Comprehensive Guide to Master Data Management

The right information and correct business decisions

Introduction

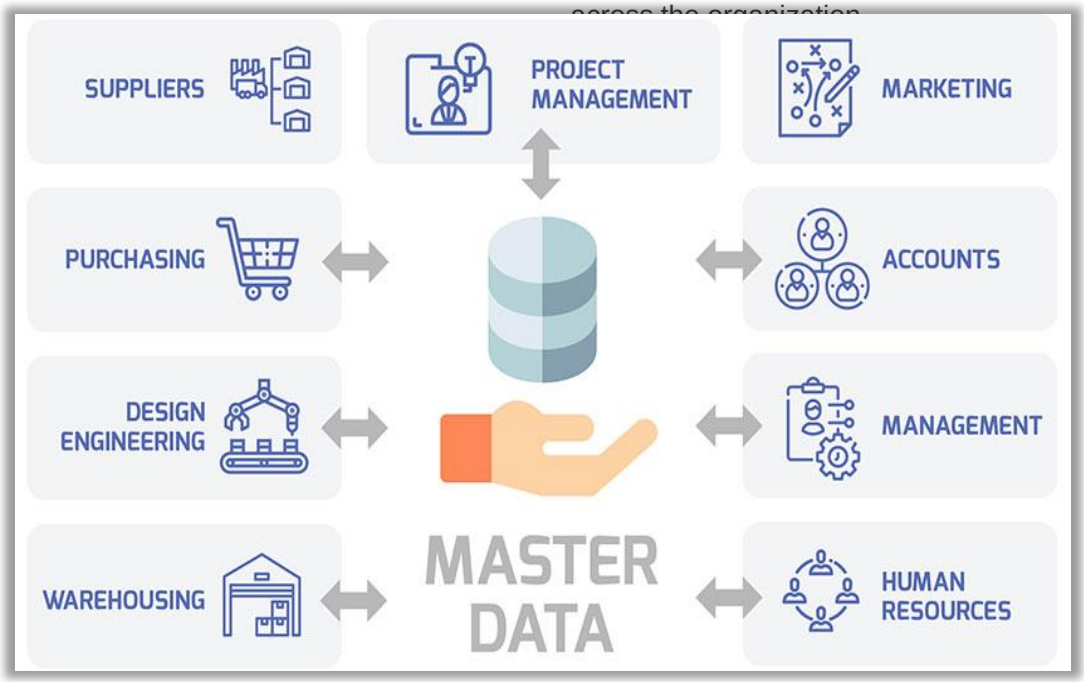
Companies are looking to the quality of their master data as the next best way to optimize their business processes. Unified and accurate data allows for better business process integration, timely decision making and streamlined process execution. it is imperative to achieve information consistency across the business and information technology (IT) landscape. Beside the “excel spreadsheet wars,” where decisions are made or not made based on whose report you trust; the foundational master data which is consumed by enterprise resource planning (ERP) and other enterprise applications must be managed and governed in order to help business continuity and provide reporting integrity.

Master data is best described as: “The information required to create and maintain an enterprise- wide system of record for your core business entities, in order to capture business transactions and measure results for those entities.” The challenge, of course, is that master data is often stored in multiple, disconnected systems/databases. There can even be data management issues with companies implementing a new ERP; particularly companies with multiple production lines on difference instances.

Unmanaged master data is notoriously inaccurate, full of discrepancies, incomplete and leads to poor business decisions. Effectively, your applications and reporting tools are only as good as the data they execute against.

In the business industry, master data management is a cutting-edge method used in defining and managing the critical data of an organization to provide and integrate data to a single point of reference. This is accomplished by identifying the different types of data which is then followed by analysis and accurate management thereof, and finally, storage and distribution throughout an organization to ensure a common understanding.

When executed correctly, this can improve data quality, while also allowing for data sharing across any personnel and departments throughout a company. Also, MDM facilitates computing through multiple system architectures, platforms, and applications. By concentrating on fundamentals like Customer Data, Product Data, Asset Data, and Employee Data companies can quickly and deeply understand business relationships. **For example**, customers, prospects, suppliers, and partners and then leverage that information



HOW BAD MASTER DATA MANAGEMENT IMPACTS GOOD BUSINESS

MDM, in a nutshell, refers to the processes, governance structures, systems and content in place to ensure consistent and accurate source data for transaction processes (such as the management of customer master data, vendor master data, materials, products, services, employees and benefits, etc.). It is a term that emerged in recent years as a hot topic on the IT and business integration agenda. Partly because of companies' wish for improved efficiency and cost savings, some of it due to the numerous issues being encountered during daily activities, compliance issues a rose and opportunities were missed due to lack of a good set of data.

Because master data is often used by multiple applications and processes, an error in master data can have a huge effect on the business processes.

DECISION MAKING IN THE CONTEXT OF BAD DATA

A lot of companies have invested in recent years in business intelligence solutions. One goal, among others, is to achieve better insight into such things as process performance, customer and product profitability, market share, etc. These reporting insights are often the basis for key decision making, however, the quality of the reporting is immediately impacted by the quality of the data. Bad data quality leads to misinformed or under-informed

Also, the return on costly investments in business intelligence is partly diminished if the source data is corrupt or if not, enough characteristics are recorded in the master data.

OPERATIONAL IMPACT OF BAD MASTER DATA

A major component of any company's day-to-day business is the data that is used in business operations and is available to the operational staff. If this data is missing, out of date, or incorrect, the business may suffer delays or financial losses. For example, the production process may be halted due to incorrect material or vendor information. Some examples have been known where incorrect product master data was recorded on product labels for consumer products, resulting in the rejection of a whole shipment destined for import into the target market, ultimately resulting in considerable financial and reputational losses.

Every time wrong data is detected in the system, a root-cause analysis and corrective actions must be performed in order to correct and remediate the issues. This, together with the process rework and corrective actions, takes considerable time and organizational resources. Therefore, addressing and integrating MDM at the start should be part of an operational excellence initiative, in order to solve part of the process

COMPLIANCE

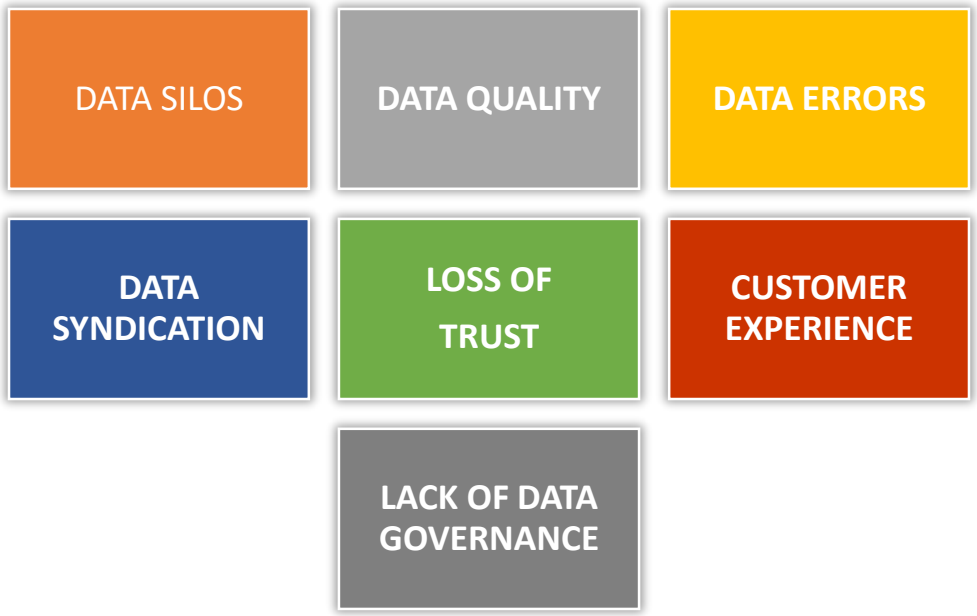
The growing number of quality standards and regulations (industry specific or not) has also drawn attention to MDM. In order to comply with these requirements, companies must meet certain criteria which are directly or indirectly impacted by the quality of data in the systems. There are many compliance risks that companies run from having bad MDM:

-- SOx risks occur in maintaining reporting structures and processing critical master data such as vendor bank accounts, fixed-asset data, contracts and contract conditions.

-- Healthcare, pharmaceutical or food & beverage companies that are regulated by federal health and safety standards may have significant exposure to legal risk and could even lose their operating licenses if their master records are incorrect with respect to expiration dates, product composition, storage locations, recording of ingredients, etc.

-- Fiscal liabilities, such as VAT, produce risk. The VAT remittance may be incorrect if the relevant fields in the master data are not appropriately managed, possibly leading to inaccurate VAT percentages on intercompany sales.

Main Challenges Related to MDM



MDM BEST PRACTICE APPROACH

A best practice MDM approach seeks to maximize business value and minimize risks and uncertainty. An understanding of people, processes and technology, are considered “best practices” for a MDM approach:

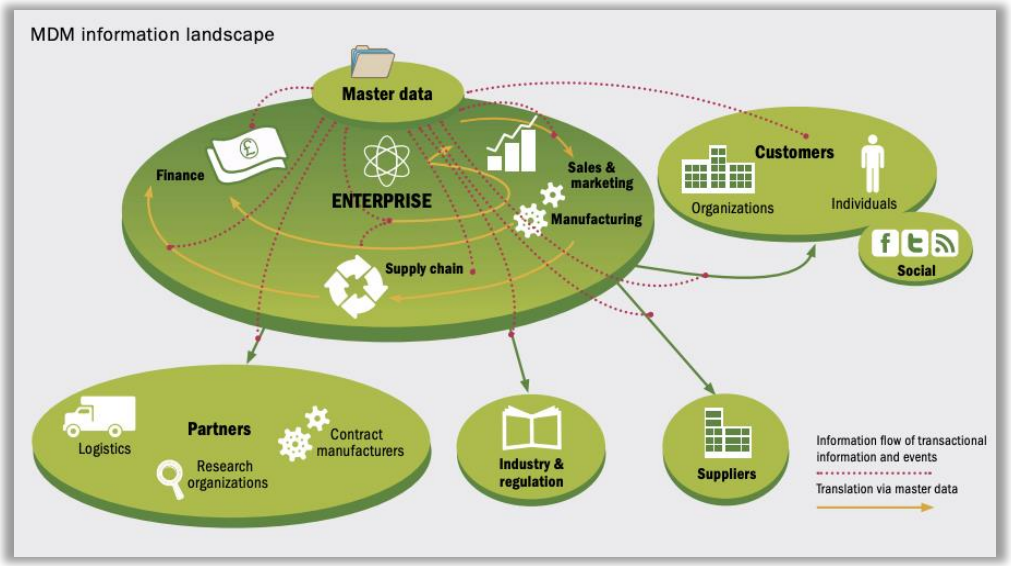
- Create and link MDM metrics based on business goals, mission, business value, and data quality goals. Design and build measurements into the solution. Evaluate measures against expected results and use within the governance process to manage and improve.
- Agree on an up-front organizational governance model before implementing any new IT solutions. This will make ongoing issues easier to resolve and provide clear direction for business analysts configuring new validation and taxonomy solutions.
- Business “users” (stewards) must take full ownership of a master data project in conjunction with the IT group for technology support.
- Organizational change and knowledge transfer are the biggest master data challenges. A change management team, with a well thought out plan suitable for the client culture is critical. This team provides the leadership and fosters communication to resolve issues throughout the organization.
- The recommended IT strategy will require use of appropriate real-time governance and data quality tools. These tools must be capable of data cleansing, validation, integration, and enrichment suitable for the client.
- Business user workshops and easy to understand graphical modeling tools is strongly advised to improve communication during the analysis phase of an MDM project.
- The suggested IT landscape must consider which software applications best support corporate objectives in a cost-effective manner. The pros and cons of “standardized” versus ”best of breed” software and IT resource skills and training requirements must be correctly weighed. Patterns in hardware/network technology and the impact on sizing, performance, backup and security should all be considered when assessing MDM viability.

Business Case for Master Data Management

MDM can help the business meet strategic goals by arming customer facing teams with the complete customer data they need to:

- Improve productivity and profitability
- Drive revenue with more effective cross-sell and up-sell offers
- Boost customer loyalty and retention by reducing response times
- Reduce customer service costs by aligning service to customer value
- Increase operational efficiency and cash flow
- Streamline supply chain efficiency

Bad data will never cure itself. Unchecked, it will continue to compromise business performance through lost opportunities, high operational costs, and subpar customer loyalty. MDM enables companies to empower the business with trusted and complete data to improve business processes and enable strategic imperatives. Because of this, it requires a different business case than most IT professionals are accustomed to building. It requires a business-focused business case. With a thorough business case, MDM advocates have an opportunity to turn vision into action and drive quantifiable bottom-line benefits for their organizations.



Benefits of Master Data Management

Eliminate poor quality data

By consolidating your data in the one place, all stakeholders have access to the most up to date data.

Integration of your business processes

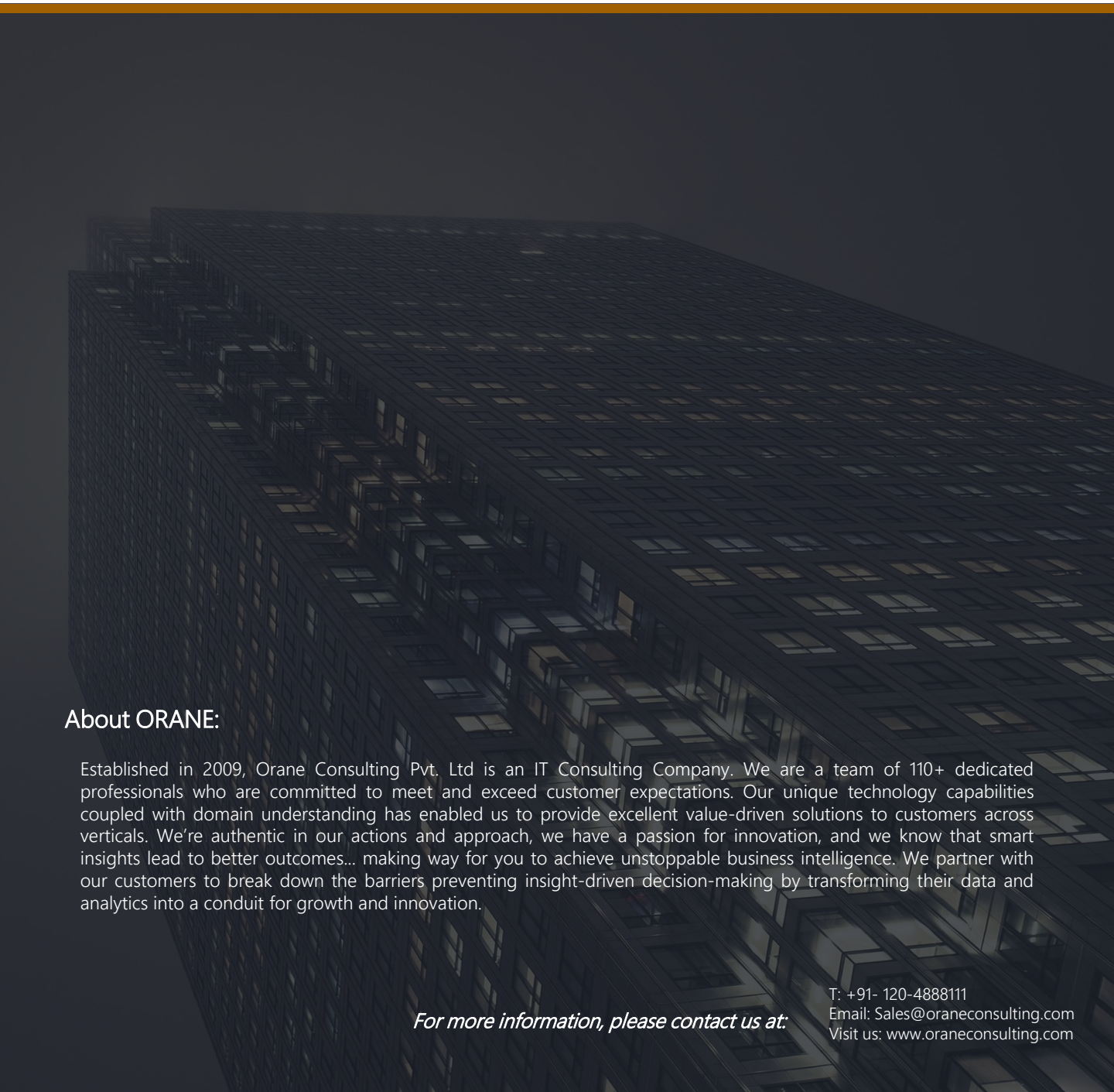
MDM allows you to streamline data across your whole business creating a more productive process.

Fast-track your business processes

Total business integration by placing data in one central place.

Improved decision-making

Combining your data in the one place allows for better insights into your requirements.



About ORANE:

Established in 2009, Orane Consulting Pvt. Ltd is an IT Consulting Company. We are a team of 110+ dedicated professionals who are committed to meet and exceed customer expectations. Our unique technology capabilities coupled with domain understanding has enabled us to provide excellent value-driven solutions to customers across verticals. We're authentic in our actions and approach, we have a passion for innovation, and we know that smart insights lead to better outcomes... making way for you to achieve unstoppable business intelligence. We partner with our customers to break down the barriers preventing insight-driven decision-making by transforming their data and analytics into a conduit for growth and innovation.

For more information, please contact us at:

T: +91- 120-4888111
Email: Sales@oraneconsulting.com
Visit us: www.oraneconsulting.com