

## Master Data – A Corporate Asset



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## 1. Introduction

Successful implementation of an ERP solution, generally gives certain immediate benefits to companies in the form of automating their transactions, bringing consistency in operating practices, integrating finance tightly with other business functions & so on. The benefits that the company can really get in a mid to long term depend a lot, among other things, on the quality of master data that resides in the system. For example, no amount of transaction automation can help in negotiating better purchase contracts or in reducing inventories if two material master records are being used actively for buying and storing the same physical material. On a similar note, no amount of automated Available to Promise Check runs can help in improving delivery performance, if the accuracy of the Bill of Material and/or product routings is questionable.

Any mid to large size company in today's world runs on a complex IT landscape made up of a series of home grown or best-of-breed solutions & large enterprise wide applications; all of them exchanging information with each other using a middleware product; in an attempt to complete one business process transaction. One can imagine the magnitude of challenges that can be potentially faced, if the master data lying across all these systems is not consistent. Consistent master data across multiple systems not only improves the operational efficiencies but also results in accurate reporting and business intelligence which can have a direct impact on company's performance.

However, master data management, still does not get as much attention as it should. Is it because companies can continue to run their business even with the data inconsistencies? Or is it because master data is considered something too technical and left only to the IT teams to manage? Or is it because senior management team is not convinced that the efforts (& dollars) they would spend to get the master data straight are not worth the benefits?

## 2. Master Data – A Corporate Asset

The view towards master data needs to be changed drastically. It cannot be looked upon as a set of data that needs to be fed into computer applications to make them run. Companies need to look at their master data repositories as active company assets that have the potential to affect their company's performance. Data by itself may not give the revenue (except for companies that are in the business of selling syndicated data) but the untapped value that lies in the data, has a potential to make significant impact on the business be it in the areas of finance & operations, sales & marketing or procurement & inventories. Unlike, machinery or a property, master data is not an asset that a company normally buys from the market. It has to necessarily go through a meticulous internal process, to create it either afresh or consolidate from existing IT systems. Either of these steps need management support, strong commitment of the teams, enabling environment and conviction that quality of data is as important as quality of design, quality of finished goods, quality of customer service, quality of manufacturing & distribution processes, quality of raw materials and quality of human capital. Just as the quality of finished goods is a function of several factors, quality of master data is a function of

1. Data definition (architecture, modelling, taxonomy etc.) standards
2. Adherence to the accepted standards
3. Data governance models to cover the entire lifecycle of master data
4. Motivation levels of the data owners and users to maintain good quality of data

A right combination of factors mentioned above complimented by senior management support can enable companies to create and maintain integrated master data, with minimum redundancy and maximum consistency. This data, when made available to all users in an efficient manner, plays a role of nothing less than a corporate asset, contributing to improvement in business!

## 3. Rules of the MDM Game

Let us look at some important aspects that need to be considered in relation to a master data management initiative in specific & master data management practices in general.

- Identify business sponsors to support initiatives related to master data. The stronger the alignment of the MDM initiative with overall business goals, easier will it be to find a business sponsor. (If you are embarking on a green field enterprise application implementation, ensure that master data exercise gets as much importance as the overall implementation program. Ideally, you should kick start the master data exercise, even before the big implementation and time its completion to match with data cutover phase of the implementation.)
- Identify business owners for the master data. Whereas, IT does play an important role in providing the software tools to de-duplicate, consolidate and distribute data etc., yet it cannot be made to own the data.

- Set up an overall data governance model. Plan for it as early as you can. Remember, that MDM initiative is as much about improved business processes that create data as much it is about the IT tool used to enable the processes.
- Ensure that business and IT work in tandem as a single team in relation to any master data initiative. This would give a sense of joint ownership to the team and a higher level of commitment to make it successful.
- Select the appropriate IT tool that can best meet your needs; both in the short and long term. Best of breed, though attractive, may not be suitable in the long run.
- Scope it right. Start small. (Only with customer master for example). Monitor progress diligently and conduct reviews with business sponsors.
- Encourage (publish incentives if required) process adherence. Review each and every process that leads to generation of new master data and ensure that focus is on quality of the data. Train users as many times as required.
- While encouraging Creating data right, at the first go, form a data audit team and empower them to assess and report the health; of the master data, as an ongoing process at least till the time the entire organization imbibes the best practices around data creation & management.
- Measure and report improvements that can be attributed to improved master data management processes (especially if you started off with a bunch of systems and moved onto a single master data source). This gives your business sponsor a smile on the face!
- Assess Company's readiness, from master data management perspective as a part of the run up to any new business acquisition or major growth plan. Ensure that data integration gets its due attention and budgetary support, right at the planning stage.

## 4. Conclusion

Zero defect, though not achievable, leads organizations towards reducing their defect levels significantly by taking up the journey. In a similar way, key master data initiatives are equivalent of taking up the journey towards a perfect world of master data (with a single large master data pool with zero redundancy serving the multitude of IT systems seamlessly with zero errors every time). Companies should set their expectations appropriately, as they tread on the path leading to ideal master data environment. They are bound to get benefits as they travel this road, as investments in master data initiatives have the potential to unleash the benefits that are locked up in the earlier investments. Senior management should create and communicate the company's vision with respect to its master data practices & support the key initiatives undertaken by the joint teams of Business and IT. At the same time, the cross functional teams, so formed, should drive the initiatives with conviction and commitment to create data assets that will enhance today's business performance and support the growth in the years to come.