

How AI Agents Really Work: The Tool-Calling Mechanism Explained

MANAGEMENT SUMMARY & CORE TAKEAWAY

An AI agent differs from a chatbot through an iterative loop: it reasons about the next step, acts by calling a tool, and observes the result — repeating until the task is complete. This function-calling mechanism determines the cost, control and risk of any agentic AI investment.

CONTEXT & EXECUTIVE RELEVANCE

When a vendor pitches you "agentic AI", what you are actually buying is a mechanism: a large language model that does not simply answer, but reasons, acts and observes the outcome of its own actions in a loop — repeating until a task is finished or a stop condition is met. Without understanding this mechanism, you cannot make a sound make-versus-buy decision, nor answer the governance question of who is accountable when an autonomous action goes wrong.

A chatbot responds to an input with an output. One prompt, one answer, done. An AI agent, by contrast, is given a goal and works toward it independently — choosing between multiple steps, calling external systems, and adjusting course when an intermediate step fails. This shift from single response to iterative process is why 2026 is widely regarded as an inflection point for enterprise adoption of autonomous systems.

CORE ACTION ITEMS

- 01 Reason: the model analyses the goal, available context and possible next steps.
- 02 Act: it selects a tool and calls it with structured parameters — a database query, an API, a code interpreter.
- 03 Observe: the result of the call is written back into context and evaluated.
- 04 Loop or stop: if the goal is met, the cycle ends — otherwise the next reasoning phase begins with expanded knowledge.

SWISS COMPLIANCE & ARCHITECTURE GUIDELINES

- ☑ Full compliance with revised Swiss Data Protection Act (revDSG).
- ☑ Zero vendor lock-in on closed proprietary models.
- ☑ Seamless integration into Abacus, Bexio and M365 ecosystems.

Non-Binding Process Analysis

Let us review in 20 minutes where AI agents create immediate measurable efficiency in your workflows.

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