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AI in Finance: Your guide to evaluating GenAI

Evaluating finance AI solutions: How to lead the way

This guide offers insights into what to look for in a finance operations solution that employs generative AI to clear up confusion and prevent costly mistakes. Here, you'll find essential questions to ask providers about their technology and features, so you can choose the solution that best fits your needs. If this is your first dive into artificial intelligence for finance, our glossary of important AI terms is a must-read. After reviewing our recommendations, use our handy checklist to compare different AI capabilities.

"Back in the day, 40 accountants spent approximately 5 hours per month auditing expense reports. That is a combined 200 hours auditing these expense reports. Now it's 1 accountant spending maybe 2 hours a month."

Flight Centre Canada

Generative AI is reshaping finance operations

Artificial intelligence (AI) technologies have been quietly rewriting businesses' standard operating procedures (SOPs) for the last decade, as the volatile global economy increasingly sharpened the focus on the challenge to "Do more with less." Late 2022 saw a bold leap forward, as widely available generative AI tools radically transformed finance functions. Today, non-engineers can interact with these tools using natural language, broadening the scope of potential users. Whether using ChatGPT for earnings research or Microsoft Copilot for finance analytics, leaders of Finance, SSO, GBS and beyond are using generative AI to drive real business growth.

A lot of anxiety has accompanied these changes. Data privacy, trust, and security are legitimate concerns, especially around proprietary or financial data that might be used in AI development. Accuracy is fundamental and there's a natural aversion to AI tools that "invent" or "hallucinate" answers. And yet the allure is so strong that many companies worry they'll lose their competitive edge if they're too late to adopt. As a finance leader, you need to be sure any solution you adopt is robust, future-proofed, and can deliver on business initiatives.

What is GenAI for Finance?

Generative AI (GenAI) has specific capabilities that set it apart from other types of artificial intelligence, particularly in user interaction. It uses Transformers to convert information into mathematical equations called vectors, which it then maps out to build a library of known patterns. Using these patterns, it can make predictions and create new data points, rather than analyzing only existing data. GenAI uses large language models (LLMs), trained on countless examples of text and other data, to interpret natural language and communicate.

Essentially, you ask the AI questions and it generates answers based on what it knows. This allows enterprise finance organizations with high transaction volumes, like those processing hundreds of thousands of invoices or expense reports annually, to easily find and focus on what's most important.

GenAI can assist users across several finance domains. In **Financial Planning & Analysis** (FP&A), AI can forecast revenue streams and budget impacts by analyzing past performance and market conditions. In **Accounts Receivable** (AR), it predicts payment delays and suggests proactive measures to manage cash flow. In **Budgeting**, AI models can help optimize budget allocation based on predictive analysis and simulated financial scenarios. In **Risk Management**, AI analyzes historical data to identify potential financial risks before they become issues.

The 4 critical components of autonomous GenAI

Sometimes called "touchless" operations, an autonomous finance AI fully automates complex finance processes while improving accuracy and efficiency, reducing the need for human oversight. To handle any business process autonomously, an AI system must have these capabilities:

1. Intelligent action

AI learns from your review process to make accurate, contextual decisions without assistance. It can then take intelligent action, including creating appropriate responses to questions asked of it in natural language, offering preemptive recommendations, and even coaching for auditors and managers. Over time, it becomes a valuable assistant to the entire finance team.

2. Contextual understanding

Today, all of the best solutions have highly accurate data extraction capabilities. More valuable is a system that can read the words and know what they mean within the context of the document. Look for a GenAI-enabled product that can understand the meaning of an expense receipt or invoice line item that it's never seen before because it's able to evaluate risk based on context clues it can read within the document. For example, can it accurately categorize a personal care item, even if it has never seen that exact type of item or brand before?

3. Fast learning and adaptability

One of AI's greatest benefits is its ability to access "dark data," the uncountable data points from past transactions that finance teams can't easily research and use. AI uses this dark data to generate a library of recurring patterns. It can then predict the completion of unfamiliar line items or a document format it doesn't recognize. No matter how your business scales, you retain 100% of the institutional knowledge of processes, policies, and formats that the AI has learned. In this way, it adapts to changing inputs with ever-increasing productivity without the need for a specialist to adjust templates or rules.

4. Automated self-assessment

We know that AI cannot replicate all human expertise and judgment. It should be confident in its decisions, however. The system must acknowledge when its prediction confidence is low and ask for user feedback. It should know when to hand over a decision to a human team member who has the right level of expertise and experience.

How GenAI assists enterprise finance

Error correction Intelligently fill in data gaps, predict missing values, and correct financial documents based on contextual understanding.

Dynamic adaptability Automatically adjust to evolving patterns and business activities. Learn new document formats without manual reprogramming.

Advanced fraud detection Generate models of normal transaction patterns and alert auditors of outliers and anomalies that signal fraud risk.

Automated response drafts Independently draft replies with transaction statuses, policy recommendations, and warnings to managers about irregular expense patterns.

Questions to ask

As a decision-maker, you're tasked with thoroughly evaluating potential solutions across several areas of concern. Here are some key considerations and questions to ask providers so you end up with a mature, secure, effective AI that meets your organization's needs.

Technology maturity
The company you're evaluating should have a stable, reliable track record and experience in the AI sector. Assess its longevity and the depth of its AI technology know-how. Check its product roadmap for alignment with upcoming technology advances.

How long have you been in the AI business?

What AI products and features are in development?

How do your solutions use generative AI and other AI technologies?

Data privacy, trust, and security
To safeguard sensitive financial information, GenAI solutions must be designed with robust data privacy frameworks. Ideally, the AI architecture anonymizes and secures your data, so no proprietary or confidential information is ever publicly exposed.

What data privacy certifications and compliances do your solutions meet?

How does your AI anonymize and secure our proprietary information?

How will it maintain 3rd-party data integrity and confidentiality?

Adaptability
AI applications must be flexible enough to align with company-specific rules, policies, and regulations. They should allow your organization to tailor the AI tools to reflect your unique operational standards, compliance requirements, and existing corporate frameworks.

How quickly does your AI learn? What does that process look like?

Can it adjust to new document formats, expense policies, or invoice workflows?

Can it rapidly scale up or down as our business changes?

Proof of concept
Request a live demonstration of the AI's capabilities to see whether it can do what the provider claims. Combine this with a review of testimonials and performance data from existing customers for a clearer picture of the AI's operational benefits and its long-term value.

Can you give me a live demo of your AI's autonomous, "touchless" capabilities?

Can you share references, testimonials, and data on customer outcomes after one year?

Accuracy and reliability
In finance, accuracy is paramount. Hallucinations can lead to significant risks. Choose models that are fine-tuned for finance and have deep domain expertise. The source of the training data is also important in minimizing bias and improving country-specific data accuracy.

Has your AI been fine-tuned with deep domain expertise in finance?

What is the source of the training data? Does it represent various industries and languages?

What safeguards are in place to prevent "hallucinations" and other AI-generated errors?

Integration and change management
AI's integration with existing financial systems should be seamless. Choose solutions that enhance current financial applications to avoid extensive IT overhead and facilitate a smooth transition. This speeds up implementation and lets you use existing investments to the fullest.

How well does your solution integrate with our existing financial systems?

What IT infrastructure is needed and how will IT be involved in integration?

How quickly can we expect a return on our investment?

Do you offer ongoing training and support?

10 warning signs a company's finance AI claims are overstated

Are your instincts telling you to choose one solution over another? One of these red flags might be the justification you've been trying to articulate.

1. Vague descriptions of their AI's capabilities
2. An inability to explain their AI models or how their Transformers are trained
3. A refusal to provide a live demonstration of the AI's capabilities
4. Emphasis on human-led processes–the AI's workflow results are all double-checked by humans for "improved accuracy"
5. A lack of specific use cases or customer testimonials/examples
6. You're an early adopter of their technology–in other words, you're their "test subject"
7. The company is run by a small handful of people and/or has only been in business a short time
8. AI is "tacked onto" existing technology–for example, their solution uses AI to speed up OCR data extraction, but has no document understanding
9. The solution has a limited ability to learn and adapt to new suppliers, document formats, or processing requirements, even when changes are minor–any adjustments require IT specialists
10. The solution uses simple "previous transaction" hints to predict the current transaction

How AppZen can help

Ripping and replacing a solution during an AI transformation project is a major undertaking for a business. You want to be certain the AI you're buying today will grow and adapt to your business over the coming years, and that means doing due diligence when evaluating providers. Informed strategies make that process much less painful. This guide and checklist will help you start your AI journey with the right partners.

AppZen has been creating AI-enabled finance products for a decade. AI is in our DNA. Our proprietary technology allows our solutions to adjust to customers' unique business needs. Our finance-focused Transformers are fast and incredibly accurate. We're constantly creating new AI models, features, and products, like AppZen Inbox and AppZen Coach, specifically designed to future-proof our clients by helping businesses adapt.

About AppZen
AppZen's finance AI solutions simplify travel & expense, card, and accounts payable processing tasks by automating complex workflows, policy checks, and approvals that legacy systems can't.

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Glossary

AI agents
AI agents are software programs designed to perform tasks autonomously. They can make decisions and take action to achieve specific objectives without human intervention.

Algorithms
Algorithms are mathematical rules or instructions given to an AI system to help it learn from data and make decisions. They are the fundamental building blocks of any AI program.

Artificial intelligence (AI)
Artificial intelligence involves computer systems that can perform tasks typically requiring human intelligence. These include reasoning, interpreting natural language, and recognizing patterns in data.

Artificial neural networks
Artificial neural networks are computing systems vaguely inspired by the biological neural networks in human brains. They learn from large amounts of data by adjusting the connections (synapses) between nodes (neurons).

Automation
Automation refers to the use of technology to perform tasks without human intervention. In finance, this might include tasks like data entry, invoice processing, or report generation. Automated systems are not context-aware and must be given explicit instructions.

Autonomous
Autonomous systems are capable of performing tasks or making decisions on their own without human input. This can enhance efficiency and decision-making speed. Autonomous systems contain feedback loops, can learn from new information, and can adapt to changing environments.

Autonomous finance operations
Autonomous finance operations refer to the application of AI technologies to fully automate complex finance processes, often improving accuracy and efficiency while reducing human oversight.

Autonomous index
An autonomous index tracks the performance of systems or solutions that operate independently without human intervention, often used in AI benchmarks.

Bot/Robotic Process Automation (RPA)
Bots or RPA involve software applications programmed to perform repetitive tasks automatically, such as processing transactions or managing data, which reduces the need for human labor and minimizes errors.

Computer vision
Computer vision is a field of AI that enables computers and systems to derive meaningful information from digital images, videos, and other visual inputs, and act based on that information.

Deep learning
Deep Learning is a subset of machine learning involving neural networks with three or more layers. These networks can learn complex patterns in data and are particularly useful for image and speech recognition.

Electronic Data Ingestion (EDI)
EDI is the automated transfer of data between different companies using electronic systems, which improves speed, accuracy, and efficiency in data exchange.

Enterprise Resource Planning (ERP)
ERP systems integrate core business processes, including inventory and order management, accounting, human resources, customer support, and CRM into a single system to streamline processes and information across the organization.

Expense Management System (EMS)
An EMS automates the submission, approval, and reimbursement of employee-incurred expenses, reducing manual errors and ensuring policy compliance.

Finance AI
Finance AI refers to the use of artificial intelligence technologies, such as machine learning and data analytics, in financial applications to improve decision-making, risk assessment, and customer service.

Generative AI (GenAI)
Generative AI refers to AI methods that can generate new content, from text to images and more, based on training data it has been fed, which it can then use in creative and analytical applications.

Government regulations compliance
Compliance with government regulations involves adhering to laws and regulations imposed by governmental bodies, which can include financial, environmental, and other sector-specific standards.

Industry regulations compliance
This involves meeting the standards and guidelines set by industry groups or bodies, often to maintain quality, provide safety, and protect consumers.

Integration
Integration in technology involves linking different computing systems and software applications physically or functionally, to act as a coordinated whole.

Large language model (LLM)
Large language models are types of artificial neural networks specifically trained to understand and generate human-like text based on the input they receive.

Machine learning (ML)
Machine learning is a subset of AI that teaches computers to learn from data and improve their performance over time without being explicitly programmed.

Natural Language Processing (NLP)
NLP involves programming computers to process and analyze large amounts of natural language data. It is used to understand and generate languages humans use naturally so that computers can interact with humans more intuitively.

Optical Character Recognition (OCR)
Optical Character Recognition (OCR) is the technology used to convert different types of documents, such as scanned paper documents, PDF files or images captured by a digital camera into editable and searchable data.

Policy Compliance
Policy compliance means adhering to the rules set down by an organization to govern its actions and avoid risks, ensuring that operations are conducted ethically and legally.

Portal
Portals are applications (usually cloud-based) that allow a company to share information and collaborate with specific groups, such as suppliers, in a secure digital environment.

Politically Exposed Persons (PEPs)
PEPs are individuals who are or have been entrusted with prominent public functions, and their close associates and family members. Banks and financial institutions monitor transactions involving PEPs closely to prevent corruption and money laundering.

Standard Operating Procedure (SOP)
A Standard Operating Procedure (SOP) is a set of step-by-step instructions compiled by an organization to help workers carry out routine operations. Its goal is to achieve efficiency, quality output, and uniformity of performance while reducing miscommunication and failure to comply with industry regulations.

Structured data
Structured data refers to any data that resides in a fixed field within a record or file. This includes data contained in relational databases and spreadsheets.

Touchless processing
Touchless processing refers to the automation of business process workflows in such a way that human intervention is minimized or eliminated, often used in contexts like invoice processing where automation tools capture and process information without manual input.

Transformers
Transformers are a type of neural network architecture that relies on self-attention mechanisms to generate outputs based on inputs related in a sequence (e.g., for use in NLP tasks).

Unstructured data
Unstructured data is information that doesn't have a pre-defined data model or is not organized in a pre-defined manner. This includes formats like photo, audio, and video, files.

Vectors
In the context of machine learning, vectors are arrays of numbers that represent data elements in a space where machine learning techniques can process them. In NLP, words are often converted into vectors so that algorithms can understand human language.

Workflow
A workflow involves the sequence of processes through which a transaction document, such as an expense report or an invoice, passes from initiation to completion. It is used to organize and streamline routine finance operations processes.

2-Way match
A 2-way match in accounting is a process used to match purchase orders (POs) and invoices to confirm that transactions are valid.

3-Way match
A 3-way match adds another layer of verification to the 2-way match by also comparing the receipt of goods; it checks the purchase order, invoice, and receiving report before processing a payment.