

My Kingdom for a Compass

By Bill Jenkins

Insurers find if they don't know where they are going, they'll probably end up somewhere else.

If you speak with insurance company CEOs, most will tell you they firmly believe data is a valuable corporate asset, which, if used properly, can deliver increased insight, opportunity, and a stronger competitive advantage. However, most insurance executives will readily admit their organization has no formal plan for the use of data across their organization.

In fact, few of these companies possess the framework (or knowledge) to manage this asset as it does other corporate assets, e.g., cash, investments, people, equipment, and facilities. Sadly, these companies lack a basic inventory of their data, a map of where data is stored or located, and an understanding of the quality of their data, not to mention how to productively manage and use it.

The pattern is a familiar one: A carrier undertakes a data initiative in a singular, piecemeal fashion, and addresses only the needs of a particular business unit or department. The result is a siloed approach, which provides a limited benefit to the rest of the organization. The repercussion is the creation of a sub-optimized solution that causes inconsistencies and a lack of integration with other systems or a lack of shared use of the data/ information from an organizational perspective. Organizations end up with lots of fragmented data and multiple—and possibly redundant—analytic silos. As the industry lifeblood and currency, data needs to be a key element of a company's business strategy, yet too often it is an afterthought.

The Need for a Data Strategy

The concept of an enterprise-wide data strategy is being viewed as a strategic advantage in today's business world. This transformation is being brought about by a number of factors, which include the uptick in corporate mergers and acquisitions, as well as the increase in new system purchases, and the need for data integration. But the primary push is being led by Big Data—the exponential growth, speed, and availability of both structured and unstructured data. It is forcing companies to make data strategy and planning a priority. The question then becomes, what do I use this data for in order to bring business value to the entire organization?

According to Peter Aiken, founder of Data Blueprint, only one in 10 organizations possess a data strategy causing them to continue to struggle when:

- Executives don't know who their customers are, how many customers hold multiple policies with them, and how many policyholders have been with the company for 25 years or more;
- Meetings degenerate into arguments about whose spreadsheet is right;
- The company spends significant time reconciling and balancing reports;
- Business staff doesn't trust IT to deliver applications and data in a timely manner
- The company tries to retain customers who cost more money than they generate;
- Integrating data from older to newer systems becomes a long and expensive process resulting in cost overruns of a system replacement effort;
- Changing a data warehouse subject area or corporate report takes weeks because metadata is not centrally managed;
- Executives say data is a corporate asset but do not assign the right business executives and analysts to oversee the program or allocate enough funds to make it work efficiently or effectively.
- There are thousands of reports with contradictory rules and definitions and reports are not properly indexed and managed;
- Auditors question the transparency and traceability of the data being used to make rates and is reported in the company's financials;
- Analysts spend 60 to 80 percent of their time locating and preparing data for analysis with 20 to 40 percent left over to perform analysis.

These represent only a handful of challenges that carriers experience as a result of poor data practices, but there are many more. Here are three real-life stories of companies that did not possess a proper data strategy and suffered the consequences.

If the efforts to develop separate data models would have been used to develop an enterprise data model, the company would have eliminated a lot of repetitive design and implementation work.

Example One: "I See Data Models (Everywhere)..."

Carrier A was in the midst of updating and refreshing its core processing systems with new system modules. The IT group noted that implementing each new system module required the design and development of a separate data model. This put a drain on resources while increasing time and expense. Furthermore, the increase in the number of data models being introduced added more complexity and confusion when maintenance or enhancements to the new system were needed.

What could Carrier A have done differently? If all the efforts undertaken in developing these separate (and numerous) data models would have been used in developing an enterprise data model, the company would have eliminated a lot of repetitive design and implementation work while reducing interface coding and complexity/confusion.

Example Two: “If You Build It, They Will Come...”

Carrier B expressed the need for a data warehouse to help centralize its company data. The IT department assigned one of its team members to design and develop an enterprise data warehouse without business involvement or support. The project was completed over the course of several years and the data warehouse was loaded with the applicable data. Unfortunately, when the end product was unveiled to the business, the business showed a great deal of apprehension in using this warehouse and, in fact, refused to use it or review it.

This lack of business involvement led to a lack of credibility between IT and the business side of the house. Even worse, the time and money used in building the warehouse was, for all intents and purposes, wasted.

Business management must possess the awareness/knowledge of the data challenges facing the company and that their data is truly a corporate asset that needs to be managed and protected like the other assets the company possesses.

Example Three: “I Just Want to Do Some Simple Analytics...but Where?”

Carrier C wanted to develop an analytics model for price segmentation. The carrier utilized an outside consulting firm to create and implement the analytics model. It also hired an internal data scientist (at a high salary) to collaborate with the outside consulting firm on the project.

Unfortunately, once the model was implemented, the project work—and the need for the internal analyst—came to a halt. Sadly, there was no plan in place to build off the previous analytical effort and to address another corporate need or pain point using data and analytics. The company was forced to identify potential projects after the fact and “on the fly” as this high-priced analyst sat waiting for work for a lengthy period of time.

Bringing Data to the Forefront

A unified approach to data development, implementation and management strategy would have provided these organizations a solid, enterprise-wide framework of utilizing data to support organizational goals and missions. The difference between

organizations that are crippled by data problems and those that control and manage their data for competitive advantage lies with the creation of a solid data strategy that is reinforced by executive and business awareness, support, business collaboration, consensus, partnership and participation.

A recent Business Intelligence Leadership forum surveyed 96 BI managers and asked them about the data challenges they faced. Overwhelmingly, they cited business and leadership issues above technical ones. The major consensus was that there is a need for strong commitment from top management and strong centralized data governance throughout the organization, otherwise data will always take a back seat to other corporate initiatives.

What is an Effective Data Strategy?

A data strategy is the development, administration, and maintenance of a single, enterprise-wide plan for the use and control of corporate data for strategic and operational decision-making. It is designed to support and align with the organization's mission and strategy. Major components of a data strategy include:

- People: skills, numbers
- Processes: data quality/integrity, metrics, scorecards, data governance (data security and privacy—with today's cyber risk this is a boardroom conversation)
- Technologies: data repositories, data models, data dictionaries, metadata, data profiling/cleansing, master data management tools, integration with legacy or operational systems, security, and privacy.
- Organization: culture, corporate philosophy around data, data ownership

An effective data strategy is dependent on the business users and IT working together and adhering to the agreed-upon data plan. Data ownership is embraced by the business unit that created the data. Data storage and integration is controlled by the IT department.

Strong awareness of data as a vital corporate asset needs to permeate the organization. In addition, business management must possess the awareness/knowledge of the data challenges facing the company and that data is truly a corporate asset that needs to be managed and protected like the other assets the company possesses. Finally, each data initiative aligns with—and supports—the corporate mission, strategy, and key initiatives.

Develop a Corporate Data Strategy

The basic and essential steps for the development of a corporate data strategy are:

1. Assessment of the organization's existing data environment involving the four components outlined above: people, processes, technologies, and culture. This exercise provides the baseline information to understand the existing competencies of the organization for managing and controlling its data.
2. Alignment of data initiatives and needs to the organization's strategic vision and supporting initiatives. As an example:
 - The organization identifies financial growth as a business strategy/ driver.
 - To address this business strategy/ driver the organization then pinpoints areas of focus in support of this business strategy/driver: e.g., creation of new customers to increase revenue.
 - Initiatives in support of these areas of focus are then chosen by the organization to create new customers in order to increase revenue. These initiatives might include:
 - Development of new products and services to specific individual customer segments
 - Gaining a fuller understanding or view of their customers (policyholder and agent)
 - Putting into place quantifiable metrics for each initiative in order to define success.
3. Defining how the business will use the data to deliver or support the strategies/business drivers and these set initiatives. This effort might involve:
 - Leveraging analytics to increase relevant personalization and contact strategies in order to impact customer behavior
 - Development of a more personalized view/understanding of customers by demographic area
 - Increasing the ability to react to behaviors in real time as the customer is engaging with you
4. Mapping out the specific data that will be required to achieve these corporate goals/strategies. Linking back to the overall business vision will allow the business to assess which information is a priority.
 - Data items that do not impact any of the overall objectives can be disregarded at this point.
 - Data that is required but not available can either be harvested from an external seller of data or placed on a wish list.
5. Prioritizing data initiatives to align with business priorities. One of the keys to success is having in place the proper enterprise data management foundations, such as a data governance committee, data models, a business glossary, metadata, and the people skills and necessary processes.

6. Ongoing ownership at a high level is critical. The data strategy must include high-level executive sponsorship and ongoing commitment to ensure all business decisions are supported by accurate and timely data. Data is ever-evolving over time as is the business' strategy and objectives. This means the data strategy should be seen as a "living document" and adjusted with the times and the needs of the organization.

Data governance becomes a key process for managing and controlling data. The data governance committee creates and monitors the policies and processes around the company's data strategy. A data governance framework defines the guiding principles, goals, policies, roles, accountabilities, metrics, and oversight of the company's data strategy and communicates these to management and users.

Data quality is also viewed as a critical component of an organization's data strategy where data quality is measured, monitored and embedded into the company's processes and performance culture.

Linking business objectives to data initiatives is key to a solid and effective data strategy that will gain executive level awareness and support as well as achieving business buy-in, collaboration and participation. Not to mention gaining a competitive advantage over those carriers who "don't know where they're going..."

Lastly, developing and implementing an enterprise data strategy will allow the company to more effectively and efficiently use the data it collects to make better management decisions and provide the competitive means for achieving its vision, mission and goals.

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About the Author



Bill is a former CIO and senior insurance executive with five decades of experience helping organizations align business strategy, operations, technology, and governance. Bill's industry leadership includes service on the boards of A.M. Best Rating Services, ACORD, and several insurance technology organizations.