

Q&A

Data management meets the C-suite

Why it matters and what to do about it

Data management, traditionally a mysterious, back-office function, is quickly gaining visibility and heightened attention in the C-suite.

Data management is the development and execution of technologies, policies, practices, and procedures that help to manage the data needs of an institution. Because good data management delivers quality information, which in turn drives smart decisions, its impact on business performance can be significant.

As banks take advantage of data to drive efficiency, increase marketing effectiveness, provide better customer service, and help meet regulatory requirements, more bank executives are recognizing data management optimization as an essential component of their organizations.

1. Why should data management and governance be more important to the C-suite than in the past?

The profound changes in the banking industry are prompting banks to use data more strategically. For example, a low-interest-rate environment and a slower-growing economy are causing considerable pressure on senior executives to improve operational efficiency. To accomplish this, these executives are seeking reliable, in-depth information about the profitability and performance of lines of business, channels, and products.

Crowe Horwath LLP data management specialists see a direct link between improved data management, data governance, and enhanced efficiency. Data management and governance is now a strategic topic that deserves top-level attention and a C-level advocate to appreciate its profound and pervasive impact on bank efficiency and profitability.

Data governance serves an important role in delivering quality information for decision-making. To make sound data-based decisions, management must trust the data. Crowe specialists have observed banks with mature data warehouses and talented analysts, yet with management teams who question the integrity of that data due to unwieldy manual data collection processes that are highly prone to error.

Proper data governance can provide executives with confidence in the data's accuracy and integrity.

2. What are a few of the ways that data management can impact performance and profitability?

Data that provides a clear picture of customer behaviors, customer satisfaction, and channel and product interactions can inform decisions in all areas of banking performance. For instance, this type of data takes the guesswork and trial and error out of product design and pricing decisions.

Good data management can also directly affect customer service. Providing excellent service is highly dependent on having complete information about the customer's previous interactions and relationship with the bank. If that information can be provided to the front-line employees at the branch or the call center, the employee will be more likely to provide an immediate, accurate response to the customer or potentially cross-sell them an additional product or service based on the customer's needs.

To enhance marketing efforts, detailed customer information enables the bank to target offers toward particular customers. Rather than mailing offers to an entire customer base, which is costly and can potentially erode customer goodwill, the bank can send highly targeted offers to a subset of customers who are most likely to respond.

3. Does data management support cost cutting?

Following the financial crisis, banks focused on cost cutting as a way to return to profitability. They based many of their cost-cutting initiatives on supporting data. Today, most executives have shifted from pure cost cutting to, instead, long-term efficiency initiatives to better service customers and to compete with banks and nonfinancial institutions.

By capitalizing on data in new and creative ways, banks are finding ways to grow more quickly or to grow without adding staff, rather than slashing budgets, which is not sustainable in the long run. Data may also provide insight into process metrics, for example, allowing the bank to decrease loan approval response times and improve customer service.

4. What role does data management have in compliance?

One of the most pressing compliance needs for banks is the ability to analyze concentration risk in their portfolios. Effective data management enables banks to respond to requests from regulators and analyze these risks across portfolios.

Data management can also support inquiries from agencies such as the Consumer Financial Protection Bureau that are increasingly asking for detailed information about lending practices or financial crime and anti-money laundering (AML) operations.

Finally, those banks approaching the \$10 billion threshold will need to significantly improve their data management processes to support Dodd-Frank Act Stress Testing (DFAST).

5. Is benchmarking important? How do banks gather benchmarking data?

Benchmarking data allows banks to strategically select areas to improve and to measure those improvements over time. Unfortunately, banks tend to guard information closely, so it's difficult to determine leading practices from other institutions. Often banks turn to a consulting firm such as Crowe that can provide benchmarks based on proprietary data, unlock their bank's data, and then help them put those benchmarks into context to improve efficiency.

6. How can better data management improve performance?

Effective data management can improve performance on many levels throughout a bank.

For example, one of the largest expenses for banks is branch operations. To reduce costs, many organizations are embarking on branch optimization projects. Effectively using data helps banks determine whether to close or relocate branches, change the staffing mix to drive profitability, or measure the impact of digital channels on various branches.

Many banks lack a clear understanding of the amount they are spending on third-party vendors or how that spending compares to market prices. As a result, Crowe has found many banks that overpay. Although getting the lowest price isn't necessarily the goal, effective data management can give managers the information needed to work with vendors more effectively and negotiate a contract that provides them with the most business value.

In a changing competitive landscape, banks are using data to consider exiting business lines that have high costs and low margins and move into lines that are more profitable, including nontraditional businesses such as specialty financing or payment processing.

As a final example, effective data management enables the C-suite to improve the performance of people by providing meaningful goals and performance metrics to drive desired behavior. This data allows management to provide specific feedback to employees, and it allows employees to see the impact of their activities. It also allows management to create incentive programs specific to the behavior the bank wants to encourage.

7. Our bank has all this data, but it's not actionable. What can we do?

Many banks have been able to capture “big data” but struggle with accessing the data and presenting it in a meaningful way to drive decision-making. Or, the bank is reliant on standard vendor reports that likely don't provide transparency into the actual processes. For example, the report may provide the number of loans approved and closed, but it doesn't provide the number of loans that had errors and had to be reworked.

Crowe recommends employing a variety of data management techniques to ensure effective capture and dissemination of useful information for decision-making purposes. This can include traditional business intelligence constructs such as data warehouses and reporting data marts, which can be enhanced by big data analytics and predictive analytics tools for deeper analysis.

8. Isn't data management something that should be under the purview of the IT department?

Given the change in importance of data management, senior executives have recognized a need to address data management holistically rather than as a technology issue for the IT team. Successful data management requires a cross-departmental approach to get an enterprisewide view of data across siloed systems to support more informed decision-making.

Of course, the technology infrastructure and tools are critical in data management, so IT will always have a significant role to play. However, technology tools are only one part of data management.

Consider that data management adheres to the axiom of “garbage in, garbage out.” The best technology can't compensate for low-quality data or data incorrectly input at the business-line level. The accuracy of the data becomes an issue for everyone in the organization, so business stakeholders must prioritize what data is needed and how it will be used.



Contact information

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