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Financial institutions: How to turn data from regulatory risk to strategic asset

Introduction

As a modern financial institution, whether you're a bank, credit union, or investment management firm, you know what it's like to be kept on your toes—every day is a new day of challenge, risk, and transformation. You try to quickly respond to the latest compliance regulations, while steering your business away from risk, like fines, operational inefficiencies, and negative results. At the same time, you want to transform by leaning toward innovation, like improving customer experience. The number one roadblock keeping you from dodging risk and move toward revolutionary transformation: untrustworthy data.

Inaccurate, irrelevant data is the root cause to putting your business in a risky state. Our research shows 40 percent of organizations report individuals within the business do not trust data insights. And when you can't trust the information your business relies on, how are you supposed to make accurate decisions or break past your challenges? When you take steps to mitigate your risk by managing the quality of your data, you will be able to base your decisions on truthful evidence, giving you that competitive edge and a clearer view of success.

Making the jump to qualifying your data is an enterprise-wide investment—it takes your resources, people, expertise, and leadership to make sure data quality is adopted and managed across your entire financial institution. We understand this is a big haul (but, totally worth it!). We are here to help you with these five steps to steer your business away from risk.

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1. Evaluate your data-scape.
To de-risk your financial institution, your first step is gauging the current state of your data. Think about: Where do your current databases live across your business? And what gaps do you currently see in your data sets? In fact, 28 percent of businesses suspect their current customer/ prospect data to be inaccurate in some way. If your databases are siloed across mortgage, credit, and loan business lines, make sure to consolidate your records. Then, profile, de-duplicate, and append your data so you have a holistic view of your customer and product data.

By finding quick wins in qualifying your data with profiling and de-duplicating capabilities, you will be able to have confidence in your business decisions rather than play the guessing game. Our research shows almost half of businesses can make more insightful decisions and allow for more innovative processes when they have quality data. That means those inefficient, old school operation tactics you're using—constant pivots, siloed strategies, and inefficient communication—will be streamlined and united to support the business.

That's not all. When you have clean, consolidated data, you won't need to scramble to comply with new regulations, like CECL or CCPA. Make sure you are investing in your data so you can stay ahead of the game when complying with regulations and so you gain that competitive edge.

2. Invest in your data.
After you take the initial step to cleaning your database, you want to make sure that your database continues to stay clean and usable and that your organization feels empowered to leverage your trustworthy data. You do this by investing in a user-friendly data quality management tool that is easily adoptable by your business users, data experts, and senior leaders.

To get started, it is crucial you get buy-in from your executives. Right now, only 28 percent of financial institutions think the senior management team in their organization fully recognizes the implications of poor-quality data. If you don't have time and energy invested in your data initiative from the top down, you risk business users not having the motivation nor resources to manage high-quality data.

When working with your executives, you want to prove that always having high-quality data at your business users' fingertips will not only increase operational efficiency, but it will also equip you with the insights to drive a personalized customer experience, competitive edge, and grow your bottom line (and, can we also say see an extraordinary ROI?). The best way to do this is to share the before and after results from when you consolidated, profiled, and de-duplicated your data.

Once you get C-suite buy-in, you want to find the data quality management tool that fits your business's culture best. Think about incorporating a tool that is easy-to-use, secure, and will smoothly integrate into your existing tech stack. The tool will give your team a holistic view of your customer and product data and should empower your business users to collaborate cross-departmentally to align strategies. Ultimately, driving your business towards success.

To make sure your team is equipped with the knowledge to understand how to use the tool and analyze their data effectively, you want to implement a data literacy initiative to teach your teams on how to speak to data.

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3. Equip your team with data knowledge.

Data literacy—the ability to read, write, and argue with data—can vary across the business, and it should be your goal to teach everyone, business users and data experts, data skills. Our research shows 84 percent of businesses see data literacy as a core competency that all employees need to have in the next five years. This is so important because without a foundation of data knowledge, you could put your return on investment in jeopardy and drive inefficiencies due to a lack of understanding. When your team knows how to manage, analyze, and collaborate using data, you will be confident big and small decisions are supported by facts.

To create a data literacy program, think about your culture and what matters to your employees the most. Make sure you keep the curriculum broad and provide use cases that engage all types of scenarios across all departments. Think about this scenario: Risk managers live and breathe compliance regulations, and on a regular day, data might not be at the forefront of their minds. However, if they are equipped with the knowledge and examples of how to understand, manage, and use data, they will have a better understanding on how to approach a regulation like CECL when it appears in their inbox. Better yet, this example can translate to multiple parts of the business.

By incorporating a data literacy program into your business—whether it's mandatory, virtual or in-person, taught by the CDO or another data expert—you are proving to your organization that being data-driven is top-of-mind for the current business strategy and that you will be supporting the team through this new venture.

4. Drive a data-driven culture.

A data-driven culture looks like this: teams actively analyzing quality data, precisely predicting trends, and enabled to make definite decisions. A lack-of-data culture looks like this: teams using poor-quality data to make decisions and constantly pivoting because their predictions were incorrect. To get to that former dream state, your data culture needs the investment and support to feel empowered to leverage that data daily.

Once your team starts seeing the positive impact quality data is having on your business, your team will begin to adopt it more and more. For example, our research shows, 50 percent of businesses say being data-driven improves their customer experience, and to support that, 85 percent of organizations see data as one of the most valuable assets to their business. You can't beat trustworthy data.

As your team begins to shift toward a more data-driven culture, your return on investment continues to be unbeatable. Your operations are excelling because everyone has confidence that their data is high-quality, and they have a keen understanding on how to use the insights to innovate the business.

100% of financial institutions believe being data-driven gives their business a competitive advantage.
- 2020 Global data management benchmark report
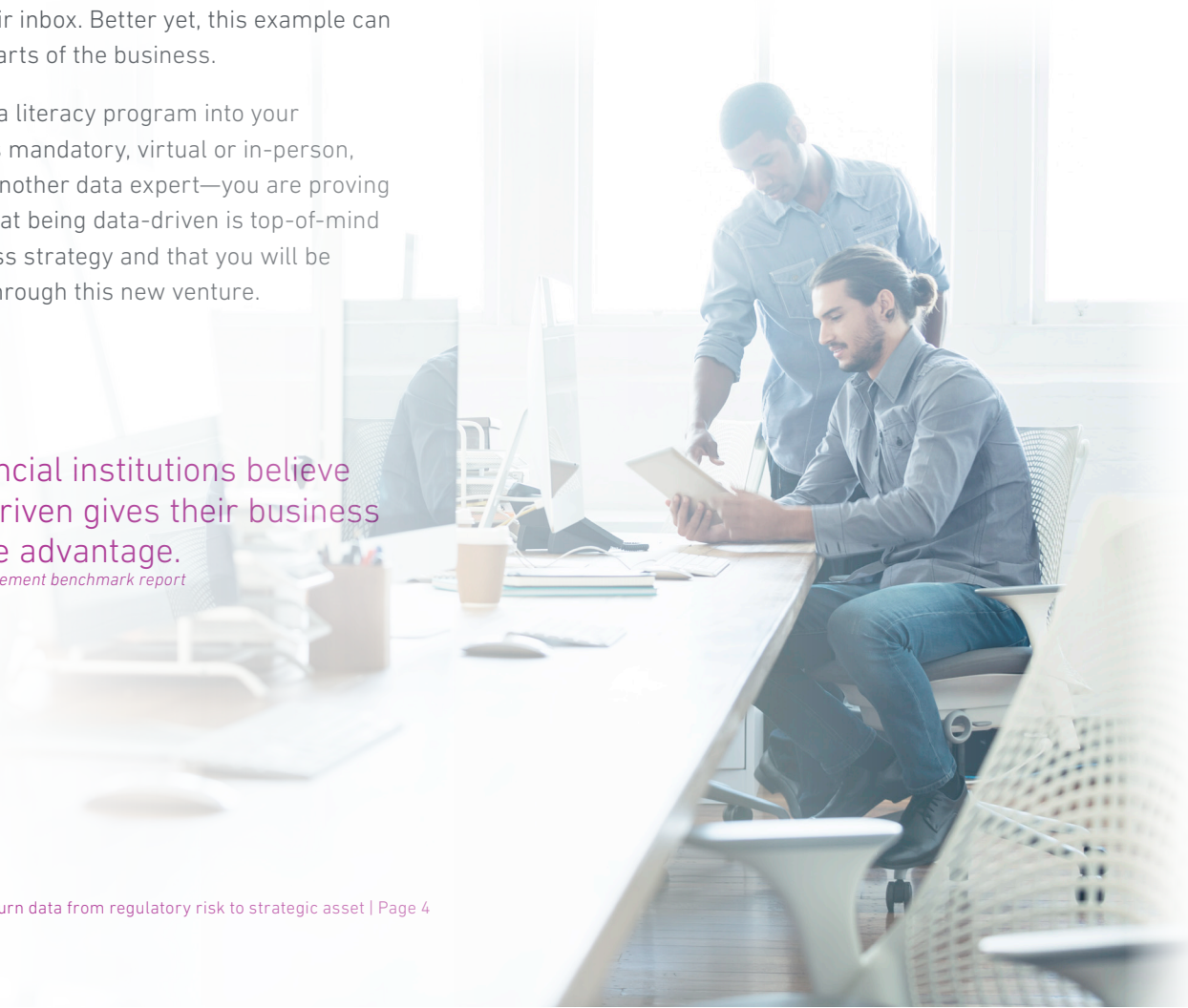
5. Continue to reassess your data story.

Like any successful business, the job is never done—you are always striving for more. To make sure your financial institution stays data-driven, it's important to make sure you are constantly re-evaluating your data to ensure quality and relevance to your business. When it comes to steering away from risk, regularly reassessing your data management processes will come in handy. Why? In this everchanging world of digital transformation and evolving customer expectations, it's important to check that 1. your data is always correct and standardized and 2. the data is appropriate to drive your business initiatives.

Think about it this way: If you have taken the initiative to improve your digital customer experience, like implementing online banking, and you haven't reassessed your data in some time, you may create roadblocks for yourself—like constantly needing to change your strategy to target the right customers with this new incentive. If you take the time to regularly assess your data, you will streamline your processes and feel confident that you are connecting with your customers at the most consumable touch points.

This is where having a data quality management tool and a data literacy program becomes beneficial because you have insight into what shape your data should be in before using it to support a business initiative.

Untrustworthy data means you are intentionally putting your financial institution at risk of inefficient operations, incomplete compliance regulations, and a negative impact on bottom line. Lucky for you, qualifying your data is a quick win for your business and can be continued with greater efforts, like implementing a data management tool and a data literacy program. These efforts will shift your culture's mindset to be more data-driven and promote more accurate business decision-making. When you have trustworthy data, you will feel like you are on top of the world because you have the correct data to support any business initiative you take on— whether that is excelling internal collaboration or driving a more personal customer experience. Invest in your business by taking ownership of your data quality.

Don't let untrustworthy data put your business in jeopardy. Learn how data quality management can steer you away from risk.

Get started

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