

Bernard

BACKGROUND

Good morning, Bernard. Thank you so much for making the time for this interview. The date is the 22nd of September at half past 7 in the morning. As mentioned, I am truly grateful for you making the time to make this interview, especially so early in the morning. The title of the research is Data-driven Decision-making in Uncertainty. And this is large inspired by the Covid-19 pandemic that actually changed the world as we know it, be it in the personal space and for us in terms of what we are studying in the business world.

So this research is aimed at exploring and understanding whether data-driven decision-making, as a technique, can be applied, practically applied to offer value to organisation in times of uncertainty, as opposed to traditional techniques that have been supported by research (0:01:05) in the past, and these techniques are largely the heuristics. And then with that, will definitely come some objectives from this consent statement that I will send to you for signature.

This research, as we would understand now, it's exploratory in nature and therefore I encourage you to speak freely and take comfort in knowing that whilst we use this information shared in this interview, your identity as the provider of this information shall remain confidential and anonymous. You are welcome to withdraw from this interview at any time, without any prejudice, and also be advised that we will be using a third party to transcribe this interview for us. Given the sensitivity of the information that may be shared, we have made sure that confidentiality and anonymity will still be maintained through the use of the non-disclosure agreement that we've given them to sign. I'll be sending you this consent statement, for you to sign and just for you to confirm that you are comfortable with me recording this interview.

My research supervisor is Dr Charlene Lew – contact details will be found in the consent statement, and you're welcome to contact her if you have any further questions. Okay?

100%. Thank you.

INTRODUCTION

Thank you. To kick off our discussion, I just want to have a better understanding of your organisation and your role, so if you could just give us some insights into your current roles and responsibility, the level in your organisation, the company industry/sector, age of the company, as well as size – and this could be by turnover or staff complement.

Okay, 100%. So I currently work for a management consulting firm called Monocle Solutions. We are a very specialised consulting firm, whereby we focus on serving banking or financial services clients only, more specifically investment banking clients, and we have now started expanding our services and our clientele, whereby we have started serving

insurers as well. So it's still very financial services driven, mostly investment banking and insurance. The size of our firm is, we are over 250 consultants that are permanently employed by the firm. We don't do any contracting, so all the consultants are permanent employees of the firm. We operate in Africa, the UK and Europe. We've got offices in London and we do some work in the UK, and from our London office also in Amsterdam and Germany. However, majority of our work is still in the Joburg, Sandton area, due to the geographical nature of the South African banking scene, whereby most of our investment banks are based in Sandton.

My role at the firm, I am currently operating in the capacity of a manager. What that entails is, I am responsible for being the engagement lead on various projects and different clients on behalf of Monocle, and I would then more often than not, be responsible for playing a – I'm putting it here in quotation marks, or parentheses – a "project management" role. However, my main duties and responsibilities would be to ensure that projects get successfully delivered on behalf of the client, and ensure that our team is working in such a nature as which the requirements of the various projects are aligned to the expectations of the client. So I think that's in a nutshell the firm that I work for, as well as my responsibility within that firm.

Awesome stuff. Thank you for that intro. Quite a big organisation.

Yeah. So I think if you look at the current consultancies in South Africa, especially our competitors, I would say we probably are one of the larger consultancies. However, we do not operate on the scale of your major international consultancies like your Deloitte's or PWC's etc. but from a South African perspective, absolutely I would say we're definitely one of the biggest, especially in the banking industry.

Great stuff. I look forward to the insights that you'll bring, more especially from the financial services industry.

DISCUSSION

Just to give you a bit of an understanding of why this topic has been chosen - so Covid-19, there's a lot of uncertainty, and brings the question of what is defined as uncertainty. So uncertainty in terms of literature has been defined as where there's constant change, how to predict scenarios and ambiguous, as well as conflicting, unavailable or unreliable information. So in simple terms these are unknown unknowns. And from that, the first question – I know we chatted slightly, earlier – how has Covid-19 contributed to the use of data in your decision-making, if at all? That will be the first question.

Okay, so how has Covid contributed to the use of data in decision-making for us as a firm, or for me as an employee of that firm?

Let's do both. Let's do you as an individual, obviously at a firm level, but some of the questions are also going to get to firm level as well, as we go further.

This is a tough one. I would say, because we serve bank, and I'm sure yourself also being in banking, you would be familiar with the fact that majority of the banks have announced that employees need to be working remotely for the time being. The current client that we are serving has actually announced that until the end of the year, everyone should be working remotely. So I think because of the nature of the projects that we're on, the majority of them being regulatory, none of the time lines or dead lines have moved out. What this has caused us to do is to have a very quick adoption of these new ways of working in order that we can progress and not lose any significant time. So what that has meant from a data perspective is, through these new ways of working, constant communication and the sharing of information and data has become extremely important.

I would say, majority of our analysis, whereby it previously used to be in-person interviews mainly, has now shifted more towards data-driven decisions, whereby we would ask... and again, our projects are quite technical; for instance, we are currently busy implementing credit models. So what we have found is that our analysts specifically, have had less direct coms and face-time with the client and have spent majority of their time during the days physically analysing the available data to be able to successfully build those models. Those models then would be demonstrated and demo'd to the client by more senior people in the project team. So from an analyst perspective, their way of working has completely changed. They have become 100% reliant on analysing and interpreting data only, and allowing the more senior guys on the project team to be more client-facing and present those solutions that have been built completely on data-driven results. And then the decision-making power has actually shifted, I think, a bit away from the consultant and more towards the client, whereby they would then kind of test the proof of concepts and test the solutions that we've designed for them, and then they're making a decision before implementing.

I think from a firm internally, (*sighs*) I'm not sure that anything has really significantly changed to data-driven decision-making because of Covid. I think we have tried to operate as much as normal as possible, obviously it's now been virtual etc. but we still do our company meetings, we still mentor check-ins with junior guys in our teams. I know for a fact our firm is actually busy growing and we are busy hiring new individuals. I know those interview processes have basically not changed. It's still a 4 or 5-step interview process. The only difference being that there's no face-time. However, it's all now done virtually. So Covid, from an internal organisational operation perspective, I don't think our firm has changed much; however, definitely from a project perspective when we're serving clients, I can absolutely say that a lot of decision-making has now been driven by data, just purely because of the fact that we can't get all the guys in the room and you can't get face-time with everyone at the same time. So ways of working, this virtual way of working has definitely changed that. I don't know if that answers your question.

Definitely does. I think you've actually alluded to the next question. So the data-driven decision-making refers the use of data to support the decision-making process, right?

Yes.

I'm just going to step back to... you mentioned that you are servicing banking clients, definitely banking, as well as maybe some of the insurers...

Yeah.

...and you have also mentioned that you are building credit models and then obviously you (0:12:35); I don't know how they intend on using that, but I can infer that it's based on certain criteria and that sort of thing, right?

Yes.

Now during Covid, and let's leave Covid alone, but let's work on uncertainty – and uncertainty being that unknown unknowns. How and when do you actually rely on data when making decisions in uncertainty? And for you it's like when you are building these credit models, and tomorrow is really not certain in terms of what it's going to look like – and no-one really knows that, for instance, if there's going to be a second wave or not, or whether Isis in Mozambique is going to creep into South Africa as well, and that sort of thing. So how we then use, or how and when do you rely on data?

So I think that is quite straightforward. We rely, especially when building these credit models, we rely 100% on data, so maybe to give you a quick overview, so these credit models that we are building for the banks, the one bank that we are serving now is basically going through a split, whereby it was an international bank that came into South Africa, merged with this bank, and now they are splitting again. So what's happening is, this current bank has to basically...

I know who they are, but yeah. (Laughter.)

This current bank has to basically now sever all the reliance that they had on the previous holding company or previous big bank that came in from the UK, and have to basically go and redo and rebuild their credit models. A nice thing about a credit model is, it's extremely objective in terms of, you know what your loan to book values must be, you know what your risk criteria is for vetting individuals that want to apply for loans, you know what your default ratios as a bank should be that you report to the SAAB, and based on that, models are built completely using data. There's no inference, no subjectivity that's being brought into it.

What we have seen during these uncertain times for this year is, the data shows for instance that default rates have gone up a lot, specifically for individuals that have credit lines. What that has caused the bank to do, is to make active decisions on increasing the criteria for lending money to various people or organisations, and I think that's quite a nice example of exactly how data has directly influenced decision-making. So the data showed that default rates are going up, the bank made a decision to amend some of their selection criteria for affording credit for instance, or the bank decided to amend the terms of repayment of that credit that was owed by the various individuals, or the bank chose to give certain people, also to organisations, payment holidays for example. And that was directly related to the data that was coming through because of these uncertain times. So

I think that's a good example of how data has driven decision-making, from a banking perspective.

That sounds really good. I think from a credit model perspective, I like how you mentioned that the nice thing about it, and I think this is really the one key characteristic about data, that it's very objective. There's no grey area. I mean, if it comes to X, it is X, because the data is there to actually support it, especially from a numbers perspective, you know, what certain ratios ought to be and you know what criteria a person needs to meet before they qualify, etc.

Yes, yes.

Great. Based on that, we are still in these uncertain times, right. What sort of challenges or obstacles do you experience when you need to make data-driven decisions, from your experience, be it you as an individual or at a firm level?

Please repeat that. What...?

What sort of challenges or obstacles do you experience when making data-driven decisions in times of uncertainty?

Okay, so it's actually a good question, because we experienced a lot of this last week on our project. So from the data that our guys analysed and the decision that gets made, that's quite an easy process. We get the data and we make decisions based on that. However, during these weird times, what we have experienced a lot of is, once we need an urgent decision to be made about something that will have a real impact on various things, for instance on budget or time lines of the project, we have found that this whole new way of working virtually, etc. etc. the turnaround time for getting those approvals or getting feedback from the decisions have been significantly longer – significantly longer. So previously myself in a project management capacity, I could literally walk up to our client who sat maybe 2 or 3 desks away from me – even if he or she was busy, I could maybe just wait or I could tap them on the shoulder quickly, interrupt them and quickly ask them for a quick turnaround or response on something urgent. What I do find now is, this virtual way of working, everyone's diaries are so booked up full of meetings, and a lot of people are using their evenings or early mornings to respond to mails coming through, or that came through during the days.

So if you wouldn't mind me asking, is it a challenge of their decision-making fuelled by data, or it's a challenge really from a time perspective? Because what I would assume, or what I would expect is, if the numbers add up, then do it, you know what I mean.

Absolutely.

So it comes back to the whole objective perspective to say, look, if you've done the numbers and this is what it comes up to, then it's a straight yay or nay.

Absolutely. So I think we don't experience any problems in terms of coming up with options for decisions to be made based on data, right. If the data says X, we can say, okay,

because of this we think we should do this 100%. That's no problem. However, that communication side and that feedback loop is now significantly longer and we've actually, like I said, we had this problem last week, whereby there was something critical that we needed to implement on the day, and we actually did not get approval until two days afterwards, just purely because the decision-makers were all so busy and disjointed, and we just couldn't get them. I even tried WhatsApp and phone people, and I mean, it was ridiculous; whereby in an old environment, I could literally just walk up to the person and say, listen, there's something important, I need to discuss this with you – X, Y and Z – and we can get a decision made. So the feedback loop is the obstacle, I would say. The approval process is the obstacle, I would say, in this new environment of working remotely. However, coming up with the decisions, all the options are based on data, I don't think that's changed at all – if anything, that's probably increased.

So let me throw a couple of things at you. So you mentioned that a lot of, I think, maybe the analysts are spending quite a bit of time really mining the data and analysing it.

Yeah.

Do you ever have any issues around the integrity of the data?

Okay, so we must just be quite clear for here. So when you say "integrity of the data" what do you mean by that? Are we talking data quality here, or are we talking...?

Yeah, we could use data quality. So I'm going to use a very, very wild sort of example; let's bring it back to the world of academia. You can go to the Wikipedia, get something...

Okay, I've got you.

You get what I mean. So is it a peer-reviewed article and stuff like that? I don't know what sort of data (advice? 0:21:59) you use, so that's the question around the integrity and that sort of thing.

Yeah. So data integrity and data quality is a massive problem in basically all the banks. The reason being, there's various legacy systems, there's a lot of processes, there's a lot of data manipulation, there's a lot of manual entry of data and manual capturing of data – and just because of the nature of the bank, the size of it and the nature of it, there's a lot of data and there's a lot of old data that hasn't been updated and maintained. So data integrity is a massive problem in most banks and I am 100% sure that this whole clean-up of data is probably one of the highest priorities for most banks out there currently. So there's a lot of initiatives going on. The quality and integrity of data is getting better, however, it is still extremely poor. So the decisions that get made from the data that we use currently, we do build that risk factor in. We do build in the fact that, let's say for instance – I'm just using a very stupid example here – let's just say for instance we've got 15 clients who all earn over R10 a month. Of that 15, 80% of them have loans with the bank. We know that there is a certain margin for error in that. However, that has been factored into most of the decision-making, and as I say, the banks are continuously busy improving the quality of data; but unfortunately, because of the nature of the beast, because the banks are so

big and use so much data, a data remediation project for a specific area in a bank can take years.

Can take years, yeah.

To some extent, in some context. So I mean, it is a significant problem, but at the same time, I think you have to just do the best with what you've got.

Best with what you've got.

Yeah, absolutely.

Alright. Despite these challenges or obstacles where data is not maybe the cleanest or the most reliable, please chat to me about some of the benefits that you gained about using data-driven decision-making in times of uncertainty. So what it means, what happens, yeah, some of that.

Okay, I think I've touched on it earlier as well, I think the benefits are definitely that it's objective decision-making that's taking place. It's very difficult for people to drive agendas and for people to manipulate decision-making processes or decision-making, if the data says other words. If the data says that, as a 21-year old white male you are at higher risk for the bank to lend to them than a 40-year old with 20-year worth of working experience, etc. etc. – that is what it is. You cannot fight it. So the data has made, or using data obviously has made decisions easier and clearer and more objective. So that's absolutely been the case. I don't think that has significantly changed during these times. I think that's kind of always been in place, specifically from my environment that I come from – from a banking environment.

Internal, smaller project decisions, I would say that... there I definitely also see an improvement in decision-making, because it's now instead of long project meetings and steer co's and exco's and whatever, and planning processes, etc. it's now just based on literally a slide with a couple of bullet points on to say, where are we tracking, what is our burn-down rate, what is the progress made, what is our budget? And then a decision gets made – do we need more resources or extend time, etc. So from a project perspective I would say, data has definitely increased decision-making from a timing perspective.

Okay, so time, decision quality. Do you still want to stick to decision quality as the objective aspect of it?

Yeah, definitely.

The one thing that I just want to ask before I move on to the next question: You mentioned it's difficult to drive agendas or manipulate staff and that sort of thing, and I'm just going to go out on a limb on this one – I want to assume pre-uncertainty, or where there's more certainty as opposed to uncertainty right now, I think there would be a lot of room for people to actually manipulate and play around or maybe make certain exceptions really off-the-cuff; as opposed to now in uncertainty, I think, because

nobody knows, and I think you know what I'm going to speak... especially around the banks and your example about the lending – whether you are a risky client from a...

Candidate.

(0:27:56) as opposed to the other. Surely, everyone wants to be more clear in uncertainty and therefore they would rely more on, you know, data-driven decisions as opposed to, okay, let me, you know, do make some (rule? 0:28:12); but I actually know, maybe just, you know, change a few things. What's your take on that?

I completely agree. However, I think the only problem is, when we look at data for instance for lending or extending credit to businesses or individuals, we've got at the specific bank I'm with now, or doing a project for now, we've got data going back to like the 70's, whereby in this current situation I think it's still so brand new, and I think the biggest problem is, there isn't enough data to show what the impact of it is to make sufficient decisions yet. We don't know if, for instance... okay, let's just use random numbers here, let's say for instance the economy shrank by 20%. We don't know if it's going to recover in 2 months or 2 years or 20 years.

God forbid.

Because this is unprecedented and this hasn't happened before; no-one knows. I don't think we've been in this long enough. It's not like we can go and compare it to the Spanish flu of 1913 or whatever, because that was a different time and a different place, and a completely different world and economy, etc. So this is brand new. This is also not similar to the banking crisis in 2008, because that was driven by completely different...

No. Don't know, yeah.

That was completely a different situation, right. That wasn't a pandemic, a sickness, people getting sick and dying and being scared of going to work. That was caused by just over-lending in the financial markets in the US that just trickled down. So I feel like from a data perspective, I think that there isn't enough data yet, and we haven't been in this long enough yet to drive decisions solely on what has been going on now. Most data-driven decisions are used through trends and historic data that has been gathered and collected over years and years and years. And you can use that to predict therefore, hence make a decision. I don't think we're in that position yet.

Very, very insightful feedback on that one. Thank you for that. I think I definitely take note that probably we haven't been in this long enough for us to actually have established what is likely going to happen. I'm also cognisant of time. I've got one more question after this, but I just want to unpack this a little bit more. In an interview with another gentleman that actually works for another bank, he mentioned that for them a lot of the decisions that they're actually making are focused on the now; because to your point, there isn't that much data to actually predict what's going to happen, because we haven't been in it long enough. What he's also said is that their bank, what they're doing, they're also trying to mirror maybe certain economies or countries or regions that have

already experienced this, and probably, in quotes, “are coming out of it” – and seeing how they reacted, what sort of modelling they actually did to...

Yeah, and that’s kind of simulating. Yeah, that’s interesting, very interesting.

Okay, great.

I can tell you we’re not. *(Laughter.)*

Do you think there’s any value in that?

I don’t know. I don’t know. Ooh! Yeah, I would not know. What I can tell you is, we are not doing that. I think everyone is keeping track on the periphery of what’s going on in the world and other countries and countries experiencing second waves now. I saw the UK’s ramping up, prepping for a second wave now, exactly. All the expectations and all the indicators are probably there that it’s going to happen here as well, but I do feel like the consensus, the overwhelming consensus is, this is still just going to be a temporary thing; it’s going to take us a couple of years, but we will get back to normal. But yeah, interesting, interesting. Well, we’re not doing that though.

Okay, cool. That does sound like it’s a data-driven decision-making technique as well, right – simulating – because you are relying on what other people are actually...

Absolutely. Yeah-yeah, that’s definitely one, yeah.

My very last question: With everything that we’ve spoken about, what do you think can be done to enhance the use of data-driven decision-making in uncertainty? This could be at (0:33:24) level, firm level, or both.

What can be used to increase data-driven decision-making in uncertain times?

Exactly. In other words, that – what could be done to increase, yeah.

Okay. So the only thing that I can think of off the top of mind – and it’s also because we have had a lot of problems with it – **is actually embracing a culture of sharing information and data.** Obviously the more data you have, the more you can analyse it and the easier you can actually make decisions or reach conclusions. What I have found is people, for some reason, are reluctant to share information or data. I don’t know why. I think it’s like a deep psychological thing. I don’t know why, I don’t understand it, but yeah, to share... I think we have to embrace a methodology or a psyche of being more open and sharing of data is, I think, the first step to availing the information needed to make more decisions quicker. So I think that’s very important. And I think what goes hand-in-hand with sharing of data is improving our communication around it, right. So, providing the necessary insights - not just sending a CSV file with a bunch of information to someone, but actually having a conversation with that person - giving some insights into that data that you do share with a person X-Y-Z. So I would say that’s the only thing I can think of, off the top of my head, is maybe just embracing a culture of where sharing of data is more encouraged, because often – and I’ve seen this and I’ve experienced it first hand – where we require

information to make a decision, but we just can't get the information, and only to find out months later that person X-Y-Z actually had it, they just didn't send it.

They had the information, yeah. Just something probably to provoke some thought – investment in data analytics, data analytic capabilities, any thoughts on that?

Absolutely. I think that's one of the biggest investments, not just in banking, but in most industries at the moment, because I think most industries... there's a huge drive towards data-driven decision-making, because it's so accurate and objective, etc. etc. However, to be able to make decisions, you need to be able to represent or present the data in various different ways and...

In a way that it's actually relevant to you.

Absolutely, and BI, or Business Intelligence is probably one of the most important parts of data analysis, and that means the representation of the results. So absolutely, I think that is without a doubt an area that is currently getting a significant amount of budget and investment spend from various companies, specifically banks, and I don't see it decreasing any time soon.

Yeah. Great. Bernard, that's it from my end. Those are all my questions. Thank you very much for all your time. If at any moment I will be sending you the consent form for your sign – I'd appreciate it if you would do that for me. If at any time you wish to have a transcription or recording of this interview that can be made available.

Cool stuff. No problem.

Thank you so much. I think it was very rich and valuable feedback and insights from this interview. I'm hoping I can get the same for the remainder of my interviews.
