Creating real business intelligence: seven key principles for MIS professionals

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For MIS professionals, an enterprise-wide business intelligence initiative is an opportunity to play a strategic role. By helping to set expectations, working closely with business units, providing technology leadership, devising new initiatives, and furnishing insights into underlying data, MIS can help financial institutions achieve new levels of competitiveness and efficiency.

Business intelligence: a centerpiece of optimized financial services performance

In the past 15 years, business intelligence has emerged as an enduring component of the forward-thinking CFO's agenda – for numerous good reasons. Implemented properly, business intelligence provides unique and timely insights that can directly affect strategic corporate decisions in all areas of a banking organization: finance, sales, product, marketing, IT, human resources, back office, support services, and many others. Additionally, tighter regulation demands greater levels of visibility and control for senior management and external stakeholders.

In fact, IDC Financial Insights (IDC FI) has ranked performance management, including business intelligence, as the No. 1 or No. 2 issue for global retail bankers [Bradway (2005a)]. This assertion was reinforced in two more in-depth 2005 IDC FI studies of more than 30 global banks [Bradway (2005a, b)]. That research uncovered several factors and pressing issues that underscored the need for business intelligence, including complex ranges of business units, operations in multiple geographies, multiple customer segments and distribution channels, development of increasingly sophisticated products, and cost structures. Collectively, these create complex matrices where traditional organizational structures, systems, and processes struggle to provide a consistent view of performance. For example, identifying which client generates the most transaction income from products in two business units might involve a manual assessment of information from separate systems, authorized access to the information, the extraction of that information, manual aggregation, presentation of the combined information, validation from interested parties, and a statement of the assumptions made before the information can be used. Such an unwieldy, time-consuming, and error-prone process limits analysis to infrequent use for highly strategic issues or senior-management requests.

BI provides a structured approach for collecting, analyzing, and acting upon business information – all supported by a foundation of sophisticated software that can aggregate, calculate, distribute, and securely display analyses from a variety of perspectives. While each implementation varies, many BI deployments feature a range of functions, including scorecarding, geographical mapping, information visualization, data mining, business planning, and end-user querying and reporting. Successful BI applications often feature visual interfaces that encapsulate and greatly simplify vast quantities of information. Users can drill down to succeeding levels of detail and discover new insights and interrelationships among what previously seemed to be disparate data points.

Business intelligence provides the enterprise with the framework for maximizing the institution's existing investment in highly tailored operational and transactional systems and satisfy the demand for consistent information regardless of one's role in the organizational matrix.

It all starts with the data

Of course, any seasoned MIS professional knows that sustainable BI systems – solutions that can deliver ongoing value to the enterprise – are predicated on the timeliness and accuracy of the data feeds that populate those visual interfaces. And, for most companies, that is the rub. MIS typically has information stored in many different systems, databases, files, data warehouses, and other locations. A jury-rigged, massively manual process that aggregates data from different sources,

which use different schemas and data definitions, inherently presents inconsistencies, gaps, and discrepancies when it consolidates data from those varying sources. Inevitably, analyses and strategic discussions devolve into questions about the provenance of the underlying data.

One of the fundamental issues with these data aggregations is that the individual participants providing the separate data components – the department heads, customer, channel and product line managers, controllers, and directors – have an incomplete view of the entire data picture. To borrow from the clichéd fable, 'they only see their portion of the elephant.' Conversely, the senior-level consumers of this information, such as company officers and senior executives, are left to reconcile conflicting and disparate views without any insights as to the nature of the underlying data. The information lacks consistency, and this is unfortunate because truly strategic decisions cross boundaries. A simple query, such as who are the most profitable customers, leads to more meaningful queries such as:

- What makes them profitable?
- What channels do our profitable customers use most?
- What is the ideal product and channel mix to optimize profitability?
- Can we service marginally profitable customers differently and more appropriately to increase profitability?
- Are we attracting customers that our competitors are happy not to service because of the complexity of their transactional demands and the impact on the back-office?
- Are we providing services to customers that are not valued?
- What is the true cost for our most popular products?

MIS – leading the BI charge
Of course, owing to the divergent goals of transaction performance and complex reporting and analysis, banks must implement enterprise information architectures that employ different data structures, schemas, and environments. It is impossible to deploy a single database for a financial services organization, for example. The result would be an unwieldy compromise. However, without proper alignment and consistency of data from many different sources, business intelligence efforts cannot succeed, and that is an area where MIS professionals must provide leadership. Based on engagements with financial services firms around the world, here are some best-practice recommendations for MIS professionals seeking to facilitate and strengthen enterprise BI initiatives:

First recommendation – carefully define BI expectations
It is essential to think about what the end-game of information delivery will be – who will consume the information and how are they expected to act on it. This will help you align your BI design with business needs.

Banks need to think about the balance between knowing what is transpiring in their institutions and acting on that information. What people in the enterprise will have access to the BI system? What are their roles and responsibilities? Will they be accountable for the data presented by the BI system? What do senior managers and executives expect to see on their BI screens?

It is perfectly reasonable for senior managers to demand consistent visibility across the organization, but they gain even greater confidence when appropriate information is also available to those in the trenches who run the business and interact with customers.

Consider how widely you want to deploy your BI system. Highly centralized management teams, of course, do not need to worry about broad deployments. But as your BI system pushes 'lower' into the organization you will need to carefully balance

conflicting expectations and requirements. That means not only delivering information to less-senior staff members, but also understanding how capable those lower-level managers are at consuming this information and making decisions. Are they empowered to act on what they see? If not, is there a useful purpose in presenting that information? Clarity here will pay dividends. For example, one European bank is distributing daily customer reports to its relationship managers that reflect the performance measurement criteria and expected behaviors. This does not include analysis capability. Conversely, the larger corporate banking account teams receive analysis tools to identify profitable product/service mixes.

Second recommendation – take stock of your current corporate MIS landscape

Before embarking on any BI initiative, first assess your current data processing environment and your enterprise's data capabilities. Do you have the information you need to populate a BI system with useful information; information that people will want to see and that has a high likelihood of yielding valuable, strategic or operational insights? What aggregation mechanisms, a crucial enabler of BI, are in place to pull all of the vital data together and index it in a uniform format? Do you have the infrastructure in place today to deploy BI to the right people?

Does the organization have the definition of the right metrics? Is revenue the right measure? For example, an investment bank's use of production credits ensures a consistently defined and calculated value measure to support a single view of the customer or channel across multiple products. This is a critical area for obvious reasons and one that often comes under scrutiny from colleagues. Increasingly we are seeing the CFO and CIO play critical roles. These key players must demonstrate transparency and have sufficient muscle to stand by the results.

Third recommendation – beware of success

In many instances, phased deployments can be a sensible approach; there is no need to have it all in place on day one.

What would a sensible first-phase delivery look like? Try to reach a critical mass of useful value to generate initial momentum. However, be careful of success! Although you may have carefully assessed the organization's stated appetite for information, often there is a latent, pent-up demand that surfaces quickly once a successful BI system begins to have impact. Once decision makers see the kinds of information BI can produce in one area, they usually can immediately think of dozens of other strategic uses for the system. That can quickly fuel a rapid expansion that you need to be ready for.

Fourth recommendation – work with business-unit owners

Owning and managing the data that populates BI systems is only effective if MIS understands what data is valuable to users and why. The key strategy here is to forge strong partnerships with the business units to understand the strategic (not technical) issues, and the business and performance challenges so that you can make meaningful contributions that effect the most positive changes. It could be as simple as understanding the inputs into product margins or customer profitability. It might involve gaining a truer understanding of back-office efficiency and third-party servicing costs. It can involve gaining a deeper understanding of market-share goals.

This partnership ideally involves a series of mutually agreed upon milestones that create demonstrable proof points, ongoing validation of the deployment project, and lower risk. A journey that involves multiple small steps has a much better chance of success than a three-year, all-or-nothing project cycle that carries too great a risk of ending with a thud.

Start with simple milestones that deliver basic value. For example, a business banking account manager might receive simple customer information – account status, credit utilization, or product and services offered. Next, you might want to provide service metrics to business banking managers – which account managers have the best rankings, customer retention/profitability, cross-sell/up-sell performance, or productivity. Link that to an incentive program and you can start to identify and

change process and behavior as part of the information you are giving people. Link that to marketing investments and you can correlate marketing dollars with customer return (retention, profitability, cross-sell). It becomes much more than a simple report about account activity and evolves into a mechanism to drive client servicing strategy, account management behavior, and maximizing the impact of marketing.

Fifth recommendation – consider related technologies

In virtually all BI implementations there are related enterprise technologies and systems that can dramatically enhance BI value. For example, activity-based costing, data warehousing, or enterprise risk management are some of the systems that manage and generate high-value data. Look beyond the classic application silos that are typically purchased and deployed tactically to get information that has strategic value. Too often, companies think about operational/transaction silos first and the reporting and analysis needs later. MIS has to be a leader in changing that sequence. For example, one European investment bank had all the systems it needed to service and execute the demands of its customers. The systems had been carefully selected specifically for this purpose and highly skilled practitioners and technologists invested significant intellectual capital optimizing the services offered. However, understanding the fully costed profitability of that customer required complex cost allocation for a range of services, such as direct transactions costs and third-party fees, funding, commission, client T&E, research costs, IT, and back-office.

Sixth recommendation – measure what matters

Make sure your BI initiative is designed to measure the metrics that matter most up and down the organization. For instance, scorecarding – the use of simple stoplight charts – is a popular and proven BI strategy. But does your BI solution scorecard the right things? Have you identified the right key performance indicators (KPIs), the ones that drive divisional and enterprise performance across geographies, business units, channels, and products? And have you properly mapped in the right data feeds to accurately populate those calcula-

tions? Equally important: capturing the organizational knowledge about how one performance indicator drives another.

Seventh recommendation – think about new initiatives and plans

Beyond a roadmap for consistently delivering accurate and timely information about what happened to the right people, institutions also need alignment with their future initiatives and plans. The first step: getting a matrix-wide view of the performance indicators (and their interrelationships) impacting the business.

When you consolidate those KPIs, think about how you can apply that data to new initiatives that tie into financial goals or forecasts. Now, take it to the next level by anticipating and controlling what will happen. This means disciplines, such as business planning, financial planning, budget creation, and forecasting, which collectively raise the strategic profile of business intelligence. That might mean more effective use of budgets for existing initiatives or larger plans that extend to acquiring a wealth management business in a new region. For example, if the bank is about to acquire a wealth management business in Eastern Europe, how will the bank unlock the value of that investment by appropriately driving more revenues from those customers or increasing customer retention? Inevitably that is going to require an aggregated business plan that links strategic objectives with performance measures.

Whether it is a new initiative or deriving greater value from existing assets, taking an understanding of what drives improved performance in a particular geography, customer segment, or product and incorporating that into the appropriate investments, plans, forecasts, and budgets is proven to deliver improved ROI. This allows finance to manage the gap between the planning process and actuals without wrestling control away from the business manager.

Conclusion

For MIS professionals, business intelligence represents an ideal intersection of technology and business strategy that

can drive new levels of performance for financial institutions. By injecting itself into a central role, MIS can be both a tactical facilitator (through its ownership of data and technology) and leader of a strategic process that can yield significant competitive advantage to the institution.

References

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