PARO

Closing the Adoption Gap

The Present & Future State
of AI in Finance

INTRODUCTION

Our survey of 250 U.S. C-suite executives and senior finance managers explores how finance teams are evolving in today's business environment. The survey responses reveal a significant gap between recognizing the importance of AI and adopting it.

Based on the results, we identify the underlying causes and provide recommendations around data, talent and risk management to dispel obstacles to adoption and unlock the potential of AI in finance.

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Key Takeaways

THE SITUATION

There is **a significant gap in adoption of artificial intelligence** (AI) and machine learning (ML) within finance: 83% of executives say adopting AI is important, but 42% of businesses have yet to do so.

EARLY WINS

Adopters are using AI/ML for recruiting and hiring, strategic planning, predictive analytics and forecasting, process automation and personalization. As a result, they're more likely to be satisfied with timelines and financial insights compared to non-adopters (86% vs. 51% respectively).

THE CHALLENGE

Top barriers to adoption include a lack of proficiency in **data analytics and technology**, **concerns around security and compliance** and **cultural adaptability**.

LONG-TERM GAINS

The adoption of AI/ML accelerates the evolution of the finance function from retrospective reporting to forward-looking strategic advisory, which is critical for a competitive advantage today and tomorrow.

How the AI Adoption Gap Came to Be

Today's ever-changing business environment—driven by global disruption and the proliferation of data, innovation and expanding business ecosystems—can be a boon or a threat to competitive advantage. But a traditional finance function can't deliver the real-time insights and predictions required for the kind of cross-enterprise, agile decision making that gives high performers the edge.

Leaders know they must adopt intelligent technologies to transform their finance teams from retrospective reporters to forward-looking, strategic partners—but implementation remains a challenge.

Top Barriers to Adoption

✕ Lack of proficiency in advanced analytics, data governace, and technology

✕ Concerns about security and the loss of human judgement or oversight

✕ Lack of trust in data

✕ Difficulty translating data into insights
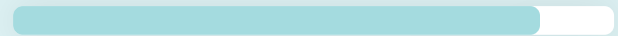
The AI/ML Adoption Gap

→ **Businesses clearly recognize the importance of AI, but nearly half hesitate to adopt it:**
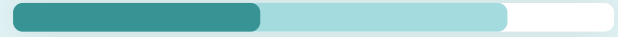
83%
of business (and 100% of those with revenues over $250M) say adopting AI/ML is important or extremely important

42%
have **yet** to implement.

→ **They have ambition, but execution is stalled by a mix of concerns and challenges.**
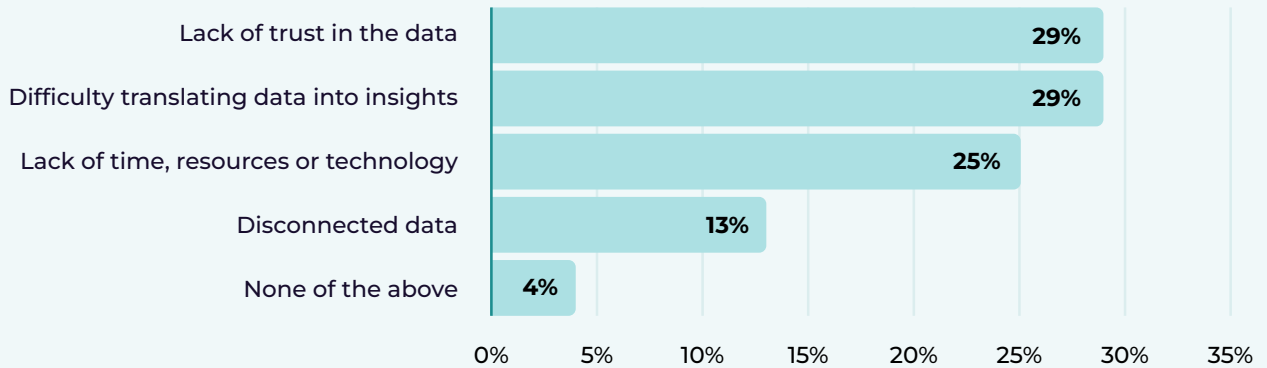
87%
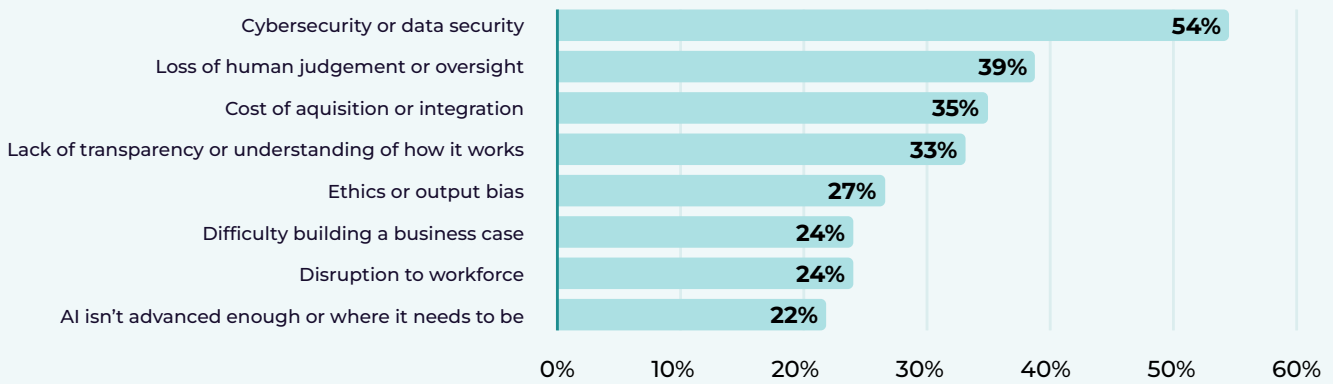of non-adopters say they're applying AI/ML-driven data to their long-term strategic planning.

The vast majority of lagging businesses—including those who are unsure of the importance of AI—seem to be experimenting with AI/ML-driven data nonetheless. But concerns about skill deficiencies, data issues and risk stand in the way of total adoption.

CHALLENGES IN USING DATA FOR ANALYTICS

Challenge	Percentage
Lack of trust in the data	29%
Difficulty translating data into insights	29%
Lack of time, resources or technology	25%
Disconnected data	13%
None of the above	4%

CONCERNS ABOUT AI & EMERGING INTELLIGENCE

Concern	Percentage
Cybersecurity or data security	54%
Loss of human judgement or oversight	39%
Cost of aquisition or integration	35%
Lack of transparency or understanding of how it works	33%
Ethics or output bias	27%
Difficulty building a business case	24%
Disruption to workforce	24%
AI isn't advanced enough or where it needs to be	22%

Data Makes or Breaks Adoption—and Non-adopters Know It.

Note that data-related issues occupy the top spots across both dimensions of resistance. According to respondents, 29% of businesses lack trust in their data, and 54% of businesses are concerned with data security.

Trusting that your data is available, up-to-date, accurate, relevant and secure impacts everything you attempt to do with AI and other intelligent technologies. If your data isn't properly standardized, segmented and integrated, you can't manipulate it to reveal patterns and granular

insights. You also can't evaluate the output, identify bias or train your models with confidence.

Poor data management kills transparency, hamstrings agility and puts the business and customers at risk. And without people who are proficient in data analytics and related tools, non-adopters are stuck.

Based on our survey, non-adopters intuit the importance of data in AI/ML and see it as a primary obstacle.

Skilling for the Future of AI in Finance

The evolution of the finance role from number cruncher to strategic partner is key to closing the adoption gap.

Our respondents anticipate a fundamental transformation of their roles, driven by the automation of routine, manual tasks and the development of advanced data and analytics tools. As a result, finance is shifting toward becoming a strategic and collaborative function.

Executional
Free from mundane, repetitive work, finance teams will instead use advanced analytics and predictive modeling to gain deep, real-time insights.

Strategic
In doing so, they'll become strategic partners who are central to decision-making and innovation across the enterprise.

Collaborative
As a result, they must become more collaborative, integrating financial analysis into broader business strategy and operational decisions.
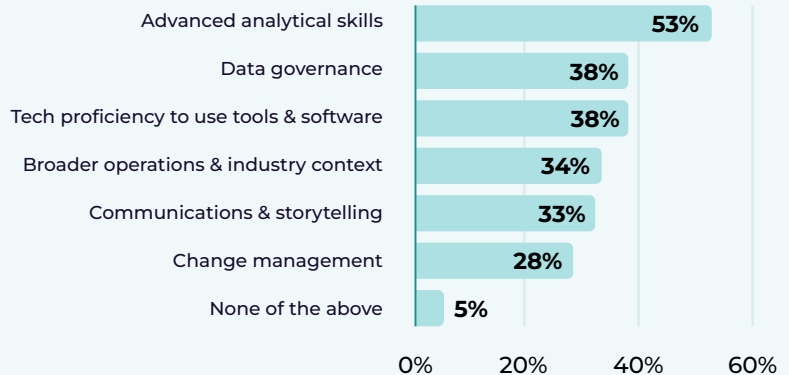
61% of finance teams are already partnering across teams, going beyond transactional support.

Workforce Skills In Demand

Change is underway, and finance teams recognize the need for expertise in emerging fields and tools as well as supporting soft skill sets that help them navigate on an organizational level.

SKILLS LACKING IN CURRENT FINANCE TEAM

Skill	Percentage
Advanced analytical skills	53%
Data governance	38%
Tech proficiency to use tools & software	38%
Broader operations & industry context	34%
Communications & storytelling	33%
Change management	28%
None of the above	5%

PRIORITY SKILLS

Analytical Skills

Advanced analytical skills such as critical thinking, research and data literacy top the list of needs. Only 43% of owners/partners see this as a weakness compared to 59% of C-suite executives, suggesting small-to medium-sized businesses are more confident in their ability to workshop complex ideas and solutions.

Technology Proficiency

Finance teams are equally lacking in data governance and tech proficiency (38%), but the more important AI becomes to the business, the more the lack of technology proficiency stands out, rising to 49% among those who agreed AI is extremely important.

Communication

Whether you're leveraging your business acumen to pitch a pilot to the board, or presenting your findings to sales, cross-functional knowledge and good communication skills are essential to the success of any type of adoption. Roughly one-third of businesses cite this as a skill their team needs.
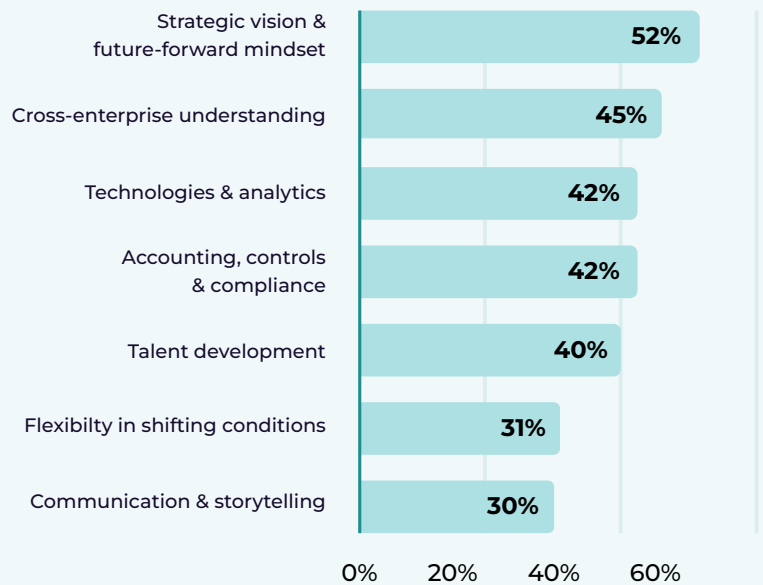
Leadership Skills In Demand

Respondents who have adopted or are at least incorporating AI- or ML-driven data into their strategic planning value similar qualities in a CFO: a strategic vision and a future-forward mindset.

Predictably, respondents who do not use AI for strategic planning have a very traditional vision of the ideal CFO, rating accounting, controls and compliance as the most valuable skill set (62%), compared to those who employ AI often. **These "non-actors" who aren't moving on AI comprise just 7% of all respondents and may represent a dying breed of finance leaders who prioritize backward-looking reporting over forward-looking strategy.**

MOST VALUED CFO SKILLS

Skill	Percentage
Strategic vision & future-forward mindset	52%
Cross-enterprise understanding	45%
Technologies & analytics	42%
Accounting, controls & compliance	42%
Talent development	40%
Flexibilty in shifting conditions	31%
Communication & storytelling	30%

The Right Leader Quickens the Pace

Businesses that value more strategic CFOs adopt more, while those who value more traditional CFOs adopt less. Given that adoption drives competitive advantage, we can assume a strategic, forward-looking CFO accelerates the path to competitive advantage. Without one, resistant businesses stand to lose their edge over time as adopters continue to build.

Lessons From Successful Adopters of AI in Finance

Despite the skill gaps and challenges, many businesses we surveyed are finding success in adopting AI and ML.

57% of companies have already adopted AI/ML technology.

98% of adopters are using it for long-term strategic planning.

67% of adopters are using it to enhance forecasting and predictive analytics.

Top AI Use Cases Among Adopters

There's a wide range of applications for AI in finance, both as a tool to boost efficiency and as a strategic guide to spot patterns and generate complex analysis. Adopters in our survey are using it in three primary ways:

01   Predictive analytics and forecasting for sales, marketing, etc. (67%)

AI and ML tools can gather and analyze unthinkable amounts of data from a variety of sources in seconds, illuminating relationships between key business drivers that humans can't and generating visualizations and explanations to contextualize their findings. They can even provide recommendations on the best path forward.

02   Process automation for internal workflows (56%)

AI increases efficiency and accuracy while reducing risk by automating repetitive tasks like data entry, document processing, transaction screening for fraud, compliance monitoring and AR/AP tasks. This frees talent up to work on higher-value tasks.

03   Personalization (e.g., tailored recommendations for customers) (54%)

Through AI, NLP and prescriptive analytics, you can aggregate and analyze financial, behavioral and social media data for sentiment to deliver highly personalized recommendations and experiences.

Unlocking the Future of AI in Finance

Tips for Managing Risk and Building Trust

Data security and lack of transparency may be top concerns for non-adopters, but there are many ways to exert control over the process and minimize risk.

Data security

The first steps to grooming and securing your data include gathering the right stakeholders, defining roles and documenting standard operating procedures.

Bias

There are numerous techniques to reduce bias, starting with this open-source collection by the AI Fairness Project, but you can start by identifying potential sources of bias (e.g., your data sets, your team's own bias, etc.) and involving subject matter experts and diverse voices in build, training and testing to ensure you capture sensitive data points and rebalance them in the model.

Cybersecurity

The 54% of respondents who named cybersecurity as a top concern aren't alone. In fact, the United States Cybersecurity & Infrastructure Security Agency (CISA) is leading the charge to promote security in AI/ML development with its Secure by Design initiative. Learn more about adversarial training, privacy controls and other strategies for building security into your solutions.

Debunking the Loss of Human Oversight

The "loss of judgment/human oversight" concern expressed by 39% of respondents grows to 55% among VP, managing director, director, divisional department heads, who are likely to be held accountable if something goes wrong with a solution. It may also be code for "job loss." But that's actually a myth: Any AI/ML application is a nonstarter without human oversight. Oversight is necessary to train AI systems and reduce bias.

Getting Started

01 **Fight misconceptions and skepticism by investing in education and resources.**

Those that were neutral on the importance of AI/ML or believed it was unimportant also cited lack of time, resources and tech as their top challenge (37%), suggesting an educational- and fatigue-based barriers to adoption.

Dispel common misconceptions about AI by investing in paid training, education and fractional expertise to bring your team into the fold and up to speed.

Start learning now with these confidence-boosting reads:

→ AI Unpacked: A Plain English Guide for Finance Leaders

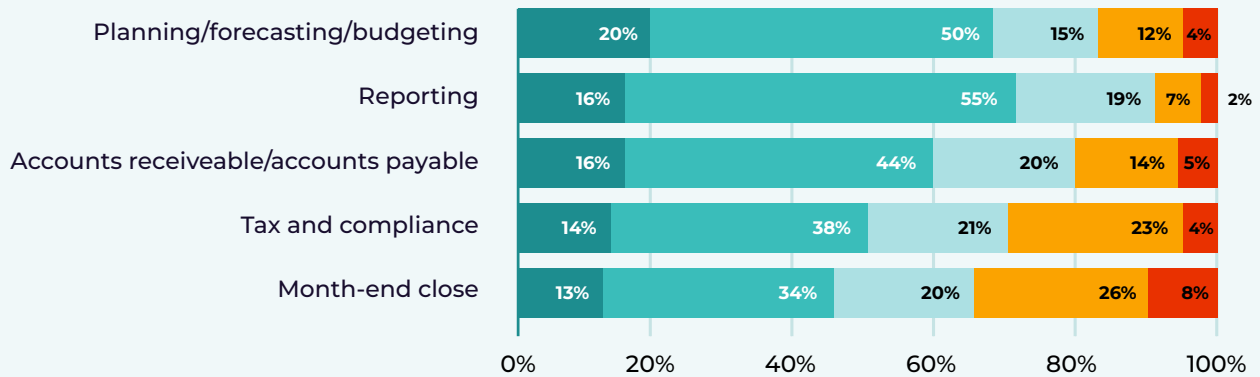→ Engaging With AI Models: A Step-by-Step Guide for Finance Practitioners

02 Attain buy-in by starting small and showing value early.

When building a business case, go for the low-hanging fruit. Identify areas that are ripe for automation, define rock-solid KPIs and focus on purpose and outcomes vs. technology. Financial planning and reporting are the two most common functions primed for automation, according to respondents.

READINESS OF AREAS FOR AUTOMATION

- ● Very ready
- ● Ready
- ● Neutral
- ● Unready
- ● Very unready

	Very ready	Ready	Neutral	Unready	Very unready
Planning/forecasting/budgeting	20%	50%	15%	12%	4%
Reporting	16%	55%	19%	7%	2%
Accounts receiveable/accounts payable	16%	44%	20%	14%	5%
Tax and compliance	14%	38%	21%	23%	4%
Month-end close	13%	34%	20%	26%	8%

0%   20%   40%   60%   80%   100%

03 Drive change and scale through collaboration.

According to our survey, companies with frequent cross-enterprise finance collaboration were much more likely to have adopted AI than not (73% vs 44%, respectively), suggesting that collaboration may facilitate adoption. Start assembling a cross-functional dream team to optimize integrated business planning with AI tools—and learn more about driving digital change throughout your organization.

Accelerating to Adoption & Beyond

The majority of businesses agree that adopting AI is vital to future business success, but issues around skills, data and risk loom large enough to significantly thwart adoption.

To overcome those barriers and accelerate toward a future-forward finance function, businesses must address those concerns head on by filling talent gaps with fractional expertise, establishing a foundation of strong data management practices and investing in education to build understanding and trust.

ABOUT PARO

Paro is an AI-powered marketplace that delivers finance and accounting solutions to businesses through a combination of expert fractional talent, data-driven tools and guiding insights.

By harnessing the power of people and technology, our growth platform provides flexible options, ranging from transaction processing support to corporate development and financing strategy, to solve core business challenges and drive growth. The result enables businesses and experts to go beyond even their loftiest goals.

METHODOLOGY

The 2023 Paro Future of Finance survey used online interviews conducted among members of the Vitreous World panel, with respondents representing US-based C-Suite executives or senior management in Accounting or Finance; the resulting sample was statistically representative.

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