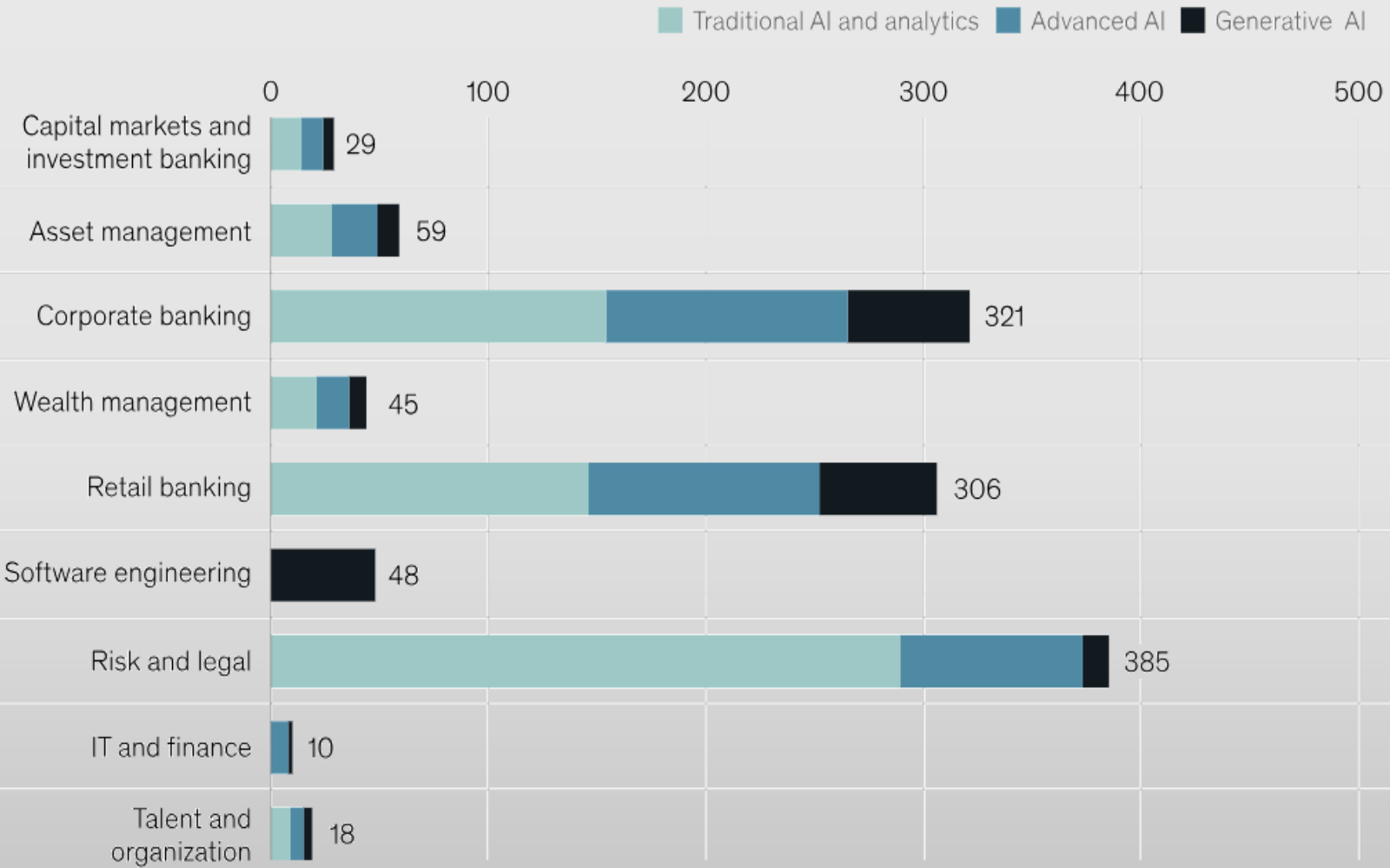# Scaling Gen AI In Banking: Choosing the Best Operating Model

Generative AI is transforming financial services, offering opportunities for efficiency and innovation. As banks race to deploy gen AI, the right operating model can help unlock its potential.

IRIS KAVOSH
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Value created by AI at stake by segment and function,[1] $ billion

Legend: Traditional AI and analytics · Advanced AI · Generative AI

Segment/Function	Value ($ billion)
Capital markets and investment banking	29
Asset management	59
Corporate banking	321
Wealth management	45
Retail banking	306
Software engineering	48
Risk and legal	385
IT and finance	10
Talent and organization	18

[1] Assumes 0% overlap of traditional AI and generative AI (generative AI assumes the lower end of value at stake), top–down estimation based on projected growth and value pools.
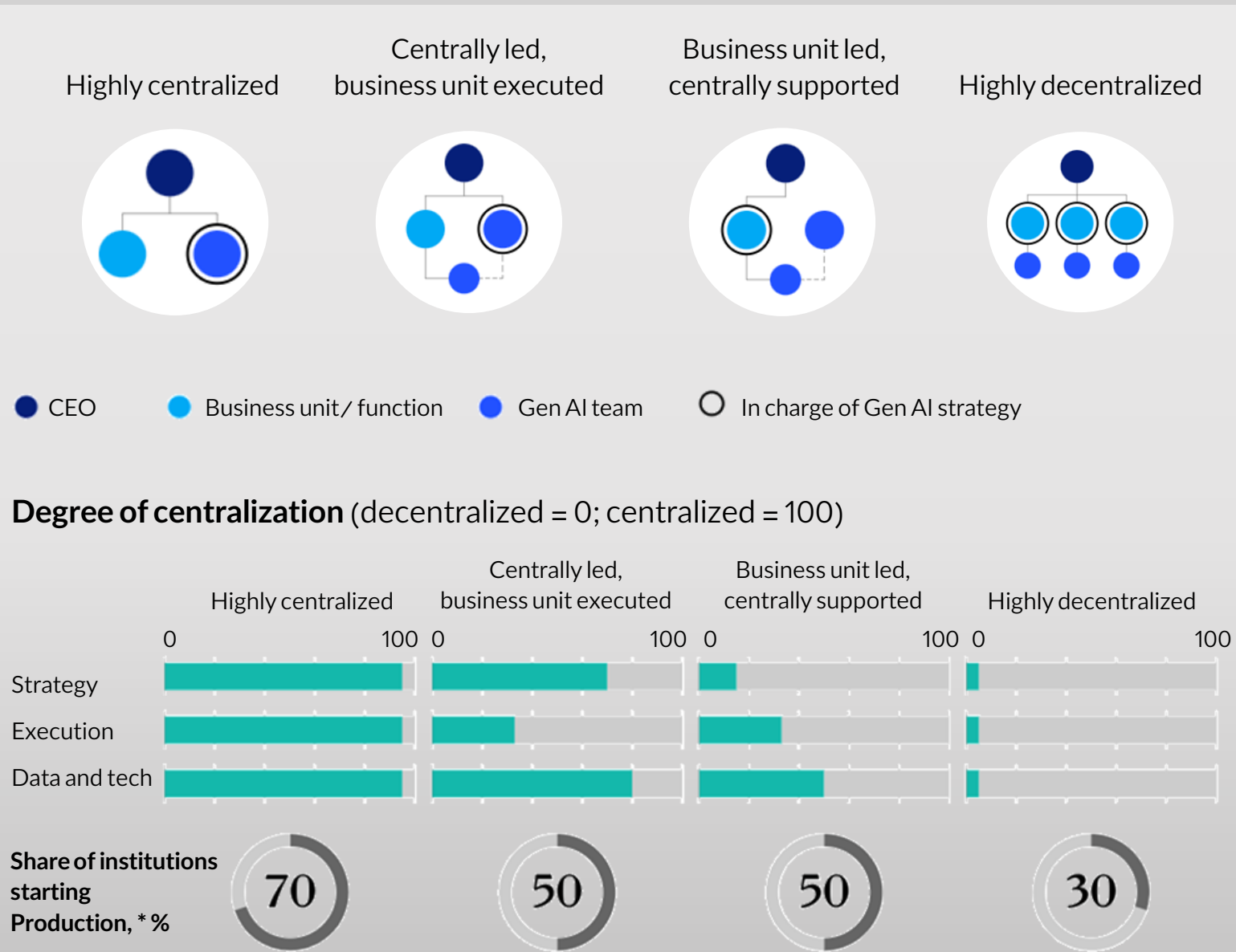
Generative AI

Generative AI (gen AI) emerged in early 2023, delivering positive results and presenting new risks for organizations globally.

The McKinsey Global Institute estimates that gen AI could add $2.6 trillion to $4.4 trillion annually across 63 use cases. In banking, gen AI has a potential annual impact of $200 billion to $340 billion (9 to 15 percent of operating profits), mainly from increased productivity. This economic benefit is expected across all banking segments, with the largest gains in corporate and retail sectors ($56 billion and $54 billion, respectively). While initial gen AI pilots in banks focus on productivity due to economic pressures, the technology could significantly change job functions, customer interactions, and even create new business models.
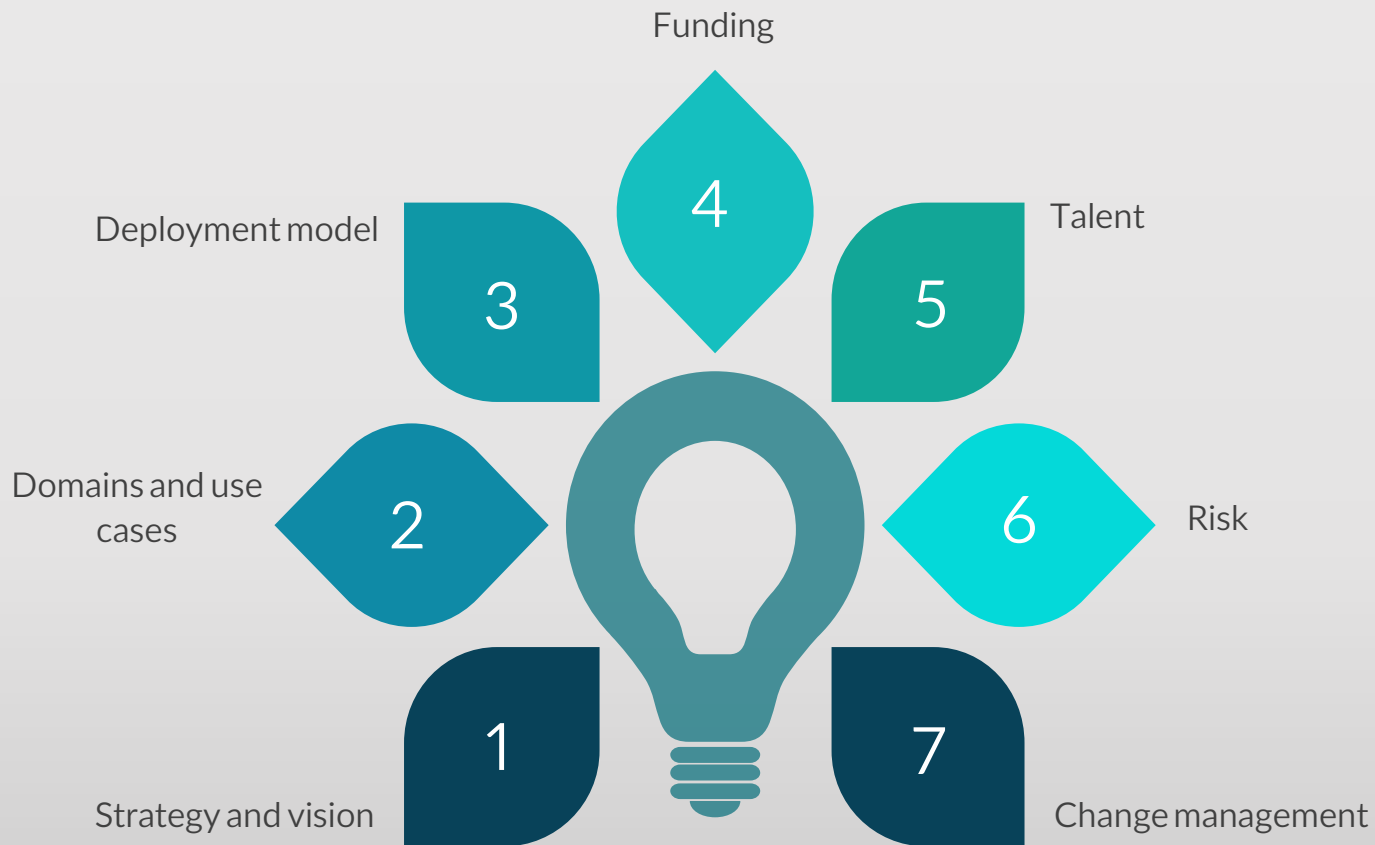
Operating–model Archetypes for Gen AI in Banking

Banks and other financial institutions vary in how they establish their gen AI operating models, ranging from highly centralized to highly decentralized approaches. A recent review of gen AI adoption by 16 major financial institutions in Europe and the United States, collectively representing nearly $26 trillion in assets, revealed that over 50% have opted for a centrally led organization for gen AI, despite often having decentralized setups for data and analytics. This centralization is expected to be temporary, transitioning towards more decentralized structures as the technology matures. Ultimately, businesses may benefit from allowing individual functions to prioritize gen AI activities based on their specific needs. The study identified four organizational archetypes within these institutions, each presenting unique benefits and challenges.

Highly centralized | Centrally led, business unit executed | Business unit led, centrally supported | Highly decentralized

● CEO   ● Business unit/ function   ● Gen AI team   ○ In charge of Gen AI strategy

Degree of centralization (decentralized = 0; centralized = 100)

Highly centralized | Centrally led, business unit executed | Business unit led, centrally supported | Highly decentralized

0 — 100   0 — 100   0 — 100   0 — 100

Strategy
Execution
Data and tech

Share of institutions starting Production, * %

70   50   50   30

*Share of financial institutions with this type of operating model that are putting gen AI use cases into production, moving beyond experimentation by having live use cases at the minimal–viable–product stage and beyond.

Source: Scaling Gen AI In Banking: Choosing the Best Operating Model, McKinsey Global Institute, March 2024
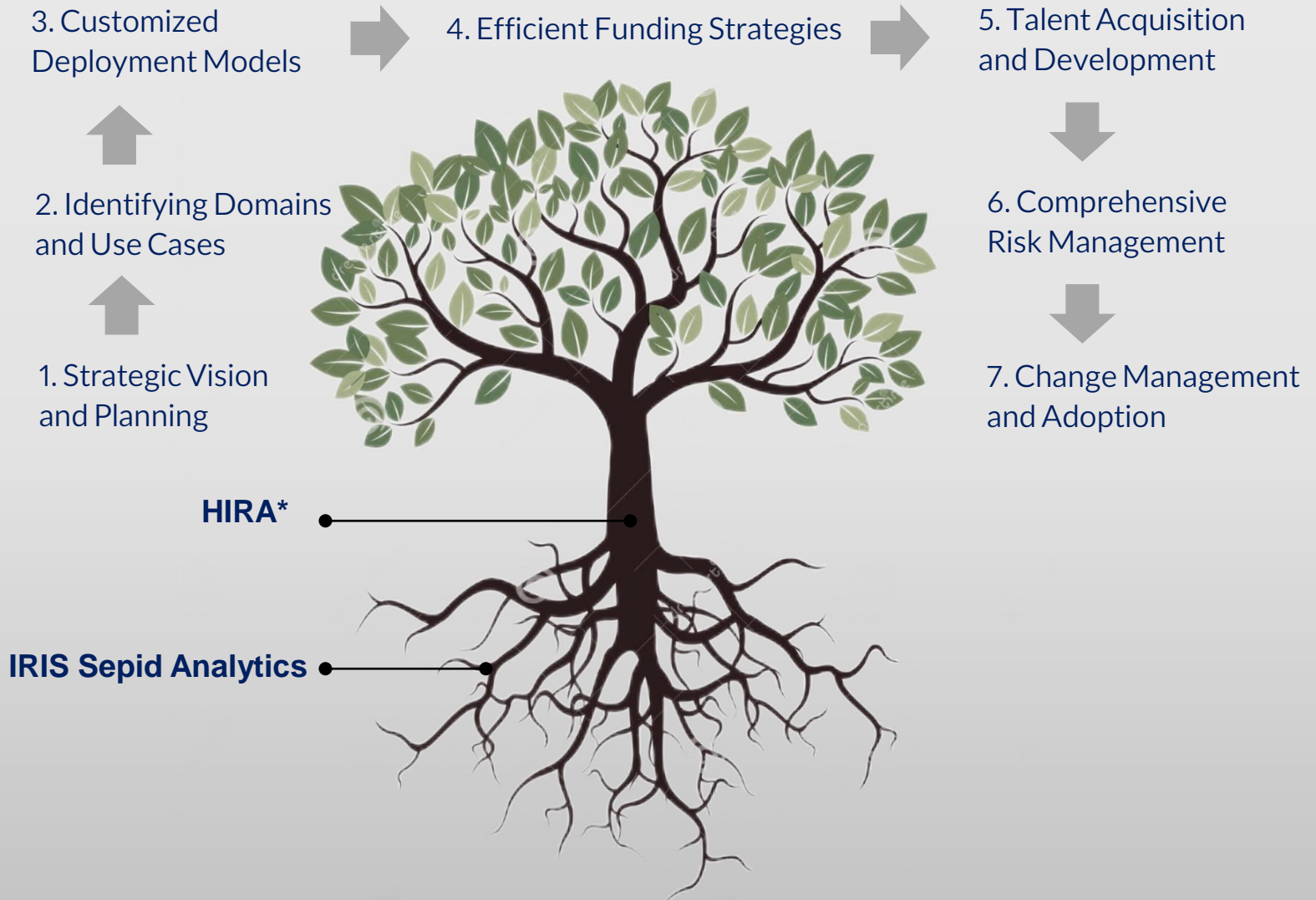
A Checklist of Essential Decisions to Consider

Funding

Talent

4

Deployment model

3

5

Domains and use cases

2

6

Risk

Strategy and vision

1

7

Change management

   Without the right gen AI operating model in place, it is tough to incorporate enough structure and move quickly enough to generate enterprise–wide impact. To choose the operating model that works best, financial institutions need to address some important points, such as setting expectations for the gen AI team's role and embedding flexibility into the model so it can adapt over time. That flexibility pertains to not only high–level organizational aspects of the operating model but also specific components such as funding.

How Can IRIS Help You?

IRIS Sepid Analytics is a leading consultancy specializing in the implementation of AI and data analytics across various industries. Our mission is to empower organizations to harness the full potential of gen AI and other advanced technologies. Here's how we can help your organization succeed.

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By partnering with IRIS Sepid Analytics, your organization can effectively integrate gen AI technologies, leverage our expertise to achieve strategic goals, and fully capitalize on the transformative benefits of these advanced technologies. Let us be your partner in the AI journey, ensuring you stay ahead in a competitive landscape.

3. Customized Deployment Models

4. Efficient Funding Strategies

5. Talent Acquisition and Development

2. Identifying Domains and Use Cases

6. Comprehensive Risk Management

1. Strategic Vision and Planning

7. Change Management and Adoption

HIRA*

IRIS Sepid Analytics

* **HERA** is an AI-based automated data mining and analysis software designed to enhance business insights by uncovering hidden patterns and anomalies in big data. It offers functionalities such as automated analysis with minimal intervention, handling big data, compatibility with various data types, and advanced analysis using over 50 dedicated algorithms.

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