# Moody's embraces generative AI in a bold transformation initiative



In early 2023, Moody’s, a well-established financial institution renowned for its risk assessment expertise, embarked on a significant initiative to integrate generative artificial intelligence (AI) into its operations. Under the leadership of Rob Fauber, who had recently stepped into the CEO role, the company made a bold decision, considering that the risks associated with remaining stagnant outweighed those linked to the adoption of this new but unproven technology.

Traditionally, financial services firms, including Moody's, exhibit caution in embracing avant-garde technologies due to the potential for costly errors. Most companies in the sector opted to scrutinise generative AI, conducting small-scale experiments while waiting for the technology's uncertainties to resolve. However, Fauber's perspective diverged from the majority; he perceived inaction as a greater threat to the organisation's future than the imperfect technology itself. The rapid evolution of generative AI prompted Fauber and Moody’s leadership, including Steve Tulenko, the President of Moody’s Analytics, to explore its transformative potential early on.

The company's analytics division, responsible for generating significant revenue from research reports, was at the forefront of these considerations. With generative AI capable of processing vast amounts of data quickly, Fauber and Tulenko identified an innovation opportunity that could alter core business processes. While other firms in the industry were observing a wait-and-see approach, Moody’s leadership was keen to take decisive action.

To facilitate this ambitious technological integration, Fauber established three guiding principles aimed at fostering a culture of innovation. Firstly, he empowered all 14,000 employees to become innovators by providing access to generative AI tools across the organisation. This decentralised approach was intended to cultivate bottom-up innovation, with the vision of enhancing individual contributions to the firm’s future.

Secondly, Fauber encouraged a mindset of "yes, and..." to build upon new ideas rather than dismissing them. This ethos aimed not only to involve staff across various levels but also to garner essential buy-in from various sectors of the organisation, including legal and compliance teams.

Finally, Fauber highlighted the necessity of prioritising initiatives that delivered tangible business value. Understanding the potential distractions from the excitement of experimentation, he established mechanisms to allocate resources to innovations that would positively impact the company’s performance.

To implement these changes effectively, Moody’s developed the Generative Intelligence Group (GiG), designed to facilitate AI innovation throughout the company. This initiative aimed at fast-tracking the adoption of new technologies while safeguarding the company’s core values of trust and accuracy.

During a pivotal board meeting in the second quarter of 2023, Fauber showcased the capabilities of generative AI through a deepfake video that simulated an earnings call. This demonstration successfully convinced board members of the technology's transformative potential, securing their buy-in for a more aggressive AI strategy.

Further, Fauber engaged employees through town hall meetings that encouraged open dialogue about generative AI's implications for the firm. He also initiated a bespoke training programme for all staff, aimed at enhancing AI fluency across the organisation. A unique incentive structure was introduced, promising bonuses to all employees who completed the training, fostering a sense of urgency and participation.

As the company implemented these transformative measures, they also recognised the necessity of speed in adopting new AI capabilities. Moody’s adopted a strategy that enabled employees to take advantage of new tools as soon as they became available, ensuring that the company remained agile in the fast-moving tech landscape.

In July 2023, a partnership was struck with Microsoft to access Azure's cloud infrastructure and OpenAI’s models. This cooperation reflected Moody’s commitment to integrating generative AI into its operational framework while maintaining security and customer trust.

The early adoption of generative AI led to the development of applications such as the Customer Service Assistant, which resulted in significant cost savings for the company within its first few months of operation. Before the end of 2023, Moody’s launched the Research Assistant, a product combining AI technology with financial expertise, demonstrating the practical application of the new developments within the company.

As Moody’s continues to innovate, they have recently built and deployed AI agents through an initiative known internally as Recon.AI. This project shows the potential to reshape the speed at which financial analyses can be performed, significantly reducing the time previously needed for detailed reports.

Fauber and his leadership team have emphasised the importance of embracing continuous change, given the rapid pace of AI developments. The narrative surrounding the integration of generative AI at Moody’s focuses on human empowerment rather than replacement, as Fauber articulated the vision for a more efficient company structure poised for scalable growth.

Moody’s journey into generative AI serves as an illustrative case study for organisations navigating the complexities of rapidly evolving technologies. Through proactive adaptation and a commitment to cultural transformation, Moody’s aims to redefine its operations and future in the ever-changing financial landscape.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

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* <https://www.moodys.com/web/en/us/capabilities/gen-ai.html> - This webpage details Moody's GenAI-powered Research Assistant, highlighting its ability to provide significant efficiency gains in the financial services industry through enhanced data insights and analysis.
* <https://www.moodys.com/web/en/us/insights/resources/the-rise-of-ai-agents.pdf> - This PDF resource explores the transformative potential of GenAI in the financial sector, particularly how Moody's is leveraging AI agents to enhance financial analytics and risk management.
* <https://news.microsoft.com/2023/06/29/moodys-and-microsoft-develop-enhanced-risk-data-analytics-research-and-collaboration-solutions-powered-by-generative-ai/> - Further details about the strategic partnership between Moody’s and Microsoft, emphasizing how they are co-creating products and services for research and risk assessment.
* <https://www.moodys.com/web/en/us/insights/resources/the-rise-of-ai-agents.pdf> - Moody's use of AI agents for automating and enhancing financial services, such as generating detailed credit reports and managing risk.