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The Many Moving Parts of Governance

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Earlier this year, a top-ten financial services firm asked Knightsbridge Solutions for assistance in assessing their enterprise-wide reporting, metrics, and analytic capabilities. The business units were struggling to retrieve required data, and the technology organization was too understaffed to satisfy business data demands. Not an atypical situation in the financial services industry. However, the results of our initial assessment revealed an interesting twist.

As part of the assessment, management wanted to know what could be done immediately to provide relief for pent-up data demands while longer-term solutions were being implemented. To meet that challenge, we conducted more than 70 interviews throughout the enterprise with both business and technology staff. We learned that while changes in architecture would result in long-term gains, significant short-term wins could be achieved by addressing process improvements.

As shown in Figure 1, most of the comments and critiques that surfaced in the interviews centered on business processes, prioritization of projects, data quality and access. The technical issues raised were serious, and solving them would take months. We were looking for quick wins that could be realized in weeks or, at most, a couple of months. Shortfalls such as the following intrigued us:

- Lack of criteria for project prioritization
- Lack of awareness of available data
- Lack of standards – hierarchies, definitions, metadata
- Lack of business participation in data issues
- Lack of access controls
- Lack of resources – money, staff

As we explored these in more detail, it became apparent that no coordinated management structure existed to comprehensively see all of the issues and respond

with a unified action plan. Reporting and analytics were highly siloed by business unit – again, not atypical in this environment.

We had a choice of either attacking each symptom within each silo or trying to address the issues from an enterprise perspective. We chose the latter course and selected governance as the vehicle to capture meaningful results.

Category	Sample comments	% of times mentioned
Data awareness: communications and training	Don't know what data is available; what are the definitions of the data; how was the data derived (traceability); limited insight into ongoing data initiatives	76%
Data acquisition and sourcing	Significant data gaps exist; data published from internal non-production sources; data source not arriving in timely fashion; same data item calculated differently by different groups; lack of criteria for sourcing prioritization leading to poor use of scant resources	65%
Data management	No dedicated reporting team; incomplete business requirements; lack of business participation in data ownership; lack of centralized reporting projects, resulting in one-off solutions; groups requesting same data for multiple reports; project estimation often guesses and inaccurate, leading to poor decisions; lack of criteria for project prioritization	71%
Data access	Limited time to access existing data; feeds going to silo marts with limited access to other groups; manual merge data from different sources, internal and external, to generate report; lack of access controls (security); don't know how to get access or use BI tool	80%
Data quality	Incomplete, inaccurate master data; incomplete/incorrect hierarchies; inconsistent hierarchies; no organized processes designed to capture and track quality metrics; no data stewardship to coordinate responses; most responses fix the data not the source cause	82%
System performance and architecture	Poor data retrieval performance; limited times that access is provided to DW and marts; constraints due to design; limited resources; poor ETL design; inconsistent mart design	65%

Figure 1: Summary Comments from Interviews

Governance

The issue with governance today is that it is not well understood. Most definitions devolve into academic discussions of standards and strategies. Additionally, governance tends to be established silo-by-silo within IT or data warehouse-by-data warehouse. For this reason, line management does not fully understand governance and, thus, finds it difficult to embrace. This, naturally, leads to many of the issues expressed at our client.

As we ventured down the governance path at the client, it proved helpful to outline our perspective on governance and how to maximize its impact.

Guiding Principles

Three basic principles for structuring a governance function are:

1. Governance is more than standards, reporting and prioritization of projects

2. A strong governance organization

- Ties business and technology into a tightly integrated operating entity
- Manages and integrates ongoing investments in technology and data
- Increases the speed of organizational response by driving accountability and decision-making into the organization

3. Governance is not static; it must evolve over time

The true function of governance is to actively link integrated business and technology teams with corporate and strategic initiatives. Within this context, governance becomes an integral part of enterprise line management. Executed properly, the governance function can actively and effectively reallocate business, technology, reporting and analytic resources to align with rapidly changing market demands.

Enterprise Governance

At an enterprise level, large organizations need a framework for building a governance function that embraces all technology activities while providing flexibility in implementation.

As seen in Figure 2, a viable approach might be to divide governance activities across the major technology activities. Each area has unique governance needs and standards. This approach eliminates trying to fit one size to all. It also enables each technology area to have a different organizational structure – all linked to the enterprise.

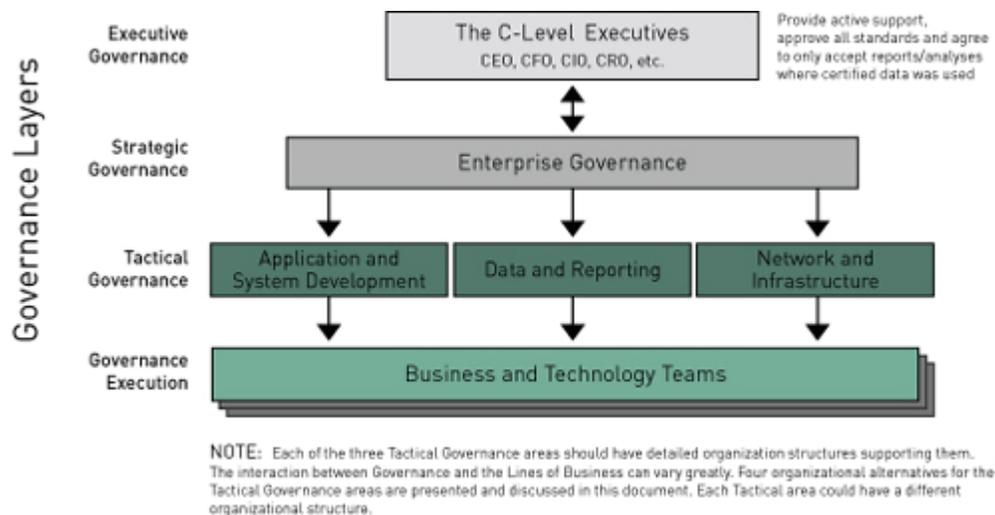


Figure 2: Division of Governance Activities

Tactical Infrastructure

Our enterprise framework needs a tactical infrastructure that directly links business and technology teams to corporate and strategic initiatives via a governance organization. As seen in Figure 3, an example infrastructure for data and reporting governance, functional pillars and governance tools provide such a link.

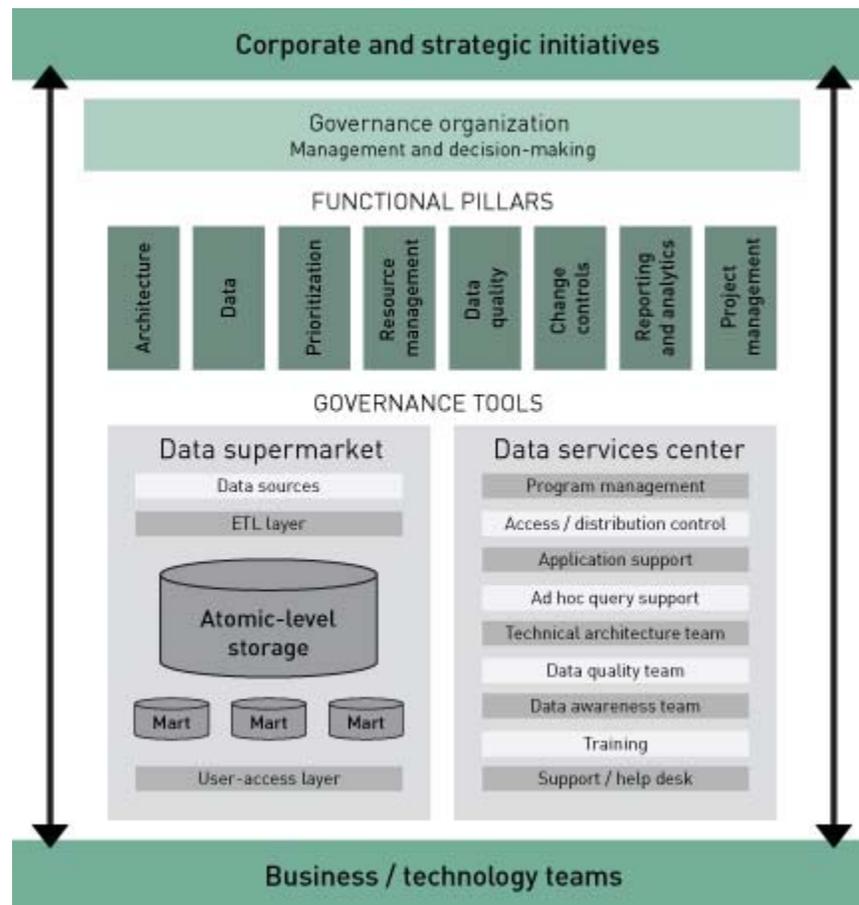


Figure 3: Tactical Infrastructure Framework

Governance Infrastructure

As seen in Figure 3, a key component of our infrastructure is the actual governance organization. As we mentioned earlier, each of the tactical governance areas could have different organization structures – each designed to meet their specific needs. For the balance of this article, we will explore four different organization structures.

But first, we will explore our data and reporting governance infrastructure. One of the shortcomings of many governance functions is the lack of “organizational accountability.” Many governance groups are comprised of disparate committees – for example, a “metrics committee” that works on defining performance metrics for a given silo and a “standards committee” that publishes standards but has no authority to enforce them. At the same time, a separate “demand management committee” could be prioritizing projects against limited resources based on criteria used to maximize resources rather than maximizing achievement of corporate/strategic initiatives. Finally, one of the most common committees in most organizations is the “technology steering committee” that must approve all technology project requests.

It is this type of uncoordinated committee structure that has rendered many governance organizations unproductive and confusing.

Functional Pillars

The framework depicted in Figure 3 identifies a number of “functional pillars.” These

are functions/tasks that should fall under the responsibility and accountability of a governance organization. Pillars or subjects are customized for each tactical governance area (application / systems development, network and infrastructure, etc.). In our data reporting example, the pillars should embrace the following areas/tasks:

- Architecture – data, system, network
- Data – sourcing, quality, lineage, definitions, modeling, access
- Reporting and analytics – tools, expert assistance, access
- Prioritization – demand management, resource alignment
- Resource management – budget, manpower
- Change controls – quality metrics, remediation, consistency
- Project management – ETL, reporting, sourcing, development

The important point is that these formerly disparate committees in most institutions should report into an overarching governance function that can organize their activities, align their efforts with corporate and strategic initiatives, and hold individuals accountable for performance.

Governance Tools

Our data and reporting infrastructure example identifies two major governance tools: the data supermarket (self-service reporting and analytic environment) and the data services center. These tools are specific to this tactical governance area. We would anticipate that similar tools would be in place for the other tactical governance areas.

In our Figure 3 example, these tools could easily have been a development center of excellence or a network services center. The key point is that the governance organization must have accountability for its “tool set” and must be charged with linking the activities of the business and technology teams with corporate objectives and strategic initiatives.

Governance Organization – Alternatives

In the Knightsbridge framework, the governance organization, the pillars and the governance tools can report administratively in many different directions; however, they should all have direct reporting connections. Over the years, we have run into many different organization forms. We will explore four alternatives that seem to be the more popular implementations. Note that in an enterprise governance framework, each of the tactical governance areas could have different organization structures. The key is for these structures to enable cross communication and resource coordination.

Let's look at the four alternatives.

The Centralize Everything Model

In this organization model, all reporting lines lead to one person – the enterprise governance executive.

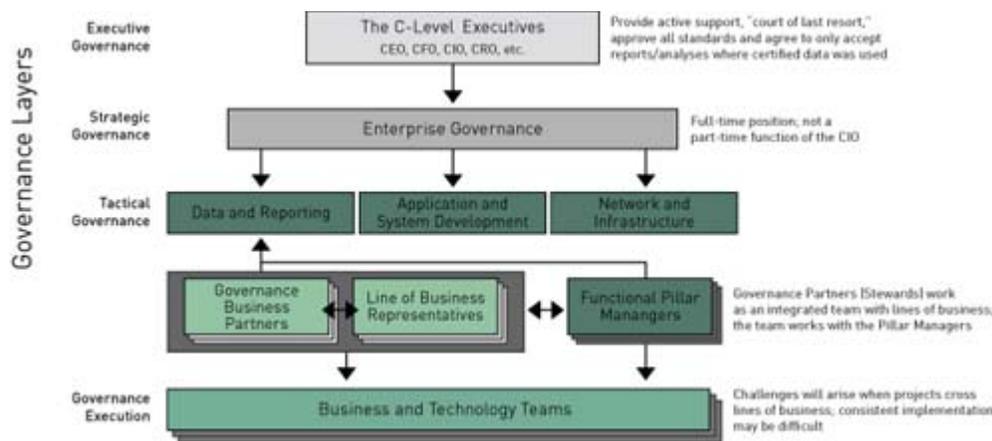


Figure 4: Centralize Everything Model

In this model, the C-level executives play a guidance role. They provide active support, serve as the “court of last resort” for line of business appeals, approve all standards and, most importantly, agree to accept only reports/analyses where certified data was used. This last point is critical, for it cements a commitment to an advanced data quality program referred to as data certification.

In this model, the enterprise governance executive is a full-time position, not a part-time function of the CIO. This executive is held accountable for governance across the enterprise. To conduct that role in a “centralized everything” framework, all of the tactical governance leaders (data and reporting, network and infrastructure, etc.) would report into this individual.

As shown in the data and reporting tactical governance arena, there are three groups interacting under the data and reporting tactical area. The governance business partners are aligned with each line of business (LOB). Under this model, areas such as finance, risk, credit administration, audit, etc., would be considered as LOBs. A good way to think about the governance business partners would be as data and reporting stewards. There are also pillar managers (see Figure 2) who interact with the LOB representatives. When we speak of interactions at this level, we are referring to things like support for activities such as self-service/parameterized reporting, project planning, estimation, prioritization and management, along with day-to-day interactions around data and reporting.

At the governance execution layer, we have the tight-knit integration of business and technology staff working to build new reports, perform complex data extracts, add data attributes to the data stores, create marts, etc. At this layer, there is extensive interaction with the pillar managers and the governance/LOB teams.

Again, with this model there is tight, centralized control that forces an adherence to standards, accountability, etc. This can translate into less flexibility, greater overhead and slower response times. Also, as priorities cross LOBs, there may be difficulty in getting buy-in and delivering. Execution is tightly aligned with LOB silos, which can be both an advantage and a deterrent.

The Centralized Standards Model

As seen in Figure 5, the emphasis with this model is on managing the pillars – e.g., setting the standards – versus centralized management of all functions. With this model, the enterprise governance executive and the pillar managers set the “enterprise standards” for all of the functional pillars. The governance executive is thus reliant on the various governance business partners and LOB representatives to execute with the pillar managers, ensuring adherence to the “enterprise standards.”

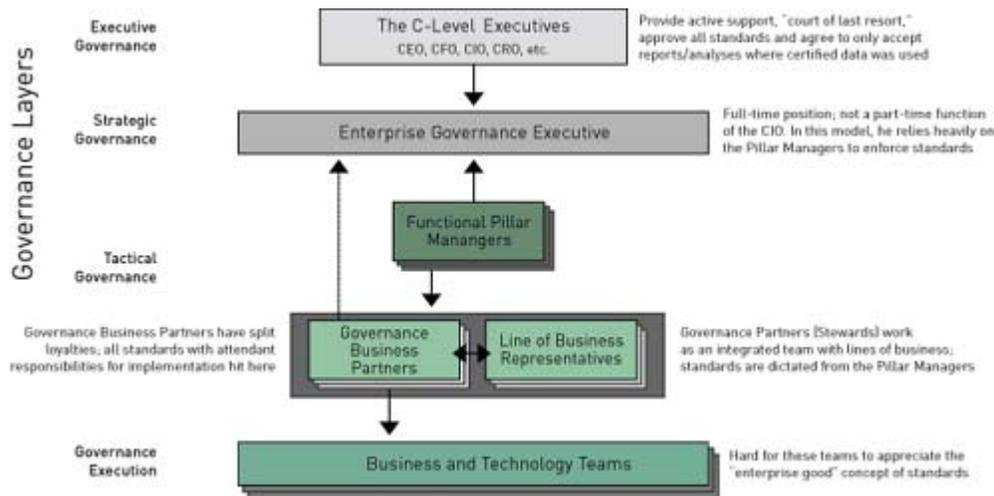


Figure 5: Centralized Standards Model

It is interesting to note that tactical governance across all three arenas could be managed through a single group of pillar managers who manage an expanded number of functional pillars that would cover data and reporting, application/system development, and network and infrastructure. Figure 6 illustrates this concept.

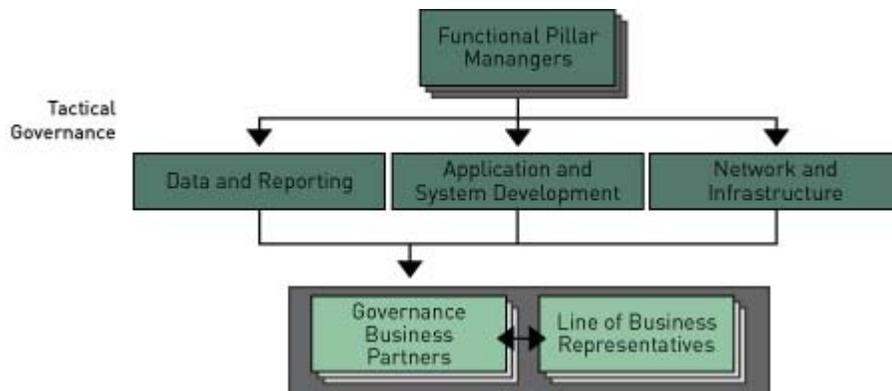


Figure 6: Functional Pillar Managers

Enforcing standards for the “enterprise good” would be challenging since the governance business partners could have split loyalties due to the direct reporting to the LOBs and indirect reporting to the governance executive.

The Centralized Management by Subject Matter Model

This model can be thought of as a point solution. Each subject area is governed.

Subject areas can be thought of as being aligned with lines of business. Each governance body manages special interest groups (SIGs) from LOBs.

As seen in Figure 7, the role of the governance executive has been replaced with a committee consisting of direct reports to the C-level positions. In turn, this group rotates the chairmanship of the committee. This is another way of isolating the C-level executives from being put in the position of making every decision related to IT and governance. This committee will manage strategic planning and governance standards across the enterprise.

Subject area governance bodies work closely with SIGs versus lines of business. The SIGs can cross LOBs just as subjects do – e.g., finance, risk, operations, lending, etc. Subject area governance bodies and SIGs manage and enforce the governance pillars as well as provide the execution teams with priorities, standards and direction.

Management and enforcement of the functional pillars is performed by each of the subject area governance bodies in conformance with enterprise standards set by the tier-two governance committee.

This is a point solution. To be effective, enterprise transactional-level data needs to be loaded in the enterprise data warehouse (EDW). All major areas will abandon data marts and manage their lines of business utilizing the EDW.

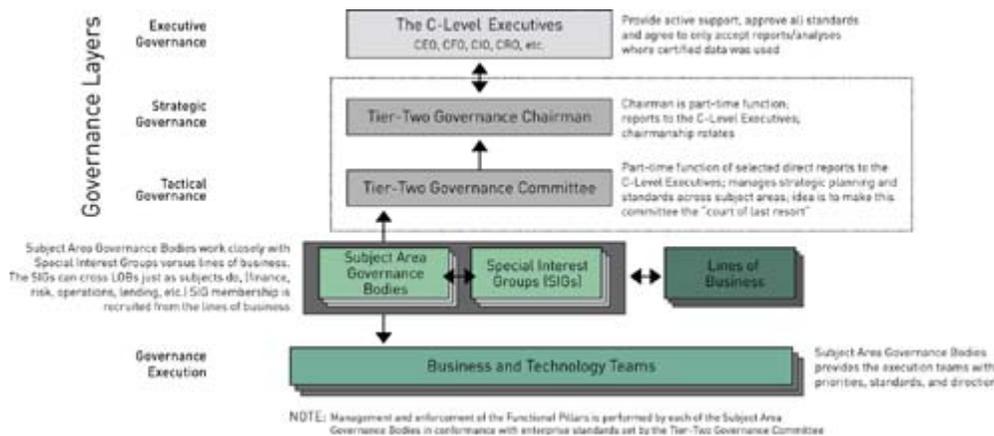


Figure 7: Centralized Management by Subject Matter Model

The Centralized Governance Council Model

Under this model, a centralized governance council is created with a rotating chairmanship. As seen in Figure 8, the council membership is formed from the lines of business (which, again, will include areas such as marketing, credit, finance, audit, etc.). The functional pillar managers along with the managers of the governance tools (e.g., the data supermarket, services center) report into the governance council chairman and work to support the integrated business and technology teams.

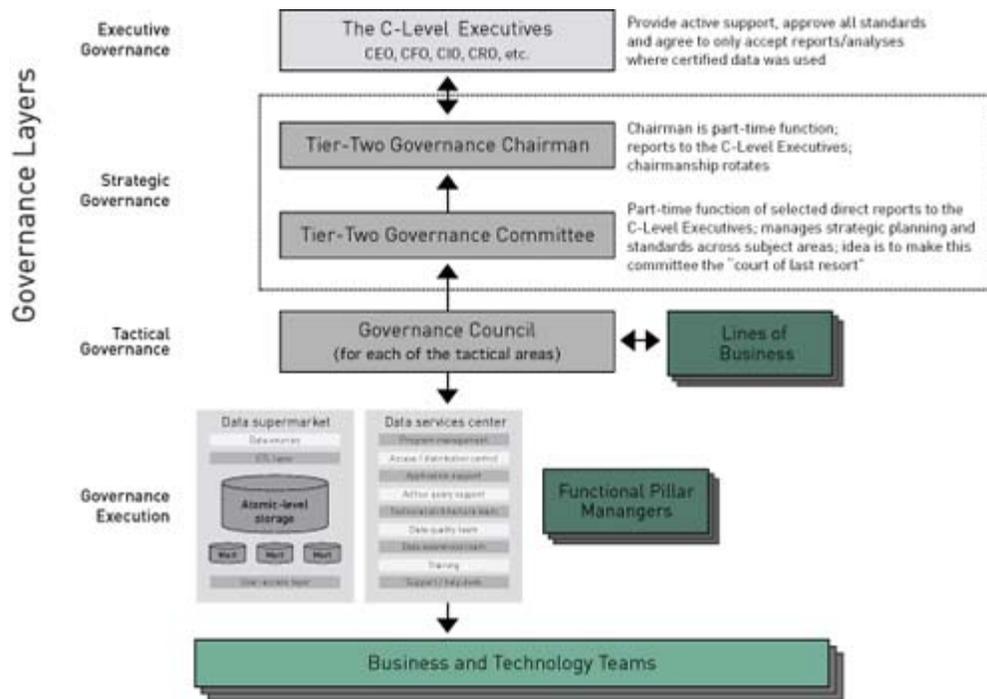


Figure 8: Centralized Governance Council Model

Ensuring Alignment

Establishing a governance function and organization is critical if executive management wishes to ensure tight alignment with corporate and strategic initiatives. This is also critical when the institution sees a need to make large investments in technology. Having direct, organizational accountability via a strong and flexible governance organization is a major asset, ensuring that integrated business and technology teams deliver on the corporate and strategic initiatives of growth and profitability.

SOURCE: [The Many Moving Parts of Governance](#)



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Duffie is a Senior Principal for Financial Services at [Knightsbridge Solutions](#). With more than 30 years of experience in financial institutions as both a banker and consultant, he has been involved with leading-edge developments within the industry, including the creation of the automated clearinghouse, the debit card, in-home transaction services, co-branded credit cards, electronic payment networks, financial advisory/planning services and integrated customer data warehouses.

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