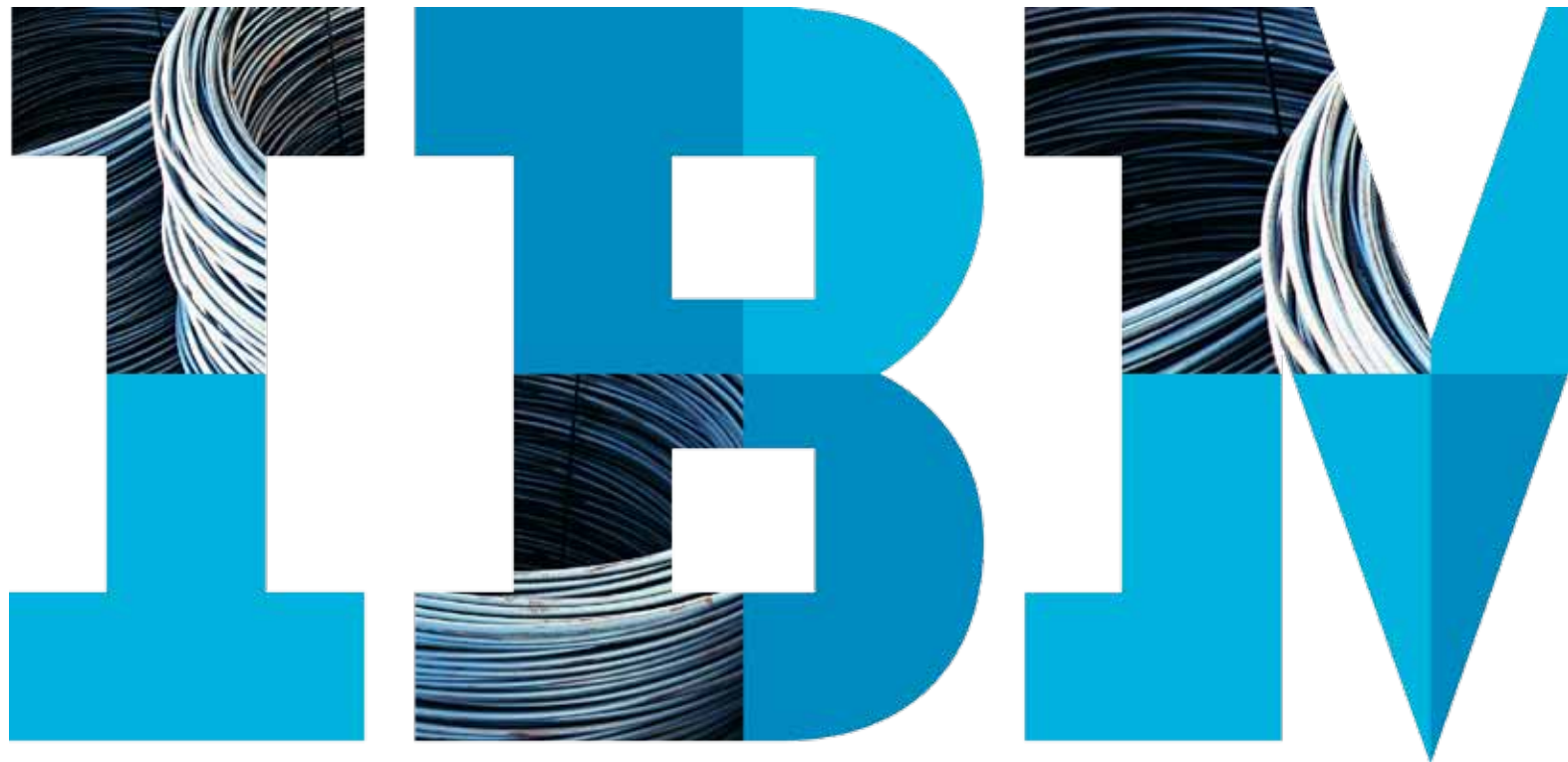# Master data management vision and value: Part 2

Determine the business value of MDM

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Introduction

Why should business executives care about master data management (MDM)? What value does MDM bring to the organization? How does it support the enterprise strategy that is already in place? Who benefits from MDM, and how?

The IBM e-book series, "*MDM vision and value*," explores those issues and provides the on-ramp for an MDM journey that can yield meaningful business results. This installment, "*Determine the business value of MDM*," describes how professionals can build a compelling business case for MDM.

But before we dive in, let's review the fundamental lessons from the prior installment, "*Develop an MDM vision*."

In "*Develop an MDM vision*," you learned that MDM provides a single, consolidated view of the business across departments and across information silos. With a consistent, consolidated view, managers can make smarter decisions than they could ever possibly make with just limited information from a single silo. For example, they can understand their customers better, and determine which product the

"The business case is critical to secure executive management commitment and organizational buy-in."

Larry Dubov,
MDM Product Strategist
IBM Information Management
Mastering Data Management blog entry:
"Building a Business Case for MDM"

customer will want to buy next, where they will go to buy it, and what promotions will drive them to a quick purchase. In fact, MDM optimizes results whenever consistent information is needed across two or more business functions or information silos.

You also learned that MDM drives four main categories of value: growth, agility, spending and compliance. These are the same four categories commonly targeted

for improvement in an organization's mission or strategy statement. In other words, an MDM program can often help an organization achieve its overall strategic goals. And by analyzing your organization's mission statement, you've created a vision that connects the dots between MDM and those strategic goals.

With your MDM vision in mind, let's now turn to the business case.

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Speak the stakeholder language

The first step in building a business case for any initiative is to describe each of the benefits or values that the project will deliver. To make a compelling case, we want to describe those benefits in a way that is meaningful to the project stakeholders.

Let's look at an example. In "*Develop an MDM vision*," we introduced a fictional company involved in a project to become "a 100% customer-centric organization." (.)

We saw that multiple teams could benefit from a single, consolidated view of customer information. Therefore, we determined that the company should include MDM as a component of its strategic solution. The company's MDM vision could be simply stated as, *"We will leverage a single, trusted view of our clients to deliver the products and services they desire, when and how they want to purchase them."*
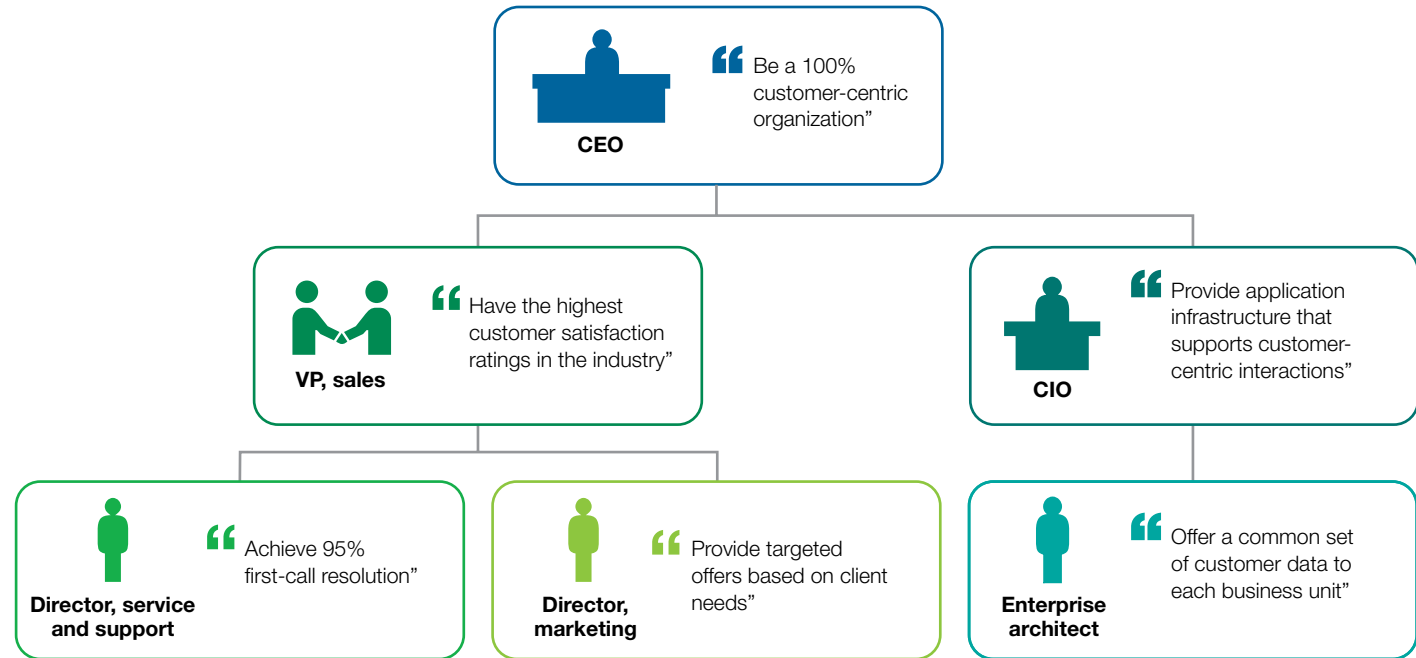
Organizational strategy begins with a broad perspective, with overall direction set at the highest level.

At each subsequent level, strategy is interpreted and refined.

Every team defines its portion of the mission, determines the actions required to fulfill it and documents how it will measure success.

CEO
" Be a 100% customer-centric organization"

VP, sales
" Have the highest customer satisfaction ratings in the industry"

CIO
" Provide application infrastructure that supports customer-centric interactions"

Director, service and support
" Achieve 95% first-call resolution"

Director, marketing
" Provide targeted offers based on client needs"

Enterprise architect
" Offer a common set of customer data to each business unit"

What benefits will the company derive from its MDM "single view of the customer" project? Clearly, each stakeholder group can improve its performance by utilizing a consolidated, consistent and accurate set of customer data in its daily business activities. The list of potential benefits in Table 1 provides a starting point for discussion with the stakeholders.

Note that each of those benefits is described in the terminology of the stakeholder. In particular, the benefits for business stakeholders sound quite different from the benefits for technical stakeholders. Speaking the stakeholder language is a key principle for building effective business cases. You will need

Table 1. Candidate list of benefits for "single view of customer" project

Stakeholder group	Expected benefit	Category
Director, service and support	Accelerate customer on-boarding/new account setup	Agility, spending
	Improve support for opt-in communications and privacy preferences	Compliance
	Reduce duplicate/incorrect mailings	Spending
Director, marketing	Improve effectiveness of lead generation campaigns	Agility, growth
VP, sales	Improve cross-sell/up-sell	Growth
Enterprise architect	Increase support for enterprise computing standards	Agility, spending
	Eliminate duplicate customer records	Spending
	Consolidate redundant customer systems	Spending
Chief information officer	Improve infrastructure "extensibility"	Agility, spending

the stakeholders' active support for your MDM proposal, so you must build benefits statements that map clearly to their work processes, objectives and performance metrics, using terms that are meaningful to them.

The MDM vision that you developed in the first installment will provide the starting point for creating your own list of project benefits. Take a moment to review your notes from the first installment, *"Develop an MDM vision."* As you worked through

the sample questions, you a) identified key stakeholder groups; b) determined which business processes would benefit from a single, consistent view of information; and c) described what good things would happen by deploying the single view. The list of "good things" is now your candidate list of benefits, and you can work with the stakeholders to refine it further.

"While it may be difficult to quantify the cost of bad data, the availability of accurate customer information promises major budget savings. In addition to the financial savings, the project also enables us to provide higher-quality services to all of our customers."

Tony Ellis,
London Borough of Brent,
"Enabling Government Programs to Work More Efficiently," 2010

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Do the math

Next comes the tricky part: doing the math. In this step, you'll assign a metric to each expected benefit, estimate the improvement in that metric resulting from the MDM deployment, calculate the results for each benefit and finally, sum up the numbers to estimate the project's total value.

To determine the right metric for a proposed benefit, you need to understand the stakeholder group's underlying business processes and operating goals. For example, the marketing team needs to generate new sales leads and move them through the sales cycle. Common metrics include number of leads generated, cost per lead and number of days in the sales cycle.

Based on input from the stakeholder groups and a few external information sources, our preliminary business case appears below:

Table 2. Business case for "single view of customer" project

Accelerate customer	Metric	Result
On-boarding/new account setup	Reduce operational expenses by US$25 per account	1,000 accounts * US$25 = US$25,000
Reduce duplicate/incorrect mailings	Cut direct mail costs by 2%	US$1,000,000 * 0.02 = US$20,000
Improve effectiveness of lead generation campaigns	Increase campaign yields by 5%	200 leads per campaign * 12 campaigns per year * 5% improvement = 120 incremental leads per year * US$250 value per lead = US$30,000
Improve cross-sell/up-sell	Increase average deal size by 2%	US$10,000/average deal * 0.02 * 900 deals/year = US$180,000
Eliminate duplicate customer records	Reduce AbiliTec data enrichment subscription by 50,000 records	50,000 records * US$1 per record = US$50,000
Consolidate redundant customer systems	Eliminate 2 of 3 CRM systems across business units	Annual maintenance and operational cost of US$60,000/system = US$120,000 per year
Total estimated benefits, year one		**US$425,000**

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How can you calculate the benefits for your MDM project? First, talk to each stakeholder team to understand which metrics best apply, and work together to estimate how the metrics can be improved once MDM delivers a single, consistent set of data across the organization. Make realistic but conservative estimates and assumptions about improvements, based on your organization's experience and industry best practices. Additional sources of information about metrics and functional best practices include industry associations, IT analysts and technology buyer web portals.

As you quantify your project's benefits, be sure to document your assumptions clearly. Know the source of your metrics, and be prepared to explain your calculations. At some point, someone in the approval chain is likely to challenge your numbers. That's a good sign—it means they understand your MDM vision and want to test it out. If an approver has a better number, by all means, use theirs!

Remember the soft benefits

You might have noticed that our preliminary business case omitted a few items from the original candidate list of benefits. Specifically, we excluded those soft or intangible benefits that can be difficult to quantify:

Table 3. Business case for "single view of customer" project—soft benefits

Expected benefit	Metric	Outcome
Manage opt-in communications and privacy preferences	Mitigates risk of noncompliance; increases customer loyalty	Avoids fines and penalties for noncompliance; supports compliance and governance initiatives already in progress
Increase support for enterprise computing standards	Improves ROI on existing IT investments	Supports Service Oriented Architecture (SOA) project already funded and in progress
Improve infrastructure "extensibility"	Improves ROI on existing IT investments	Supports SOA project already funded and in progress

When reviewing a project proposal, sponsors often give soft benefits less consideration than hard or quantifiable ones. Nevertheless, soft benefits can still play an important role in the project approval process.

As a guideline, you should call out soft or intangible benefits that fall into two categories:

Compliance

Today, organizations have increased their focus on compliance with government mandates and industry guidelines. Governance issues such as financial disclosure and privacy protection are top of mind for many executives. Projects that support, automate or help enforce compliance are often fast-tracked for approval. To strengthen the case for compliance-related benefits, you should include information about potential fines and penalties for noncompliance, and point out any incidents that have occurred in your industry.

Support for existing projects

Once an organization launches a new initiative, they are eager for it to succeed. A good way to gain consideration for a soft benefit is to link it to a major project that is already in flight—especially one that your sponsors favor. In the example presented in Table 3, the IT team states that the "single-view project" will add incremental value to a major technology initiative now underway. Chances are that the CIO will take notice.

Take a look at the business case you've created for your project. Have you missed any soft benefits that could strengthen your proposal?

"The big hammer of government is always a useful way to justify beginning a customer MDM project."

Kelvin A. Looi,
MDM for Customer Data

Conclusion and resources

The last step, of course, is obtaining approval for your proposal. The project approval process varies greatly from one organization to the next. With the simple business case you've just built, you may gain management buy-in to move forward with your MDM initiative—or at least to proceed with a formal project evaluation. Depending on your organization's approach, you may also need to build a more detailed return on investment (ROI) analysis to demonstrate additional financial measures such as payback period, net present value and internal rate of return.

The following sources provide additional information to help you build and justify your business case.

Recommended reading
Master Data Management and Customer Data Integration for a Global Enterprise
By Alex Berson and Larry Dubov, McGraw-Hill Osborne Media; 1 edition (May 24, 2007)
Offers a detailed discussion of MDM business issues, security issues and implementation considerations

Blog series:
"Building a Business Case for MDM"
By Larry Dubov
A useful guide to the many aspects of the MDM business case

MDM for Customer Data
By Kelvin A. Looi, MC Press (November 1, 2009)
A concise, business-oriented primer on MDM concepts

The IBM Data Governance Unified Process: Driving Business Value with IBM Software
By Sunil Soares, MC Press (October 1, 2010)
Describes MDM as it relates to the ever-important issue of data governance

IBM® Master Data Management Solutions: ibm.com/software/data/master-data-management

Thank you for exploring *MDM vision and value*. We at IBM hope that this e-book series has been useful for you, and we wish you success on your MDM journey.

The IBM MDM portfolio delivers a single, unified, trusted version of truth about an organization's critical entities—customer, supplier, product and more. Armed with this single, trusted view, organizations can make better decisions and improve business outcomes— higher revenue, better customer satisfaction, lower cost and risk.

- IBM InfoSphere™ MDM Server
- IBM Initiate® Master Data Service®
- IBM InfoSphere MDM Server for Product Information Management

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