Developing a Comprehensive Data Strategy

Keys to realizing change

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In a previous paper we postulated that all community financial institutions need to treat the data they collect as an asset to be leveraged. Since that paper, in many conversations with banks and credit unions, we sense near-universal agreement that data should be treated as an asset; however, that realization has created another issue – how to build an executable strategy that leverages data.

This is new territory. Most financial institutions struggle with identifying where to start. And they are in good company. In a study done by Gartner (Bitterer, 2011), they made a prediction that only 30% of business intelligence data projects would succeed.

Our experience with over 100 community financial institutions has identified one common element present in successful business intelligence implementations. Successful organizations develop, communicate and execute on a comprehensive data strategy. The existence of such a strategy is key. The problem is often not a lack of desire or intentions — it is a lack of understanding throughout the organization of how to effectively execute on the strategy. This paper is written to help illuminate the steps we have found successful organizations use to compose, execute, and manage a comprehensive data strategy.

Let's start by defining comprehensive data strategy. For our purposes, **comprehensive** means that this strategy should apply to all groups within the organization that use data — including management, business units, and IT — but it also means including the processes, procedures and guidelines to help direct the organization's data strategy. It should not simply be focused on what individuals do with the information. The comprehensive look helps organizations move beyond the simple use of data for reports into thinking about things like storage, collection, and access. It also helps operating teams think about using data, and the insights derived, to drive performance.

Data should encompass *all* data within your organization, not one system or business unit. Useable data has also taken on new meaning as we see the benefits of incorporating access to real-time, current data with historical views. Data is not just for historical views; it is actionable information that can drive current performance.

Strategy is a plan, method, and series of maneuvers for obtaining a specific result. Further, it is a plan that must be broadly recognized and understood. The strategy should be forward-looking enough to accommodate future changes such as system

conversions and new technologies. Thus, a comprehensive data strategy is more than a list of obvious statements or vague objectives; it goes well beyond a list of software vendors; and, most importantly, it is designed to be flexible because your organization and marketplace are changing rapidly.

If your organization is thinking about how to transform your data into an asset, a strategy is essential to realizing the perceived value of the project. It also provides the structure required to address risks, costs, and stakeholder expectations that need to be managed efficiently throughout the company. As mentioned earlier, a key element we see for success is creating a cohesive, supported strategy for the organization which engenders focus on a desired outcome and increases the likelihood of a successful implementation.

Define the "Why"

Strategies and projects that impact the entire organization need a thorough answer to the question "Why are we doing this?" The "Why" of a project should communicate its value. "We are tackling this project because…" A clearly articulated raison d'être will answer questions before they are asked, calm fears before they create stress, foster cohesiveness before independent ideas dilute focus and dissolve opposition derived from the simple resistance to change.

To the team implementing the early stages of a data strategy, a clear articulation of the "Why" may seem superfluous because they are fully vested; however, it is the rest of the organization's understanding of the strategy we are concerned with. Once the audience for the strategy is expanded to the entire organization, there is less ability to control the message and manage the conversation. It is easy for unintended consequences to overshadow the strategy's intent. Here are some common challenges to watch out for:

- Conflicting organizational priorities
- Resistance to change
- The next big idea

To get through these challenges, the organization needs the firm foundation of the "Why" on which to stand. Let's examine a couple of the potential challenges listed above.

First, conflicting organizational priorities is not a new phenomenon. Organizations live with this every day. However, when a company has made the financial and time commitment required to embark on a project to derive value from their data, it is important raise it above the daily noise of conducting business. A clear articulation of the project and its expected value gives everyone the permission to remain focused, even when they are confronted with other requests. While tasks like validating data in a data warehouse seem mundane and of low priority, they are

absolutely critical to a successful launch. They must get done and they cannot be reprioritized simply because they seem of lower value.

Next, you need to be wary of the next big idea interrupting the rhythm and cadence of your project. I like to call some CEOs "Big Idea Al." We all know him. He constantly has the next idea that will propel you to greatness. He may have even been the genesis of the data strategy. However, he often comes in after the priorities have been set and says now it's time to embark on X or Y because "it will change everything." At times like this it is important to firmly articulate why you are building a data strategy, what the benefits are, and how they will impact your attempts to reach performance objectives.

This firm footing will stop the next big idea getting in the way of the important task of implementing your data strategy. The articulation becomes much more powerful when defended by the leadership team assigned to champion your data strategy. This leads us into a discussion on the importance of a committee to direct your project.

Develop a Steering Committee

This committee should be employees who ultimately own the success of your data program and who are given the authority to complete the task. This team is responsible for the roadmap, delegating roles and ownership, measuring ongoing success and communicating project updates throughout the organization. At a minimum, a group of three should be created: executive sponsor; business lead; IT lead.

A formalized data strategy may be a new endeavor for your organization, so do not hesitate to bring a variety of backgrounds, expertise and perspectives to bear on the challenge. The diversity will increase the likelihood of success as proponents of the project will exist throughout the organization. If you feel a larger team fits the needs and culture of your organization, consider including subject-matter experts and leaders from various lines of business.

The diversity created by having a team own the data strategy with knowledge of the vision, progress made to date and future work planned will also help prevent key person risk. This risk is manifested in two ways: 1. Risk of the person leaving; 2. One person, by definition, has limited perspective compared to multiple individuals.

We have seen key person risk derail the most promising projects. The steering committee is essential even in small organizations. If not, one person has all the knowledge of the goals, progress, and possibilities of the project. If this person leaves, a vacuum is created and is often hard to fill. If the organization cannot realign itself quickly, it often loses sight of the value of the project and puts its completion at risk. Perhaps more importantly, one person can get myopic and

overly influenced by project elements that benefit one area of the business over others. This leads to the perception of unfairness, which can also put completion of the project at risk.

Align Goals

Once the organization has named the steering committee, the next step is for the committee to establish goals. These should align with the overall goals of the organization. For example, are you focused on organic deposit growth, commercial loan growth, or M&A? This will enable the committee to articulate how the data strategy will affect attaining those objectives.

Through goal setting, the committee will also begin to build timetables for objectives. In doing so, other important project management issues will filter to the top of the priority list. As an example, project success often hinges on some early wins that can bolster organizational buy-in. These early wins are critical to the success of the project and will enable the steering committee to communicate success stories at an early stage.

The delicate balance of short-term success and long-term objectives is a primary responsibility of a steering committee. It is important to have a long-term view, but the organization needs the sense of progress at every stage. When looking at the long-term objectives, consider the five- to 10-year plans for the organization. Do you anticipate any large system conversions like the core or general ledger (GL)? Will these changes impact the reporting needs of the organization? Is M&A an essential part of the organization's growth strategy? If so, are we building a flexible system that will allow us to easily integrate and report on additional organizations' information?

Develop a Roadmap

Once the why, who, and what are in place, the organization needs to know where to go next. A roadmap provides this focus.

We have found that it is not possible to incorporate every system and disseminate information across the entire bank all at once, so start with the end in mind and work backward with digestible sub-deliverables. Our best advice is to understand immediate needs that could be solved by a new report or access to daily information. Focus on helping an individual or department do their job better today. One way to quickly identify the immediate needs of your organization is to encourage subject-matter experts to document which reports they are using during their month-/quarter-/year-end processes. Which can be improved? Which can be timelier? This will allow you to easily assess the current state and needs of the organization to establish the first set of priorities.

Often we find it productive at this point to press pause on developing other new systems or signing vendors. It is important to take stock of what has been done and

what is planned next. This type of settling is acceptable and will avoid duplicate work down the road. Discuss with leadership any additional changes or systems being considered for integration over the next several years. If they identify general topics they would like to change, such as a new teller system, but the organization has not identified the specific system yet, be sure to include the topic on the road map to allow for the disruption to be included in the overall plan.

Change Is Certain

It may seem counterintuitive to a tool designed to provide focus, but situations change, systems change, new information becomes available and organizations need to be flexible. If change is necessary it should still go through the process defined by your steering committee. The request should start with the steering committee. Once the "Why" is defined for this change, feedback from business stakeholders should be gathered to assess the impact, the roadmap should be updated if needed, and finally the change should be communicated within the organization.

As a practice, a review of the data strategy roadmap should occur each quarter and senior leadership should evaluate the entire project annually. Each management team should determine the appropriate cadence for themselves compared to the larger organization.

In our experience, ensuring that expectations of the leadership team are aligned with the team executing the project is another key component of project success
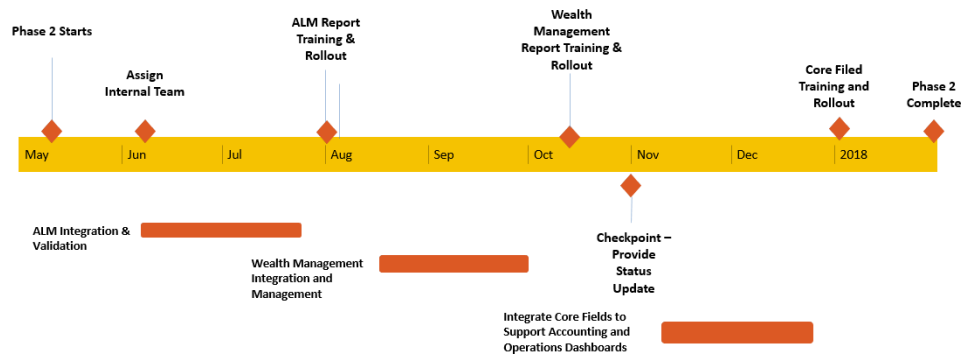
For illustrative purposes only.

and longevity. Thus, we recommend a project update to the executive team monthly – especially in the first 18-24 months of a project.

Recognize that a data project of this nature may require change to the culture of your organization. Prior to this project, it is quite possible that individuals were executing a process the same way for many years. By our nature, humans are resistant to change — especially change that disrupts our daily tasks. This is why your team needs to give the organization an understanding and confidence that

this change will positively impact the institution's performance and will make their daily lives more productive.

Capacity

Finally, when putting together your roadmap, be honest and realistic with the capacity of the teams involved. Try to avoid time when you know key individuals will be heavily occupied with other responsibilities related to their primary job function. For example, if you are going to rely heavily on the finance or accounting team to accomplish a specific milestone, be sure to consider the amount of work required of them around month- and quarter-ends. Do not forget to plan for time off, either.

Plan to end the processes that were providing data in the past and communicate it
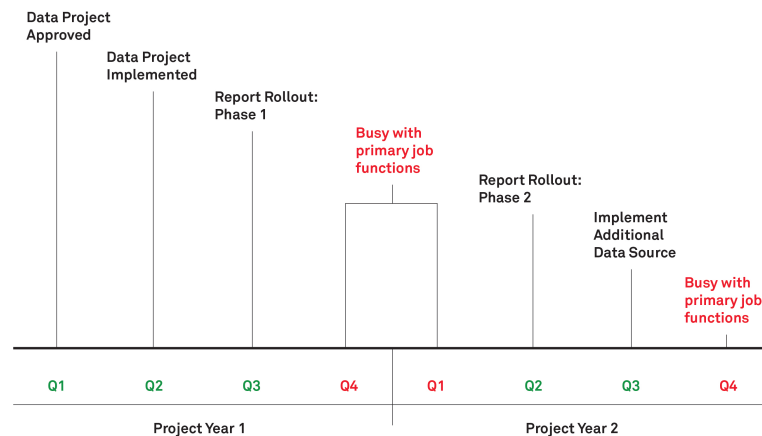
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strongly in the organization. You will exceed your team's capacity if you expect them to execute the old and the new. If you build it and do not turn off the old source, our experience shows that most teams will fall back to doing what they are familiar with.

Ownership

Ownership seems like a simple principle to define and instill around a project. Unfortunately, we often see the opposite. Lack of ownership and accountability leads to challenges such as missed timelines, mismanaged expectations and, worst of all, bad data getting to decision makers.

Ownership is required on multiple levels: the overall project; specific project deliverables; departmental commitments to embracing a new system. You should define owners within the functional business units who will help champion the change in their individual groups and have the success of the project tied to their goals. These individuals will have a more intimate knowledge of the culture within

their groups and that helps align the subgroups with the overall objectives of the data strategy.

Measurement

The best plan that checks all the boxes mentioned above can still face unexpected challenges six, 12, or 18 months later when senior stakeholders start trying to determine if the project was "successful."

Let's use the analogy of football to illustrate the point. Prior to the game, the teams practice and lay out their game plan of how they are going to win. Both teams arrive to the field and start to play, but if they do not first clearly define the end zone, how will they know which team actually won? The same is true for your data projects. Define what success looks like early on. This will allow your team to measure against that goal and be able to communicate this success to management. If you wait until the project starts, it becomes a moving target and success is harder to quantify.

We hear that stakeholders want to define and measure a clear return on investment because data projects are often expensive. While it is possible to use data to look at an initiative like a marketing campaign and track the revenue it generated, it is much harder to articulate the explicit return on investment that comes from improving workflows and making information more accessible. Did your loan officers originate more loans last quarter because they had better data?

We encourage our clients to think critically about what business outcomes they would like to achieve and use this as the starting point. We encourage clients to look at usage of the systems they are implementing and set goals for individuals using the new data. For example, if you decide to create reports for the executive and branch management teams, define how often you expect individuals within these groups to access the new information. Is it quarterly, monthly, or daily? If a user is not accessing this information as frequently as required, it provides the managers with a way to follow up and understand why they have not adopted the new system. Remember, humans are resistant to change and this measurement component provides exposure to the benefits being created and illustrates that the organization is getting value out of the investment.

When you measure usage — and your teams know you measure usage — it will impact their willingness to embrace the change brought with new data availability. We find the simple notion of regularly interacting with the data can change behavior. It leads to the desired behaviors by fostering a better understanding of the performance elements that are important to your institution.

Communication

Communication may be last in this discussion but it is certainly not the least important. The best data strategy will quickly run into challenges if the steering

committee is not able to effectively communicate the value of the project, the progress being made and success stories. Whether you are speaking directly to the C-suite or if you are attempting to influence other sets of employees, know exactly who your audience is and what message you want them to hear.

Second, be proactive in the organization to meet with stakeholders throughout the project's lifecycle. It is important to begin prior to the official decision on the project and share the "why" we are embarking on this work. Research examples of how other financial institutions used similar strategies to create value within their organizations and share them. This information will provide credibility and build confidence in those you will need to help execute the project and who will have to change their behaviors once the project is complete.

Once you have shared your vision and reasons for the project, listen. Communication is a two-way street. You need to take time to listen to what people are saying about their needs and incorporate appropriate feedback into the plan when it makes sense. When the team sees that the steering committee listens and makes changes when required, this builds confidence and engenders common goals.

Finally, it is important that people through the organization understand what is being accomplished and if progress is being made. Be sure to highlight wins early and often. It is more important that communication is constant than formal. Constant communication, even a note by the water cooler or article on the company intranet, can help ensure that the organization understands what has been accomplished and where the project is going.

The Opportunity Present

Your organization is likely sitting on a wellspring of data which is silently waiting for you to leverage its value. We discussed several steps to help your organization accomplish this task. The first step is to realize that data is an asset for your organization, and you need a strategy on how to leverage it.

When formulating your data strategy, remember that each organization has their own nuances relating to how projects and change are handled. The important takeaway is that a solid plan should be as inclusive as possible, including plans for people, data, processes, and guidelines, and be flexible enough to incorporate future change. Communication is key at every level of the organization. Be ready for challenges and rely on your strategy to provide discipline during the lifecycle of becoming a data-driven organization.

A well-executed data strategy will help your organization be positioned to better serve your customers and communities, and to thrive.

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