Business Value Discovery

Projecting the Value of Strategic Data and Analytics Initiatives

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Executive Summary

It's all about making better technology investment decisions.

As today's businesses face ever-increasing demands for more and better data and analytic solutions—while at the same time being strapped with flat or shrinking technology budgets—it is becoming more important than ever to make fact- and value-based decisions regarding technology investments.

To help companies with these decisions, Teradata developed a Business Value Discovery (BVD) service in which experienced consultants work directly with clients to identify, articulate, and quantify the financial impacts of their technology and analytic decisions.

Conducting this type of discovery requires a combination of both art and science. The art is provided by seasoned, business-savvy consultants who ask probing questions and synthesize the answers into a relevant set of findings and recommendations. The science is provided by a proven, repeatable methodology that is flexible enough to work across industry- and company-specific situations.

This paper describes that methodology, along with a set of best practices that have been developed through years of experience conducting this type of analysis. The Teradata BVD methodology consists of four primary phases:

Prepare/Plan
Identify the objectives, targets, and constraints of the discovery effort.

Gather/Align
Talk with key stakeholders and subject matter experts to build a common understanding of the project, and gather the information necessary to develop insights, metrics, and recommendations.

Evaluate/Recommend
Convert the data and anecdotes into insights, narratives, value statements, and recommendations to be delivered to the key stakeholders and decision makers within the client organization.

Refine/Confirm
Develop mechanisms to track and measure the actual results produced to ensure value projected becomes value realized.

Of course, like any methodology, this is merely a framework—and only as good as the consultants who execute it. Each client is different and so too is each discovery effort. Taking this approach as a starting point and customizing it where appropriate will provide a solid foundation for a successful BVD.
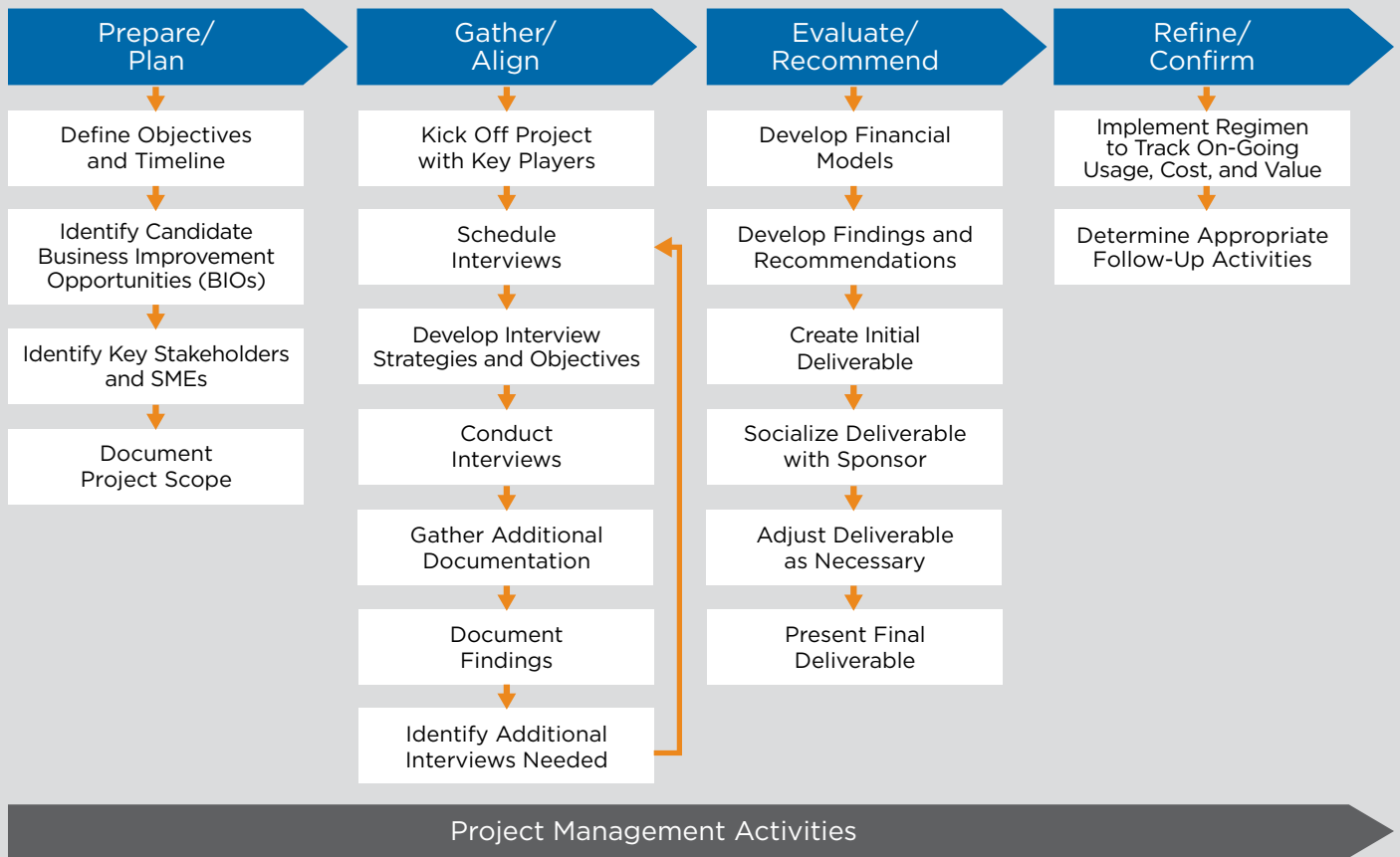
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Prepare/Plan
- Define Objectives and Timeline
- Identify Candidate Business Improvement Opportunities (BIOs)
- Identify Key Stakeholders and SMEs
- Document Project Scope

Gather/Align
- Kick Off Project with Key Players
- Schedule Interviews
- Develop Interview Strategies and Objectives
- Conduct Interviews
- Gather Additional Documentation
- Document Findings
- Identify Additional Interviews Needed

Evaluate/Recommend
- Develop Financial Models
- Develop Findings and Recommendations
- Create Initial Deliverable
- Socialize Deliverable with Sponsor
- Adjust Deliverable as Necessary
- Present Final Deliverable

Refine/Confirm
- Implement Regimen to Track On-Going Usage, Cost, and Value
- Determine Appropriate Follow-Up Activities

Project Management Activities

Figure 1. Business Value Discovery Methodology

Introduction to the Business Value Discovery

For today's business and technology leaders to make the best decisions possible regarding their data and analytic investments, it is essential for them to have a firm understanding of the costs and benefits associated with those decisions. It boils down to delivering business outcomes through the enabling technologies that exist in today's market.

To assist our clients and prospects in better understanding the overall financial impact, Teradata has developed two distinct consulting service offerings:

- Teradata Business Value Affirmation (BVA) looks back in time to measure the value that has already been received from a data/analytic investment.

- Teradata Business Value Discovery (BVD) looks ahead in time to project potential future benefits.

This paper focuses on the latter type of engagement and describes the methodology we employ to deliver this service.

A properly executed BVD requires a healthy dose of both art and science. The art comes in the form of skilled business consultants capable of understanding a wide variety of business opportunities, asking probing questions, and synthesizing the insights into a coherent and relevant set of findings and recommendations. The science comes from utilizing a methodology that is robust and repeatable, but not inflexible or constraining. Teradata consultants, working in concert with the client, provide both of these critical components.

This paper describes the methodology portion of this consulting mix. As with any methodology, the approach described here is only a starting point. Each engagement is different and may require its own degree of customization.

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As shown in figure 1, there are four fundamental phases to the BVD effort:

Prepare/Plan

Identify the objectives, targets, and constraints of the discovery effort.

Gather/Align

Talk with those people who know the most about the business situation, build a common understanding of the project, and gather the information necessary to develop insights, metrics, and recommendations.

Evaluate/Recommend

Convert the data and anecdotes gathered in the earlier phase into insights, narratives, value statements, and recommendations that can be delivered to the key stake-holders and decision makers within the client organization.

Refine/Confirm

Develop mechanisms to track and measure the actual results produced by the initiative and ensure the value projected becomes value realized.

While each project will have its own timeline, a standard BVD will take between four and eight weeks with the four phases spread out as shown in figure 2. Note that the plan/prepare activities can begin weeks or months before the discovery project is officially launched and the refine/confirm activities could continue long after the discovery project is officially completed.

Phase 1: Prepare/Plan

Experience shows us that the first phase of any BVD—the prepare/plan phase—is often the longest and most painful. It is also the most critical. The first order of business within this phase is to define the scope of the project, including the project objectives, timeline, and areas of focus.

If a company already has a good idea of where to find new business value, the scoping portion of the project is fairly straightforward and becomes more about setting limits than identifying opportunities. If, however, the organization is in a "we don't know what we don't know" situation, it may be necessary to conduct one or more opportunity discovery sessions to develop an initial target set for further investigation.
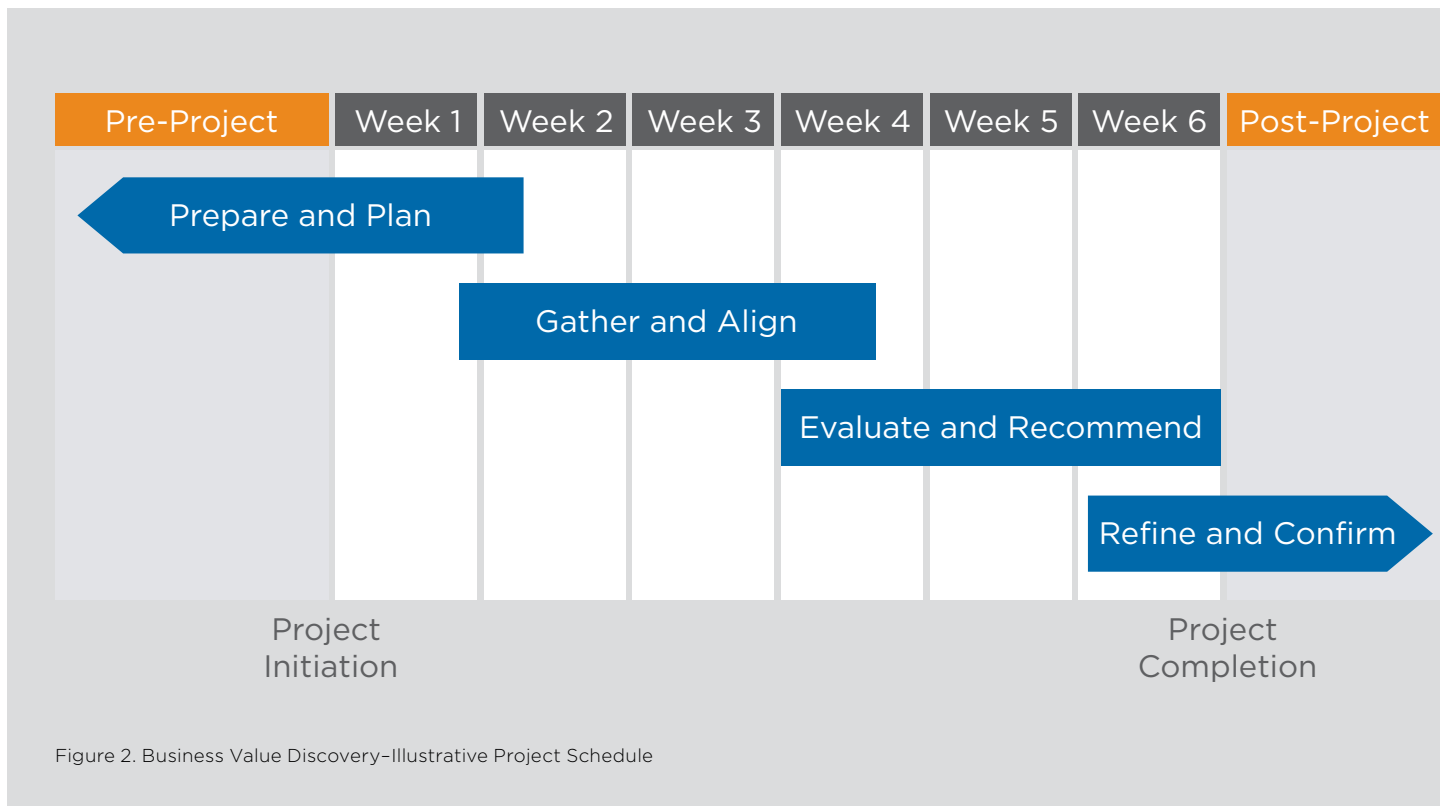
Pre-Project	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Post-Project

Prepare and Plan

Gather and Align

Evaluate and Recommend

Refine and Confirm

Project Initiation

Project Completion

Figure 2. Business Value Discovery–Illustrative Project Schedule

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At Teradata, we employ our Business Improvement Opportunity (BIO) framework to articulate potential opportunities and identify the types of information that will be needed to support the analysis.

As shown in figure 3, five key types of information are required for each BIO:

- Objectives
- Analyses required
- Actions to be taken
- Expected results
- Data required

Once the candidate BIOs have been enumerated, Teradata and the client's executive sponsor identify the initial set of key stakeholders and subject matter experts (SMEs) to include in the interview process. These interviews are critical to the success of the project, so selecting the appropriate interviewees and determining how best to conduct these interviews (e.g., in person or over the phone, individually or in groups) is critical.

The list of interviewees should be documented, along with key information about each individual. This will be a "living document" because it is common for the early interviewees to refer the consultants to others within the organization for a greater depth of information.

Once this initial list of key stakeholders and SMEs is compiled, it can serve as a starting point for kicking off the project with all the key players and for scheduling individual interviews with those people—the first two steps in the gather/align phase of the discovery.

Phase 2: Gather/Align

Depending on the specifics of the situation, the project kickoff can take many different forms, such as an in-person meeting, a conference call, a WebEx, or even a well-crafted introductory email from the project's executive sponsor. Regardless of the format, the primary objective of the kickoff is to provide all the key players with a common understanding of the project—specifically, what the project's purpose is, why it is important, and what the expectations are for each individual.

Objectives	Analysis
• Reduce attrition of deposits • Provide clients with short and long-term solutions relevant to their specific deposits and investment needs	• Which options (e.g., other deposit institutions, mutual funds, bonds) are customers fleeing to? • Why are customers and dollars leaving? • Which customers are at risk for each reason? • Which customer events precede the runoff for each segment?
• Reduced deposit attrition • Increased share of wallet • Improved customer satisfaction	• Contact customers at their moment of truth • Offer financial counseling and alternatives to potential runoff candidates • Assess the retention lift over control groups • Assess economic impact of various solutions
Results	Actions

Data Required
Customer Data, Organizational Data, Profitibility Data, Market Data, Customer Service Data, Analytical Modeling Data, Customer Segmentation Data, Checking Account Data, Savings Account Data, Money Market Account Data

Figure 3. Business Improvement Opportunity Framework

Shortly after the kickoff has concluded—and in some cases, even before it has begun—the project team should begin scheduling the interviews. Although availability and geography may provide a challenge, it is usually best to schedule the business interviews ahead of the IT interviews. This allows the project team to develop the business context of the situation first, and then let that understanding inform team members as they develop strategies and objectives for subsequent conversations.

The interviews serve a dual purpose. The first purpose is to get a general understanding of the pain points and opportunities within a particular area of the client's business. The second is to gather the detailed data necessary to articulate and quantify the potential impact for each BIO.

Each interview is led by one consultant, with another team member assigned the role of the scribe. While the scribe can participate in the conversation, his or her

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5 Best Practices for Interview Planning

#1 **Choose the right interview method.** Although conducting initial interviews in person is potentially more expensive than phone calls, it is generally well worth the expense. Future discussions, if necessary, can take place over the phone.

#2 **Less can be more.** While interviewing multiple people at the same time is usually fine, there are diminishing returns. In most cases, try not to exceed three interviewees in any one group.

#3 **Understand reporting relationships.** In general, we recommend against conducting group interviews in which one of the interviewees reports to another member of the group. Experience has taught us that this type of situation can greatly inhibit the candor of the participants.

#4 **Agree on action items.** Action items should be reviewed at the end of each interview. If the interviewee is responsible for delivering additional information, that material and date should be agreed upon and documented before the interview ends.

#5 **Allow for pre-interview and post-Interview activities.** A good rule of thumb is that there should be approximately one hour of preparation time before each interview and one hour of information synthesis after each interview. The synthesis should occur as soon after the interview is completed as possible.

focus is to take accurate and useful notes. This should include keeping a list of action items such as follow-up conversations and additional data requests identified during the discussion. This list should be reviewed by the entire group and agreed upon before the interview is concluded.

Although every situation is different, a good rule of thumb is that each interview be scheduled for 60 to 90 minutes. The best practice is to allow one hour of preparation before the interview and one hour of review immediately afterward for the team to assimilate what was discussed. No more than three interviews should be scheduled for a single consultant within a single day.

Our experience tells us that an environment of trust is essential in an activity such as this. Interviewees are much more candid when they are confident that what they say will not be attributed to them without their explicit approval. For that reason, we strongly recommend against providing interview-specific notes back to the client sponsor. If the project team would like to attribute a quote or a thought to an individual, the team should ask that individual for his or her permission. If client sponsors insist that such notes be shared back with them, then each interview session should begin with an appropriate disclosure.

As the early interviews are concluded, the project team will begin synthesizing what was shared and discovered. The team will capture common themes and points of disagreement, as well as any information gaps or additional discussions that are required. While it is certainly not necessary for all participants to agree on every issue, it is important that differing perspectives are flagged and any appropriate follow-up is accomplished in a timely manner.

With this in mind, it is important to realize that the gather/align phase will largely be an iterative process. Although the team may begin the project by focusing on one set of SMEs, as the interviews progress and reveal unexpected insights and unanswered questions, the team will likely need to include additional people in the discovery. In moderation, this is both normal and constructive. In excess, however, this can lead to problems with "scope creep." Thus, it is important to set appropriate limits on this type of activity.

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Phase 3: Evaluate/Recommend

Once information is collected in the gather/align phase, it must be combined into a meaningful financial analysis that generally includes all the incremental costs and benefits associated with each particular BIO, including any:

- Cost increases or cost reductions within the IT realm.
- Cost increases or cost reductions within the business process.
- Incremental business results such as higher sales, greater retention, and improved profit margins.

Annual Value Calculator: Event-Based Sales and Servicing (EBSS)
Event Type = Significant Large Deposit (SLD)

Frequency of Significant Large Deposits:

Customers Within Consumer Bank	1,100,000
Percentage of Customer Experiencing a Significant Large Deposit During	12%
Significant Large Deposits Per Year	**132,000**

Value Lost by Diminishment of Significant Large Deposit-Related Balances

Significant Large Deposits Per Year	132,000
Average Deposit Amount Per Significant Large Deposit	$ 35,000
Total Deposit Amount of Significant Large Deposits Per Year	$ 4,620,000,000
Percentage of Significant Large Deposits Expected to Leave Within 90 Days	70%
Amount of Significant Large Deposits Expected to Leave Within 90 Days	$ 3,234,000,000
Average Annual Value of Deposit Dollars to ABC Bank	3%
Annual Value of Significant Large Deposit Deposits Leaving Within 90 Days	**$ 97,020,000**

Value of Incrementally Retaining Significant Large Deposit-Related Balances:

Annual Value of Significant Large Deposits Leaving Within 90 Days	$ 97,020,000
Incremental Retention Enabled by EBSS-driven Contact Strategy	10%
Annual Gross Value of Incrementally Retaining Significant Large Deposit Balances	**$ 9,702,000**

Less: Annual Cost for the Program

Significant Large Deposits Per Year	132,000
Expected Contact Rate	80%
All-In Incremental Cost Per Contact	$ 5.00
Annual Cost of the Program	**$ 528,000**

Annual Net Value of the Significant Large Deposit EBSS Program	**$ 9,174,000**

Figure 4. Business Impact Model Example–Annual Value for Event-Based Sales and Servicing Program

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Although the actual financial analyses will be unique for each discovery project, the two figures below show examples of what these analyses might look like. Figure 4 shows how one might calculate the annual impact of a new event-based sales and servicing program, while figure 5 shows how that annual impact can be turned into a multi-year net present value analysis.

Once the project team synthesizes what they uncovered during the interview process and creates the necessary financial models, the team will be able to develop recommendations on which BIOs are most worthy of implementation and how that implementation should take place. The findings and recommendations can then be crafted into the project deliverable that will be shared with the executive sponsor and key stakeholders.

While no two BVD projects are the same, some of the topics most frequently included in the final deliverable include:

- Scope and objectives
- Who the team spoke with

- What the team heard
- Top business improvement opportunities
- Financial analysis:
  - Inputs and assumptions
  - Results
- Recommendations
- Next steps

Experience has taught us that it is usually best to socialize the deliverable with the executive sponsor before sharing it with a wider audience. Of course this socialization should not be the first time that the findings are discussed with the sponsor. A well-run discovery should have frequent check-ins with the sponsor to ensure there are no surprises at the end of the engagement.

After completing this initial review and making any necessary tweaks, it is time to present the final deliverable and findings to all the key stakeholders. This larger presentation is an essential part of making certain the discovery recommendations are implemented and the

Net Present Value Analysis: Event-Based Sales and Servicing (EBSS)
Event Type = Significant Large Deposit (SLD)

Annual Net Value of the Significant Large Deposit EBSS Program						$ 9,174,000

Discount Factor for Net Present Value Calculations						8%

Annual Value Ramp-up (Percentage of Full Annual Net Value Achieved by Year)

	Year 1 10%	Year 2 25%	Year 3 50%	Year 4 100%	Year 5 100%	

Value by Year and Net Present Value of the EBSS Program:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Annual Program Costs	$1,500,000	$350,000	$450,000	$600,000	$600,000	$3,500,000
Incremental Benefit	$917,400	$2,293,500	$4,587,000	$9,174,000	$9,174,000	$26,145,900
Net Incremental Benefit	-$582,600	$1,943,500	$4,137,000	$8,574,000	$8,574,000	**$22,645,900**
Discounted Net Incremental Benefit	-$582,600	$1,799,537	$3,546,811	$6,806,318	$6,302,146	**$17,872,211**
Cumulative Discounted Benefit	-$582,600	$1,216,937	$4,763,748	$11,570,065	**$17,872,211**	

Net Present Value of the EBSS Program–Significant Large Deposit						$ 17,872,211

Figure 5. Business Impact Model Example–Multi-Year Value Analysis for Event-Based Sales and Servicing Program

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3 Best Practices for Findings Delivery

#1 **Get validation from finance before presenting the findings.** Before presenting the discovery findings to the executive sponsor and other key stakeholders, it is best to first review the financial models, assumptions, and results with someone within the customer's finance group—preferably someone recommended by the executive sponsor. Most executives will want the numbers validated by finance at some point, and the presentation will go much smoother if this validation is done ahead of time.

#2 **Share the findings widely.** After reviewing the final deliverable with the project sponsor and getting his or her approval, it may be tempting to stop there and consider the BVD successfully completed. This would not be wise. For the discovery to have real value to the customer, it is important that the findings and recommendations be shared with a larger group of stakeholders so that carrying out those recommendations is part of the "team goal," not something left solely to the primary sponsor.

#3 **Next steps are essential.** Include a full discussion of next steps in the final presentation, including recommendations on how best to measure and track the results of the recommended BIOs and what mechanisms to put in place to ensure the anticipated results are achieved.

positive business impact is ultimately realized. Too often, when the results are only shared with the executive sponsor, the discovery ends up sitting on the proverbial shelf.

Once the findings and recommendations have been shared with the larger group, the BVD project is almost complete. All that remains is the refine/confirm phase.

Phase 4: Refine/Confirm

Even the best-run BVD can only deliver value if the client takes action on the findings and recommendations. These actions usually include chartering, funding, initiating, and executing specific projects. Depending on the processes in place within the client organization, this can take anywhere from a few months to more than a year. During this time, it is important to maintain a focus on the business value aspects of the project and be positioned to measure the results of the project once the capabilities are implemented.

It is critical to establish a regimen to track and manage the costs incurred and the value created by the projects recommended in the evaluate/recommend phase. The best time to develop that regimen is immediately after— or even possibly before—the final presentation has been delivered. The reason is simple. This is when the BVD work will have the greatest mindshare within the organization. It is essential that this moment not be lost.

Finally, as the discovery winds down, take a step back one last time and determine what, if any, follow-up activities would be appropriate. This can include:

- Beginning a follow-on BVD to address additional opportunities that are uncovered.

- Communicating the findings and recommendations to a wider audience within the organization.

- Scheduling a business value affirmation engagement for when the BIOs have been implemented and have begun generating value.

- Conducting additional road-mapping work.

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Conclusion

A successful Business Value Discovery requires both art and science. The four-phase consulting methodology described here provides the science. Like any useful methodology, this is only intended to be a framework, outlining the steps necessary to ensure a positive outcome. It is quite possible this framework will need to be adjusted to meet the specific demands of a particular discovery project. This is where the art is provided by the talented Teradata consultants who execute this discovery. By applying the extensive experience gained from similar efforts, these consultants can ensure your discovery is successful.

About the Authors

Bob Brady

Since joining Teradata in 2000, Bob has served in a variety of roles, including financial services industry consultant, director of the Teradata Business Value Consulting Center of Excellence, area sales director for big analytics and big data solutions, and now as a senior business consultant within Think Big Analytics, a Teradata company focused on using analytics to drive business outcomes.

Bob has worked with a variety of customers across industries, with a primary focus on identifying, quantifying, and enabling the real business impacts that can be unleashed by our technology and analytical solutions.

Prior to joining Teradata, Bob led pricing and profitability, product management, and customer relationship management programs at NationsBank and First Union National Bank. Bob earned a BS in electrical engineering from Virginia Polytechnic Institute and State University, an MS in industrial engineering from the New Jersey Institute of Technology, and an MBA from Duke University's Fuqua School of Business.

Ross VanDooser

Since joining Teradata in 2012, Ross has served as a senior business value consultant and is now director of the Teradata Value Engineering Center of Excellence. Ross has worked with a variety of customers across all industries and government, identifying, quantifying, and enabling improved business outcomes resulting from our technology and analytical solutions. Ross' primary focus has been building business cases, ROI estimates, and use case summaries resulting from the projects and workshops with our customers.

Prior to joining Teradata, Ross worked in similar "value engineering" roles at technology companies StarCite, SAP, Indus International, and JD Edwards. Ross' expertise was forged through 24 years in varying finance and accounting roles including financial analysis, budgeting, divisional controller, director of finance, and CFO for the likes of Bristol-Myers Squibb, Walter Kidde Aerospace, MIST, Inc., and Siemens High Voltage Systems. Ross earned his BS in business and accounting at Elmira College and attended Duke University's Fuqua School of Business.

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