

The “Not so Golden Copy” Age in Data Management or Have We Reached a “Tipping Point” ?

Self Awareness – are we “there” yet ?

So, what is reference data?

“Oh no”, I can hear you mumbling, “not ANOTHER guy defining reference data”.

Relax. We won’t do that here.

Ok, but can we at least agree that we’ve reached a critical tipping point in the maturity, a generalized, common understanding of reference & enterprise data?

Sadly, no.

Practically every panel in every reference data conference (and there seems to be a lot of them) begin with panelists feeling the need to define reference data. Why ? We don’t define risk at risk management conferences or market data at market data conferences. So what is so different and special about reference data and enterprise data that after 5-6 years of discussion, the definition STILL requires constant re-assurance and updating? In the midst of a thousand conferences, vendors, research firms, consultants, pundits and publications writing whitepaper after whitepaper – you might have the impression that our understanding and approach to reference data is stable, mature and consistent. It is NOT.

It IS generally acknowledged that reference data is the next mountain to climb, the large and growing 800 pound gorilla. But while there are many known real issues, there is not yet consensus on “one right answer” to the definition, there is not yet a “best practices” manual, no generalized measuring stick or a “golden” handbook of procedures to rely upon – it’s a moving target, a body-of-knowledge evolving and emerging as new “science”. Ask 10 “professionals” to define data quality, get ... 10 answers. Who knew?

While there are many smart and visionary people working feverishly to solve real problems and help us define our ideal data future, we live in the “now” and no one has THE total answer yet. When we no longer need to define “reference data”, we will have reached a mature golden age of data management and a tipping point will be upon us. Until then, we’re in the “xxxx” age.

Relatives ...

Definition of data management seems to be relative to who is asking. It’s based on perspective. Given the diversity of consumers of data across risk, sales, trading, back office, algorithmic trading, client relationship management, research, portfolio management, etc, AND given data from pricing to security master to client/counterparty to corporate actions to intra-day to historical to fundamental to indices to indicative to source mapping ... the definition of success in data management will continue to be relative to the firm, the “client” and function.

For example, is the need; 300 days of multi-sourced pricing data mulched together, cleansed with well defined business rules and a sophisticated audit processes; to look up the right security identifier to avoid costly reconciliation / trade fail; to satisfy a client data regulation that requires strict compliance; to calculate a competitive analytic; a specific vendor to price a portfolio; or ... is the need simply Bloomberg because ... “that’s what I want” ? Or all of above ?

While many very smart, skilled and knowledgeable people within financial institutions and over 70 vendors are busy implementing reference and enterprise data

management solutions, in many ways THE answer is still fragmented, very customized, and ... relative.

Whining ...

There is not much debate regarding the philosophy and benefits of higher-order cross-firm enterprise solution to address regulatory issues, save money, be more responsive to competitive and market opportunities, architecturally renew for the future.

The strong interest in the EDM council is clear evidence and acknowledged agreement there is an issue. But ... "data folk" often complain that business "sponsors" of data management continue to be content with "good enough" and discretionary funding goes to more sexy software development and front office. Eg. "yes, that data stuff looks cool, but I really just need you to move Bloomberg data, untouched, from A to B".

The result?

- Consistency is more important than accuracy, as long as "we're all wrong, we're ok"
- Sometimes we think "it's too expensive to fix the problem, we'll just pay the fine"

Despite the well-reasoned arguments for data management and the hype, these statements are the types of fundamental beliefs that guide us today. The message is that data is less important than just about everything else. But how can that be, isn't data the "lifeblood" and electricity that drives us, one of our most valued corporate assets ?

Call to action ...

Organizations like the EDM council is an example of an industry group that seeks to move us forward together and some believe we may need a defining "event" to crystallize the importance of the data message. But if data is important as a core integrating infrastructure (and it is), there is more we should do. This short article is not THE answer but offers a few suggestions as thought-starters to advance the cause.

- a set of "generally accepted principles" (eg. GAAP) for reference and enterprise data management processes
 - a methodology analogous to VAR for data issues
 - a universal SLA bible of processes to attain "relative" quality
 - objective and agreed-on measures or a scorecard of success
 - a certification process for data management professionals.

We need ALL these things. Stay tuned ...