DELIVERING BUSINESS VALUE THROUGH

ENTERPRISE DATA MANAGEMENT

BearingPoint®

Management & Technology Consultants

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IN THIS POINT OF VIEW:

Dramatic growth has created more complex global financial institutions, many of which are supported by fragmented organizations, processes, technologies and applications. Faced with increased regulation and greater customer demands, financial services companies must exert tighter control over the accuracy of data to support effective business management properly. BearingPoint believes that implementing an enterprise data management framework can help financial services firms harness the power of data to comply with regulators, offer new products, increase transaction volumes and enhance customer service.

## INTRODUCTION: A NEW PATH TO DATA ACCURACY AND CONSISTENCY

The financial services landscape has changed dramatically over the past decade. The world's financial services companies have experienced robust growth, with customer numbers, product offerings and profits expanding. Regulators have increased scrutiny over the industry in response to control failures. New technologies have begun providing more timely access to data, fueling demand for more frequent, more accurate information. To add complexity, these information demands are often at the enterprise level.

To address these diverse requirements efficiently and keep the business running, institutions need more robust, enterprisewide data management infrastructures that address organizational and governance requirements, policies and procedures, processes, and technology components. Unfortunately, many of the data management infrastructures now in use were established to meet the needs of smaller operations—much smaller than these organizations have become today. More and more financial services companies are grappling with myriad data management organizations, processes and platforms—some of them internal legacy artifacts, others brought along with acquired companies (Figure 1).

Timely, consistent and accurate data can provide a competitive advantage for financial services institutions. Financial services executives realize that they need better control over their data management infrastructure and financial assets in order to meet

FIGURE 1.
MISALIGNMENT OF ENTERPRISE INFORMATION DEMANDS WITH FRAGMENTED SYSTEMS AND THE DATA ENVIRONMENT
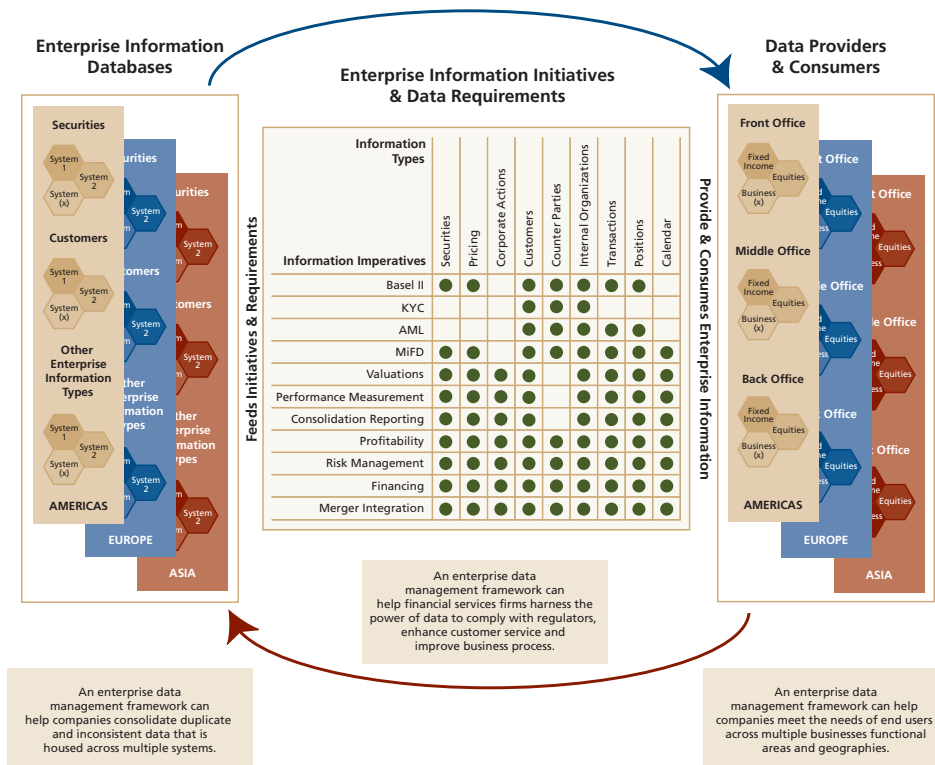
Financial services executives realize that they need better control over their data management infrastructure and financial assets in order to meet regulatory requirements for transparency and to position themselves as market leaders. To address and benefit from shifting customer and regulatory demands, they need an enterprisewide view of information.

regulatory requirements for transparency and to position themselves as market leaders. To address and benefit from shifting customer and regulatory demands, they need an enterprisewide view of information. BearingPoint has identified key considerations in implementing an enterprise data management (EDM) approach to produce timely, consistent and accurate data that is vital for the performance of front-, middle- and back-office functions.

The Value of EDM: An Enabler of Growth and Cost Containment

There is a strong case for EDM investments, provided they align with business priorities and encompass the data management infrastructure components noted above—organization and governance, policies and procedures, processes, and technology. EDM is much more than a technology project. Therefore, demonstrating to senior executives the potential contribution of EDM to achieving business objectives is instrumental in securing executive sponsorship and funding.

From our experience, potential quantifiable EDM benefits include:

- Additional revenue from cross-selling initiatives that are facilitated by consistent client, product and transaction information.

- Increased revenues from quicker product setups.

- Decreased hedge losses because of improved product information and consistent transaction information.

- Reduced client on-boarding costs through the reuse of accurate and consistent client information during profiling.

- Know Your Customer (KYC) suitability.

- Better asset allocation and account opening processes.

- Decreased risk of regulatory fines and one-time cleanup reconciliations through the alignment of internal hierarchies and consistent transaction information.

- Reduced trade failure costs as a result of improved product, counterparty and transaction information.

- Reduced credit losses through the use of consistent client hierarchy and position information.

- Decreased middle-office costs through accurate, timely and consistent account, product, pricing, transaction and position information.

- Lower development costs from the ability to obtain enterprise information from clearly defined, trusted sources.

Quantifiable goals are important to secure business support for EDM investments. Because EDM is a journey, not a destination, establishing a performance measurement process that demonstrates the impact of these investments can be useful in obtaining additional funding for further data management objectives.

THE TRANSITION TO EDM: ADDRESSING THE PAIN POINTS

Financial services institutions do two things: process transactions and manage data. They have made great strides with the former but still have a lot of room for improvement with the latter.

One of the biggest challenges facing financial services firms is capturing the organization's true data landscape:

- What data exists?

- What does the data look like?

- How and when is the data used?

- Who owns the data?

- Who manages the data?

- Where does the data come from?

- Where does the data reside?

For most firms, critical enterprise data resides in various databases in diverse technical environments in an array of formats, managed by siloed groups using nonstandardized processes. At best, this makes it difficult to integrate new and existing organizations, processes and systems to meet enterprise information demands.

When organizations, processes and systems are inherited from a merger or acquisition, the environment becomes even more complex. And the more complex the environment, the more likely the business is to have problems synchronizing like data elements.
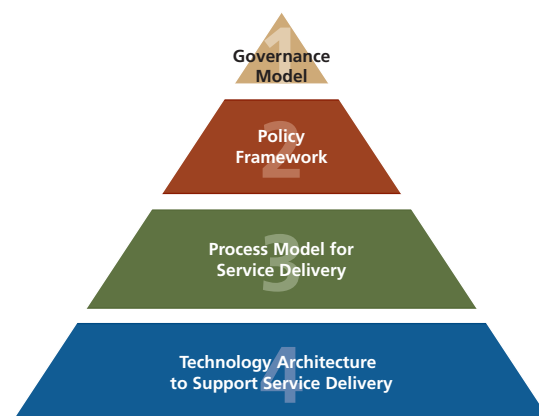
At the core of data consistency issues are the fragmented organizational structures, processes and underlying technologies within business units and across departments within them. Without precise,

Without precise coordinated data, it's nearly impossible to have an enterprisewide, apples-to-apples view of critical information. A domino effect results: Manual data analysis reduces efficiency, which leads to errors and mismatches and produces incorrect transactions and reporting. The result can be the loss of clients and revenue, as well as regulatory fines and operating inefficiencies that increase costs.

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Organizations can overcome these obstacles by implementing an EDM framework to make available timely, consistent and accurate data from trusted sources.

FIGURE 2.
EDM FRAMEWORK

1. Governance Model
2. Policy Framework
3. Process Model for Service Delivery
4. Technology Architecture to Support Service Delivery

A Four-Tiered Approach to Implementing the EDM Framework

EDM facilitates data consistency across the organization, helping a firm meet the needs of its various stakeholders. Using EDM to achieve consistency is not merely a data consolidation effort. Rather, it requires implementing a leading-practice approach built on four core disciplines—governance, policy, process and technology (Figure 2)—that align with the components of a firm's EDM infrastructure.

For EDM to be successfully deployed, a firm must first have a robust governance model in place. A governance model establishes the mandate from the company's leadership for standards and controls, which will be enforced throughout the data life cycle.

Central to effective governance is a senior executive—ideally a chief data officer or other C-level executive closely aligned with the chief information officer or chief operating officer—who is responsible for making the EDM framework an integral part of the organization's mind-set. Expanding adoption of EDM may, in fact, serve as a catalyst for the chief data officer concept to gain traction in the executive suite.

The EDM governance component helps define clear and consistent objectives for data creation, acquisition, cleansing, persistence and dissemination. Throughout that process chain, well-defined roles and responsibilities are essential, along with a comprehensive policy framework. A policy framework establishes rigorous guidelines, including standard data nomenclature and definitions, as well as the assignment of data ownership, maintenance and accountability.

Once the organization's governance structure and policy framework are in place, the focus can shift to establishing and improving processes to support data quality. A process model defines how the policy framework is implemented on a day-to-day basis from a procedural perspective. An effective EDM solution process model includes these core components (Figure 3):

- **Acquisition**—Owners of each data class must define the trusted internal or external sources of information brought into the EDM framework. Once the trusted sources of data are identified, the organization should implement automated feeds to improve the timeliness of data acquisition and delivery.

- **Transformation**—Transformation requires taking disparate sources of data and standardizing them in a way that can be used by all business applications.

- **Validation and exception handling**—The validation process fits acquired data into the firm's specific parameters. This process also identifies discrepancies and exceptions and cleanses the data before transmittal to business applications.

- **Golden copies of enterprise data**—A golden copy of data serves as the trusted source of information for business applications, whether it's securities information, customer data, an

FIGURE 3.
LEADING-PRACTICE APPROACH TO EDM

Enterprise Data Solution
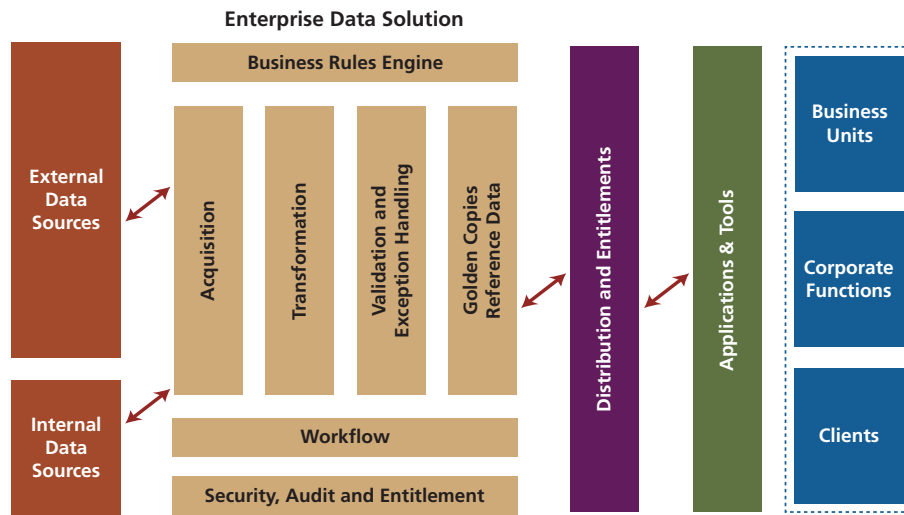
internal account hierarchy, or transactions and positions. It is possible to have a distributed golden copy across several data stores as long as the trusted source for each type of enterprise information is clearly defined.

- **Workflow**—Defining workflow helps the organization understand where a transaction—establishing a new client account, for example—or piece of data fits in the overall EDM process.

- **Security, audit and entitlement**—Effective security and audit processes provide tight controls over how the firm's information can be accessed, distributed and manipulated. They also provide greater visibility of transactions, such as where and when they originated. Because not every user requires the same access to a particular data set, managing data entitlement sees to it that users view only the portion of data needed for their specific role.

These steps in the process model help eliminate the complexity and fragmentation of data before it is made available for use in business applications. Once these steps are completed, the EDM framework offers powerful distribution methods that allow for real-time, anytime access to enterprise data for such applications as a Basel II credit engine, a KYC engine, a profit and loss calculator, or a customer relationship management system.

Historically, technology constraints have contributed to the siloed nature of financial services data management. However, new technologies and the realization of service-oriented architecture (SOA) principles are supporting both centralized and federated approaches to EDM. Firms now have the opportunity to eliminate myriad point-to-point, data store-to-business application connections and data store-to-data store connections. Improvements in existing data management technologies and maturing data management toolsets are supporting the migration to a hub-and-spoke model for information management:

- **Architectural separation of application functionality and data** facilitates the establishment of a consistent data infrastructure to fuel many business applications and eliminate redundant, potentially conflicting data sources.

- **Improved performance of relational databases** increases scalability and responsiveness of data management.

- **More mature extract, transfer and load tools** support the real-time acquisition and distribution of information.

- **Emergence of enterprise information integration tools** facilitates the creation of federated data stores aligned with a normalized data structure.

- **More-sophisticated data modeling tools** support the creation of normalized data structures.

- **Automated data quality tools** perform automated exception identification and remediation to cleanse data prior to storage and distribution to business applications.

- **Improved technologies for managing unstructured content** support search and usage of unstructured content, such as Google, Extensible Markup Language (XML) overlays and really simple syndication (RSS).

- **Integration of business process management tools** facilitates workflow and provides transparency of data management processes to improve performance measurement.

- **Commercial off-the-shelf solutions** represent the evolution of vendor packages to offerings with structural and process-based approaches for acquiring, validating, normalizing, storing and distributing categories of enterprise data.

Data management professionals must continuously improve EDM platforms to support business demands for cleaner, timelier information. Therefore, it is important to stay abreast of technology trends.

TAPPING EDM TO MANAGE ENTERPRISE DATA AND PREPARE FOR GROWTH

In today's environment, a financial services organization must tightly control its data. As the financial services industry experiences more consolidation and increasing oversight from regulators, the need to have clear, enterprisewide data insight grows more critical. By implementing EDM practices, financial services companies will strengthen their ability to address regulatory requirements, attain market leadership and ride the next wave of growth.

Financial services institutions can measure their progress toward an effective EDM framework by comparing their goals and operations to leading governance, policy, process and technology practices. An assessment such as BearingPoint's IM Quickscan® methodology can identify strengths and areas requiring improvement, facilitating the creation of a business case and road map for improving EDM and achieving higher return on investment.

To learn more about how our solutions can empower your company, Let's Talk.

ABOUT THE AUTHORS

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MANAGEMENT AND TECHNOLOGY CONSULTING FOR TODAY'S BUSINESS ENVIRONMENT

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