What drives data governance?

Data Governance Knowledge Series: Topic - 1

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Key drivers of data governance

Privacy and regulatory compliance

Data-driven decision making

Shared data eco-system

Enhance customer experience and user trust in data

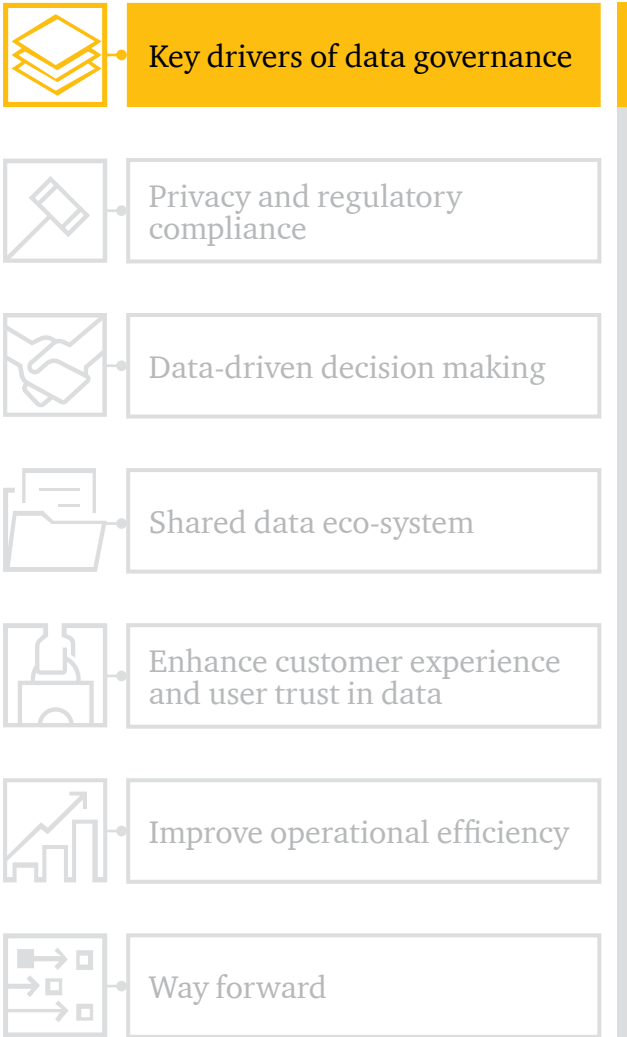Improve operational efficiency

Way forward
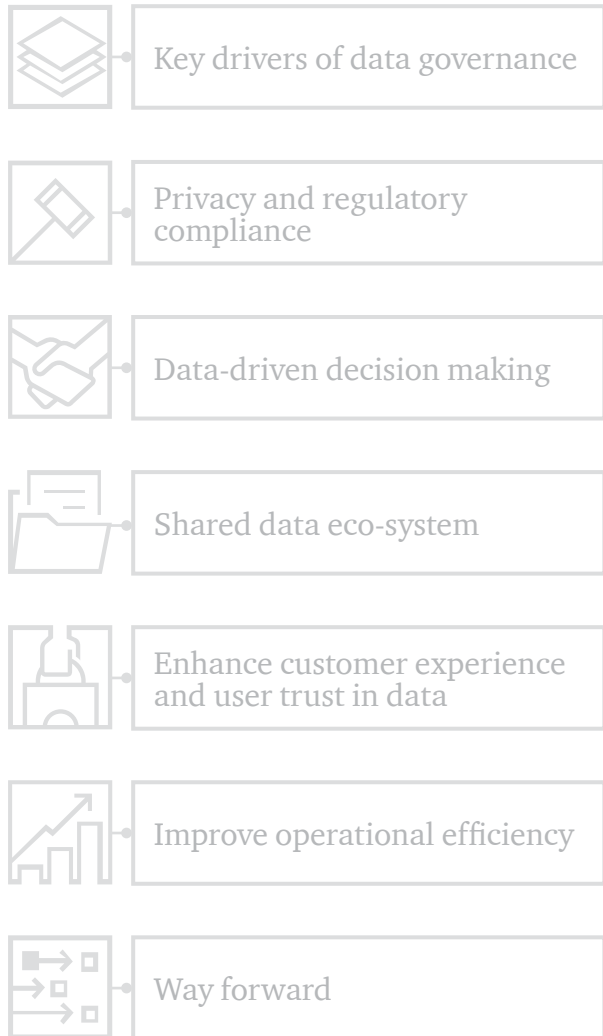
Data governance is very critical for organisations today, to ensure that they efficiently handle and govern their data assets and to maintain quality, trust and accountability. To effectively organise and use data assets to drive an organisation's core business objectives, data governance programmes are initiated in coordination with all business functions.

As per current industry trends, most organisations are in the process of establishing full-fledged data governance programmes, as it has become a pre-requisite to achieve organisational goals and provide benefits like:

- standardising processes for data management across the organisation for better decision support
- increasing the scalability of the IT landscape at a technical, business and organisational level through clear rules for managing the data lifecycle
- centralising control mechanisms to optimise data management cost in the age of exploding data sets
- increased confidence in data, through quality-assured and certified data, and documentation of data processes
- achieving compliance guidelines, such as General Data Protection Regulation (GDPR) and California Consumer Privacy Act (CCPA)
- ensuring security for internal and external data by monitoring and reviewing privacy policies
- increasing data processing efficiency by reducing lengthy coordination processes
- engaging in clear and transparent communication, through standardisation of enterprise-wide data initiatives.

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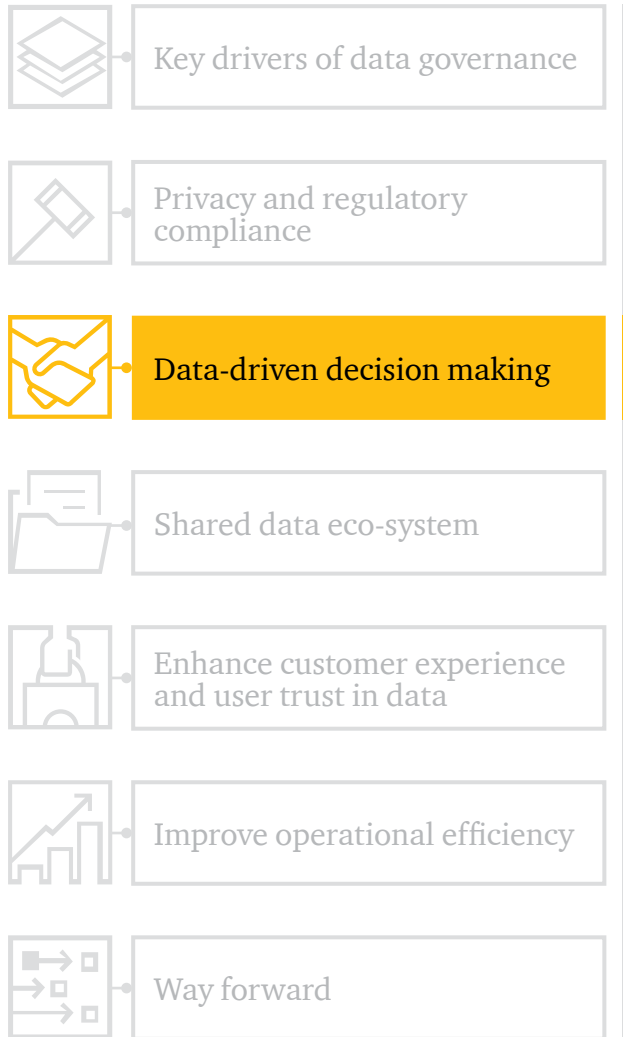- Improve operational efficiency
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Data governance programmes have grown in terms of importance and here are some key drivers of data governance which have resulted in organisations adopting data governance initiatives:

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Why do we need data governance?
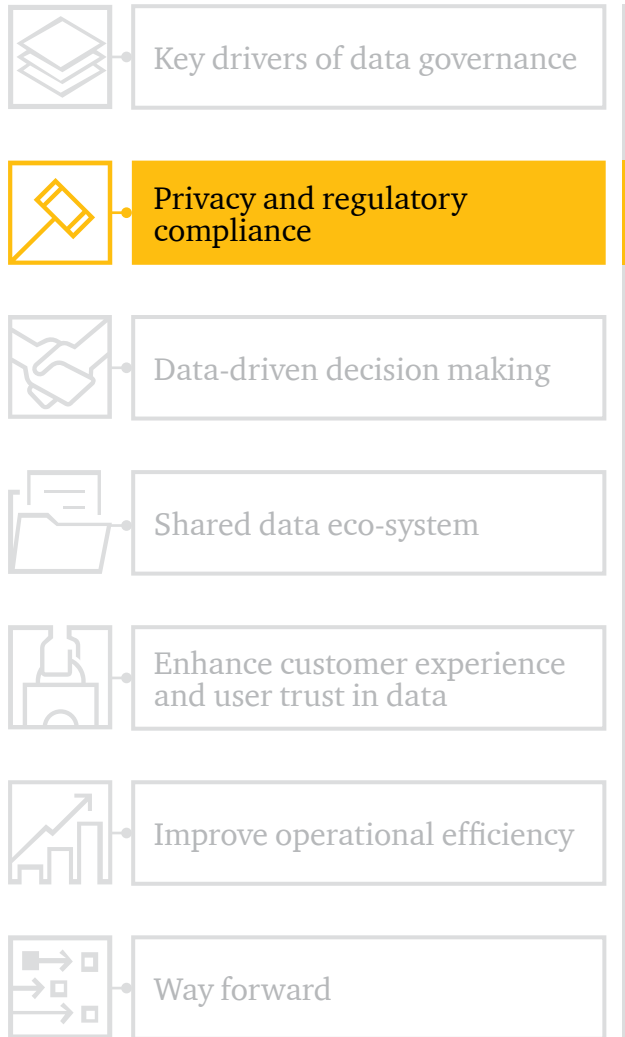
Evolving regulatory frameworks worldwide have compelled organisations to think about how they collect, store, use and dispose consumer data. Data privacy laws like GDPR in the European Union, CCPA in California, Health Insurance Portability and Accountability Act (HIPAA) in the USA, the Personal Data Protection (PDP) Act in Singapore and the BN Srikrishna Committee Bill[1] for consumer data privacy in India have alerted organisations to the importance of data protection. Considering the radical shift in the regulatory and compliance landscape, organisations should re-think their data management and governance strategies. In a survey conducted by Erwin with UBM[2] in November 2017, 60% of the respondents said that regulatory compliance was the most popular factor behind strengthening data governance in their firms.

The most prominent regulation on data privacy introduced in recent times is the GDPR in the European Union (EU). GDPR holds organisations accountable for how personal information of EU residents is used. Further, the risk data aggregation and reporting principles defined by the Basel Committee on Banking Supervision (BCBS 239) for the financial services industry and the International Financial Reporting Standards (IFRS 17) norms for insurance, focused on enabling greater traceability of reported information for improving ongoing performance measures and risk management, are additional regulations organisations comply with. However, these are not the only data regulations organisations have to comply with. There are many industry-specific data regulations which are modified regularly for sectors like financial services, healthcare and education. These regulations drive home the importance of data governance, as stringent laws ease data protection and mitigate a breach if the organisation knows where the data originated from, where it was stored, and what it consisted of.

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1. https://www.thequint.com/news/india/key-highlights-from-srikrishna-committee-report-on-data-protection

2. https://erwin.com/blog/driving-data-governance/

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The need for data governance in this case is largely driven by the amount of data generated by businesses in the past decade and how data is being used to drive key agendas for organisations. Many organisations are using data for increased business performance and customer satisfaction, owing to their capability to understand and ensure quality of available data, and generate useful insights using techniques like descriptive, predictive and prescriptive analytics to drive decision-making. Data governance enables organisations to monitor, control, secure and manage their data assets, and provide holistic, high-quality data for analysis. In addition, as data generation is increasing rapidly and different types of data sources (social media, images, videos, etc.) are being used for analysis, companies are shifting from traditional data warehouse systems to data lakes for storage. In this complex technology and data landscape, data governance helps in managing data access, storage and security by defining standardised governance models, processes and policies across the data lifecycle for all types of data. This process of data governance allows organisations to derive maximum value out of their data assets.

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Organisations across sectors have started establishing data eco-systems to drive synergies between their businesses. This has led to creation of data banks, which can be monetised to gain incremental revenues by leveraging cross-selling and upselling opportunities. As use cases for collaboration with third parties for data increase, enterprise-wide data governance initiatives become a precursor for organisations to derive maximum benefits from data usage. Since, the same data could be used across organisations by various departments or functions. It also ensures higher returns on investment (RoIs) from data partnerships, by avoiding multiple third-party partnership for same information.

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Organisations today are focused on delivering the right experiences for customer satisfaction. The perfect customer experience requires cross-functional collaboration amongst employees of different business units, with data sharing being the underlying construct to understand the journey of the customer and address any discrepancies in this journey. Data governance eases such cross-functional collaboration by providing an enterprise-wide business glossary, master data, metadata and reference data management framework, thereby reducing hassles in data operations and enabling business units to use the data across enterprise systems. In addition, it enhances the user's trust in data by enabling seamless response to data audits and data protection impact assessments. A robust data governance framework also provides an organisation with a strong base to establish data trust scores for critical data elements present in an organisation, as proposed by data privacy bills worldwide.

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As decision-making in organisations is gradually being driven by data, lack of standard processes and clearly defined roles and responsibilities for data governance leads to unnecessary delays in decision-making. With data governance, duplication of efforts doesn't happen and errors in the data values are curtailed. Moreover, data governance ensures that an organisation clearly defines its core data, along with the rules governing it. When a business decides to develop a data governance plan, it allows itself to bring all the stakeholders together, which is an effective approach to improve operational efficiency. To achieve this, organisations need to invest in technology-based data governance initiatives. This would help to establish roles, processes and policies, thereby improving operational efficiencies of their business functions and establishing a culture of data-driven decision-making.

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In addition to the above explained drivers, there are a number of other developments and requirements that make data governance more and more relevant. Examples include operational BI, advanced analysis, a 360-degree customer view, BI in the cloud or as a service etc. As data becomes both more plentiful and more valuable, the need for data governance increases. It is a suitable time for organisations to adapt to the changing paradigm of data usage and invest in technology-based data governance solutions. Organisations must address the key challenges of utilising data, as failing to do so may hinder their growth. With the proper planning, communication and technology, businesses can improve the way they manage their data. The presence of a dedicated data governance body to oversee the implementation of ambitious agendas, coupled with efforts from key leaders, will help organisations to harness the potential of using data-driven solutions for decision-making and thereby address the challenges around data compliance and organisational growth.

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Acknowledgments

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