BOARDS AND DATA GOVERNANCE:
Is Your Data an Asset or Liability?

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As the single most important '*enabler of insight*', boards of directors and advisory boards are reliant on quality data for strategic planning and decision-making. An organisation's definition of Data and its Data Framework are at the heart of all digital transformation. For these reasons, together with the legal and regulatory compliance requirements around the handling and storage of data, the need for meaningful DATA GOVERNANCE has intensified.

Data comprises **between 20-25% of an organisation's enterprise value**[1] on average, placing it among the most important asset classes across companies of every type. Data has become a critical (albeit intangible) asset to be managed, touching all aspects of the business (People, Processes, Sustainability and Technology). Therefore, when unmanaged or mismanaged, it significantly increases an organisation's risk potential. In fact, KPMG has flagged taking a holistic approach to data governance – the processes and protocols in place around the integrity, protection, availability and use of data – as a key issue on Board Agendas for 2021 (and years to come).

Where do Boards currently stand regarding Data Governance strategies?
Companies are struggling to make progress on managing data as an asset and forging a data culture within their organisations. Only 29.2% report achieving transformational business outcomes, and just 30% claim to have developed a well-articulated data strategy.[2]

A McKinsey global survey of 800 executives suggests a disruptive period of workplace changes lies ahead due to the acceleration of automation, digitalisation and other trends. When digital (and

[1] Data Governance-Proving Value. CIO Magazine, 29 Apr. 2019
[2] Why Is It So Hard To Become a Data-Driven Company?. Harvard Business Review, 5 Feb. 2021

all the data and information assets that come with it) is at the core of both organisational disruption and value creation, the secret to digitalisation's success is to look beyond organisational structure and align the entire information and technology (I&T) operating model to support a digital business strategy.[3]

**What do Boards need to do to push Digital Transformation agendas forward?**

As stated above, DATA is formally classified as an asset required for decision-making and value creation. Organisations, specifically their governing boards, must recognize and properly understand this. Governance (through board review and strategic inputs) is necessary for building a solid foundation of data assets and managing them as such. Data governance establishes standards, accountabilities and responsibilities. Plus, it ensures that data and information usage achieve maximum value. This mitigates risks and manages the cost of information handling in a sustainable manner, which is generally achieved by monitoring and enforcing compliance with regulatory policies for data management and usage.

Technology landscapes and architectures within businesses determine the volumes, types and repositories of data generation and storage, but ownership of data rests with functional leaders and their teams. These two areas of responsibilities are critical integration points for ensuring overall data health and ensuring data governance and strategy management are considered fully in the enterprise Operating Model and Board Governance. Indeed, good plans and/or roadmaps for digital transformation provide clear assignments of business leaders' data governance responsibilities across the enterprise.

Insights derived from data substantially increase (or decrease) the value of that data. Boards should expect a robust data governance framework from their leadership teams, insisting on data value assessments. These clearly identify what data is being collected, how it is being collected and in what manner it will be used.

[3] What 800 Executives envision for the post pandemic workforce. McKinsey, Sept. 2020

Strategic importance of Data Value Formula[4]
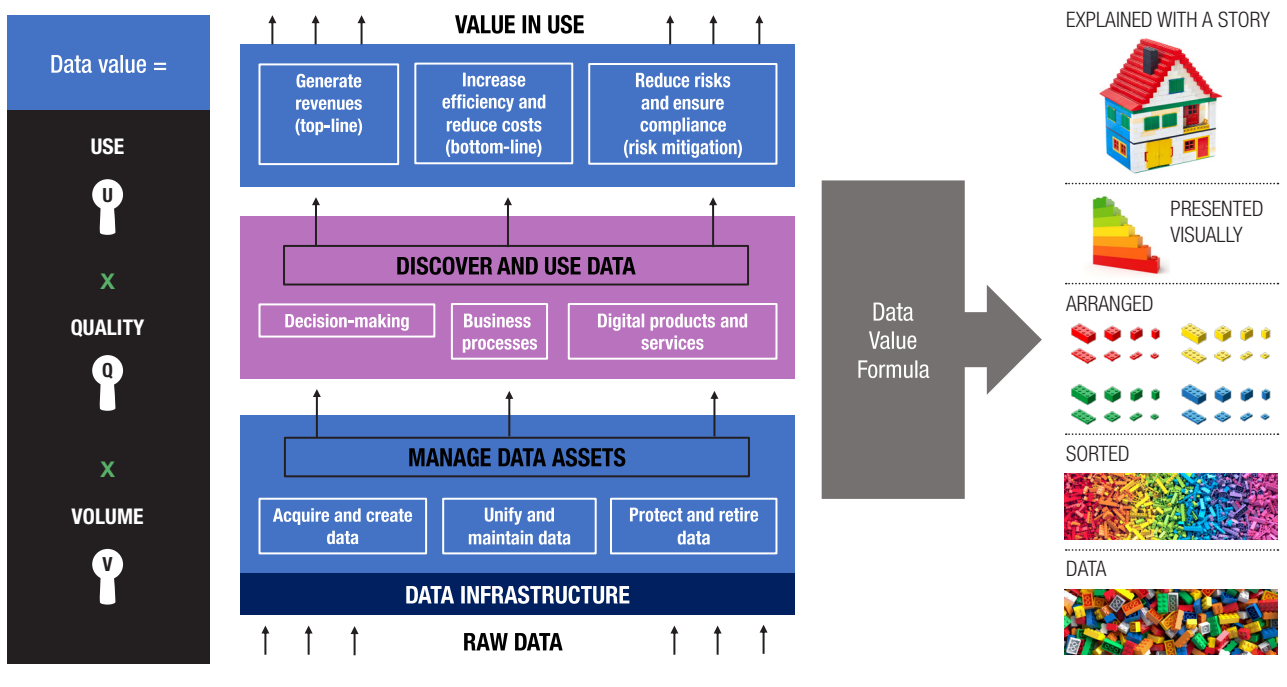
[4] The Data Value Formula (source for 1st image only)

Understanding the Value from Data Monetisation

One key problem that arises when businesses think about their data and how to store, govern and process it is that they see data as a cost rather than an investment. That is, they become overwhelmed by storage, organisation and security issues or perspectives rather than focusing on the value to be derived from the data their business collects and holds (i.e. insights for marketing and sales campaigns, records mapping stock flows and inventories, or trend data on payment habits and delinquency, etc.). Ideally, businesses – with board guidance – would cease to view their data assets primarily through the lens of processes and frameworks and begin to look at what data (information) impacts and generates revenues and how the company should operate to get the most out of that data to promote business growth.[5]

Coupling Data Governance with Digital Transformation

As businesses begin to set up their digital transformation strategies, with the guidance and support of their boards, it is important to design for scalability and uncertainty. They should assume their organisation will be dependent on an ever-changing ecosystem; one where agility, security and resiliency are imperative in a Cloud- and Internet of Things (IoT)-dominated environment. A board – through its committee structure – should assign and coordinate oversight responsibility for both the business' cybersecurity and data governance frameworks. This includes everything from privacy and ethics to hygiene.

Likewise, boards should be asking questions and encouraging debate on digital transformation processes. It is worthwhile to consider what committee structures might facilitate or expedite transition, i.e., whether a finance, technology, risk, sustainability or other committee would improve the board's effectiveness. Boards should also assess whether risks can be reallocated among committees, and whether committees have directors with the necessary skills to oversee the risks their committees have been assigned. One way to support this process is to engage a board advisor(s) to help guide the Board and the Corporate Leadership team in identifying the data governance structure most relevant to the business. Together, they can identify areas for value creation through initial "quick wins". This includes adoption of new policies that will streamline daily operations, resulting in cost reductions and revenue growth.

Ultimately, digital transformation is a journey, not a sprint. It requires Board leadership and support to be successful.

Boards' and Executive Leadership's Awareness of the Need to Improve Data Governance: An Informative Case

A few years back, **Harvard Business Review** published findings from a study on how aware organisations are of the quality of their data. This research done by professors at the University of Cork in Ireland reported that only 3% of companies' data meets basic quality standards. In their exercise, they recommended that businesses pull down roughly 100 records to which they assign 10-15 critical attributes and then review those 100 documents for errors or incompleteness. This exercise which they called their *Friday Afternoon Measurement* programme delivered a percentage of "quality data" based on the number of records executive programme participants could find with absolutely no errors (e.g. 20 error-free documents meant 20% quality data). Most executives admitted to being shocked by the low levels of quality data, claiming not having been aware of the dire situation in many of their companies. The University of Cork project with executives showed that 47% of new data entries (on average) have at least one critical (e.g. work impacting) error. One-quarter of scores in the group assessed were below 30% and half were below 57%. After a thorough review, only 3% of all data record sets could be marked "acceptable". Additionally, variations in how data sets/records were assessed varied greatly, with scores ranging anywhere from 0% to 99%. This demonstrates a lack of fixed standards for data quality assessment. The article goes on to assess the cost of bad data quality and what it means to a business. Working through an example, based on the rule of ten, the research done by the executives shows that 100 tasks with a cost of 1 USD, when using quality data, would have a cost of 100 USD total. Alternatively, if you have, for example, 89 quality data records and 11 poor quality records, your cost suddenly increases to 199 USD (assuming poor data costs ten times as much to manage as good data). That's a significant difference. The article concludes by noting that operating with bad data should be a wake-up call for boards and company executives: "*These results should scare all managers everywhere. Even if you don't care about data per se, you still must do your work effectively and efficiently. Bad data is a lens into bad work, and*

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[5] The Data Value Formula: Three Key to Unlock Your Data's Full Potential, CDQ Competence Center / HEC Lausanne, Dec. 2020

our results provide powerful evidence that most data is bad. Unless you have strong evidence to the contrary, managers must conclude that bad data is adversely affecting their work."[6]

Summary

It is time for Boards to understand whether the data within their companies is enhancing or hindering the organisation's enterprise value. To give an example, when people are at the core of EVERY decision an organisation takes, it is critical to consider how much data influences processes and their outcomes. Since, as stated earlier, data comprises between 20-25% of an organisation's enterprise value on average, and unmanaged or mismanaged data significantly increases an organisation's risk potential, why would any organisation undertake a digital transformation initiative without proper data governance? This is a question that merits a good deal of thought, both across boards and executive leadership teams, and we close this article by sharing the linked strategy assessment from **Harvard Business School** to guide you in your continued deliberations on data governance and digital transformation.

[6] Only 3% of Companies' Data Meets Basic Quality Standards, Harvard Business Review, 11 Sept. 2017

Digital Transformation Lexicon – Key Terms Every Board Should Know

Term	Definition
AI (Artificial Intelligence)	The study of how to produce machines that have some of the qualities that the human mind has, such as the ability to understand language, recognize pictures, solve problems and learn
Automation and **Machine Learning**	The process of computers changing the way these devices carry out tasks by learning from new data, without a human being needing to give instructions in the form of a programme
Cloud Computing	The use of services, computer programs, etc. that are on the internet rather than ones that you buy and put on your computer
Data	Information, especially facts or numbers, collected to be examined, considered and used to help decision-making; or information in an electronic form that can be stored and used by a computer (the raw materials from which information is derived)
Digital Transformation	Requires adoption of digital technology and cultural change
Digitalisation	A strategy or process that goes beyond the implementation of technology to imply a deeper, core change to the entire business model and the evolution of work.
Intelligent Automation (IA)	Intelligent automation, sometimes also called cognitive automation, is the use of automation technologies – artificial intelligence (AI), business process management (BPM) and robotic process automation (RPA) – to streamline and scale decision-making across organisations. Intelligent automation simplifies processes, frees up resources and improves operational efficiencies, and it has a variety of applications.
IOT	Objects with computing devices in them that are able to connect to each other and exchange data using the internet