SAP Thought Leadership Paper
Information Governance

Making Information Governance a Reality for Your Organization

Maximize the Value of Enterprise Information

The Best-Run Businesses Run SAP™

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Enterprise information underpins all business operations and decisions, and without good information, opportunities to seize competitive advantage are missed. But managing information is no simple task, especially as it explodes in volume and variety. Best-run organizations view information as a strategic asset and use information governance initiatives to deliver consistent, accurate information across the enterprise.

Technology and business process advances in recent years have led to an information explosion. This information comes from internal sources such as business process applications, productivity suites mainly containing "unstructured" content such as e-mails or documents, and external sources including social media. Enterprise information is growing at an unprecedented rate – as are the prospects to exploit it for competitive advantage. Best-run companies know that those who can seize the potential of enterprise information will have the edge in effectiveness, innovation, and profitability. It is certainly no secret that managing information well is critical for business success. According to a Forbes Insight survey of over 200 business and IT leaders, 95% of organizations agree that strong information management is critically important. The survey also found that fragmented data ownership is a common and significant roadblock to enterprise information management programs.[1]

Reliable, accurate information forms the foundation for making sound decisions quickly and taking advantage of opportunities. Without it, businesses may move too slowly to enter promising markets, lose sales due to dissatisfied customers, or run afoul of regulations.

To avoid these pitfalls, companies need a better way of managing information to improve business effectiveness and reduce risk. Information governance initiatives can provide trusted, secure, high-quality information to support business operations, growth, and innovation by addressing data ownership fragmentation. Information governance initiatives provide a disciplined framework for organizations to establish the right people, processes, policies, and metrics to oversee enterprise information and add value to the business.

Many organizations have taken an ad hoc approach to information governance, with poor documentation of policies and rules, lack of consistent processes across the organization, and an inability to monitor progress. In the past, technological solutions for managing information often failed to give line-of-business owners self-service access to their own information to analyze and improve it. Recent innovations, however, provide a better way for businesses to govern information. User-friendly interfaces automate the ability to measure, monitor, and enforce information policies and standards across heterogeneous systems – enabling lines of business to take control of and responsibility for their own information.

The Importance of Information Governance

Information-related problems can cost companies like yours millions of dollars – most companies report losing more than $5 million annually, and one-fifth of companies estimate losses in excess of $20 million per year, according to the Forbes Insight survey mentioned earlier. Information issues often are caused by insufficient ownership of data by lines of business, inadequate governance practices, lack of technological support, insufficient executive involvement, and lack of collaboration between the business and IT.

Leading organizations have dramatically increased their focus on information governance as a discipline to support enterprise information management projects such as master-data management, data quality management, and data integration projects. Business issues that highlight the need for information governance include data quality, financial restatements, regulatory compliance, customer relations, and business process gaps.

INFORMATION QUALITY

Information quality is a primary concern for information governance initiatives. Poor-quality information – such as missing customer contact information or multiple product IDs for the same item in different systems – can proliferate throughout the operational landscape and have far-reaching consequences. Information issues can spread quickly within and across applications, throughout the systems that facilitate virtually all critical business operations.

The effects of poor-quality information are not limited within company walls. Business users outside your organization such as customers and suppliers often have self-service access to the organization's systems. This fosters customer loyalty, improves supplier relationships, and reduces costs – but it also exposes internal process issues and information flaws.

Simply put, businesses need good information to run well. But by the time information quality issues come to the fore, the problem is often widespread. For example, in mergers and acquisitions, combining company information often results in duplicate customer name and address information. This duplication may lead to poor customer service, ineffective marketing campaigns, and missed sales opportunities.

FINANCIAL RESTATEMENTS

Financial restatements can affect company reputation, negatively impact the stock price, and result in regulatory fines. Most restatements are caused by invalid or missing operational or financial information. Government regulations in this area directly affect internal controls on organizational processes and reporting practices, adding complexity to the situation. Restatements divert management and employee attention, time, and energy.

REGULATORY COMPLIANCE

Managing compliance is crucial. Reports to stakeholders must be precise and timely. Information must be kept as long as retention laws mandate. Businesses must support enterprise-wide compliance with standards including International Financial Reporting Standards (IFRS), the Sarbanes-Oxley Act, and generally accepted accounting principles (GAAP). Manual and homegrown approaches, such as the use of spreadsheets or legacy applications, are not up to the task of facilitating compliance. There is simply too much information to govern, the speed of business is too fast, and manual processes inevitably lead to errors, duplication, and wasted efforts.

CUSTOMER RELATIONS

Acquiring, retaining, and servicing customers form the backbone of success for any company. But information redundancies and errors can stymie sales and marketing efforts and lead to reduced sales effectiveness, high marketing costs, unreliable analysis, and service issues such as out-of-stock items, invoice errors, and excessive call center queries.

BUSINESS PROCESS GAPS

Inefficient processes caused by incorrect or redundant information not only add costs but also can affect customer relationships and hamper the ability to seize business opportunities. For example, an incorrect price in your systems will cause a billing error, resulting in a collection process and the lack of timely payment. In the end, you have to provide a cash discount, and the customer will have an unsatisfactory experience. With accurate information, you can reduce such occurrences and improve productivity, reduce operational costs, and adapt to changing market conditions.

Building the Business Case for Information Governance

In many cases, companies can turn business process failures into opportunities to jump-start information governance efforts. You can begin by addressing the specific financial impacts of information issues and identifying compliance problems, which are easy to measure by regulatory fines levied.

For example, consider a situation where bad information has compromised business processes critical to shipping activities, resulting in failure to deliver product and the associated financial loss. The discovery of this acute issue can be the impetus for launching an information governance program, including support for ongoing resource assignment and a data road map.

During a business process reengineering with an enterprise resource planning (ERP) solution, a company might discover that too many employees are involved in maintaining master data, leading to inefficiency and errors. In such a case, centralizing master-data maintenance and reducing the number of employees responsible for information can result in optimized business processes, reduced risk, and better decision making.

An organization with many regional offices or franchises can implement a governance initiative to align information elements across the enterprise and enforce consistent rules and practices. The resulting improvement in information quality can create a considerable return on investment for the business.

With a solid information management and governance strategy, you can involve key stakeholders in defining information parameters – for example, establishing what constitutes valid point-of-sale data. By enlisting people who are most familiar with the information, along with business-process-engineering experts, you can come to agreement on how specific types of information should flow through the enterprise. This helps align and improve information across the organization, building effectiveness and profitability.

Information governance initiatives provide a disciplined framework for organizations **to establish the right people, processes, policies, and metrics** to oversee enterprise information and add value to the business.

Steps to Implementing Initiatives

While there is no single route to establishing an information governance practice, certain steps are key to successful initiatives.

UNDERSTAND WHY INFORMATION GOVERNANCE MATTERS TO YOU

First off, you need to recognize why information governance is important to your success and identify information issues in the organization. As discussed above, the most common issues are poor information quality, financial restatements, compliance issues, customer issues, and business process gaps.

INVOLVE THE RIGHT PEOPLE

Successful information governance initiatives have positive effects throughout the company and involve stakeholders from various departments and roles. This is true for strategic IT initiatives, such as cloud implementations, and for strategic business initiatives including business intelligence implementations, expense reductions, and mergers and acquisitions.

Executive sponsorship for cross-organizational alignment and funding is critical for success. You need to target executives with the most to gain from well-managed information and start the conversation by discussing specific business issues. In addition to executive support, you'll need a knowledgeable team with line-of-business representatives from marketing, sales, supply chain, finance, manufacturing, IT, and so on. The governance team establishes policies, processes, definitions, standards, and metrics with the most effective key performance indicators.

You need subject-matter experts in the relevant business processes, and process owners who can create and update critical, shared strategic information. Line-of-business owners help define the accuracy and usefulness of information in meeting business goals. You also need to include people who are well versed in internal auditing, risk management, and compliance and privacy issues – especially if your information governance initiative is tied to legal requirements.

IT involvement is crucial for successful initiatives, with several key roles including data architects, data modelers, and database analysts. Data architects ensure the various elements of the data management strategy and solutions come together, including databases, tools, and other technologies. Data modelers work with data stewards and data architects, translating business definitions and taxonomy into logical and physical IT models. Database analysts translate data models into physical layouts in databases and implement and oversee database changes and operations.

Information stewards, an emerging role in many organizations, drive information ownership and accountability policies. Ideal stewards are people who best understand the information and its value to the business; they are not (usually) programmers or part of the IT department. Information stewards monitor data fitness across the enterprise to improve the overall quality of information.

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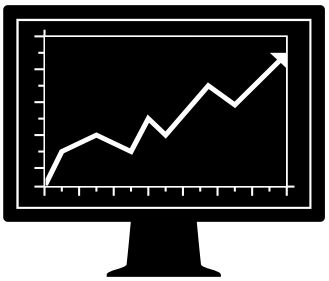


DEFINE INFORMATION POLICIES AND PROCEDURES

A comprehensive information governance program must address the policies needed for all information, including both structured and unstructured types.

Policies encompass security, responsibilities, and ownership; legal obligations; information quality and lifecycle; and interactions with the governance team. Procedures ensure that policies are enforced to drive data quality and information lifecycle management. For example, a policy concerning customer master data could mandate a minimum number of information quality checks, audit trails, and multistep approval processes. Another policy could define the minimum amount of time that financial information must be retained before it expires.

While many organizations understand the value of high-quality information for running their business applications, the need to harness the unstructured content that now floods into most organizations within a business process is often not recognized. As they standardize and streamline core business processes such as contract management, maintenance management, project management, and quality management, these organizations must connect processes and unstructured content and also manage this content more effectively.

Integrated content management avoids siloed governance for unstructured and structured content, ensuring efficient and high-quality business process execution. The applications that most organizations use for enterprise resource planning, customer relationship management, and supply chain management are typically designed to manage structured, transactional information such as addresses, customer numbers, and order numbers. With integrated enterprise content management, you can effectively govern and support document and records management, collaboration, archiving, scanning, and information retrieval.

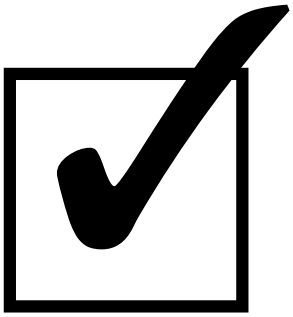
IDENTIFY PROCESSES AND SYSTEMS THAT CREATE AND UPDATE INFORMATION

It is essential to identify and manage information creation, updating, and deletion processes, as well as the transfer of data from one system or application to another. Governance policies and processes must be aligned with corresponding business processes to support overall strategic goals. For example, sales and marketing processes are aligned with policies governing customer information. Supply chain processes are aligned with governance polices for data entities related to suppliers and materials information.

MONITOR COMPLIANCE AND ESTABLISH REMEDIATION PROCESSES

Monitoring and remediation drive compliance and business change. Information stewards identify areas that may require business change and perform root cause analysis. The core governance team collects and prioritizes incidents of breaches in policy and procedures, and it works with information stewards to investigate and propose possible solutions. Compliance and remediation activities include end-user training; process automation, creation, and modification; and new solution implementation.

SAP solutions for enterprise information management deliver a comprehensive, integrated way to **automate and enforce information governance policies and standards,** providing the reporting and analysis that your company needs to monitor effectiveness.



Support and Automate Governance of Your Information

Information governance initiatives support strategic business goals by providing trusted, consistent, and secure data – and software solutions are essential to achieving these goals. Solutions supporting governance must provide a range of functionality including information stewardship, data integration and quality management, master-data management, workflow and rules management, enterprise content management, information lifecycle management, and business intelligence.

SAP® solutions for enterprise information management deliver a comprehensive, integrated way for you to automate and enforce information governance policies and standards, providing the reporting and analysis that your company needs to monitor effectiveness. With SAP solutions, you can empower the business to own and manage its information with intuitive solutions for better information stewardship. You can govern information in the business process to optimize operational performance and help ensure compliance. And you can establish trust in structured and unstructured information by helping ensure information quality throughout its lifecycle.

The SAP solutions facilitate information governance initiatives and drive performance and efficiency. For example, the solutions help provide trusted information to optimize supplier relationships by improving purchasing and reducing cost of goods sold. Warehouses can use higher-quality bar-code data to speed shipping. Power plant operators can use carbon input data to facilitate compliance. Distributors can use geospatial data to improve delivery routes and timing. SAP solutions for enterprise information management include the following.

The SAP BusinessObjects™ Information Steward software empowers business users throughout the organization to assess data quality, understand the lineage and impact of data across systems, and define business definitions for information. It enables them to create rules to cleanse information and use dashboards to continuously measure and monitor data quality.

The SAP BusinessObjects Data Services software provides an information management foundation for moving, improving, governing, and unlocking the value of enterprise information from structured and unstructured sources. The software includes functionality for extract, transform, and load (ETL); data quality; data profiling; metadata management; and text analytics. SAP provides embedded data quality functionality for SAP Business Suite software and third-party applications so that you can enforce governance policies in the business process.

The SAP NetWeaver® Master Data Management component provides an open solution that supports the consolidation and syndication of master data from any data source and type, such as customer, product, material, or employee.

The SAP Master Data Governance application centralizes the creation and management of customer, material, supplier, and financial master data for your SAP Business Suite software.

The SAP NetWeaver Information Lifecycle Management component enables you to set retention rules and retain business records for different periods of time according to policy or legal requirements. This holds true for structured and unstructured content, for live and legacy systems, and for SAP and non-SAP solutions. You also can collect and preserve records related to ongoing legal cases.

The SAP Extended Enterprise Content Management application by OpenText allows you to efficiently manage unstructured information (such as e-mail attachments and word processing documents) along with structured information (such as application data) in the context of business processes.

The SAP HANA™ platform enables high-performance in-memory computing that gives your enterprise the ability to instantly explore and analyze huge volumes of data in real time. "Big data" analytics requires that you deliver trusted information that is effectively governed.

The SAP NetWeaver Process Orchestration software provides IT organizations with a framework of tools to design, model, implement, run, monitor, operate, and improve business processes flexibly throughout their lifecycle.

The SAP BusinessObjects Business Intelligence suite gives people in roles throughout the company self-service access to relevant information. Business users can make better decisions based on fact-based, quality information, regardless of where the data resides.

YOUR NEXT MOVE

A good way to start is with a reasonably sized project that suits your information needs and your budgetary constraints. You can implement the project and track metrics to demonstrate your success. Then, with buy-in from people from C-level executives to line-of-business managers, you can expand governance initiatives throughout the enterprise.

LEARN MORE

In today's information-saturated environment, businesses need to maximize the value of enterprise information to improve efficiency and effectiveness. But managing information and processes across interconnected applications and systems is a complex endeavor.

With information governance initiatives supported by SAP® solutions, you can make the most of your enterprise information, empower people across the business with information access and ownership, improve information transparency, and enable collaboration. You can help ensure compliance with retention laws and regulations. You can govern information in process to monitor and optimize quality and consistency. You can improve information quality and gain rich business insights through the power of trusted enterprise information and help ensure quality and consistency throughout the data lifecycle.

To learn more about how SAP solutions for enterprise information management can support your governance initiatives, contact your SAP representative or visit us online at www.sap.com/eim.

FOOTNOTE

1. "Managing Information in the Enterprise: Perspectives for Business Leaders," Forbes Insight survey, 2010.

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