



Transaction Banking by D Sign

Blog

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“Safely Open – The Paradox Of Closed Data”

A lighting manufacturer was having difficulty keeping the details of 20,000 clients up-to-date. First, client staff with whom they interacted frequently came and went. Second, the company’s management wanted a lot of rapidly changing detail about their clients, e.g. turnover, office locations, major contracts, that was never accurate or timely. Third, the variety of contact information was growing beyond telephone, fax, mobile and email, into various LinkedIn, Facebook, WhatsApp, Twitter, and other handles. Just postal addresses were over 40% inaccurate. Having had an information audit one thing became clear. The one piece of data the company needed was a client’s email address. With an email address everything else could be requested as needed. Having had a sales audit, the other thing that became clear was that their new clients were their old clients. Individuals were moving around and buying from them, not companies. More important than industry sector or turnover were the people. So the company adopted a community-led approach. They created a social network among their clients. They produced lots of good fun reasons, and solid business reasons, that individual clients should promote their own agendas, their own product ‘calculators’, their own blogs, their own thoughts, to each other – and they would help them do so. Of course the individual clients now had to keep their details up-to-date... and did. All 40,000 of them nine months later.

Data, Data, Data & Trust, Trust, Trust

We know we are awash with data. What we seek are effective ways of managing it. The history of computerisation of people’s details happened in reverse order – payroll number, name, client number, invoice, then addresses, then phone numbers, then customer relationship management systems. The old hierarchy of data with companies as clients containing staff at subsidiary offices never reflected the real world then, nor today’s world of fluid, temporary staff and networked relationships.

Numerous companies have moved to providing a business social network that allows them to relax about some standardised data as long as they can encourage people to interact. In effect, the clients are keeping their data up-to-date only up-to-the-level required. These business social networks seem to have four basic forms:

- ◆ Thought Leadership: an online community used to generate, modify or present ideas. An example of this is Innocentive (<https://www.innocentive.com>) which exists to crowd source solutions to problems.
- ◆ Operations: an online community that seeks to address the system or operation of an organisation. This can take a passive form such as maintaining best practice, or an active form mobilising members to bring about change. An example of operations support is Kiva (<http://www.kiva.org>), which enables the crowd sourcing of micro-financing to fund commercial initiatives in the developing world.



- ◆ **Service Delivery:** an online community that seeks to improve, develop or maintain the delivery of a service. This often takes the form of enabling members to offer feedback on products and services, but it can also be the provision of an extra or additional service. Examples of community delivery are found in many of the branches of the Open University (<http://www.open.ac.uk>), where adjacent communities enhance the learning service offered by the institution.
- ◆ **Building Relationships:** an online community that seeks to create new, stronger or deeper relationships with its members. The benefits of this strategy include client retention, enhanced trust and increased reach. The community of Macmillan Cancer Support is a good example of this (<http://community.macmillan.org.uk>).

These broad definitions of purpose are not mutually exclusive. Indeed, it is unusual for communities not to have elements of all four purposes. One of my favourite examples is a lighting manufacturer that has leading designers (thought leadership) chatting with installers about their design ideas and (operations) about problems that they are experiencing (services delivery) on sites. Throughout all of this interaction, relationships deepen (building relationships) around the lighting manufacturer. Trust underpins an online community, coming in four varieties as well:

- ◆ **Technical:** the technical side of the online space for the community is appropriate and reliable in terms of its functioning and usability.
- ◆ **Governance:** the members trust that their personal details and other such information is not going to be misused by the owner of the community.
- ◆ **Administrative:** the administration of the community is managed in an effective and swift manner, imbuing trust in the management of the site by the community members.
- ◆ **Community:** members trust in the other members as worthwhile people to connect with through the community.

Transactions, Transactions, Transactions & Trust, Trust, Trust

A number of companies are going further and pursuing ‘open data’ policies. At the extreme, the Open Definition is “Open data and content can be freely used, modified, and shared by anyone for any purpose.” This means a company moves from being an owner of intellectual property to the core of a community sharing data and content. In the world of economics, people are putting forward the idea of a ‘contribution good’, “we model science as a contribution game in which spillovers differentially benefit contributors over non-contributors.” [Kealey and Ricketts, 2014] A contribution good is different from a public good or a private good. People who support contribution goods benefit from network effects. They benefit from the interactions of a community. You gain by sharing.

Movements such as the Global Open Data Initiative or Sir Tim Berners-Lee’s Open Data Institute point out the benefits of open data to those who ‘give it away’. There are of course a host of public sector examples of how open data has transformed everything from scientific research to smart cities. For example, open government data has created new applications, such as preventing illegal building conversions, reducing health epidemics, or providing traffic information and reducing congestion. However, less noticed, but potentially enormous, open private data may be several-fold more important. For example, there is a group of people mutually using their own sales ledgers to create shared credit information, communities built around open source visualisation software teaching each



other how build management information systems, or peer-to-peer lenders sharing data to help improve their own marketing.

So what might open data mean for transaction bankers? I suggest two big areas. First, by ‘freeing’ data towards a common community a transaction bank should have accurate and timely information shared with clients. A bank-sponsored open data resource would have clients actively working together, e.g. a shipping community or a forestry-products trade community or a bank helping share credit data. Because they have to work together, clients would provide publicly just about all the static data the bank needs other than account number and email, industry-news, what they’re working on, blog accounts, locations, their client relationships. Of course, by sharing assertively into a community, a bank could gain enormously from deeper, richer client relationships.

Second, an all-out open data approach might reduce cyber-risk to the bank. Because the bank will know that very little information needs to be protected, heck the clients are sharing lots of data in a public area for their own benefit, the core ‘private’ data between the bank and the client is now clearly crucial and worth protecting very very well. An all-out open data approach means rendering unto clients what is the clients’, and rendering unto the bank what is solely the bank’s. Or the same thought expressed as a koan, “if you own data I shall take it away, but if you own no data it is all yours”.

Reference

Terence Kealey and Martin Ricketts, “Modelling Science As A Contribution Good”, Research Policy, Number 43 (2014) pages 1014-1024 - <http://www.sciencedirect.com/science/article/pii/S0048733314000195>

About the author

*Professor Michael Mainelli is Executive Chairman of Z/Yen Group and Principal Advisor to Long Finance. His latest book, **The Price of Fish: A New Approach to Wicked Economics and Better Decisions**, written with Ian Harris, won the 2012 Independent Publisher Book Awards Finance, Investment & Economics Gold Prize.*