROWTH AS A USE CASE OF AI

AI is transforming how businesses drive revenue growth by enhancing personalization, optimizing pricing strategies, improving product development, and streamlining sales processes. It empowers teams to focus on high-value tasks by automating repetitive and time-consuming activities.



Personalization

AI analyzes customer data to provide tailored recommendations and solutions, resulting in a personalized consumer experience. This enables targeted marketing, improves conversion rates, and fosters customer loyalty, thereby driving revenue growth.



Generative Design

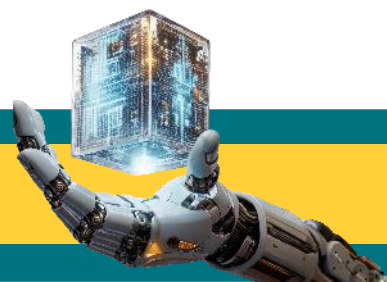
AI can be leveraged in the manufacturing and software sectors to generate innovative product designs and features based on market demands. This accelerates time-to-market for new products, enabling companies to capitalize on emerging trends more quickly and drive revenue growth.



Case study

Hero MotoCorp

- Hero MotoCorp leverages AI to enhance its sales process by delivering personalized sales pitches tailored to each customer's preferences and persona. Sales executives at dealerships use AI tools to provide real-time product comparisons, highlighting key advantages such as performance, design, mileage, and pricing. This personalized approach not only boosts conversion rates but also empowers executives, even those with minimal experience, to address customer concerns efficiently, accelerating training and enhancing overall outcomes.



DEEP DIVE: PRICE OPTIMISATION AS A USE CASE OF AI

AI can analyze market conditions, competitor pricing, customer behavior, and historical sales data to optimize pricing strategies. It suggests optimal price points for different products or customer segments, maximizing revenue and profitability. Some areas where AI can further optimize pricing are:

Promotion Optimization

AI enables companies to analyze vast amounts of data to identify opportunities for offering discounts within a specified price range, ensuring profit maximization. Additionally, AI can identify complementary products for bundling and develop promotional strategies that enhance perceived value.

A/B Testing

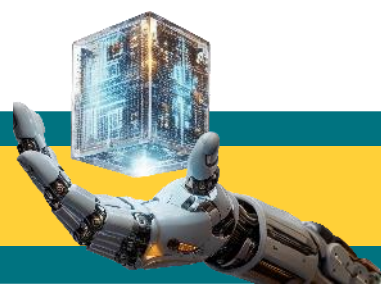
AI can facilitate A/B testing of different pricing strategies by generating real-time variations. This enables e-commerce platforms to test various price points or promotional offers across audience segments, using AI-driven insights to determine which strategies yield the best results.



Case study

Netflix

- Netflix leverages data-driven insights to personalize pricing based on individual user behavior and preferences. It offers customized subscription rates or promotional discounts to new users based on their viewing habits and engagement levels. Additionally, Netflix utilizes A/B testing to assess which advertisements, promotional messages, and visuals resonate most with its target audience. This enables the platform to refine its promotional strategies and select the most effective messaging for engaging users.



DEEP DIVE: INVENTORY MANAGEMENT AS A USE CASE OF AI

AI can analyze historical sales data, production rates, supply chain logistics, and market trends to accurately predict inventory needs, optimizing inventory levels and minimizing both overstock and understock situations. Key areas where AI can further enhance inventory optimization include:



Content Generation

AI can generate comprehensive reports that automatically highlight trends, discrepancies, and recommendations for inventory adjustments, eliminating the need for manual data compilation. This will ensure that the managers have real-time, accurate information to make informed strategic decisions.



Optical Scanning

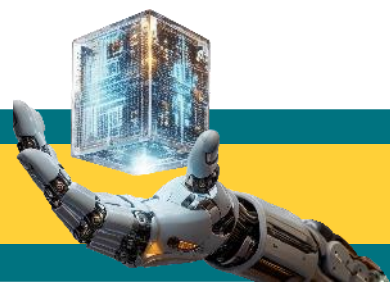
Implement AI-powered optical scanning of shelves to enhance inventory management. By leveraging image analysis, this approach accurately evaluates and updates asset information, streamlining the entire process. It reduces the risk of human error and minimizes the time spent on traditional inventory counts, improving overall efficiency.

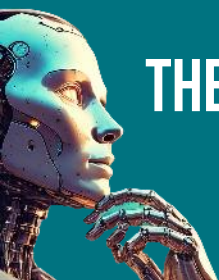


Case study

Honeywell

- In a retail landscape that prioritizes efficiency and customer focus, the convergence of technology and logistics is essential. Honeywell Industrial Automation (Honeywell IA) leads the charge in digital transformation, offering robotics and real-time barcode scanning to streamline key inventory processes such as picking, packing, and sorting, while optimizing workflows. It also provides workers with access to real-time data to enhance tasks like inventory management and route optimization. Specifically, AI algorithms analyze traffic, weather, and order data to determine the most efficient delivery routes and accurately predict arrival times.

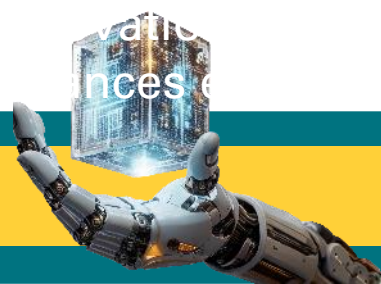




As India advances into the next phase of AI evolution, CFOs have a unique opportunity to lead AI adoption and act as enablers of its benefits. Summarized below are some of the recommendations that can further turbocharge the AI adoption in business.

Recommendations for Industry

- **Strengthen AI infrastructure:** Assess current technology solutions and ERP platforms to identify areas for additional investment and understand the implications for future roadmaps..
- **Create a robust AI Talent pipeline:** Evaluate in-house AI capabilities, potential partners, and available talent. Ensure that augmented roles are supported by upskilling programs for both impacted and auxiliary teams..
- **Data Quality and Availability:** Guarantee the completeness, accuracy, and security of data to support precise AI predictions and effective decision-making.
- **Adopt Responsible AI practices:** Design responsible AI systems that are ethical, legal, and incorporate cyber risk mitigation.
- **ROI and Business Value:** Consider factors such as cost savings and customer experience to assess the business value and return on investment (ROI) from AI initiatives.
- **Promote cross-sector AI partnerships:** In a rapidly evolving landscape, collaborations are essential for unlocking the full potential of AI. By partnering with specialized AI providers, companies can access cutting-edge technology and expertise, accelerating AI adoption and driving innovation. These partnerships enable businesses to stay ahead of the curve and leverage AI to its fullest potential.



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