

Driving Bottom Line Results with Effective Data Governance and MDM



These days, it's all about the data. How do you use your information to better understand your customer? Or improve your business processes? Or increase profits? Data is a corporate asset – one that shouldn't reside solely in the silos of the IT department. It's an asset that drives better decision making, increases business efficiency and helps enable your corporate strategy.

How data is handled and managed should be seen as a source of competitive advantage. When pockets of data are scattered throughout the organization, how can the business be aligned to execute on your strategy? A robust,

well-aligned master data management approach, one owned by the business and supported by IT, can be critical.

However, based on our experience, we see that business leaders often don't feel that they should own and take care of their data. Instead, they usually think it must be one of those “technology trends,” squarely part of IT's domain. This “not me” approach to the ownership of the data is the source of most of the problems an organization faces when it comes to master data management, better known as MDM.

To explain why a good data governance strategy is the key to better business results, we sat down with Arturo Blasi, one of Clarkston Consulting's MDM experts.

For companies lacking an effective data governance strategy, what are the risks?

First I think it is important to understand what we mean when we discuss data governance. Ultimately data governance is how organizations manage and realize the value of their data assets. Most organizations already have some informal processes and standards that help them manage information. However most companies don't get the most value out of the

information they have. A data governance strategy helps companies better organize, standardize, and identify opportunities that improve the efficiency and effectiveness of their information.

One of the most common starting points for initiatives centers on master data. However, there are other disciplines that should be explored for efficiencies, like enterprise data architecture, business intelligence, and document management.

Without an effective data governance strategy, companies limit their ability to make clear, strategic decisions and jeopardize their potential for growth. There are numerous risks to lacking a good data governance strategy, so I'll touch on the biggest ones here:

Inability to Think – and Act –

Strategically: When the processes that manage information are not well defined and the data is siloed across the organization, it is difficult to execute a corporate strategy. Decision making becomes stalled because of information mistrust or discrepancies. Strategic opportunities are missed because competitive insights are buried in systems and can't be accessed or deciphered.

Barriers to Growth: The most significant risk is the growth they are leaving on the table. By not investing in complete visibility across the enterprise, they are putting their growth in jeopardy. With unreliable master data, business acquisitions or future growth will be very challenging.

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Compliance Issues: From a compliance and audit standpoint, a company could struggle with unreliable, limited or non-existent controls for how changes to critical master data are requested, authorized, approved, and tracked. It can also be difficult to keep track of industry and/or government compliance rules since the information is dispersed.

MDM seems to mean different things to different people. How do you define MDM?

Yes, there are certainly different interpretations of what MDM is, even within the same organization. First we need to start with a clear definition of master data. Master data elements represent the source for every business transaction (e.g., sales orders, purchase orders), so if the master data is unreliable or inaccurate, multiple business functions in your company will be affected.

Master data management (MDM) defines how a company accesses, maintains (creates and changes), secures, retires, archives, and distributes master data across the company.

MDM also addresses internal and external regulatory compliance requirements, supports day-to-day as well as strategic decision making, and, when implemented properly, helps companies achieve their strategic objectives.

What do you think makes up a good data governance strategy?

Data governance is about so much more than data; in fact it is really about the people that use it. So much so, that we believe the most important component in a data governance strategy is the establishment of a permanent data governance organization. This group helps shift the entire organization's view on data and information.

A good data governance organization should have a clear vision and charter, have an executive business sponsor, and contain both business and IT representatives. While IT must play a critical role in the development and execution of a good data governance strategy, the ownership should really be driven from the business, because the reliability and accuracy of data is so critical to nearly every business function.

A good data governance strategy should address the following concepts:

- The data governance structure, the vision, and how it will operate.
- The establishment of enterprise wide information policies.
- Alignment with the business strategy and objectives.
- Enterprise education and training.

Some areas of focus may include:

- Data cleansing, profiling and data quality.
- Reporting and data consolidation.
- IT architecture to support data governance goals.
- Data ownership (access, security, retirement).



A Data Governance Strategy in Action

Clarkston Consulting recently helped a major consumer products company centralize their global supply chain data. One of the biggest challenges with the planning side of supply chain systems is where to house the data. Often times, this data is split between two systems, requiring extra effort from supply chain planners to extract and interpret their data.

To address this issue, our client implemented an effective, singular data governance strategy to centralize the master data.

The results: Increased transparency and efficiencies across the supply chain allowed the company to increase its free cash flow. This will enable the business to aggressively pursue acquisitions, make investments to support the profitable growth of the existing business, and return cash to its shareholders.

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Why should business leaders care about implementing MDM?

MDM can have an impact on the entire enterprise. For a start, it can help prevent waste and cut costs. Take, for example, customer master data in the order-to-cash process. Inaccurate, obsolete, or even missing customer master data causes issues with shipping, billing, invoicing, and even collections – costing your company valuable time and customer loyalty, not to mention lost revenue. Investing in MDM creates the solid baseline for accurate, efficient interactions with your customers. Similar examples could be made for purchasing, manufacturing, and even human resources.

When we implement data governance and MDM, we help our clients discover “pain points” by business area and guide them on how to quantify and qualify those pain points (in terms of cost inefficiencies, lost revenue, etc.). As part of the strategy, we work together to find solutions for each of the issues discovered and track progress against them. In fact, we already know many of the most common issues per industry so we come with a pre-filled document.

Good master data can position a company for significant growth. MDM can shine a light on organizational inefficiencies, identifying cost savings that can be used to invest in the company, through mergers and acquisitions or product innovation. For example, we worked with a client on a data initiative that helped them negotiate new payment terms with their vendors. By increasing those terms from 15 days to 60 days, the company saved nearly \$20 million, a cost savings directly attributed to their solid master data management.

For highly regulated industries, MDM can assist with compliance and audit requirements. Say you have reporting needs that require data from multiple departments and that data exists in several different locations. When you are able to roll that data into one system, you have a complete picture of the reporting needs, reducing the likelihood of incomplete or incorrect reporting.

What are some common struggles you see in implementing data governance initiatives like MDM?

The most common struggle for data governance initiatives is the ability to articulate the value to different business areas and get sponsorship and support from executive management. Because of the proliferation and breadth of information through an organization, data governance initiatives can take a lot of time, and value may be realized slowly.

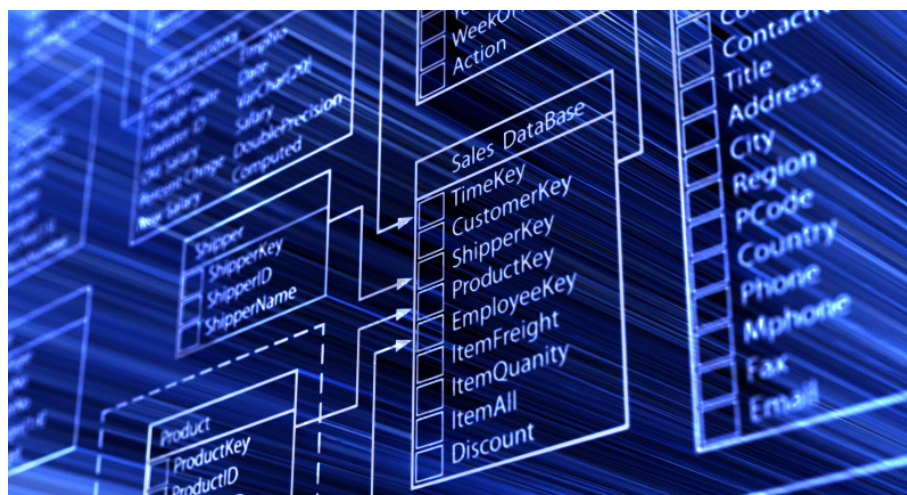
Specifically for MDM initiatives we see issues surrounding ownership of the data. When there isn't clear ownership of the strategy, it can be hard to drive key decisions. There must be a

clear owner who will drive processes, enforce controls, and ensure timely updates to the data.

The cleanliness of existing data (or lack thereof) is also a common challenge when it comes to implementing MDM. Companies typically think their data is in much better shape than it actually is. They may even have a centralized data repository, but lack controls and processes that result in duplicate records and inconsistent information.

Regardless of the state of the data, we find that including data profiling as part of the initial MDM assessment provides a clear picture of the data integrity and pinpoints problem areas for focus. This clear picture helps with both the business case and change management, as well as sets the foundation for a successful implementation.

Bad data has implications across the entire organization, and its effects can be seen across the company, like risk to new system implementations, increased costs to different business functions, and loss of revenue, to name a few.



We can see why IT, Finance, and other functional areas would care about MDM, but why would a CEO care about MDM?

Most CEOs are visionaries. They are tasked with rising above the day-to-day of the company to determine its strategic direction. Why would they care about managing data, which seems like a purely IT issue to most people? Well, if you don't have a good handle on your data, then you are blindly making decisions based on inaccurate information. You can't really understand your customer. You don't have a complete picture of their preferences, habits, and pain points. Without that complete picture, how can you make complete, visionary decisions?

What technology options are there for MDM?

There are several, but the most common is certainly SAP's MDM. Most companies do not have a single ERP. They have many that are usually spread across the business and contain separate master data. SAP's MDM works to centralize the data in all of these systems. This creates that one version of the truth across regions or departments with a clear strategy that drives ownership and decisions.

If we don't have SAP, can we still take advantage of MDM?

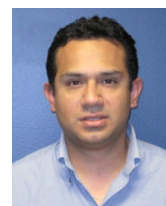
Any company can implement an MDM strategy, regardless of their IT systems (or ERPs). The concept of MDM is system agnostic: the objective of MDM is to introduce controls and procedures to increase the quality of the data.

As part of the data governance strategy, a technology solution could be recommended. There are several commercial tools in the market that facilitate MDM, including SAP MDM, as mentioned earlier. An advantage of SAP MDM is that it is open technology, which means it can be configured to integrate with any system, SAP or non-SAP. In any case, the data governance business strategy takes into account several factors to recommend the best tool for your company's requirements.

We are considering MDM. What are the most important next steps?

First and foremost, remember that master data has significant impacts on the day-to-day functioning of your business. Master data creates the basis for every single business transaction, so clearly it must be

accurate and reliable. While IT can help provide and maintain the technology to support MDM, it is the business that must own and care for the data – from strategy to implementation and day-to-day maintenance. A carefully crafted data governance strategy – addressing process, people, and technology, and considering both corporate strategic alignment and compliance – will create the basis for data as competitive advantage.



About the Author

Arturo Blasi is a principal consultant with Clarkston Consulting. He has over 15 years of experience implementing SAP at various manufacturing, pharmaceutical, consumer products and life science companies. He is experienced in various facets of SAP projects, including analysis, design, development, implementation and documentation. While Arturo's main focus is enterprise master data management, he brings a wealth of both technical and functional experience to his interaction with SAP business and technical teams.

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