

Overcoming the **Data Challenge**

Insurers will face a number of bumps in the road in their efforts to develop and deploy a successful data strategy.

by Bill Jenkins

Editor's Note: This is the second of a three-part series on data strategy. The first article, *A Different View* (February 2017 *Best's Review*), explained the importance of developing an enterprise data strategy. This article addresses the challenges facing insurance carriers in their quest to develop and implement one.

Most companies that have undertaken the development of a data strategy have put in place technology-focused initiatives that do not address the direct business value and relevance of such initiatives to the organization's strategic information needs.

These initiatives primarily focus on the organization's need to manage and control data that impact the efficiency of handling data, the need to increase the quality of its data and the need to adhere to regulatory requirements. Unfortunately, business participation in the development of these strategies has been minimal.

These IT-centric strategies, although important, do not address the overall business information needs of the organization, in effect, identifying how the data is to be used to address the business drivers, challenges and strategies of the company. These strategies must be aligned and integrated with the prioritized business information needs of the organization and afford the company incremental wins.

The Symptoms

Many business users can relate to a number of the following symptoms that can occur when a proper data strategy isn't implemented or is poorly executed. The company, for instance, may not really understand who its customers are, how they behave, if they are profitable and what their value is to the organization. The business staff does not trust the IT department to deliver valuable applications and information in a timely manner. 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. And critical company data may be compromised via exposure to unauthorized access by internal and/or external parties. (See List of Symptoms).

Symptoms such as these are exacerbated by the mindset of some that newly purchased technologies will easily address all of the company's data and information problems. These symptoms also point to a data strategy that is devoid of an enterprise view and lacks business participation and commitment.

Agile Insurance Analytics conducted numerous interviews with insurers that suggest that their key data strategy challenge today revolves around business and leadership issues and not technical issues. Many CEOs and C-level executives continue to see IT as responsible for most data issues. Many believe that the data they possess and use is of a "satisfactory" level; they view investment in data initiatives as not possessing a quantitative return on investment as other IT-related projects do, and dealing with poor quality data is seen as a "cost of doing business."

The Challenges

While almost every organization can cite a litany of data problems, insurers will face a number of challenges in their efforts to develop and deploy a successful data strategy. Some of these challenges include gaining executive and business buy-in, overcoming the perception of the IT department as the sole data owner, dealing with siloed departmental cultures and building a long-term approach to data strategy. These and other challenges are discussed below.



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Getting Executive and Business Buy-In

Although most C-level executives admit that data is a corporate asset, focus and investment continue to be short-changed. In some cases, data initiatives and investments are directed to areas that do not address the organization's most critical needs.

Business leaders often lack a full understanding of their data assets. As budgets continue to get squeezed, organizations continue to place needed data initiatives on the back burner. Companies that do undertake data initiatives do them as one-off projects addressing only one department's needs, or do them in a reactionary fashion.

Companies have not done a good job of quantifying the business impact of data problems or how the results of data efforts can provide increased efficiency in operations or increased revenue. Exhibiting such cost benefits can go a long way in capturing management's attention and obtaining needed investment.

Overcoming Perceptions of IT as Sole Data Owner

Many organizations continue to see the IT department as the foremost authority regarding the company's data and, as such, it is considered to be the natural choice to lead and govern the company's data and information initiatives.

As the IT department is generally the first area in the company to recognize and push for proper data governance and business alignment, it usually gets the de facto role of corporate data owner.

In reality, IT has limited understanding of the context in which data is created, used and prioritized across the company as a whole. Furthermore, it has limited influence, accountability and understanding of the use of that data across the organization.

Battling Unrealistic Perception of Data Quality

A number of business executives interviewed see their company's data quality as acceptable. Significant amounts of time and money are spent, however, fixing data, and balancing and reconciling reports that do not match.

Business executives view these data manipulation efforts as a cost of doing business given that this wasted time and effort have been going on for years. Most companies have not put into place the needed tools, processes, people or organizational structures to understand the quality of the data they possess. Data quality standards and measures are totally absent in most companies.

Poor data quality costs U.S. businesses at least 30% of revenues or \$700 billion per year, according to global analyst firm Ovum. The insurance business lives and dies by the data it possesses, so how can an insurer justify wasting nearly 30% of its revenues annually in this area?

Dealing with Siloed and Departmental Cultures

Companies are fraught with internally built departmental (siloed) data marts, spreadsheets and data applications. In many cases, there may be a number of databases, spreadsheets and data applications in existence within a single department.

These individual departmental data systems are generally built by an individual within the department who has a competency in a certain system development language and, as such, is viewed as the department's data guru. In many cases, there is a lack of documentation and only this individual understands the inner workings of this internally developed system. In this case, the individual defines key data entities using his or her own definitions and rules. What then happens when this "sole" data system leaves the company and this "tribal knowledge" has walked out the door?

Symptoms of a Poorly Executed Data Strategy

1. The company does not really understand who its customers are, how they behave, if they are profitable and what their value is to the organization.
2. Meetings degenerate into arguments about whose spreadsheet computations are correct.
3. The company spends significant time reconciling and balancing reports.
4. Analysts spend 60% to 80% of their time locating and preparing data for analysis, with only 20% to 40% left over for actual analysis.
5. Business staff does not trust IT to deliver valuable applications and information in a timely manner.
6. Integrating data from older to newer systems becomes a long and expensive process.
7. Changing a data warehouse subject or corporate report takes weeks because metadata is not centrally managed.
8. Executives say data is a corporate asset but do not assign the right personnel to oversee the program or allocate enough funds to make it work effectively.
9. Thousands of reports have contradictory rules and definitions and existing reports are not indexed or managed.
10. Uniform or standard data definitions are not in place.
11. Critical company data is compromised via exposure to unauthorized access by internal and/or external parties.
12. Auditors question the transparency and traceability of the data that is being used to make rates and is reported in the company's financials.

This data solution can work fine within the confines of a department, but when there is need to aggregate a number of these departmental data sets to obtain an enterprise view of key performance metrics, problems occur and analysts scramble to put the needed and accurate metrics together. In the meantime, senior executives waiting for this information become more and more frustrated.

Finally, when business units undertake their own siloed data governance and systems, the expense and effort are multiplied by the number of lines of business, and the ability to manage these multiple data sources and reports is compounded.

This approach truly undermines a company's attempts to possess an enterprise data strategy and data governance structure. The capability of obtaining a 360-degree view of customers, agents and all stakeholders is not possible when parochial data hoarding is part of the company culture.

Differing Understandings of Data and Its Value

Another related problem is the different priorities and perspectives of various stakeholders. Company stakeholders never seem to be on the same page as to their views, opinions and expectations of data. Competing priorities, data ownership perspectives and resistance to change are issues that can upset the successful implementation of an enterprise data strategy program. This is a common situation at many insurance companies.

Balancing of Local and Enterprise Needs

One of the big challenges in controlling and managing data is balancing departmental data/information needs against the overall enterprise needs. The key is to walk a fine line between the two to ensure that the department receives the data and information it needs to operate, and to ensure that developed enterprise standards and prioritizations are being met. There has to be dynamic interplay and balance between the two opposites with communication as one of the keys in this balancing act.

Attempting to Deliver Too Much

One of the major sins of the past occurred when organizations attempted to deliver a complete and full data initiative all at one time, as past efforts around the development of data warehousing and customer relationship management showed a number of years ago.

Changing markets, business and regulatory conditions and the changing system specifications made the completion of such all-encompassing projects impossible. Furthermore, business expectations that data solutions could be obtained in a timely manner were not met. For instance, waiting three to five years for a data warehouse without any perceived benefit diluted the enthusiasm of investment in these efforts.

Proper data strategies need to provide the business with incremental business value in order to sustain momentum and ongoing investment.

Failing to Communicate

The entire enterprise must understand the purpose, scope and benefits to be realized from a data strategy development and implementation initiative. All stakeholders must know how the strategy aligns with and supports the overall business and must also be aware that data governance, data quality and other data efforts will be an ongoing initiative and an important ingredient for the company's ability to compete going forward.

Ongoing data efforts and periodic data project wins should be communicated to all on a regular basis. Finally, data quality needs to become an integral performance objective for all employees.

Building a Long-Term, Ongoing Approach

In most cases, companies are project-oriented so the staff often assumes that once the strategy is developed the initiative is complete. Upon completion, the objectives have been identified, the supporting projects defined and resources and associated project plans, timelines, milestones and tasks have been assigned. The thinking then is that the processes, staffing and organizational structures can be dismantled and reassigned to other projects or corporate activities.

The data plan, however, needs to be viewed throughout the organization as a living plan which changes and evolves as the company changes and evolves; and, as previously mentioned, data needs to be viewed as the company's strategic foundation and be managed and used as such. Therefore, enterprise-level programs are launched, each with specific goals and objectives, and small, viable projects are managed within the programs. Typical programs are data governance, data quality, business intelligence and data security.

Data as a Core Competency

Organizations seeking to develop and deploy a proper enterprise data strategy should establish clear control over the data, and realize that managing a company's data resource needs to be a core competency, like managing human resources or customer relationships, and should become a key foundation of the business. All of these issues bring into focus a company's need to design, align and integrate data and information with organizational culture, business processes, technologies and staffing resources, with the goal of improving or automating all strategic, operational and tactical decision-making capabilities of all company stakeholders. This is a lofty goal, but one that leading organizations are striving to achieve. BR

The final article in this series will address the "how" in dealing with the challenges outlined in this article.