

A COMMON SENSE APPROACH TO DATA GOVERNANCE



INTRODUCTION

As financial institutions become more and more data-driven, an effective data governance strategy becomes increasingly important.

Data governance has been a buzz word in the industry for quite a while. But what does it really mean? The term data governance refers to the rules, policies, and procedures that ensure data accuracy, reliability, compliance, and security.

Often, financial institutions struggle to establish an effective data governance strategy because there is so much ambiguity around this topic. Many FIs simply don't know where to start.

At Lodestar Technologies, we believe in a common-sense approach to data governance. An effective strategy centers around the people, processes, and technology involved in the over-arching data strategy at your organization.

✦ **People**

Who is responsible for managing your organization's data? Who is using the data? How are they using it?

✦ **Process**

What processes are in place for collecting data, and how do you ensure that data is accurate and complete? What processes are driven by data you have collected?

✦ **Technology**

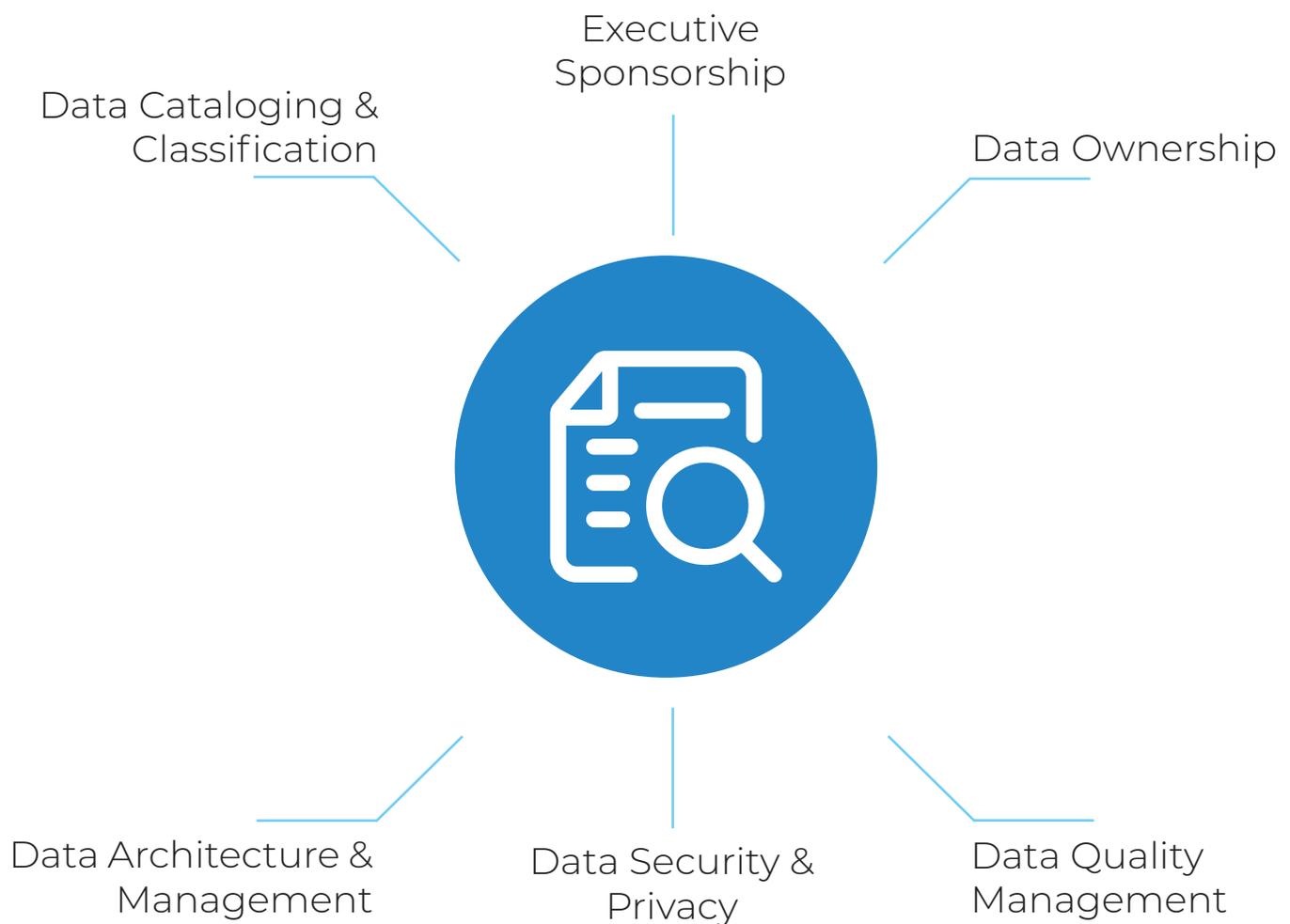
How many data sources do you use to access data? Are you leveraging a data warehouse?

This white paper was created as a framework to help financial institutions gain the knowledge and confidence to get started with their data governance strategies.

Read on to discover the competencies that should be included in your data governance plans, along with stages of data governance maturity and guidance on how to assess your organization.

DATA GOVERNANCE COMPETENCIES

Many data governance consultants provide a framework that is over-complicated and, therefore, unsustainable. Lodestar has adapted a streamlined approach to data governance which includes six key competencies.



THE ROLE OF PEOPLE IN DATA GOVERNANCE

✦ Executive Sponsorship

In order for a company to become fully data-driven, it is critical to have support from the executive team. As leaders are establishing the organization's strategic initiatives, they should be aware of the role data plays in meeting those goals. Additionally, leaders should be involved in communicating the importance of data in all aspects of the organization from the top down.

Executive support should not stop at simply implementing a data governance strategy. It is important for executives to maintain ongoing engagement and support.

✦ Data Ownership

While data is consumed in different capacities by nearly all roles in the organization, it is important to establish a data owner or owners. While some organizations split ownership into different categories, the overall role of data owners have three main responsibilities:

1. Maintain accountability for the accuracy of data
2. Provide context around data to ensure it is being used appropriately
3. Assume responsibility for the safety, security, and storage of data



According to Gartner, as many as 90% of data governance initiatives fail.



Top 5 Reasons for Failed Data Governance Initiatives:

1. The strategy focuses on too much or too little at once
2. Lack of support from management
3. Lack of communication and change management
4. Unclear goals that are not measurable
5. The focus is on tools, not processes

DATA GOVERNANCE PROCESS & TECHNOLOGY

✦ Data Quality Management

Data is a critical asset for financial institutions. It is used for everything from risk management and regulatory reporting to financial projections and business decisions. Incomplete or inaccurate data can have a significant impact on both the financial institution as well as its customers. An effective data governance strategy includes proactive methods for monitoring data quality and presenting exceptions to the relevant area in order to be resolved.

✦ Data Security & Privacy

As organizations rely more and more on data, the need to share both internally and externally continues to increase. Data owners must be mindful with the types of data that are shared and with which stakeholders. Data security involves classifying data according to its sensitivity and defining processes for protecting data.

Similarly, privacy is a top concern for data owners. Outside of an organization's ethical need to protect its customers' privacy, there are many laws and regulations outlining consumer data privacy.

✦ Data Architecture & Management

Data architecture and management refers to the way data is collected, transformed, distributed, and consumed. Many organizations that are starting out with their data strategy struggle with siloed data sources, leading to an inconsistent data architecture and challenges with managing the data. As they become more mature in their data strategy, they will find that integrating disparate sources into an enterprise data warehouse will lay the foundation for a consistent architecture that will streamline data management procedures.

✦ Data Cataloging & Classification

Financial institutions are at an advantage in terms of the sheer volume of data available to them. Because of this, it is important to catalog and classify this data so that there is consistency in the types of reports being used throughout the enterprise. Subject matter experts and technical team members can collaborate to create a comprehensive data dictionary, complete with definitions and classifications. The cataloging and classification exercises should be performed at the onset of a data governance initiative as well as on an ongoing basis as the data strategy evolves.

DATA GOVERNANCE MATURITY

Each financial institution is at a different stage in its analytics journey, which includes the data governance initiative. Understanding your organization's current state is important to creating a plan to move along the journey.

✦ OPERATIONAL

In the operational phase of data governance maturity, data governance is an informal consideration of the overarching data strategy. Most components of data governance are performed on an ad hoc basis, if at all.

Typically the practices that are performed are based on immediate needs and not a result of thoughtful and intentional planning.

✦ STRATEGIC

As organizations advance past the operational phase, their data governance framework becomes more strategic in nature. Rather than focusing on initiatives as they arise, data owners are more forward-thinking in their data governance plans.

While some aspects of data governance are still informal, there is a foundation for managing the use of data throughout the organization.

✦ ADVANCED

Financial institutions that have moved into the advanced phase of data governance have fully invested in the importance of this initiative.

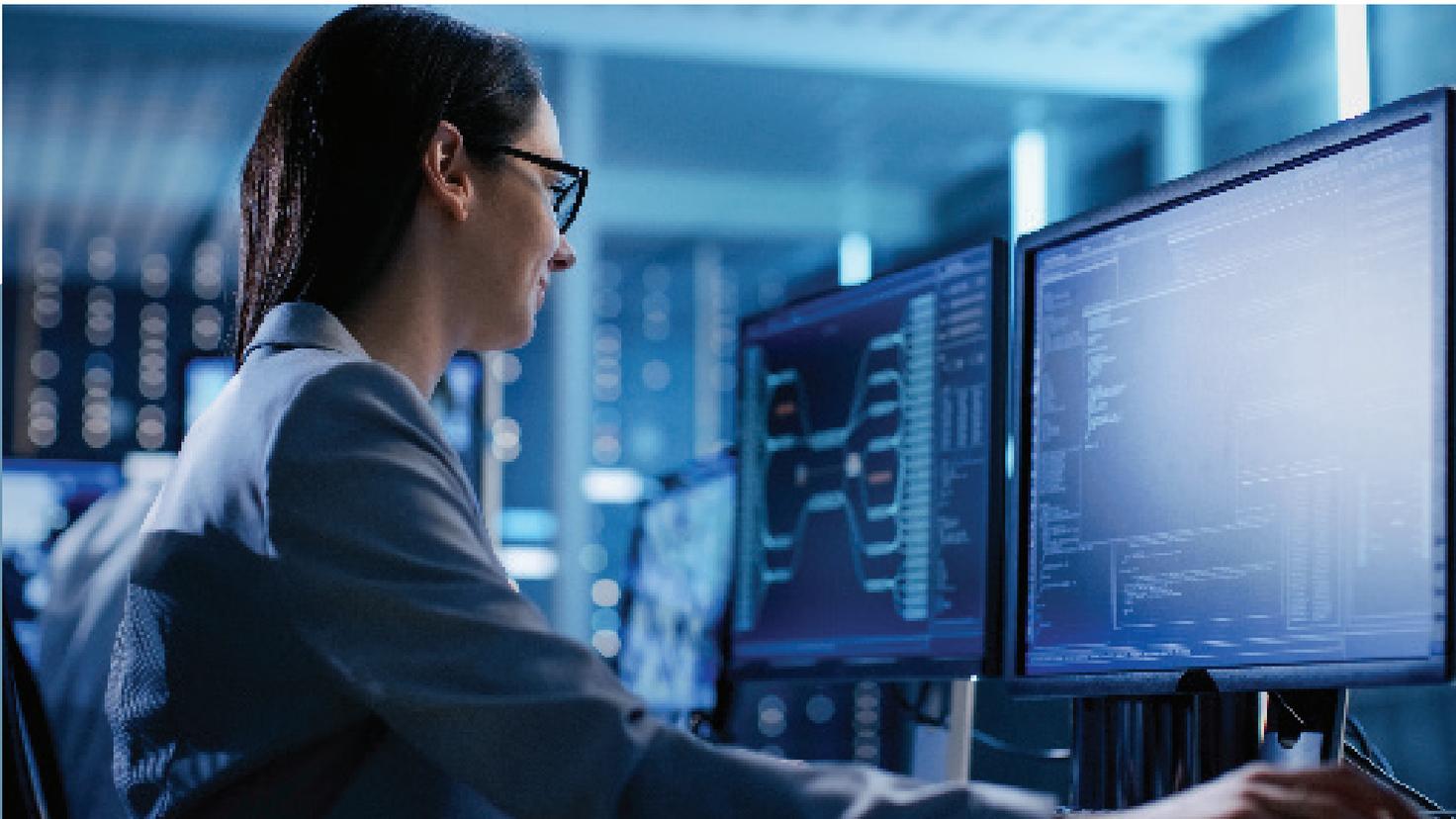
Executives are onboard, owners have been established, and the processes for capturing and correcting data quality issues are consistent.



ASSESSING YOUR DATA GOVERNANCE MATURITY

Whether your organization has already established a formal data strategy or you are just getting started, it is helpful to assess the current state of your data governance. Knowing where you are starting, and where you want to go, empowers you to put together a plan to get there.

If you prefer a third-party to perform the assessment on your behalf, the experts at Lodestar are experienced and knowledgeable in this area. If you prefer a self-service assessment, Lodestar has put together a framework that can easily be used by any organization.



DATA GOVERNANCE FRAMEWORK

	OPERATIONAL	STRATEGIC	ADVANCED
Executive Sponsorship	<ul style="list-style-type: none"> Little to no visible executive engagement Data is IT's problem 	<ul style="list-style-type: none"> Executives aware there is a better way Business's data governance responsibility acknowledged Company has undertaken training 	<ul style="list-style-type: none"> Data roles and responsibilities are embedded in HR hiring, training, and succession plans Data roles and responsibilities are aligned to strategic growth plans and supporting tasks
Data Ownership	<ul style="list-style-type: none"> No data accountability roles such as owners or stewards exist 	<ul style="list-style-type: none"> Informal assignments of data owner, typically at the department level 	<ul style="list-style-type: none"> Formally assigned data owners and stewards work with executive leaders on strategic targets
Data Quality Management	<ul style="list-style-type: none"> Data Quality practices are ad hoc and mostly at the point of data consumption 	<ul style="list-style-type: none"> Department-level "Find & Fix" approach used to correct data at the source Data Quality exceptions are monitored and tracked 	<ul style="list-style-type: none"> Proactive Data Quality practices in place enterprise-wide Exceptions are analyzed and used to identify training & process improvement opportunities
Data Security & Privacy	<ul style="list-style-type: none"> Basic data security policies & procedures exist Decentralized management and enforcement 	<ul style="list-style-type: none"> Some risk-based security policies & procedures are established Decentralized management and enforcement 	<ul style="list-style-type: none"> Data security culture exists across the organization
Data Architecture & Management	<ul style="list-style-type: none"> Organic architecture with no enterprise data architecture practices or planning Data lifecycle is not an architectural consideration Limited to no monitoring or controls 	<ul style="list-style-type: none"> Informal backlogs exist for architecture improvements Executives are aware of risks of keeping certain types of information too long Consistent data architecture evident in existing solutions 	<ul style="list-style-type: none"> Effective data architecture plan and practice with staffing & funding commitment Automated audits driven from contractual and regulatory requirements Controls and monitoring established as data products are developed
Data Cataloging & Classification	<ul style="list-style-type: none"> Little to no data classification is performed, primarily for regulatory mandates Limited data definitions Data lineage is not documented 	<ul style="list-style-type: none"> Standards established for data classification Established practices for managing a data catalog Key data is defined and lineage is captured 	<ul style="list-style-type: none"> Data classifications assigned to all critical data assets Data catalog is expanded to include data quality and data consumption rules Metadata is used to record, control, and optimize the use of data assets by business leaders

TIPS TO IMPROVE YOUR DATA GOVERNANCE STRATEGY

While there is no finish line when it comes to data governance, there are shortcuts that will allow you to speed up your progress. Read below for some quick ways to see big improvements in your data governance maturity!

✦ PEOPLE

Build synergy between IT and business units by creating a Center of Excellence made up of both technical and subject matter experts

✦ PROCESS

Take an inventory of your current data sets.

Catalog how each data source is being used, and begin compiling definitions of commonly used data elements

✦ TECHNOLOGY

Simplify data governance requirements by implementing a multi-source data warehouse.

Choose a tool that maintains a data dictionary and offers data quality monitoring

Data Governance is just one component of a comprehensive data strategy. If you have not already established the data strategy for your organization, let Lodestar Technologies help you get started. Our experts have years of industry experience and can meet your organization wherever you are on your analytics journey.

From high-level strategic guidance to multi-year roadmaps, let's discuss ways our team can support your data governance initiatives!

About Lodestar

Lodestar provides data warehousing, business intelligence analytics and professional services solutions to financial institutions and other organizations looking for assistance with the complex technology systems needed to bring efficiency, sustainability and profitability to their business.

The Lodestar team boasts a range of experience from both technical and strategic perspectives, enabling them to build your data warehouse solution while also designing and executing a robust data strategy.

Visit us online at lodestartech.ca to learn more or contact us to start planning your data journey today!