



# Future Trends

## Data-Driven Decision Making

The process of turning data into meaningful information that lenders can use to improve the overall effectiveness of the organization.

By Roger Gudobba

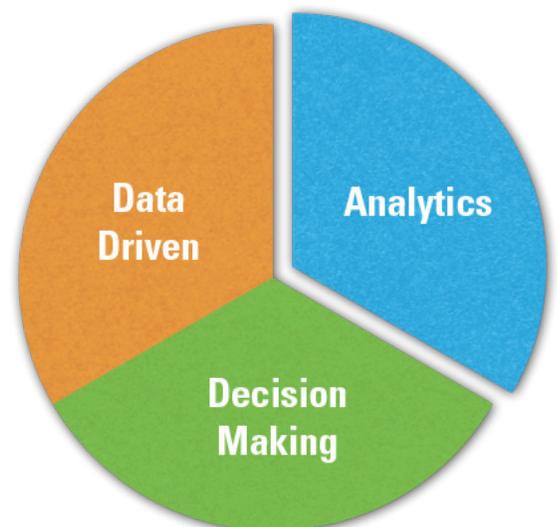
In a perfect world, decision-making would be an organized and predictable process: we could gather all the information necessary to make a sound decision, get others' opinions and input; then we would weigh our options and choose the best possible path. This works in situations where there is plenty of time and plenty of data available. Unfortunately, in the "real" world, we are all often called upon to make decisions in the heat of a moment and without all the data and information that could be helpful. In these situations, the required technique is to accept a certain amount of risk and try to choose the "most likely" to succeed or the least objectionable solution and move forward. There will be increased risk when you have to make choices and decisions without knowing all the facts. It is important to learn how to make choices and decisions under a variety of conditions since the perfect circumstance seldom arises.

Nothing will **test your leadership** mettle more than your ability to make decisions.

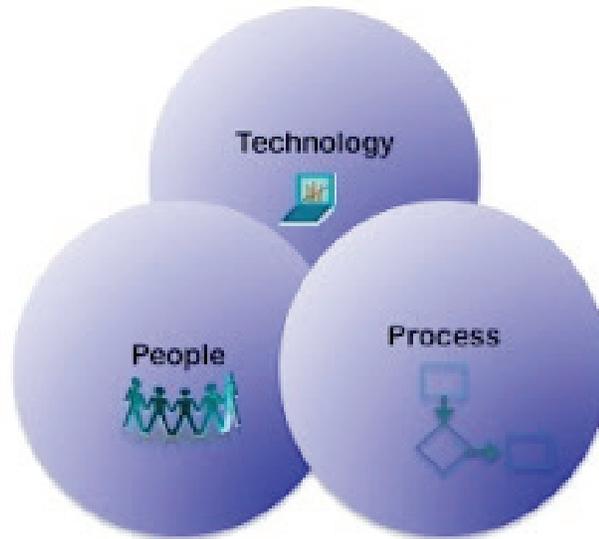
**Rushing to decisions** Groups sometimes rush into decisions without considering all the facts or gathering needed data. Leaders who want input from their group should never start a decision-making discussion by saying "Here's what I think. Now, what's your opinion?" Having declared their own views, they may not get much disagreement. Whenever a team seems to be making a hasty decision based on hunches, assumptions, or past personal experiences, someone needs to slow down the process.

**Analysis Paralysis** The opposite of rushing to

conclusion is to spend so much time gathering and analyzing data that nothing ever happens. While using data is important, groups seldom have all the data that they could possibly wish for on a subject. The key is to identify the critical information needed and not waste time collecting data that is only marginally useful.



In his book *Blink*, Malcolm Gladwell advised us to place faith in intuition based on experience in deciding many things quickly. Now, Michael Mauboussin, with his book *Think Twice*, makes the case for a more careful approach, suggesting that we place too much emphasis on intuition and personal experience as opposed to the "wisdom of crowds," mathematical models, and systematically-collected data. Should we be spending more time examining our true decision-making abilities and the things that influence our results, i.e., more time "thinking twice" than "blinking"? What is the right mix between intuition and analysis? What do you think? Recently in a presentation IBM stated that 1 in 2 business leaders say they don't have access to the information they need



to do their jobs and 1 in 3 business leaders frequently make decisions on information they don't trust or don't have. The one thing everyone has in common is the undeniable fact we've all made our fair share of regrettable decisions.

'The biggest change facing corporations is the explosion of data. The best business is in helping customers analyze and manage all that data.' says David

Acknowledge that the **work is never done**, it is iterative and will continue.

Grossman, a technology analyst at Stifel Nicolaus.

Collecting data is not enough The drive to help companies find meaningful patterns in the data that engulfs them has created a fast-growing industry in what is known as "business intelligence" or "analytics" software and services. You have to be relentless in your efforts to make decisions based on facts, rather than to rely on gut instincts or experience.

'Most companies have massive amounts of data at their disposal, yet fail to utilize it in any meaningful way. But a powerful new business tool - analytics - is enabling many firms to aggressively leverage their data in key business decisions and processes, with

impressive results.' From the book- Analytics at Work: Smarter Decisions, Better Results

Erik Brynjolfsson, economist at the Sloan School of Management, MIT reported recently that "Organizations that adopted data-driven decision making achieved productivity that was 5 to 6 percent higher than could be explained by other factors, including how much the companies invested in technology." In the study, based on a survey and follow-up interviews, data-driven decision making was defined not only by collecting data, but also by how it is used — or not — in making crucial decisions. The central distinction, according to Mr. Brynjolfsson, is between decisions based mainly on "data and analysis" and on the traditional management arts of "experience and intuition." It's never pure technology that makes the difference, its reorganizing things — how work is done.

The data challenges Companies are swimming, if not drowning, in wave after wave of data. Yet the data explosion is also an enormous opportunity. Information overload is a headache for individuals and a huge challenge for businesses. In a modern economy, information should be the prime asset — the raw material of new products and services, smarter decisions, competitive advantage for companies, and greater growth and productivity.

"That means looking at the factors that drive performance and productivity: Mission Goals, Financial Objectives, Operational Requirements and bringing them together for a full picture of performance and productivity." as reported at the IBM Business Analytics Government Forum in 2011. ❖