

Data Governance for Financial Institutions

Drivers and metrics to help banks, insurance companies and investment firms build and sustain data governance



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1. Introduction

Financial services organizations are built on data, so data governance is a critical concern. But many firms have their own definition of data governance which may be completely different from competitors. For some financial institutions, data governance means establishing governance bodies and councils, while others consider data governance the process of defining data stewardship and workflow. Some financial services firms have master data management and data quality programs established under the name of data governance, while others combine all of these aspects—governance bodies, data stewardship, metadata and master data management and data quality—under the data governance umbrella.

Theoretically, data governance encompasses the systematic and formal management of any service or process that is required for effective information management. But realistically, businesses prioritize and sponsor only those initiatives that are mandated by regulations or provide a clear return on investment.

The financial services industry has been moving towards enforceable data governance which turns static policies and standards in Word documents into governance processes that can be enforced and realized in IT and the business with tangible benefits. Within financial services firms, the most prominent governance goal is the availability of reliable and accurate data for risk aggregation and reporting including data accountability and traceability.

Around the world, regulatory bodies and committees have published principles and guidelines on data management, maintenance and governance for risk aggregation and reporting. In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has published data maintenance principles for institutions following the International Ratings-Based (IRB) approach. Similarly, The Bank of International Settlements (BIS) has published principles of effective risk data aggregation and risk reporting. Similar guidelines were released by the Financial Conduct Authority in the U.K. as part of BIPRU. As with most financial releases, these principles contain broad guidelines on data governance and management and it can be difficult and costly to implement recommendations based on interpretations.

Although IT enables and implements tools for data governance, it is not an IT initiative and should not be driven by IT. For a data governance program to be successful and sustainable, the mandate must come from the business. While a data governance program may result in a tool-based implementation, that is not the core of data governance.

In essence, the business drivers provide direction and steer the initiative; IT objectives drive the plan for execution; and IT technical implementations are the final deliverables. This can be described as: Business drivers **steer** IT objectives **resulting in** technical implementations.

2. Starting a Data Governance Initiative

2.1. Common Business Drivers

For financial services organizations, the most common reasons for a data governance initiative are:

- Support risk management and regulatory reporting
- Address mergers, acquisitions and divestitures
- Provide improved analytics to gain competitive advantage
- Enable more informed and real-time decision making
- Save or avoid costs
- Assist with cross and up-selling
- Comply with regulations
- Reduce customer attrition
- Enhance customer service quality
- Improve profitability and operational effectiveness

Financial stakeholders may have one or more business drivers as a goal.

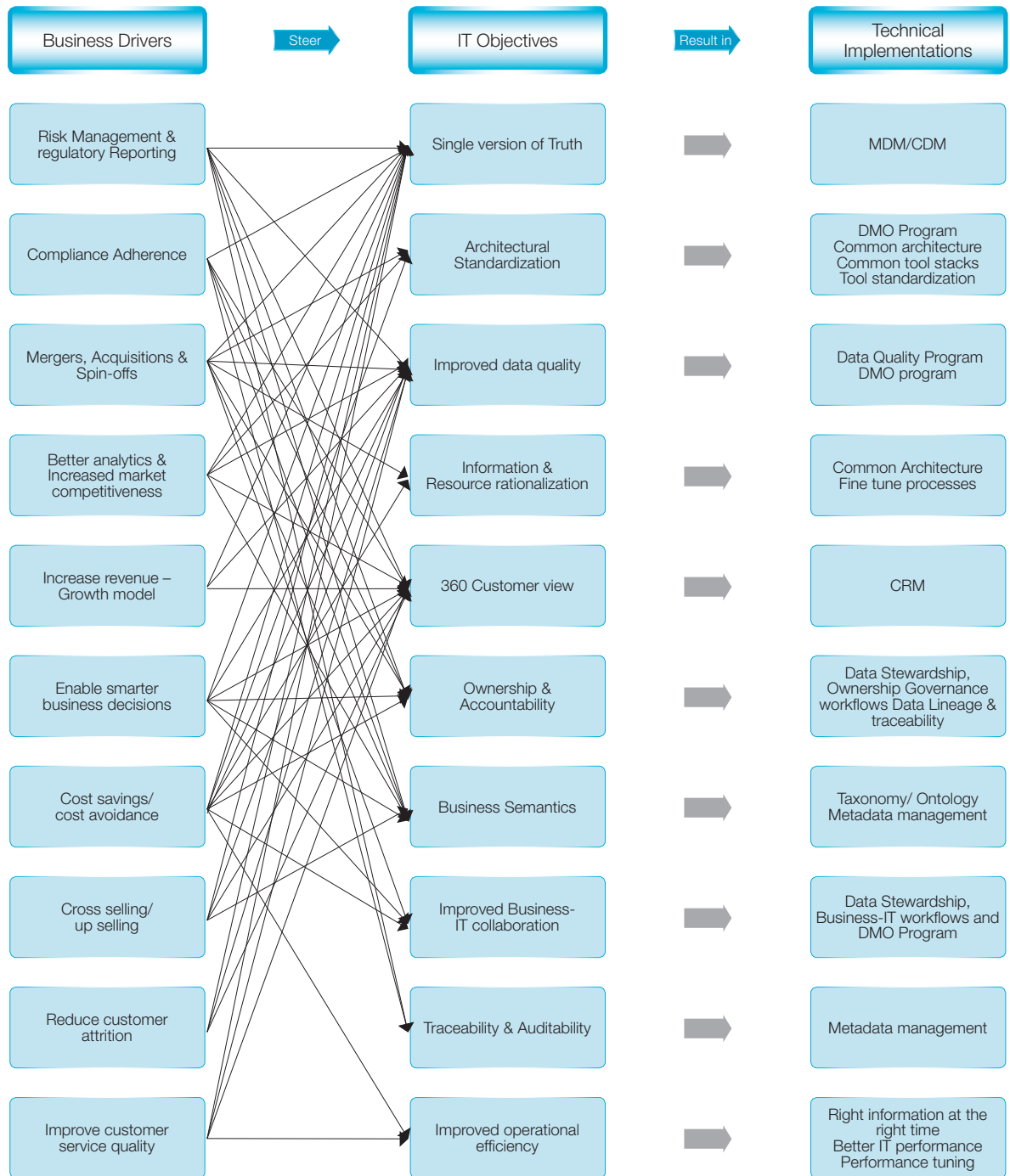
How do multiple drivers impact an IT organization? IT should align objectives to meet all the identified goals. The exhibit illustrates how business drivers can map to IT objectives and the resulting technical implementations. Note that one business driver may lead to several IT objectives, and one IT objective may be the result of multiple business drivers.

2.2. Showing the Value

After the initial effort, stakeholders and business sponsors often struggle to show the value of sustained data governance programs since ongoing cost-benefits and return on investment can be difficult to quantify. While regulatory and compliance needs are compelling reasons to sustain a data governance program, other data governance drivers may be lower priority for the enterprise and result in reduced budgets and waning stakeholder interest.

Managing expectations from a data governance program takes effort which can be significantly minimized by using quantifiable key performance indicators (KPIs) and metrics. Governance goals such as “effective use of business intelligence tools” or “improved business-IT collaboration” are difficult to quantify and unlikely to result in a long-term data governance program.

Exhibit 1: Business drivers steer IT objectives resulting in technical implementations



Source: Capgemini Analysis, 2013

3. Quantifying Success with Data Governance Metrics



A long-term, sustainable data governance initiative must be built on a foundation of **metrics based** measurements. These metrics can be broadly classified in three categories:

- Efficiency metrics
- Enablement metrics
- Enforcement metrics

Financial services firms must make sure the costs and effort associated with implementing, managing and maintaining a data governance program address these three aspects by answering these key questions:

1. How does a data governance program help improve the effectiveness of your firm? **Efficiency**
2. What does a data governance program allow your institution to do now that could not be done before? **Enablement**
3. How does a data governance program help impose corporate mandates and standards? **Enforcement**

If there are quantifiable metrics around efficiency, enablement and enforcement, data governance can be effectively maintained.

3.1. Examples of Business and IT Metrics

Below are examples of common governance metrics for financial services firms. This list is not comprehensive but provides a preview into business and IT metrics spread across topics. Financial institutions should adopt metrics that are relevant to the required drivers and planned IT initiatives.

Exhibit 2: Business Metrics – Examples

Metric	Efficiency	Enforcement	Enablement
Timely regulatory reporting adherence		✓	✓
Cross selling/up selling results from improved data governance and consolidated customer view	✓		
Customer attrition report – before versus after	✓		
Accuracy and timeliness of risk calculations and aggregations		✓	
Quantity and business analyst time spent on data collection and preparation versus time spent on analysis	✓		
Critical data and processes with ownership defined (%)		✓	✓
Business processes with RACI defined (%)		✓	✓
Metrics on data quality, e.g., accuracy, reliability, redundancy, completeness, conformity, integrity	✓	✓	✓
Key data elements with issues, e.g., no definition, duplicate definition		✓	✓
Auditability report which lists how many critical elements can be audited and traced and how many cannot		✓	✓
Reduction in total cost of ownership for programs under data governance umbrella	✓		
New customer retention rates	✓		
M&A cycle time – before and after	✓		
M&A-related incidents reported, Integration issues reported	✓		✓
Increase in market share – before versus after (%)	✓		
Reduction in time spent in manual adjustments and reconciliations (%)	✓		
Overall reduction in IT spend due to information and resource rationalization	✓		

Exhibit 3: IT Metrics – Examples

Metric	Efficiency	Enforcement	Enablement
Metrics on data quality, e.g., accuracy, reliability, redundancy, completeness, conformity, integrity		✓	✓
Architectural conformance percentage across projects – compliant versus non-compliant		✓	
Conformance to enterprise data models and semantic models		✓	
Conformance to data management standards e.g., naming standards, reusability percent levels		✓	
Resource staff that could be reduced as a result of governance initiatives (%)	✓		
Infrastructure that could be eliminated, reduced, standardized as a result of governance initiative (%)		✓	✓
Critical data and processes with ownership defined (%)		✓	✓
IT processes with RACI defined (%)	✓	✓	✓
Key data elements with no lineage and traceability captured (%)		✓	✓
SLAs for providing data to the business for ad hoc analytics and queries		✓	✓
Improvement in batch run time – before versus after performance improvement measures, and adherence to ongoing SLA commitments	✓		

4. Sustaining a Governance Program

Enforcement for data governance initiatives must come from the top of the organization. However, to be effective data governance should become part of organizational processes, not add a new level of bureaucracy to information management. As part of designing the governance program, together business and IT should take the following steps:

- Decide on data governance goals based on defined business drivers
- Obtain buy-in with executive sponsors, business and IT stakeholders, and other relevant parties
- Define a data management strategy and operationalization plan that is aligned to business goals
- Clearly define accountabilities and responsibilities
- Infuse and instill governance into existing development life cycle processes. Data governance should be embedded in a financial institution's DNA, not a separate process
- Develop a measurable, metrics-based ongoing feedback and improvement program
- Establish a reward-based feedback process for both business and IT





5. Conclusion

Whether your financial institution has already implemented a data governance program or if your program is underway, it is useful to perform an assessment of your firm's data maturity and governance to prioritize and map business drivers to IT initiatives, align governance processes with the software development lifecycle, and define and articulate an SLA-based continuous improvement program.

It's not possible to monetize every benefit from a data governance program, especially those around Enforcement. Your organization's needs, objectives and action plans for data governance may differ significantly from your competitors. There's no one size fits all model for data governance, and no single tool that can solve all challenges. IT implementations and tools must be carefully selected based on unique goals of your business. Establishing a metrics-based program to assess, monitor and improve the governance program is critical for its success and ongoing support.

About the Author

Mahesh Krishnan is a Principal with the Business Information Management practice in Capgemini Financial Services with over 18 years of experience specializing in enterprise information management, data warehousing and business intelligence program delivery. Mahesh has a successful track record of client engagements in the areas of data governance, metadata management, data quality, taxonomy-driven architecture and ontology using a global delivery model that utilizes onsite, near shore and offshore resources.



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