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## Master Data Governance: The non-negotiable foundation for AI and analytics value

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# Introduction

Master data governance (MDG) is a foundational discipline that ensures an organization's critical data—such as customer, product, supplier, and employee records—are accurate, consistent, and accessible across all systems and business processes. ***In the context of advanced analytics and AI, robust MDG is essential:*** AI models and analytics initiatives depend on high-quality, reliable data to generate valid insights and drive automation.

Without strong governance, organizations face risks such as data inaccuracies, duplications, compliance violations, and operational inefficiencies, which can undermine decision-making and erode trust in AI and analytics outputs. Conversely, effective MDG enables better decision-making, regulatory compliance, streamlined operations, and the agility to leverage AI and analytics at scale.

## MDG leading practices to consider

### 1. Prioritize and scope master data entities

Identify and focus governance efforts on the master data domains and attributes most critical to business processes (e.g., order-to-cash, procure-to-pay), rather than attempting to govern all data at once.

### 2. Standardize data definitions and business rules

Develop and enforce a single, agreed-upon set of definitions, formats, and validation rules for each master data entity, ensuring consistency across all systems and business units.

### 3. Implement automated data discovery and cataloging

Use automated tools to continuously scan, catalog, and classify master data assets, including metadata and unstructured data, to maintain an up-to-date inventory and facilitate data lineage tracking.

### 4. Establish data stewardship with clear accountability

Assign data stewards for each master data domain, with explicit responsibility for data quality, policy enforcement, and issue resolution; ensure these roles are recognized and empowered within the organization.

### 5. Deploy data quality management processes

Integrate automated data cleansing, deduplication, and validation workflows to proactively identify and resolve data errors, inconsistencies, and duplicates before they impact downstream analytics or AI models.

### 6. Map and monitor master data lineage

Implement tools and processes to track the origin, movement, and transformation of master data across systems, enabling root-cause analysis and auditability for compliance and operational trust.

### 7. Select and adapt the right MDG implementation style

Choose a master data management architecture (Registry, Consolidation, Centralized, or Coexistence) that aligns with your organization's complexity, compliance needs, and integration requirements; be prepared to evolve as needs change.

### 8. Integrate security and privacy controls by design

Embed data access controls, encryption, and privacy policies directly into master data processes to ensure only authorized users can view or modify sensitive data, supporting regulatory compliance and minimizing risk.

### 9. Automate and scale governance workflows

Leverage AI/ML and workflow automation to streamline repetitive governance tasks (e.g., approvals, quality checks), ensuring scalability as data volumes and sources grow.

### 10. Continuously measure and report data governance impact

Define and track key metrics (e.g., data quality scores, issue resolution times, compliance rates) to quantify the business value of MDG initiatives and drive ongoing improvement.

## 11. Foster cross-functional collaboration

Create forums and processes for regular collaboration between business, IT, data stewards, and compliance teams to align governance policies with evolving business and regulatory requirements.

## 12. Maintain an iterative, roadmap-driven approach

Develop and regularly update a master data governance roadmap, allowing for phased implementation, quick wins, and continuous adaptation to new business priorities or technologies.

## Breaking through common MDG challenges to unlock value

Most large organizations find it difficult to launch MDG initiatives, and even when projects do get underway, execution is often plagued by persistent obstacles. Recognizing these common challenges upfront is critical: it allows teams to anticipate pitfalls and proactively address them, rather than being caught off guard.

Understanding how the leading practices outlined above directly tackle these hurdles can make the difference between stalled efforts and a successful, high-impact MDG program.

### Common MDG challenges:

- **Difficulty making a business case.** Quantifying the return on investment for MDG is challenging, making it hard to prioritize MDG initiatives over projects with more immediate, visible benefits—even though MDG can multiply value across several domains.
- **Organizational silos.** Different business units often manage data independently with varying practices and systems, resulting in inconsistent, fragmented master data that complicates integration and decision-making.
- **Treating MDG as a technology-only initiative.** Many organizations view MDG solely as an IT responsibility, neglecting the essential need for business ownership, cross-functional sponsorship, and alignment with enterprise goals for true success.
- **Poor data quality.** Incomplete, inconsistent, or duplicate master data forces teams to spend excessive time on manual corrections, undermining project efforts, analytics, reporting, and customer-facing processes.
- **Complex data integration requirements.** Integrating MDG with legacy and modern systems is often hampered by compatibility issues, data migration challenges, and the need for extensive data mapping and transformation.

Source: Horizon analysis, McKinsey

## About the author



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Joe Sagrilla is an independent management consultant and business advisor, top business school faculty, Board member, writer, and speaker. His specialties include business strategy, technology, transformation, process improvement, and organizational performance. He currently lives in Austin, TX.

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