Generative AI: Opportunities and Risks for CFOs

To cash in on the promise of gen AI-powered transformation, CEOs and CFOs must ensure its risks don't overshadow potential rewards.

According to recent IBM research, a majority (57%) of CFOs and CROs say their organization's use of gen AI will increase overall risk exposure. Top risks these leaders consider when making gen AI investments include compliance and regulatory risk (63%), customer and employee privacy (58%), and bias and misinformation in decision-making (56%). "In fact, 68% of CFOs and CROs say they're insufficiently prepared to tackle gen AI-related risks overall," the research found.

It noted that "the situation is further complicated by a lack of skills. 70% of CFOs and CROs say keeping up with the speed of gen AI development and continuously addressing new risks requires expertise they currently lack."

The research also found that, "when adopted properly, gen AI can help CEOs manage the reputational risks that threaten the organization's long-term viability." But, while only 16% of organizations surveyed use gen AI to address reputational risks today, 64% plan to capitalize on these capabilities by 2027 to predict, monitor and mitigate potential issues that could affect their reputations.

The research paper advises that business leaders must begin by understanding the full spectrum of risks gen AI introduces and their impact, then explicitly define how much risk they are willing to accept. "Supplying teams with the right gen AI tools will help them outmaneuver even the most unpredictable threats." It suggests steps such as:

- Evaluating how successful the organization has been with managing risk in the past, its financial capacity to withstand losses and the potential impact of risk on operations. Outline the acceptable level of risk for each category.

- Setting up structured risk assessments for gen AI initiatives. CFOs and CFOs can work together to establish AI governance with clear accountability that is appropriate within the organizational structure.

- Looking to AI leaders to monitor gen AI deployments, conduct risk assessments, and report to executive leadership. The use of AI assistants can curate risk data for review by AI leaders.

Business leaders can maintain credibility with stakeholders by monitoring and responding to reputational risks as they emerge with gen AI, the research paper says. "Predicting which risks are most likely to escalate and suggesting proactive mitigation strategies will help contain potentially tricky situations." Leaders can:

- Use gen AI to analyze social media, news articles, and customer reviews to identify emerging trends and conversations related to the organization. Staying responsive can help maintain a positive brand image and reputation.

- Use gen AI to assess datasets related to supply chain operations and environmental factors, including supplier performance data, transportation logs, weather patterns and environmental and labor regulations.

- Build personas and use AI assistants to create and curate content that showcases your position on various issues. It is also important to maintain consistent messaging and tone for social media, marketing materials, press releases, crisis communications and customer interactions.

When used proactively and predictively, "gen AI can help CFOs unlock myriad benefits such as reducing the time it takes to assess regulatory changes, shorten the time it takes the organization to respond to emerging risks and increase accuracy in risk forecasting. Gen AI can also improve an organization's market position, with 67% of CFOs and CROs saying they need to quickly adopt it for risk management to keep up with competitors."

Download the IBM IBV Report The CEO's guide to risk management.