

AN INTRODUCTION TO:

Banking Business Intelligence





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What is business intelligence?

Gartner defines BI as:

An umbrella term that includes the applications, infrastructure and tools, and best practices that enable access to and analysis of information, to improve and optimise decisions and performance.

In a similar vein, the term analytics:

Has emerged as a catch-all term for a variety of different business intelligence and application-related initiatives.

Defining business intelligence and analytics for the banking sector

For financial institutions such as [banks](#), [credit unions](#) and [microfinance](#) more practical definitions can be worthwhile. When we talk to our colleagues and customers about banking business intelligence, we tend to define it as a discipline that combines reporting and analytics to achieve better insight:



Why self-service analytics is important



Gartner defines self-service analytics as: “a form of business intelligence in which line-of-business professionals are enabled and encouraged to perform queries and generate reports on their own, with minimal IT support.” Self-service analytics is often characterised by simple to use business intelligence applications with analytic capabilities, as well as an underlying data model that has been simplified or scaled down for ease of understanding and straightforward data access.

Business intelligence should not be reliant upon the domain of IT. This is not to diminish the importance of IT within the infrastructure and operation of a business intelligence system, but it should not be a determining factor. IT-users are invaluable to business intelligence processes as they are both the administrators and power-users behind the BI system, but it is the business-users who have the knowledge and context to decide the value of the intelligence the system is providing.

It is the upfront identification of business problems and opportunities by the business-users that will ultimately drive business intelligence adoption. Once they are defined it becomes easier to assess whether the investment needed to meet such requirements is worthwhile.

For example, you could have the opportunity for your processes to be more efficient, your information to be more timely and trustworthy, and greater access to new intelligence to enable decision making. When all of the possible benefits are combined, it starts to build a conclusive business case for your project.

Do you need business intelligence?

If you believe that any of the following statements apply to your financial institution, then it may be time to consider investing in a better banking business intelligence solution:

- You have a vault of valuable data in your core banking system but have no way to access it and unlock its full potential.
- It takes your business far too long to produce results, and whilst you are waiting for the data to arrive you are missing potential opportunities to act.
- You are viewing too much information; it needs to be refined so as to show only that which is of importance to you.
- You have two departments or employees presenting the same performance metric, but they are receiving two different results, and you cannot discern why.
- You need to base your decisions on up-to-date, accurate information, not rely on potentially out-of-date hunches.
- You are spending too long debating whether the numbers you're receiving are correct, therefore losing opportunities to examine whether the decisions you're making are correct.
- Your results enable you to see what has happened, but you don't necessarily understand why it's happened, and you are unable to refine the results further to investigate.
- Your reports are too static; you find it difficult to slice and dice the data when you need to perform a more detailed analysis.
- Your Excel reporting is becoming too complicated, and maintaining it has also become increasingly time-consuming.
- You have spent a lot of time and money on a data warehouse, but you still do not have the results you were promised at the outset.



Understand

Banking BI should deliver more than just results. With the right business intelligence, business-users can really get to grips with their data, giving them a more simplified, accurate insight into their business, providing true self-service analytics. Outlined below are examples of the depth of analysis that can be conducted as a result of introducing banking business intelligence.



Results

The solid base for business intelligence starts with calculating results and answering basic questions such as:

- What is our return on assets this month?
- What is our efficiency ratio this month?

Comparisons

Making comparisons can put results into a performance-based context, allowing you to ask questions such as:

- How does that compare to budget?
- How does that compare to last month?
- How does that compare to the same month last year?

Trends

The ability to look at all aspects of results visually over a period of time enables you to identify good or bad trends and intervene when necessary. Trends can allow you to answer critical questions such as:

- How is this metric changing over a twelve month period?
- Is this a long term change or just a blip?

Relationships

Having the ability to calculate and report results, make comparisons and identify trends gives a solid foundation for supporting decision-making and taking action. However, when you do need to take action you need to know how your decisions affect other elements of the business. You therefore need to be able to visualise relationships between one ratio and another to answer questions such as:

- What effect has our recent loan growth had on our return on assets?
- What effect has the cost of opening new branches had on our efficiency ratio?

Understanding why

Business intelligence should allow you to truly identify what's affecting your results, enabling you to make the right decisions and make incremental improvements. It is paramount to have a suitable application in place that provides the facility to examine all elements of your business, leaving you to focus on one particular element in order to locate any problems or opportunities and implement a beneficial solution for your business.

Implement

PLAN YOUR STRATEGY

CONSULT AND IDENTIFY

INTEGRATE PHASING

EVALUATE

ESTABLISH OWNERSHIP

Plan your strategy

What are your goals for the business intelligence project? BI goes hand-in-hand with the strategic objectives of your financial institution. This not only allows for effective implementation, but it also enables you to monitor the key performance indicators (KPIs) you need in order to track strategic performance.

Business intelligence can help with strategic initiatives such as:

- Expanding the branch network and analysing efficiency and profitability of new branches compared with existing branches.
- Introducing new lines of business or product lines and analysing their fees and yields in comparison to existing products.
- Assessing the viability of a merger or acquisition by consolidating the balance sheets of the entities before and after the event.

Consult and identify

This step should include identifying your users and what they need in order to perform their roles effectively. What information do they need that they don't get today? And can the frequency of information delivery be increased?

When all stakeholders, or representatives of stakeholders, are consulted pre-implementation, it helps to gain valuable buy-in early on in the process, this in turn helps with user-adoption, user-empowerment and ultimately motivation and accountability in achieving strategic objectives.

Integrate phasing

Successful business intelligence projects can be broken down into either two or three phases. These phases won't necessarily be highly complex; they can even be incredibly simple. Using a phased approach allows core-users to adopt and embed the business intelligence applications into processes, with as little disruption as possible, before embarking on a wider roll-out to the rest of the company.

When looking at the overall roll-out, it is a good idea to simply break sets of tasks or deliverables into monthly sprints – identify what needs to be delivered, execute delivery whilst allowing time to bed-in, ensure user-acceptance and finally establish that expected value is being derived. The second phase could then start in, say, three months from start date, the third phase in six months etc.

The key to success is ensuring that realistic deliverables are established, prioritised and attached to a timeline. When these key deliverables have been identified, it becomes much easier to plan how you will deliver them and communicate that plan with interested stakeholders.

Evaluate

It's important to evaluate all of your options to establish which will give you the greatest chance of a successful business intelligence project. Your options could include:

- Building in-house by acquiring your own hardware and licenses for databases, software and visualisation.
- Hiring consultants to do some of the work for you using a combination of the above.
- Using a pre-built application to plug your data into.

Each of these options has its own pros and cons. Using either of the first two options could mean that you get your business intelligence model built to your own required specifications, which, providing that the specifications are easily understood and can be implemented efficiently, can be a significant benefit. However, in order to be viable, forward-planning and clear requirement definitions are crucial, and the time taken to deliver these options is likely to be much longer than the third option.

Using a pre-built application is likely to be the most time-efficient and cost-effective, however, it may also result in compromising phase one to only achieve 80-90% of what you need. But due to the speed of implementation, the remaining 10-20% can be implemented in later phases with little repercussion. Using this option is likely to be the most beneficial way to implement business intelligence and any short-term compromises will be very quickly mitigated.

When evaluating your options, you should search for relevant case study examples of previous successes and speak to previous customers to learn about their experiences and relate your findings to your own situation.

Establish ownership

It is essential to establish ownership for all the stages so far, to generate understanding and responsibility for each step of the pre-implementation, planning and execution processes. This will ensure that communication channels remain open and that all tasks and phases are progressing along the expected timeline; it will also guarantee that alerts are raised in the event of unforeseen circumstances. There are a few important processes where ownership should be considered as part of pre-implementation planning:

- Definition of requirements – who is responsible for user-acceptance testing, data reconciliation and ad-hoc requests, once implemented.
- Definition of extract – who is responsible for transformation and load process to enable the flow of data from core source systems to business intelligence application.
- The administration of users and security standards for the new business intelligence applications.

Utilise

Business intelligence can play a major role in helping management teams within the banking sector to answer a number of key questions as they execute their strategic objectives. No matter your financial institution, business intelligence can help your organisation to thrive.

Start-ups and growing institutions

The key model that a start-up should consider when looking at any software, whether it be core banking or business intelligence, is one that:

- Operates within the cloud.
- Is bought as a subscription.
- Works on a pay-as-you-grow basis.

This model allows you to open, as it allows you to open your doors and operate out of operating expenses, rather than investing a large proportion of start-up capital in technology before you grow your customer base.

Start-ups will also require applications that are agile and automated, as they may find it difficult to specify what their balance sheet will look like in a year or two years' time. They require a service that will accommodate multiple changes as they grow, allowing them to modify their charts of accounts, grow their product lines and take on more loan officers and branches without racking up significant costs.

How BankBI can help

One of the major benefits of using an automated business intelligence application to produce management information is a reduction of ongoing consultancy costs. Most institutions find that they need to employ analysts to perform manual work in financial performance and management reports. This is a costly process that can be eliminated with automation.



New business lines and products

When it comes to financial business intelligence, your institution must demand flexibility. You shouldn't have to pay every time a new product, line of business or branch is added to your core banking system; these changes should just be expected to flow from the core banking system to the business intelligence applications. Therefore, to monitor outstanding balances and look at new incremental business, a flexible model is required. When deciding on which type of model to choose, it is important to remember that any solution must be able to clearly identify and distinguish new production growth versus organic growth in the balance sheet.

For growth areas, business intelligence should highlight where growth is coming from, at what rates, and profitability, and it should answer questions about employees such as: who is performing best and what are they doing well?

How BankBI can help

If your financial institution is extending products into different channels then you require channel analysis. To analyse performance, you must first look at the consolidated financial position, how the channels that deliver the service to customers can affect this and how the people that work in those channels contribute.

Key to all of this analysis is the ability to analyse growth by customer attributes, so as to answer questions such as: are the types of customers we are reaching changing over time? Are we appealing to all of our target demographic segments?

Mergers and acquisitions

During mergers and acquisitions there is more short, sharp shock when it comes to requirements. There are a range of unknown challenges faced when merging different businesses in different geographies, with different underlying charts of accounts, systems and procedures.

Typically, mergers and acquisitions take a long time to integrate, and the default go-to tool is Excel. Something for you to avoid is consolidating the financial position by doing a lot of manual work, as this will invariably fail to give you full understanding of the business. Nor will it allow you to consolidate the business to create synergies and cost savings, because it takes time to really understand all of the new business products, processes and markets.

How BankBI can help

The ability to accommodate different general ledgers from different source systems and present this as a consolidated whole business is vital to success. Whilst handling different currency conversion requirements, managing inter-company netting and eliminations automatically is also crucial. In addition to being able to see the consolidated position, management need to see the performance of the individual institution, country and regional positions. The desire of many businesses is to do this with minimal infrastructure investment and by using the existing financial and banking data from each of the entities. In other words, getting straight to the answers and delivering those answers very quickly, based on an automated flow of data from the different source systems.



Core banking transformations

Much of the rationale behind going through a core banking transformation involves the need to create more agility and operational efficiencies. This can be achieved by changing or upgrading a banking system which can then deliver new products, consolidate financial information and give a better understanding of performance in terms of profitability and risk.

The main challenge is that a banking system by nature exists at a very detailed transaction level. Cost saving and synergies can be achieved from implementing a single standard across the operating environment; however, measuring the financial and other performance benefits from such a system's transformation can be challenging.

How BankBI can help

If the transformation is set to improve the return on assets (RoA) and return on equity (RoE) by reducing the operating costs and thus increase efficiency, do you know whether this was achieved? Does the institution have the performance tools to enable the monitoring of these efficiencies, on a day-to-day or monthly basis, so as to truly assess the impact of these transformations?

Having a product that can turn on business intelligence information adds value to even the most straightforward core-banking transformation project. No matter the functional impact, that project will still require effective measurement of the financial impact of making the transformation, in terms of profitability, the effect on the RoA and RoE and the efficiency ratio.

Attracting investors

Within the microfinance industry there is a need to understand the dual bottom line of financial and social performance. Social investors, donors and foundations need to see the impact of their money on an institution and their clients. They will of course be looking for a secure, sustainable financial business model, but the social impact of the institution is just as high a priority. Raising the economic wellbeing of its clients whilst meeting the objectives set out within its social mission statement – be it children impacted, jobs created or female empowerment – is imperative.

How BankBI can help

Your institution needs to provide this information without impacting its service provision to clients. In the majority of banking organisations this information is often gathered manually, consuming the time of multiple people. The ideal situation to attract investors would be using a business intelligence system that provides a selection of financial and social performance indicators, with data flowing automatically from the source systems.



Benefit

In terms of financial business intelligence, cloud and particularly software as a service (SaaS) applications, have, in our opinion, clear advantages over on-premises business intelligence, below we examine the benefits of choosing these solutions:



Cloud

More secure in the cloud

Security is probably the most widely debated topic associated with the cloud. We believe the cloud can be more secure than on-premises options particularly as most financial institutions do not have a security budget to match the likes of Amazon and Microsoft.

Time to value

You will achieve a faster return on your investment – as well as being simpler, the cost of deployment and the cost of ownership is much lower, thanks to the lack of hardware expenditure. Business intelligence has often been thought of as beyond the means of mid-sized financial institutions, but, thanks to low cost of entry, cloud can level the playing field between the biggest banks, credit unions and microfinance institutions.

Future-proof hardware option

Cloud enables you access to high-powered, high performance servers, without the associated price tag. Very few financial institutions could afford the same standards in-house, and when you need to increase the usage due to growth, on-premises server performance can become an issue.

Scalability for a growing number of users

Need more users? No problem. On-boarding and training new users is much simpler in the cloud and can be done remotely, which in turn increases successful user-adoption and project success.

Automated software updates and maintenance

Cloud service providers own, host and maintain the software, meaning that it is within their best interests to have it performing at its refreshed, updated best. You'll always be utilising the very best and latest software, and you'll never have to install or re-implement a line of code to get it.

SaaS

Advanced mobility

SaaS business intelligence enables you to be 'always-on' – meaning that you can log into the system on any device using any browser.

Freedom to focus on core activities

Using a SaaS solution removes the hassle of maintaining your own software and frees up your team to focus on other initiatives.

Flexible software roadmap

SaaS application providers release new features regularly throughout the year, meaning that you don't have to wait for annual release cycles. SaaS vendors consult users and take a collaborative approach to enhancing the software roadmap. This results in a greater flexibility to release more desirable enhancements based on customer feedback, at a faster rate.

Transfer of project risk to the SaaS provider

Due to the short length of contract, SaaS providers must work to ensure that every customer is successful quickly or risk losing that customer when the renewal is due.

True self-serve analytics

With SaaS business intelligence, business-users are now able to identify problems and opportunities by simply pointing and clicking. This not only saves a vast amount of time, it also allows for an increase in IT-analyst productivity.



About BankBI

We are banking experts, delivering business intelligence via the cloud to your browser window.

We work with Banks, Credit Unions and Microfinance Institutions. We provide pre-built business intelligence applications that can be implemented within ten days, providing valuable business insight whilst improving reporting process efficiency.