PARADIGM TECHNOLOGY

Preferred Practices in Master Data Management and Data Governance Implementation

INTRODUCTION

The amount of data that businesses generate every day is reaching stratospheric heights. Most industry pundits agree that, at the current rate of data creation, the total amount of data in the world will double every two years.[1] What should you do? Forward-thinking executives recognize that this unprecedented data tsunami is a potential business gold mine. Mining for customer centricity, improving supply chain efficiencies, and reducing regulatory exposure are just a few of the benefits that data can deliver.

Extracting value from massive data volumes requires sophisticated analytics. The accuracy and reliability of analytics, in turn, depend largely on the quality of the raw data. This fundamental reality drives the increasingly common corporate mandate of implementing robust data management (mastering) and rigorous data governance (control). Both must coexist. If you believe in the fundamental management principles forged by Peter Drucker, W. Edwards Deming, Robert Kaplan, and others, you should add this mantra to your preferred practice portfolio: "You can't control data that is yet to be mastered."

"Data is a precious thing and will last longer than the systems themselves."

Sir Timothy John Berners-Lee, Computer Scientist, Inventor of World Wide Web

MASTER DATA MANAGEMENT AND DATA GOVERNANCE

Mastering data, often referred to as Master/Modern Data Management (MDM), aims for a unified and holistic view of key business information. What's "key" for one business may be different for another, but common master data includes customer, product, vendor, organization, location, account, consent, and cost center.

Control over data, collectively referred to as data governance (DG), mandates decision rights, accountabilities, responsibilities, and acceptable data management disciplines across the business supply chain, with the objective of addressing business challenges, mitigating systemic risks, and ensuring that the company's data stays trusted, secure, available, and usable.

Together, MDM and DG establish a framework that promotes optimum data usage through better quality and integrity. Implementing both achieves powerful results; however, that takes significant coordination and commitment.

Which should a company do first? DG? MDM? Or both? --- Knowing where to start and how to start is often the difference between success and failure. The following describes key preferred practices in MDM and DG from a business and operational perspective.

APPROACH

As several different scenarios often exist, organizations are challenged to decide which direction will yield the highest and best use of the data and employ the most appropriate use of funds and resources.

Greenfield, No DG or MDM

In a greenfield scenario, in which neither MDM nor DG exists, our recommendation is to begin with MDM and then implement DG. Why? MDM enables the identification of which data requires control. MDM gives DG purpose; that is, DG infrastructure without direction and centralized data is destined to fail.

Experience: Global high-tech technology company

Problem: Growth by acquisition; significant duplication of customer information across multiple systems; disparate business processes for customer creation and maintenance across the globe; cloud-based solution to support the global business.

Solution: Establish enterprise cloud-based data management. Implement master data management (MDM) solution, including key customer characteristics and demographics. Enable new processes for customer creation and maintenance. Establish data governance principles and performance measures.

Either MDM or DG in-flight

Effectual MDM gives existing DG more purpose and focus. MDM equips DG with the necessary rationale for data integration, reducing systemic risk and accelerating business opportunities – specifically, the commercialization of the data, such as cross-sell / upsell of products/services, new product introduction, improved customer segmentation, faster time to market, and greater market penetration. Are your programs integrated and on-track?

Experience: Large US retailer

Problem: Ineffective customer MDM solution. Large number of exceptions due to poor match/merge rules. Ineffective third-party verification. No ability to perform householding, critical to the introduction of a new loyalty program. No feedback to source systems. No data governance.

Solution: Improved merge/match rules to reduce exceptions. Improved SLAs with third-party enrichment provider. Instituted data governance to improve data life cycle "end-to-end", improving data accuracy and currency.

Both MDM and DG in-flight

More often than not, these programs are not linked the way they should be; that is, they were implemented in isolation with different agendas and sponsors. Interlocking the two programs creates 10X more opportunity; that is, the business value of both imperatives is more than just the sum of the parts.

Implementing MDM and DG requires smart decision-making. Following an established strategy can significantly contribute to the success of an implementation.

Experience: Foreign-owned regional bank

Problem: Increased regulatory reporting demands. Multiple business units and dozens of source applications. No enterprise business glossary and inconsistent documentation of source systems and business rules.

Solution: Initiated both business-driven data governance program and MDM implementation. Created a data governance-focused organization that served as facilitator for requirements across all business units and worked closely with IT for a foundational MDM implementation. The initial phase served to prove out DG principles and processes and create a core set of governed data elements critical to regulatory and operational demands.

STRATEGY

While a business can implement MDM and DG independently (even though substantial interdependencies exist), the correct approach will better prepare the organization for those unavoidable interdependencies that could hinder progress, introduce unnecessary risk, and squander precious funds and resources.

Our proven approach brings together the best of both MDM and DG, in a holistic manner.

Following this strategy consistently focuses a company's master data management and data governance on what matters most: reducing systemic risk to achieve breakthrough business results.

Key Strategy Points

- *Prioritize critical data domain/business elements*

  Establishing a comprehensive list of master data domains and business elements that comprise each domain yields two benefits: First, it requires taking a holistic view of disparate data sources, minimizing the potential of overlooking a key data source. And second, it provides context in which to determine an appropriate cut-off point for distinguishing priority of sourcing each domain and its associated elements.

- *Profile data to identify and resolve anomalies*

  Focusing on the prioritized data, scan the data for requirements and rules that were not yet defined, simply missed, or misunderstood. This process will call attention to anomalies while it is still comparatively easy to resolve them; that is, instituting better controls at the source of the data rather than across the entire supply chain.

- *Develop data-driven governance principles, policies, and procedures*

  The process of establishing data-driven principles fosters a culture that embraces data governance and promotes a proactive—rather than reactive—approach to data quality. The purpose is to accelerate business, not constrain it. The question is: what additional business opportunities could be enabled with DG?

- *Define organization necessary to sustain mastery of data*

  Incorporating organizational considerations builds a supporting framework that is vital to long-term data mastery. Having a prioritized set of data domains and business elements narrows the focus of what decision-making authorities need in order to improve data quality.

- *Document approach, measure results*

  Thorough and timely documentation of your MDM and DG practices promotes enterprisewide consistency in data practices and establishes guidelines for measuring project success.

- *Repeat process for each master data domain / business element*

  Each of the above strategic points should be applied at both the macro project level and at the level of the data domain and business element.

SUMMARY

Implementing both master data management and data governance in a logical, consistent, and sustainable manner can unleash the enormous potential of a business's data. Given that data is a business's single most valuable asset, deriving its maximum value will have a transformative impact on the enterprise.

Exposing data in a structured manner is the basis for strong data governance. This, in turn, enables an organization to consistently make informed decisions about the utility and effectiveness of the data and thereby propel business growth.

As an additional benefit, implementation of the two disciplines can have a palliative effect on cumbersome organizational structures and absent or inadequate performance measurement and management. Forward-thinking businesses can leverage MDM and DG implementations to promote effective management decisions.

INTERESTED IN IMPLEMENTING OR IMPROVING YOUR MASTER DATA MANAGEMENT OR DATA GOVERNANCE PROGRAM? WE CAN HELP. CONTACT PARADIGM TODAY!

About the Authors:

Paradigm Technology is a strategic consultancy that focuses on Digital Transformation, Analytics, Governance and Cloud. Started in 1994, we partner with clients to deliver business and technology solutions that enable our clients. Analytics & Governance are at the heart of the value we deliver.

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