Master data management vision and value: Part 2

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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
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.
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.” (See figure on page 6.)

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

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

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

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

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](http://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.

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