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The Role of Customer-Centric, Cross-Functional Integration in Data Governance

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ABSTRACT

Objective –The paper sheds light on customer database dynamics, dimensions and characteristics of adapted benefits connected with their business potential in a circular economy. The study suggests that allocating funds on data compliance could bring added value to the companies in specific conditions linked to the processing of client data.
Methodology/Technique – This study examines the impact of a Customer-Centric approach in relation to Data Governance. The empirical part of the study is based on data gathered from middle and top level managers and owners of projects responsible for managing customer data in multinational enterprises across EMEA region. EU companies could use Data Protection legislation as a springboard, as their financial benefits are higher than the respective costs necessary to comply with. Thus, a perspective management practice investigates the following roles: cross-functional management and combining wide customer-centric units (marketing, sales, service, product), external client process integration, data governance engagement (there is a balance of the current expertise from the customer's data that is nested within functions and capacity to evaluate inter-functional influence of client data-driven management).
Findings – The paper outlines evidence of the effect of customer centricity on data governance in selected companies from emerging markets.
Type of Paper: Empirical

Keywords: Customer Centricity; Data Governance; Cross-functional Integration.

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JEL Classification: M30, M31, M39.

1. Introduction

The European Union General Data Protection Regulation, regulating the processing and use of personal data in the EU, forces companies to review and upgrade their existing policies, procedures, and practices to ensure compliance (Rodríguez-Doncel et. al., 2016).

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This is usually seen as self-contradictory goals, although it might be possible to enjoy benefits of data utility whilst fulfilling data compliance requirements and protecting privacy (Kim et. al., 2008). Simple GDPR criteria completion does not guarantee any competitive advantage. The proposed changes are a chance for businesses to gain greater insight into their customers' needs (Sawhney et. al., 2005). At the present time, companies transform and look for their ideal role in the data economy regardless of regulatory compliance needs (Opher, 2016). This paper investigates transformation towards customer centricity to identify the ways EU companies are able to use the regulation to gain a competitive advantage. Management of personal data is no longer just an internal business issue (Leitner & Rinderle-Ma, 2014). Regulations such the GDPR have taken control of part of the issue. Customer care to avoid excessive churn and various other customer-focused strategies or changing business models that offer better quality are in demand (Rochet & Tirole, 2003). Customer centricity models are offered to generate profits for the long term. However, as an approach, it requires cross-functional synchronicity in all communications and no departmentalization. Major issues demotivating progress towards customer-centric models are related to organizational structure and processes (Shah et. al., 2006). This research analyzes survey data r to examine whether Customer-Centric, Cross-Functional Integration (CCCFI) contributes to an explanation on how Customer Data Compliance Capability (CDCC) relates to Data Governance (DG).

1.1 Customer Centricity, Cross-Functional Integration and Data Governance

The basic marketing concept (Levitt, 1980) argues that information stems from the market. Contrary to this, customer centricity concerns the customization and iterative liaison with the respective client (Ramani & Kumar, 2008; Shah et. al., 2006). For example, Marsh (2010) argues that IT companies should focus on developing services that clients really want, rather than upgrading or creating new products and convincing clients to buy them. On the other hand, customer-centricity needs to be proactive. Bliss (2015) says that there should be a 'customer focus' as companies attention and reactions are often emerging. Customer-centricity or 'customer experience' in comparison to customer-centricity are not emerging as they have less influence on productivity (Kamakura et. al., 2005). Client-centric firms are presented in theory as the opposite of the product-centred company (Galbraith, 2005). A stochastic approach in integration and coordination in providing top-notched customer value is one of demanding aspects in management of organizational transformation, which is required. Hollander et. al. (2013) states that obstacles to firm prosperity can arise out of inadequate models and processes, scarcity of client data or low quality of data. Product management functions sometimes serve effectively as a coordination mechanism (Matthyssens & Johnston, 2006).

1.2 Data Governance

The contemporary literature on data governance is still in its infancy and research on this topic is scarce (Alhassan, Sammon & Daly, 2016). Governance is a leading pillar in embracing data management progress towards a more strategic space as information aspects quickly outgrow the domain of information technology (Kooper, Maes & Lindgreen, 2011). The effect on customer data compliance and customer data utility has not yet been empirically examined. In the literature review for this paper, no empirical research reports were identified on any kind of relationship between data governance and compliance, neither any basic or complex theoretical models including customer centricity, leadership, innovation, and efficiency. There are no empirical studies available on any of the relationships on the above-stated issues.

Even if qualitative research covering the design and implementation of information governance in an organizational context exists, empirical evidence in the form of quantitative research is still missing (Niemi & Laine, 2016). The results from Alhassan et. al. (2018) validate identified research gaps and concerns that the scientific publications on data governance is almost exclusively focused on defining activities, whilst implementing and monitoring are seen mainly or only in practice-oriented publications. In the literature there are only a few explanations regarding the activities necessary to successfully apply a governance program.

Efficient data governance is crucial in obtaining utility from centralized data use and data governance has been a rising trend in firm information governance (Cheong & Chang, 2007). This provides value to traditional information management and a single view on customers where big data analytics empowers functional as well as firm-level performance (Grover & Kar, 2017). However, research on data governance is still in its early stages (Alhassan et. al., 2016).

2. Literature Review

The existing literature is lacking a view on the impact of organizational impact in a real business environment. Several studies and professional practitioners warn that there are too few companies with successful enterprise-wide information governance policies in place, which shows a business-driven need to study the topic. In addition, the use of cross-functional project teams has received little attention from researchers, particularly in relation to its association with IS (Koulikoff-Souviron & Harrison, 2006). Business structures evolve over time and enterprises grow and are increasingly interconnected. Practice demands are studied with the key words 'consistent' and 'holistic' to identify ways that integrate both the crossline of business and business stakeholder recruitment views (Berson & Dubov, 2011). Achieving adequate vertical strategies, combined with horizontal strategies, is a challenge for managers (Galbraith & Lawler, 1993).

The alignment between IT and business strategies generates a sustainable competitive advantage and increases profitability (Kearns & Lederer, 2003). No previous study has empirically investigated either innovation or efficiency achieved in compliance projects. Generally, research on improving cycle time in capital projects is limited (Ancona, Goodman, Lawrence, & Tushman, 2001). Successful projects are often based on the actual management of people in the project, as argued by Belassi and Turkel (1996). Furthermore, there is little literature on proven team practices (Kloppenborg & Opfer, 2002). Little is known about data compliance and GDPR; as a new regulation, it is not clear what constitutes desirable project outcomes in this area.

Uncertainty and inconclusive studies still exist concerning the relationship between organizational practices and compliance projects. Governance papers belong almost exclusively to the IS change management literature, and data governance programs follow primarily typical IS change management practice, extensively detailing only the technological aspects of IS changes and overseeing their organizational impact. The success or failure of such holistic IT projects has historically ignored the underlying organizational implications. At the same time, few studies have proposed theoretical explanations for this and gaps remain in the understanding of underlying mechanisms from the fields of organizational design, leadership, and organizational psychology.

Prior empirical research on data governance and the relationship between data governance and business strategy has frequently been criticized for its methodological shortcomings. Based on an extensive review of the previous literature, data governance is either placed narrowly and tactically as a particular technology solution, or very broadly, referring to the value of its strategic utilization and aligning it with high order and abstract concepts, such as corporate governance, IT governance or information governance. This work develops a framework that attempts to bridge these two places, through the concept of governance span, thereby introducing a new method of interpreting data governance.

3. Research Methodology

Good governance is dual-value by design; it makes clear who is able to make decisions and how they are accountable for the enterprise goals, while ensuring compliance at the same time (Weill & Ross, 2004). Greater data utility comes from higher usability and a wider span of data. This generates new ideas on revenue thereby generating customer engagement (King & Forder, 2016; Van Dijk et. al., 2016).

Accountability adds business stakeholders as information and data owners involves them in customer data related interactions (Breaux & Alspaugh 2011). The mechanisms for coordinating IT tasks across multiple organizational units contribute to formal allocation of decision rights (Haes & van Grembergen, 2009). IT governance specifies the framework for decision rights and accountabilities to encourage desirable behaviour in the use of IT (Weill & Ross, 2004).

The requirement for content-channel mapping is to obtain traceable, authoritative and governed data (Moormann & Palvolgyi, 2013; Buckley et. al., 2014). Cross-functional integration supports success of innovative strategies and organizational change (Turkulainen & Ketokivi, 2012).

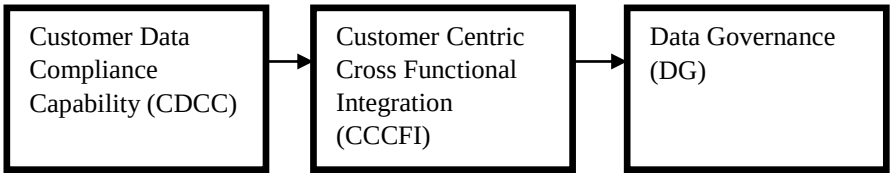

Figure 1. Research Model

Source: Authors

The research model consists of the abovementioned hypotheses with the three constructs: Customer Data Compliance Capability (CDCC), Customer Data Utility Capability (CDUC) and Customer Centric Cross Functional Integration (CCCFI), which were explained in the previous sections. The empirical data was collected from data management professionals involved in projects associated with the processing of customer data in larger organizations across Europe, the Middle East, and Africa. The respondents (n=57) was recruited from partner networks of large data management software vendors. The target population for this research are all companies with more than 250 employees in Europe, as well as companies in the Middle East, Africa and the rest of the world that have subsidiaries in Europe and process more than 5,000 records of EU citizens. To measure Customer Centric Cross Functional Integration, the relevant portions of two previously validated instruments were used. We adapted two of the six items from the wider construct of External Integration (Swink & Schoenherr, 2015) and two of the five items of the broader constructs of Internal Integration from the same instrument. Two of the six items were adopted from the construct of Architecture Governance (Dube & Dixit, 2011a).

4. Results

The results show that Customer Data Utility Capability is expressed by Identification of the customers' data across different channels to encourage customers to participate interactively in GDPR compliance related communication and use this channel as part of the company's revenue generating innovation. Meanwhile, Customer Centric Cross Functional Integration is seen as all necessary data stakeholders of the enterprise participate and interact and are involved in processes, decision-making, and mechanisms within customer data governance. Reliability was tested using Cronbach's α for each factor (as an internal consistency test) and with composite reliability. The Cronbach estimates the extent to which a set of latent construct indicators share in their measurement of a construct, whilst the average variance extracted is the amount of common variance among latent construct indicator (Hair, 1998). CR is a measure as the overall reliability of a collection of heterogeneous but similar items. The CRs for the constructs were higher than the desirable value of 0.6 (Bagozzi & Yi, 1988).

Table 1. Scale Items, Reliabilities and Item Loadings

Construct	CDCC		CCCFI			DG
	Cronbach's α=0.87, CR= 0.88, AVE=0.64		Cronbach's α=0.73, CR=0.83 , AVE=0.89			Cronbach's α=1.0, CR=1.0, AVE=1.0
Item	CDCC-1	CDCC-2	CCCFI-1	CCCFI-2	CCCFI-3	CDUC-1
Factor loading	0.95	0.94	0.73	0.84	0.81	1.0

Source: Own elaboration

5. Discussion

The model fit indices describe how well a hypothesized model structure fits the empirical data and, thus, helps to identify model misspecifications. At this time, however, too little is known about the behaviour of these measures across a range of data and model constellations, and more research is needed. Despite the fact that SmartPLS includes some model fit assessment criteria, it is important to note that they must be used with caution (Hair, 2013). In addition, it is an open question whether fit measurements add any value to PLS-SEM analyses in general. In fact, their use could even be harmful as researchers may be tempted to sacrifice predictive power to achieve a better "fit." The standardized root means square residual (SRMR) based on transforming both the sample covariance matrix and the predicted covariance matrix into correlation matrices - is defined as the difference between the observed correlation and the model implied correlation matrix. This allows an assessment of the average magnitude of the discrepancies between observed and expected correlations as an absolute measure of (model) fit criterion. A value less than 0.10 is considered a good fit. Henseler (2016) uses SRMR as a goodness of fit measure for PLS-SEM. The result in this model is 0.12.

6. Conclusion

Data Governance costs are inevitable for any company as a result of their business compliance requirements. This paper suggests actual data compliance expenditure is able to create added value, when used for the management of client databases in addition to its usual function. Further, this paper shows that companies work in sustainable-organizational practices for empirical proof. EU GDPR aims to support Europe's data economy. EU companies need to implement data governance legislation as a competitive advantage, so that the benefits they obtain through compliance are greater than the burden imposed by compliance. In this paper, cross-functional coordination and integration of diverse customer-centric units are suggested as managerial tools to achieve this purpose. It is up to followers to go further and search for other managerial tools, conducting in-depth research on a variety of constructs with similar potential. The results of the survey show that customer centricity could be used to use data about customers while fulfilling the requirements of customer data related regulations, such as the GDPR.

This paper also adds to the prior literature in providing the first empirical evidence on this topic. This study contributes to the call for practitioners researching the role of data in the economy - to help both companies and welfare-maximizing policymakers to build an operational framework that addresses major issues. It is always important to have a parallel track of focus on actual enterprises and their perspectives, costs and benefits. An equilibrium at which the interests of consumers, firms and regulatory principles are aligned, leads to gains for the economy and necessarily boosts innovation (Alonso, 2014).

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