The AI Imperative in Financial Services

The Human Capital Agenda

With [$25 trillion in potential economic impact](#), generative artificial intelligence (AI) has captured our attention and imagination. Our [2023 Global Leadership Monitor](#) research reveals that 74% of CEOs believe their industry is currently being disrupted by technology, as generative AI ushers in a new era of talent, transformation, and culture of ethical human leadership.

To understand the impact of generative AI on talent strategies across financial services, Russell Reynolds Associates connected with over 50 HR executives across the ecosystem. The insights gathered revealed a clear message: AI's influence on the financial services industry goes beyond technology—it's about leadership.

EXECUTIVE SUMMARY

AI adoption in financial services is less about technology and more about leadership. Is your team ready for the impending transformation?

Our observations indicate that every leader, starting with the CEO, must take ownership of driving the AI agenda. In this period of technological evolution, leaders who embrace AI will be better equipped to navigate disruption and uncertainty. However, financial services leaders are likely to find themselves faced with the challenge of balancing the associated risks with rewards while shaping their AI adoption strategies. The way leaders position their organizations in this context will therefore vary, ranging from being innovators, early adopters, or fast followers to late adopters.
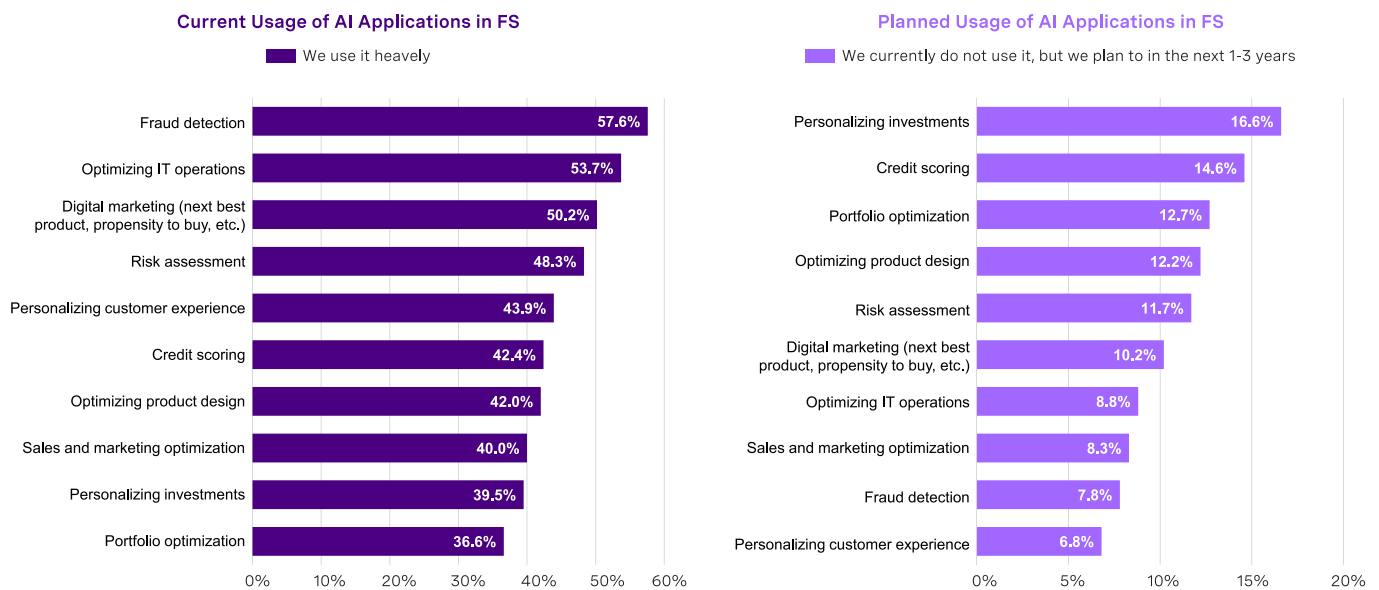
Changing landscape of AI use-cases and organizational design

Embedding AI into your organization requires a harmonized and holistic approach. Given the wide range of current, planned, and promising use cases for AI in financial services (see Figure 1), leaders need to make coordinated decisions on high value opportunities to ensure a competitive edge. While downside protection against competitive threats, cyber breaches, and industry disruption is top of mind, the upside potential is extraordinary. The good news: your organization does not need to excel in every area. Your approach depends on your organization's strategic priorities and corresponding use cases, the cost-benefit across all functions, and existing cultural and leadership dynamics.

Figure 1: Current and planned usage of AI use-cases in financial services

To what extent does your organization use artificial intelligence for the following business uses?

Current Usage of AI Applications in FS

■ We use it heavily

Fraud detection	57.6%
Optimizing IT operations	53.7%
Digital marketing (next best product, propensity to buy, etc.)	50.2%
Risk assessment	48.3%
Personalizing customer experience	43.9%
Credit scoring	42.4%
Optimizing product design	42.0%
Sales and marketing optimization	40.0%
Personalizing investments	39.5%
Portfolio optimization	36.6%

Planned Usage of AI Applications in FS

■ We currently do not use it, but we plan to in the next 1-3 years

Personalizing investments	16.6%
Credit scoring	14.6%
Portfolio optimization	12.7%
Optimizing product design	12.2%
Risk assessment	11.7%
Digital marketing (next best product, propensity to buy, etc.)	10.2%
Optimizing IT operations	8.8%
Sales and marketing optimization	8.3%
Fraud detection	7.8%
Personalizing customer experience	6.8%

Source: "Banking on a game changer: AI in financial services," The Economist Intelligence Unit.

The evolution of AI organizational design is intricately linked to your business strategy. Our market analysis and client interactions reveal that AI is nested where the financial institutions are most invested. We observed three nascent and evolving constructs with varying degrees of centralization in financial services as outlined below (see Figure 2):

AI is decentralized and embedded in the digital/customer experience (CX) organization

Pros - Creates distinctive focus on customer-facing use cases and promotes strong collaboration between technology and lines-of-business partners.
Cons - May overlook or deprioritize promising non-CX related AI use cases, such as back-end IT operations.

AI is bifurcated into two groups; one focused on AI research, the other on AI implementation

Pros - Ensures clear decision rights around idea generation vs. implementation, which can promote innovation and speed to market.
**Cons -** If not well aligned, the AI research group can lose sight of key implementation challenges/constraints and run the risk of chasing 'shiny objects'.

AI is centralized with a Center of Excellence (CoE) coordinated under a chief technology officer/ head of innovation

Pros - Strongly promotes enterprise-wide synergies, organizational alignment, and AI governance best practices.
Cons - Runs the risk of becoming overly bureaucratic, slowing speed to market.

Figure 2: AI organizational structures across financial institutions
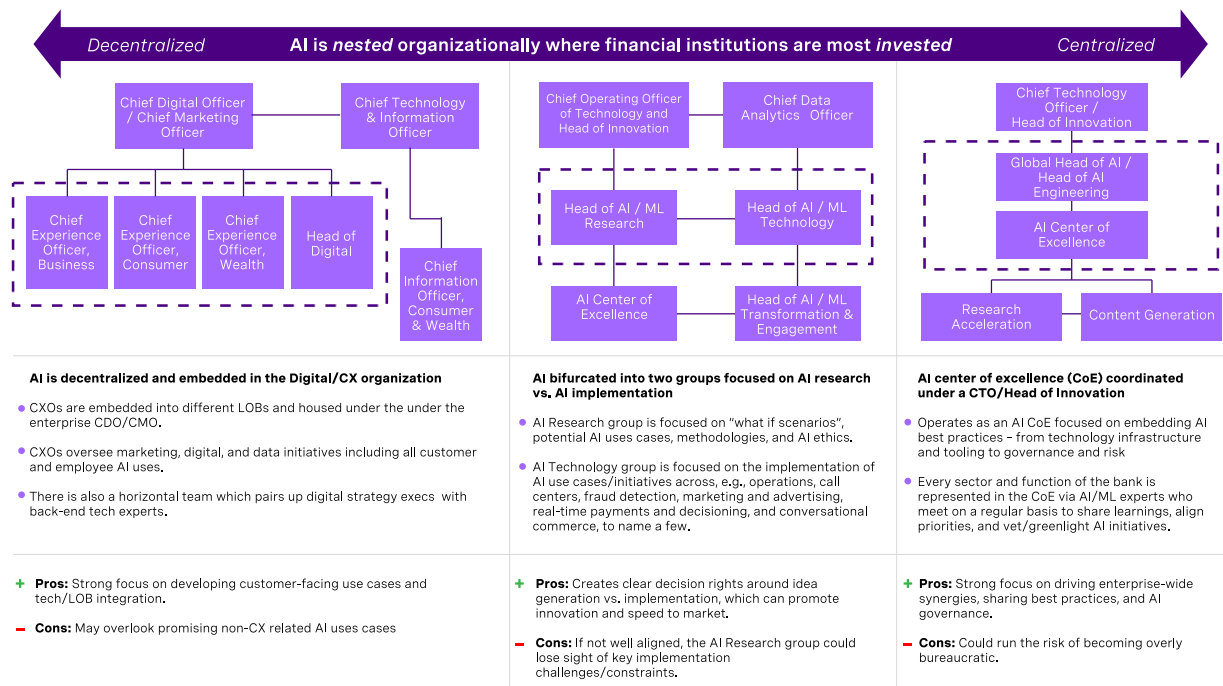

Source: Proprietary research on organizational structures, Russell Reynolds Associates, 2023

When scaling AI, focus on leadership and talent implications

AI is the new battleground for talent in financial services - it's both an arms race and a war of attrition. Banks are jostling to attract AI talent; at the most enthusiastic banks, about 40% of all open roles are for AI-related hires, including data engineers and quants, as well as ethics and governance roles (see Figure 3).

Figure 3: Available AI roles in banking
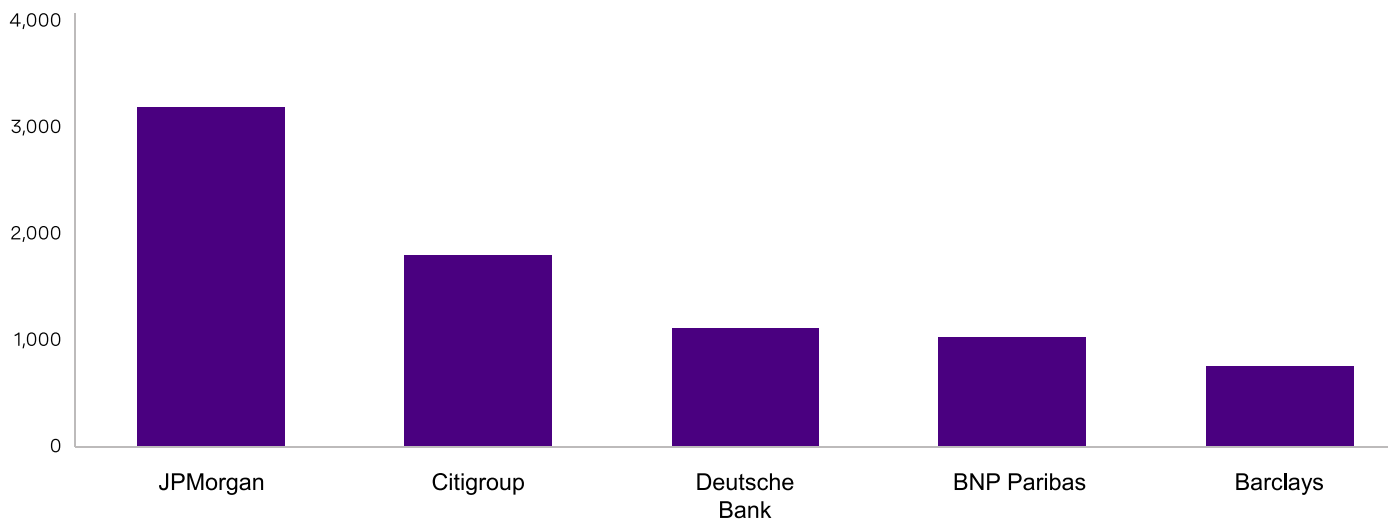
Source: "Wall Street Banks Are Using AI to Rewire the World of Finance," Bloomberg, 2023.

It's important to ensure your leaders have the necessary AI knowledge, as well as the ability to galvanize the organization around a culture of ethical, human-centered innovation. Drawing from our market insights, we have observed four distinct profiles emerging across financial services (Figure 4).
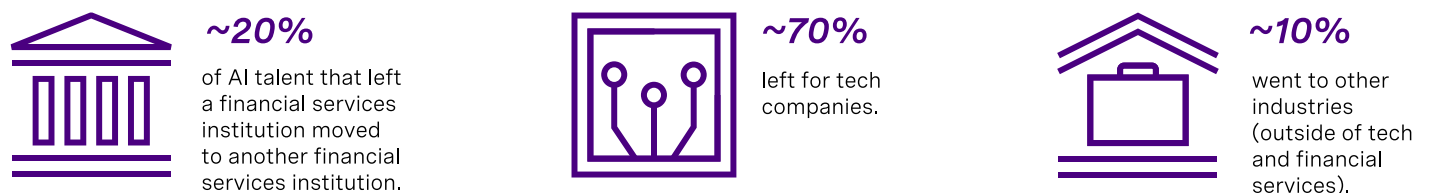
Figure 4: AI leadership archetypes across financial services

01 Research Scientist	**02** Data Analytics	**03** Product / Technologist	**04** Transformation
• **Strong research and academic background** with 15+ years in technology, data and AI research • **More limited direct commercial experience** but at the apex of knowledge and research on AI applications and data science • Strong focus on developing **AI methodologies,** "what if" scenarios, future use cases, and ethical AI policies	• **Background in data science and analytics**, with a solid understanding of AI tools, AI-driven insights and content • Tend to be **more commercial** and directly involved in informing AI product development and implementation (than the Scientist archetype) • Strong **focus on insights and content**; less deep on technology enablers/infrastructure	• Strong **product-focused technology background** • Some have **founder experience**; others have **CTO profiles** • Strong **product innovation orientation** • **Adept at identifying white space opportunities** and developing AI products, platforms and solutions to address these	• Focused on developing enterprise and LOB-specific **AI strategies, capabilities, and transformation** • **Holistic view of the organization** covering AI-driven innovation, product development, data analytics, and governance • Many have past experience managing software developers, but some are **removed from the technical details of AI**

Source: Russell Reynolds Associates, 2023.

However, acquiring talent is only part of the battle, and research shows that financial services firms need to improve retention, especially in the face of fierce competition from other industries. On average, for every AI employee a financial institution hires, it loses one during the same period. What's more, nearly 80% of those employees leave the financial services industry entirely (see Figure 5). Addressing the risk of a leaky AI talent pipeline requires leadership to effectively manage organizational ambiguity and complexity, acknowledging the inevitable uncertainty associated with AI.

Figure 5: Leaky AI talent pipeline

~20%
of AI talent that left a financial services institution moved to another financial services institution.

~70%
left for tech companies.

~10%
went to other industries (outside of tech and financial services).

Source: "[Wall Street Banks Are Using AI to Rewire the World of Finance](#)," Bloomberg, 2023.

Planning for the future: key human capital questions to shape AI adoption

We are already seeing financial institutions start to make bold moves. A leading global investment bank is educating the entire organization on AI through an interdisciplinary team of ethicists, while simultaneously adapting and leveraging AI models to improve trading optimization, portfolio construction, and risk assessments.

Organizations should employ a multi-dimensional approach to best harness the power of AI. Below questions can offer leadership teams guidance from a human capital perspective (see Figure 6):

Figure 6: Key human capital questions shaping AI adoption

Priority	Organization & Operating Model	Talent & Skills	Culture & Change Management
Short-Term	How do you prepare your organization for innovation, speed to market, revenue growth, good governance and risk management, and best practice sharing?	Where is the best AI talent and how do you attract and retain them?	What training is required to ensure employees apply AI appropriately and ethically?
Mid-Term	How should organizations optimize business units and functional teams for effective collaboration with AI leadership?	How should HR optimize workforce plans – upskilling, reskilling, or resizing the workforce?	What are the legal, social, and reputational risks of using AI across a hybrid workforce?
Long-Term	How will existing roles and responsibilities change with the onset of generative AI models?	What new skills, competencies and talent are required to lead an AI augmented workforce and achieve long-term competitive advantage?	How will you avoid potential cultural and mentorship erosion from an overdependence on AI?

The approach and solutions will be unique to each organization's needs. Perspectives and frameworks in this paper are intended to help financial services leaders determine the best AI strategy for their organizations. While there are still unknowns surrounding AI, it is imperative for financial services leadership to take action now—leading with human creativity, balanced judgment, and strategic thinking to shape a future that is both technologically advanced and human-centric.

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Russell Reynolds
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Russell Reynolds Associates is a global leadership advisory firm. Our 600+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

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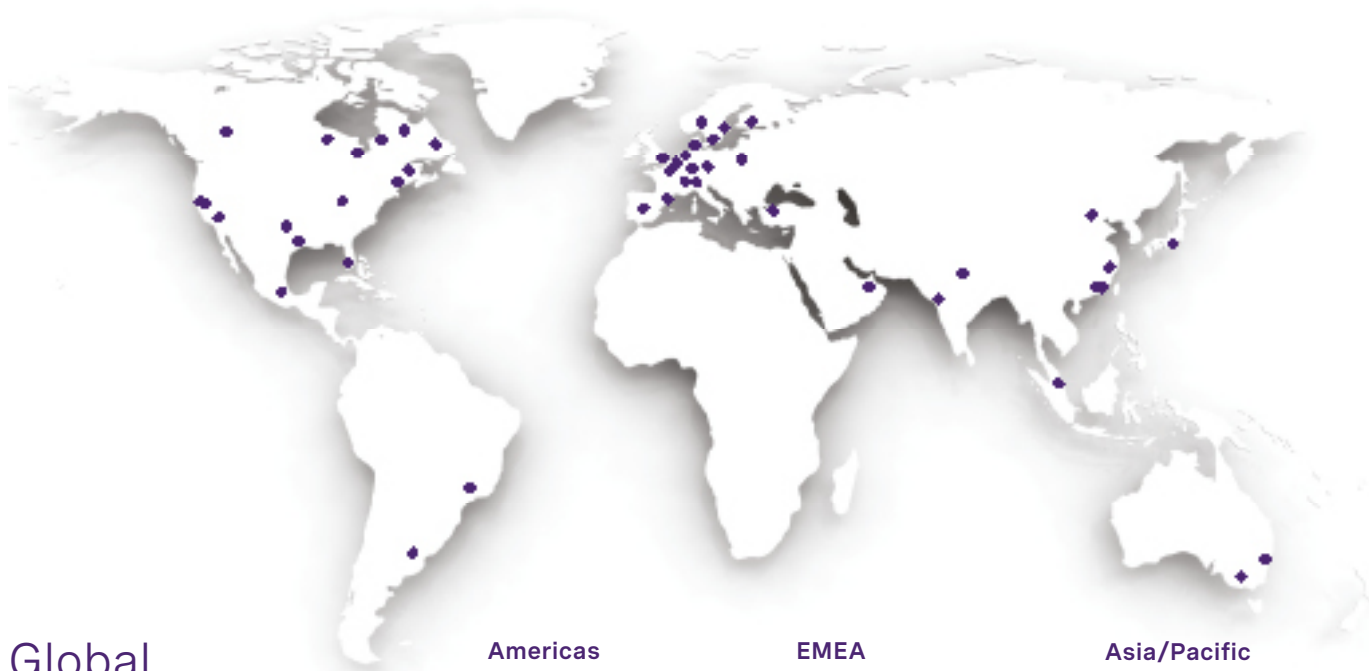
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