



CASE STUDY: DATA-DRIVEN STRATEGY TRANSFORMS REGIONAL BANK

Overview

A regional financial institution engaged Fusion Alliance to develop a client-centric strategy that leverages its community banking business model.

Like all banks, management was focused on growth, shareholder return, mitigating risk and attracting top talent. The management team recognized the critical role data would play in achieving their strategy, but they needed experts in strategic data management to build and implement effective programs.

Market Reality

As the financial market continues to change, financial institutions must look for ways to make their operations more efficient in order to stay profitable.

Each year, banks approve billions of dollars in commercial loans. Throughout the approval process, documents are signed and covenants are created to ensure that funds will be repaid. Funds not repaid within

the outlined term can result in higher capital requirements on the institution and, ultimately, credit losses for the bank. Most often, the only indicator that a loan has gone bad is when payments become delinquent – and that is too late. This bank wanted to analyze such scenarios well in advance to prevent payment default.

Business Opportunity

The bank recognized that an improved data management program could allow it to more effectively manage different aspects of the business. It faced the core challenges of meeting stringent regulatory demands for more robust reporting and dealing with issues surrounding data and data access, including:

- Incomplete and inconsistent data
- A desire to have more time to analyze data before monthly, quarterly and yearly reporting
- An inability to see the “story” behind the data

Objectives

- Enhance performance metrics to meet compliance requirements for banks with over \$10 billion in assets
- More effectively manage credit quality and minimize credit loss
- Achieve efficiency ratio target, reducing operating costs
- Target growth across the market
- Create data-governance processes

Approach

- Create holistic solution focused on data, technology, process and people
- Leverage existing architecture and resources
- Replace an overload of reports with fewer, more valuable credit-quality reports and dashboards

Business Impact

- Empowers bank to proactively address credit issues and align with regulatory and compliance requirements
- Generates more meaningful, accessible and secure data
- Decreased manual interventions, allowing resources to focus on more value-added activities
- Return on investment of 1,054% over three years

Keys to Success

- Executive sponsorship and key-stakeholder participation
- Appointed a chief data officer
- Agile engagement model

- An inability to interact with the data through visualization tools

Fusion was engaged to evaluate the value of a data program focused on credit quality management. An assessment revealed that the bank's ability to quickly uncover and manage credit loss was constrained by a lack of consistent, quality data and by static reporting and manual processes.

The Bank's Solution

While leveraging existing architecture and resources, the bank and Fusion worked to create a data management program that would align well with the institution's strategic plan. This started with a Power Alignment Facilitation engagement.

The data management solution was focused on four areas: quality and efficiency, enterprise risk, growth and profitability, and consistent processes.

The credit quality project enabled significant gains for the bank. By ensuring its data is accurate and relevant, the bank now minimizes credit risks by proactively identifying potential credit issues and prioritizing stakeholder needs through the new demand management process. Specifically, it quickly monitors, detects and informs stakeholders of non-performing loans and risks that could contribute to credit loss.

The credit quality project also created a more efficient environment by removing manual interventions so that resources could be re-deployed to focus on more value-added activities.

With the new data management application, architecture and process, the bank was able to replace the overload of reports with fewer, more insightful reports that spotlight the

most important items to manage. Credit quality management is critical to the bank's annual earnings and affects credit quality stakeholders across the organization. With the new strategic data management program, the bank can now uncover, monitor and improve data quality and implement data quality profiling tools as needed, consequently decreasing credit loss.

Based on conservative assumptions, the potential favorable financial impact of this project is estimated at nearly \$1.8 million annually, resulting in a ROI of over 1,000% over three years.

Summary of Deliverables

- ▶ An Enterprise Data Management framework that included culture, people, process and technology change management.
- ▶ The enablement of a new data leader, i.e., chief data officer.
- ▶ Numerous executive dashboards:
 - Status dashboards – accrual, AQR status, charge-off and recovery, delinquency, and others
 - Trend dashboards – commercial portfolio, retail and mortgage portfolio, charge offs, large dollar exposure, etc.
 - Operational dashboards – delinquencies and maturities
 - Alert dashboards – accruals, loan structure alerts, AQR alerts, etc.

Relevant Takeaways

- Strategic data management programs are critical to business operations and corporate bottom lines across industries.
- By implementing more effective reporting and more insightful data, companies can completely revitalize their data management programs while leveraging existing architecture and resources. The result is that **fewer hours will be spent on static reports and**

fewer conclusions will be drawn from inefficient data.

This bank's experience serves as an excellent example of how a strategic data management program helps businesses harness, integrate, manage and analyze data to create insights that reduce risk and improve efficiency.

About the Client

This client is a large, regional bank with over 100 locations. Its primary focus is on commercial, retail, small-business and wealth-management services.



Fusion Alliance

About Fusion

Fusion Alliance delivers actionable insights, customer experiences and human-driven technologies that transform the way our clients envision and shape their businesses.

That's why businesses across multiple industries have relied on Fusion's expertise and partnership for over 25 years. Fusion Alliance is the catalyst that moves your ideas to execution.

For more information

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