

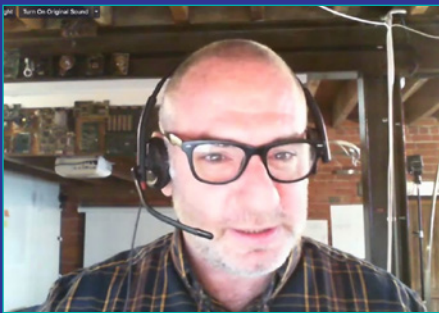


# The Data Ready FSI

## The CXO's Imperative



Brad Howarth, Moderator



Professor Matt Kuperholz, PwC



Andrew Aho, InterSystems

The wealth of data available to the financial services industry (FSIs) presents a rich opportunity to drive efficiencies and provide a better customer experience. The methods that chief decision makers can use to accelerate the path to data driven outcomes was the focus of a recent roundtable discussion hosted by InterSystems and 6 Degrees Media titled *The Data Ready FSI – the CXO’s Imperative*. During the discussion PwC’s Partner and Chief Data Scientist **Professor Matt Kuperholz** – also renown as the ‘Data Whisperer’ – was joined by InterSystems’ Regional Director for Data Platforms, Australia and South East Asia **Andrew Aho** and a select group of CXOs from Australia’s leading FSIs to discuss the challenges of creating a data ready organisation in the data decade.

**L**ike most industries, the financial services sector faced significant challenges through 2020. But for FSIs specifically, the challenges also included rebuilding trust with customers due to the exposure of past behaviours by some industry players. Perhaps not surprisingly then, when asked to share their insights on the opportunities presented by new data-driven technologies such as artificial intelligence (AI) and machine learning, many FSI CSOs initially discussed the opportunities to remedy these historical issues.

But beyond this immediate need, the CXO attendees – whose portfolios ranged from technology to risk – could also see the promise of creating a data-driven organisation that better serviced customers using richer and more streamlined processes. PwC’s Partner and Chief Data Scientist Professor Matt Kuperholz led the discussion with an explanation of the key changes that have enabled data technologies such as AI and ML to come to the fore – namely, the exponential growth in processing power and data access.

Kuperholz said these converging trends would see AI add around \$15.7 trillion to the global economy by 2030, which was more than the current GDP of China and India combined. Of this, \$6.6 trillion is likely to come from increased productivity and \$9.1 trillion is likely to come from consumption-side effects.<sup>1</sup>

“Add to that, our observation that 75 per cent of the CEOs we survey around the world claim AI is going to significantly change how they do business,” Kuperholz said. “Undoubtedly it’s going to change the landscape we operate in.”

Kuperholz identified many ways in which AI would enhance the work of FSIs. From assisted intelligence tools that could guide resellers through to a mortgage application process; and through to augmented intelligence applications that presented next-best offers on the screens of contact centre agents in real time. At the most advanced end of the scale, he described automated intelligence systems such as those capable of driving automated credit approval processes.

<sup>1</sup> PwC’s Global Artificial Intelligence Study: Sizing the prize

He also noted that the key development here was the evolution of AI systems away from handling narrow tasks, and the ability therefore to take people out of some processes.

“AI is getting more general and more powerful, and we’re taking humans out of the loop,” Kuperholz said. “And there are incredible benefits there. The companies that harness these benefits are going to win, especially in financial services.”

Hence, he said it was critical that FSI CXOs understood the resultant opportunity for AI to grow loyalty, market share and share of wallet.

“There’s not many industries as data rich as financial services. We know we’re hampered by legacy systems in many places. But what I’m asking us to also consider is how we could change the way we do business, by using exponential technologies.

### From ‘Data-Generating’ to ‘Data-Powered’

The desire to create data ready organisations was a key consideration for many attendees, who recognised the need to invest not just in new technology, but also in creating the organisational culture to support it. Ultimately, this would lead to the best outcome for customers.

According to one attendee: “For a culture to be data centric, it’s really about recognising that everyone has individual responsibility. Where we find bad quality data or errors, then we’ve got to call it out. It’s really that individual’s responsibility. We have to understand what the data outcomes are meant to be to improve our customer experience. How do we achieve those outcomes for our customers which improves that relationship, and then let the technology fit into that.”

InterSystems’ Regional Director for Data Platforms, Australia and South East Asia, Andrew Aho, echoed the need to better understand the objectives of the organisation when building a data capability – rather than simply investing in the latest tools.

“A data culture really needs to be driven with that motivation for the need to change,” Aho said. “First and foremost, understanding where you are today allows you to focus your efforts in the areas that are going to be most challenging. Also, highlighting areas that are working well, because they can be these are where people become fast followers of your change initiative and driving a data culture.”

### Responsible AI

According to Kuperholz, achieving better outcomes for customers also required FSI CXOs to truly understand the risk profiles of their organisations and the projects they were undertaking. In relation to AI specifically, this meant ensuring the AIs they employed performed fairly, explainably, securely and robustly.

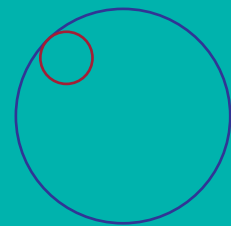
“The obligation is on us to ensure these AIs are appropriately governed and that we have the right ethical frameworks in place to maximise the benefits we get from them,” Kuperholz said.

It was also vitally important that CXOs understood the regulatory landscape within which they operated and the laws that applied to their use of AI.



Professor Matt Kuperholz, PwC

“We know we’re hampered by legacy systems in many places. But what I’m asking us to also consider is how we could change the way we do business, by using exponential technologies.”



“But the important point is, it’s not actually the data scientists or the data engineers or the technologists or the business analysts who are accountable for ensuring that we are appropriately governing and using these technologies. The buck stops at the board and the executive.”

— Prof. Matt Kuperholz

“The law is very clear around privacy, and there are new regulations coming out all the time in terms of explainability,” Kuperholz said.

“But the important point is, it’s not actually the data scientists or the data engineers or the technologists or the business analysts who are accountable for ensuring that we are appropriately governing and using these technologies. The buck stops at the board and the executive.

“The first thing you have to do is become aware of your current state of both benefits and risk exposure across people, process, technology and governance for AI – at all levels of your organisation. An awareness of the current state is very important for plugging the immediate gaps where you’re not adhering to regulations or to the ethical and moral obligations of your company and your stated mission and purpose.”

He said one of common responses was to implement the role of a Chief Ethics Officer and Chief Governance Officer.

“That is recognising that the trend of governments and citizens and customers is to want to see that you can explain (your AI), and that you are appropriately governing your use of data and analytics,” Kuperholz said.

“They’re going out on the front foot to put the right guard rails in place, ahead of regulation.”

## Resilience in Action

While CX was a clear target for future AI investment, many CXOs spoke of more immediate needs, and their desire to solve intractable problems such as fraud. Kuperholz recounted the story of one organisation that built a case for creating a data-driven culture and capability by focusing on ongoing challenges with fraud minimisation and using this as a testbed for building additional AI capabilities.

“We were able to very quickly show how AI is something which can sort out the ‘unknown unknowns’, and that it was a nice adjunct to the traditional rules-based approach for detecting fraud,” Kuperholz said.

“Those have been places where AI was very quickly able to put runs on the board to reduce that leakage or shrinkage through fraud, and to target and get maximum return on investment from scarce resources.”

While the desire to use technology to help solve intractable problems was a common theme of the discussion, it was also noted by one attendee that the issues that had impacted the financial services sector made organisations cautious about adopting new technology.

“It’s a challenge around balancing the conversation out, to continually emphasise the need for data quality, governance, integrity, ethics, and value creation that comes out of an effective data governance framework that drives growth, brand, customer experience and overall uplift in the organisation more. It’s a bank’s responsibility to make sure our customers are provided with the best advice, whether that is through some type of AI (or not).”

Kuperholz also suggested that putting appropriate governance and ethical frameworks around AI investments could actually help an organisation to innovate faster.

“It’s putting in place the guard rails to actually allow you to move faster and get at these innovative opportunities because you’re mitigating the risks as you go,” he said. “So, really to flip that idea from them being at opposite ends of the spectrum – one is an enabler for the other to actually operate most successfully at scale.”

## Integrating Data for New Revenue Streams

AI and ML technologies were also discussed as being key tools for the creation of new systems and processes that helped FSIs achieve growth goals. Aho related the story of one client that enhanced its customer experience through the creation of an AI-driven credit decisioning engine.

“This allowed them to take the traditional kind of indicators of potential default and additional data sources such as social media and small business reviews and come up with a much better way of being able to assess if these small businesses were appropriate to lend to,” Aho said.

“The outcome is they can produce a loan which has a better quality to it, and they can turn that around in an hour or two, which is a vastly different proposition to what was happening before. If you’re a small business owner or have ever been one, you’ll know that that’s really important.”

Aho said this thinking could lead to the realisation of concepts such as invisible banking, where banking processes were effectively pushed into the background for the customer by applying AI to data sets to create hyper-personalised services. One attendee also suggested these outcomes would be encouraged by the onset of open banking, which would unlock access to external data sets to help better understand customers and customise solutions.

## The Next Wave of Customer Experience

While the challenges that lie in the way of creating true data ready FSIs are sizeable, so too are the potential rewards.

According to Kuperholz, it was important that attendees quickly demonstrate the fruits of initial activities to colleagues, to bring them onboard as supporters.

“These don’t have to be enormous endeavours,” Kuperholz said. “Show the value. Shout it from the mountain tops and don’t get stagnated by thinking this is too big just to get started.”

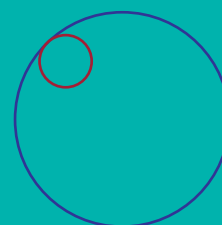
He also suggested that while some organisations were focused on the things that might go wrong, it was also important to dangle the proverbial carrot to build even stronger connections between FSIs and their customers.

Aho agreed that building a data ready organisation did not need to start as a huge undertaking.

“Build brand loyalty by building that emotional connection, by understanding the customer with better use of their data in ways that are not creepy, but that are helpful to me as a customer,” Kuperholz said, adding: “By drawing inspiration from the best in breed in other industries, there’s no reason why – with the wealth of customer data and the relevance we have as financial service providers – we can’t be aiming high.”



**“This allowed them to take the traditional kind of indicators of potential default and additional data sources such as social media and small business reviews and come up with a much better way of being able to assess if these small businesses were appropriate to lend to.”**



## About InterSystems

Established in 1978, InterSystems is the leading provider of technology for critical data initiatives in the healthcare, finance, manufacturing and supply chain sectors, including production applications at most of the top global banks. Its cloud-first data platforms solve interoperability, speed, and scalability problems for large organisations around the globe. InterSystems is committed to excellence through its award-winning, 24×7 support for customers and partners in more than 80 countries. Privately held and headquartered in Cambridge, Massachusetts, InterSystems has 25 offices worldwide. For more information, please visit [InterSystems.com/Financial](https://InterSystems.com/Financial)

---

## About 6 Degrees Media

6 Degrees Media was established by Angela Horvat, former Editor and Publisher of award-winning publications including *Computerworld*, *Information Age*, *My Business*, *The Who's Who of Financial Services* and Founder of FST Media; and Emma Charter, one of Australia's most connected and respected media and events strategists with more than 15 years' experience in delivering C-Level engagement strategies for clients in Australia and the UK. Together, they lead a team of Australia's most talented and driven conference producers, technology and business journalists and event managers to create content-driven experiences across C-level roundtables, custom events and large-scale conferences. For more information, please visit [6DegreesMedia.com.au](https://6DegreesMedia.com.au)