



Who Needs Data Governance?

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Introduction

When you mention words like “compliance” or “corporate governance”, most senior executives that I know start to cringe. It’s not popular, and it’s not sexy, but you just can’t get around it. It is like going to the dentist: nobody likes it, but the alternative of letting your teeth rot is definitely a lot worse.

Now you bring up “data governance”, and guess what? Nobody’s cheering. Or worse. Everybody around you has something else to do all of a sudden, and the last person you found yourself with at the cocktail party has this urgent calling to go floss his cat at home...

So is data governance something that only business intelligence (BI) or data warehouse (DWH) professionals care for? Have we failed dismally to communicate the value that data holds in and of itself, apart from the primary business process that generated it?

There are (at least) two reasons why data governance is, or at least should be of importance. First of all, regulatory compliance demands authentic reporting. Not just under the Sarbanes-Oxley act (SOX), which applies to US listed corporations. More broadly, accountability and traceability of data is quickly becoming the norm. If big decisions ride on data from your BI systems, don’t you need to ascertain these numbers can indeed be trusted?

The second reason why data governance matters is because data is an asset that needs to be managed, just like tangible assets on your balance sheet. Value creation in our knowledge economy is less and less about tangible, and increasingly about intangible assets.

Data Governance

What is “governance” anyway? Webster’s Encyclopedic Dictionary says governance is: “exercise of authority; control; management.” This is where governance contains a conundrum. You want people in the

organization to behave according to certain guidelines, yet at the same time you do not want to stifle their creativity and entrepreneurial spirit. Managing this dilemma is what good governance is all about.

The way you manage corporate governance (of which data governance is “merely” a special form) is by putting decision structures in place that are published and reviewed. You make explicit *who* has the right to make *which* decisions, and you specify *how* and *where* they should be getting the information that is needed to make good decisions.

When we talk about data governance, much the same holds. We have typically one of two objectives (or both): compliance or data quality improvement and/or standardization. So you either need to adhere to legal and regulatory requirements, or, the push for more consistent enterprise wide information calls for reconciling (and possibly improving) siloed data sources. When data *continue* to be an afterthought, central and explicit data governance will not happen. Compliance is your ticket to market, data reconciliation usually stems from ambition to be more competitive by smarter use of data.

Compliance

Besides meeting legal and regulatory requirements, compliance takes on several other forms. Business partners are sometimes bound by contract to share vital sales information, mainly to ensure efficient supply chain management. In other cases standards are set for an industry group. Telco's and ISP's are obliged to keep transactional history for criminal investigation or national security reasons. Healthcare have their own (HIPAA) set of standards, etc. All these are rightfully considered a necessary cost of doing business.

Making BI and DWH data auditable requires an appropriate architecture and careful data modeling. Documentation needs to be embedded in the developmental methodology and has its own set of demands. This means you load data in an appropriate and pre-defined way. One of the implications is that you defer transformations and applications of business rules until *after* loading data into the DWH. Next you control this process, document it, and demonstrate compliance to an auditor.

Data Standardization

In the recent past, ERP and CRM projects have invested considerable time and resources to arrive at a unified enterprise view. However,

that is still only *within* one function. The recent push to customer data integration (CDI) and master data management (MDM) go beyond this and attempt horizontal integration *across* business functions. This can only work with clear senior management support and a centralized data architecture.

Although you need a central, top-down architecture, implementation must follow a spiral methodology and therefore you need to work bottom-up. There is simply no way a top-down, "big bang" can result in enterprise wide standardization of data formatting, modeling and content. To attempt so would require a complete rebuild of an aircraft in midflight! Dealing with this challenge is where many such projects stumble, and several have failed. Incremental delivery that surfaces business value from day one is the only way to mitigate these risks and strengthen the momentum for these complex transformations. Rome wasn't built in one day either.

Where does governance fit in?

Data governance is about the allocation of decision making rights for data related matters. Since these decisions are already being made today, you *have* some governance structure whether you are aware of this or not. What most people mean when they launch a data governance program is that they want to move from an informal, implicit form of governance to a more formal, explicit form of governance.

A formalized governance structure gets public support and buy-in from senior management. You decide on how you are going to decide. Making this a conscious decision can't possibly harm, and may well benefit the company. That's because the proper decision structure benefits productivity as well as compliance. Have you (also) been in useless meetings where the people needed to supply key evidence, or colleagues with a mandate to decide were absent?

Conclusion

Data governance is another one of those topics that BI professionals have been trying to push on the corporate agenda, usually without much success. Management attention is a scarce resource and by and large the profession has failed to make a compelling case. There are really only two arguments: either concern for legal repercussions or a need for consistent reporting across the corporation. Unless either of

these are a board priority, data governance is condemned to skunk works.

I am reminded of this program we were involved with. The board knew about serious data quality issues, and was even (grossly) aware of the cost implications. However, when the project was proposed, it wasn't deemed a (sufficient) priority. At least not until the VP of business intelligence pointed out to the CEO that he might go to jail for knowingly reporting inaccurate information. So he took a cigarette, then had another one, until he ceded: "OK, let's do this."

Sometimes data governance is simply a ticket to market. This may be because senior management would otherwise risk a jail sentence, or more likely to meet compliance or contractual obligations. In other cases a need for consistent enterprise wide information is the driver. If you attempt to build an enterprise data warehouse (EDW) without a structured data governance program in place, this will continue to be an uphill struggle.

Most importantly, though, it is crucial to point out that a "data governance program" is really nothing new: every company has some governance structure in place, whether they are aware of this or not. Making this a *conscious and deliberate* choice, or letting it to "chance", is what you should be considering.