



## POINT OF VIEW

# Why Smaller Banks Need to Harness The Power of Their Data Assets

## The Future is Data Driven

Financial Services companies, leveraging advances in banking technology, from core platforms to online banking to mobile banking to back office automation, coupled with the drastic improvements in data storage and information processing technologies are creating an unprecedented amount of transactional data. This collection of data includes traditional structured transaction data from bank systems as well as unstructured “interaction” based data from online, mobile and social media channels and even speech to text transcriptions of contact center conversations.

Large banks have highly evolved data management and advanced analytic processes to drive results across a multitude of critical strategic fronts. Coupled with huge economies of scale and impressive investments in technology, these banks have the ability to process ever increasing amounts of data and are leveraging their information assets to gain insights and deliver strong results in highly strategic activities including:

- Improving lending decisions
- Understanding consumer behavior and trends and tailoring offers and services based on preference
- Deepening customer relationships
- Decreasing customer acquisition expense
- Decreasing fraud
- Delivering a differentiated customer service experience
- Reducing loan losses
- Improving customer retention
- Ensuring compliance with regulatory reporting
- Standardization of financial and operational reporting

While some smaller regional and community banks have made modest investments in reporting and analytics, in order to compete and thrive in today’s competitive banking market and sluggish economic environment, they need to do more to harness the power of the data that they already create.

## Success Factors in Data Management Programs

**Data Management** is the complete set of activities relating to the creation and maintenance of data structures and architectures along with the usage, governance, policies, procedures, roadmaps and protection of an organization’s data assets. A **data warehouse** is one of the key components of a data management program and is a comprehensive and integrated collection of transactional information specifically structured to support the management decision making process and perform structured as well as ad hoc analyses of business information.

One would expect that with the prevalence of data warehouses in Financial Services they would be easy to design and deploy. However, this is not the case. The landscape is littered with data warehouse efforts that have gone awry. According to Gartner, 50% of data warehouse projects are either outright failures or have limited acceptance. Given this, it is important to understand what successful data warehouse initiatives have in common. Regardless of the size of the bank or the products offered, the transformation of an organization to a data driven enterprise should follow the



## Why Smaller Banks Need to Harness The Power of Their Data Assets *continued*

structured processes pioneered by large banks and leverage the learnings from their successes and failures. Before discussing an approach to designing and developing a data warehouse, it is important to understand and acknowledge the key characteristics of successful data management initiatives:


- **Strong corporate sponsorship and support** – the transformation to a data driven organization is a fundamental shift that requires strong and sustained sponsorship at the highest levels in the organization.
- **Corporate vision** – a clear vision of the “questions to be answered”, “decisions to be supported” and “results to be achieved” at each evolution of the initiative.
- **Stability of source applications** – since a data warehouse is fed by operational systems it is important that these operational systems are relatively stable and free of data integrity issues.
- **Data architecture** – a consistent enterprise data architecture and tool set should be deployed to ensure appropriate integration as the scope of the data managed and consumed is increased.
- **Long-term thinking** – a data warehouse initiative is not and should not be treated as an isolated project.

Creating a data driven enterprise is a fundamental shift in business approach and implementing an integrated data management program is the foundation. To fully maximize the value of an organization’s data assets, the entire data management program needs to be maintained and continue to evolve and adapt to meet the organization’s strategic priorities.

- **ROI focused and prioritized approach** – it is easy to get overwhelmed, so it is imperative to start out small, achieve early success and continually evolve both in terms of scope of data managed as well as use of the data in the decision making process.
- **Stewardship and governance** – making decisions based on bad data is much worse than making gut decisions. Ensuring that data definitions are consistent, the data is accurate and delivered in a timely manner is important to gaining the trust of the user community. Implementing clearly defined policies and procedures governing the ownership of data definitions, handling of data quality issues and usage in business decision making.
- **Integration into operational systems** – when a data management initiative delivers insights, it is important to understand that some investment may be required to allow operational systems to consume and act on those insights.

### Framework for Designing and Implementing a Successful Data Management Program

Given the scope and significance of data management initiatives, a staged approach with defined checkpoints ensures both coordination with stakeholders as well as alignment with business objectives.

STAGE I – Assess Needs and Capabilities, Develop Roadmap, Build Business Case, Gain Commitment		
STEP 1 – Identify Key Objectives		
	Activities	Output/Deliverables
	<ul style="list-style-type: none"><li>■ Interview key stakeholders<ul style="list-style-type: none"><li>– Understand key business objectives and opportunities</li><li>– Understand strategies and tactics that will be deployed to meet business objectives</li><li>– Prioritize objectives for Initial Data Warehouse</li></ul></li><li>■ Assess executive alignment and sponsorship<ul style="list-style-type: none"><li>– Define initiative oversight process and identify CHAMPIONS</li></ul></li></ul>	<ul style="list-style-type: none"><li>■ Initiative oversight process document</li><li>■ Prioritized business needs statement</li><li>■ BUZZ around initiative</li></ul>



# Why Smaller Banks Need to Harness The Power of Their Data Assets *continued*

STAGE I – Assess Needs and Capabilities, Develop Roadmap, Build Business Case, Gain Commitment <i>continued</i>		
STEP 2 – Define Functional Requirements		
	Activities	Output/Deliverables
	<ul style="list-style-type: none"><li>Identify and review sources of data (systems of record) to determine availability, structure, and quality</li><li>Review existing reporting and analytics</li><li>Document standardized reports and dashboards</li><li>Document ad-hoc analytic requirements</li><li>Develop cost estimate analysis</li><li>Understand/document technical environment</li><li>Identify security/access requirements</li><li>Define historical data requirements, transformation requirements and data availability</li></ul>	<ul style="list-style-type: none"><li>Prioritized requirements document<ul style="list-style-type: none"><li>Metrics – what questions are you looking to answer?</li><li>What decisions will the answers influence and how</li><li>How will the new insights be integrated into the decisioning process</li><li>How frequently do you need the information?</li><li>What is the timing of the need (daily by 7:00am, etc.)</li></ul></li><li>Initial tool/technology selection and recommendation (DB, ETL, reporting/analytics, ad hoc access, data dictionary)</li><li>Stage II effort estimate</li><li>Internal and external staffing requirements to execute Stage II</li></ul>
STEP 3 – Create High Level Roadmap and Business Case		
	Activities	Output/Deliverables
	<ul style="list-style-type: none"><li>Develop cost-benefit analysis</li><li>Validate business case assumptions</li><li>Present roadmap and business case to stakeholders</li></ul>	<ul style="list-style-type: none"><li>Order of magnitude expenses for development, capital investments (hardware and software) and ongoing maintenance</li><li>Estimated long-term support and maintenance costs</li><li>Proposed data warehouse roadmap and business case with focus primarily on Initial Priorities</li></ul>
CHECKPOINT – ENGAGE STAKEHOLDERS, REAFFIRM COMMITMENT AND OBTAIN EXECUTIVE APPROVAL		
STAGE II – Design, Build, Integrate and Validate Prioritized Capabilities		
STEP 4 – Develop Detailed Data Warehouse/Data Mart Design Specifications		
	Activities	Output/Deliverables
	<ul style="list-style-type: none"><li>Finalize source data systems of record</li><li>Define recipient data structures</li><li>Define ETL strategy</li><li>Define data presentation strategy</li><li>Define ad-hoc data consumption</li><li>Validate data availability constraints</li><li>Identify enhancements to business processes and operational systems to consume new insights</li></ul>	<ul style="list-style-type: none"><li>Technical design specifications for initial priorities, including data presentation specifications</li><li>Integration specifications</li><li>Business use case definitions for consumption of new insights</li><li>Initial data dictionary</li></ul>
STEP 5 – Build and Validate Data Warehouse, Integrate systems, Test Business Use Cases		
	Activities	Output/Deliverables
	<ul style="list-style-type: none"><li>Implement data warehouse environment (hardware &amp; software)</li><li>Develop database structure and constraints</li><li>Develop ETL routines</li><li>Develop reports, dashboards and ad-hoc consumption routines</li><li>Transform and load pre-determined historical data</li><li>Monitor and tune ETL and query performance under live load</li></ul>	<ul style="list-style-type: none"><li>Functional data warehouse with historical data loaded</li><li>Production ready ETL processes</li><li>Production ready standard analytics</li><li>Completed operational systems integrations</li><li>Implemented data marts or views for ad hoc analytics</li></ul>



# Why Smaller Banks Need to Harness The Power of Their Data Assets *continued*

CHECKPOINT – ENGAGE STAKEHOLDERS, REAFFIRM COMMITMENT AND OBTAIN EXECUTIVE APPROVAL		
STAGE III – Implement Governance Operate, Maintain and Enhance		
STEP 6 – Institutionalize Governance and Maintenance Policies		
	Activities	Output/Deliverables
	<ul style="list-style-type: none"><li>Develop governance policies and procedures</li><li>Develop data usage rules</li><li>Socialize governance routines</li></ul>	<ul style="list-style-type: none"><li>Accepted Governance and Policy Manual</li></ul>
STEP 7 – Move Developed Capabilities to Production		
	Activities	Output/Deliverables
	<ul style="list-style-type: none"><li>Implement all developed and validated capabilities to production</li></ul>	<ul style="list-style-type: none"><li>Ready to use analytic environment</li></ul>
STEP 8 – Ongoing Care and Feeding		
	Activities	Output/Deliverables
	<ul style="list-style-type: none"><li>Develop routines and procedures for ongoing management of data warehouse environment</li></ul>	<ul style="list-style-type: none"><li>User education</li><li>Procedures for the ongoing management of environment</li></ul>
CHECKPOINT – VALIDATE ROI, PLAN NEXT ITERATION ↻		

## The time to Assess and Execute Your Data Management Priorities is NOW

Whether you are looking to create a new data management program or take your existing program to the next level of value, data management initiatives

typically have a long maturity cycle. While data management and data warehousing involve technical activities, setting up a successful program should largely be driven by business executives and executed by resources who understand and appreciate both the business and technology.



**Navroze Eduljee**  
President and CEO

Navroze Eduljee is the founder of DecisivEdge, a business consulting and technology services company focused on mid-market financial services companies. Prior to founding DecisivEdge in 2007, Navroze spent 15 years with MBNA America as EVP, Customer Marketing Technology and Database Marketing Operations. He was

responsible for designing and implementing operational, analytic and strategy deployment capabilities that enabled the Customer Marketing business to grow from \$200M in annual transactional volume to \$40B in annual volume in under eight years.

Post acquisition by Bank of America, Navroze was Head of Business Performance Management for the combined \$180B consumer card and small business banking portfolio with responsibility for financial, marketing and operational analytics.

To maximize the power of your data to get results, please contact us at:

302-299-1570

GetResults@DecisivEdge.com



Nemours Building, 6th Floor, Suite 610  
1007 N. Orange Street, Wilmington, Delaware 19801 USA