

Master Data Management: Creating a Strategy for Success

Introduction: Master Data are the most critical information assets that companies maintain. They are the data that define products and services, organizational accountability, customer relationships, and similar key data associated with running the business. Master Data drive most of the financial and operational reports that businesses rely on. But most organizations do not have an inventory of their Master Data or a strategy for managing it.

Why is Master Data Management Important?

Harvard Business Review (<https://hbr.org/2016/09/bad-data-costs-the-u-s-3-trillion-per-year>) cites a 2016 IBM estimate that poor-quality data cost U.S. companies \$3.1 trillion each year. Much of this loss was attributable to inaccurate reporting and the effort required to compensate and correct for it. At Waypoint we have frequently encountered clients where lack of a Master Data strategy was directly linked to financial losses and challenges. The below industry examples are provided to help complete the picture of the importance of Master Data and the impact if a company does not address it appropriately.

Manufacturing - A retailer's business model had them obtain the same product from multiple sources based on cost and availability. However, the product was identified by different codes and priced for sale through different distributors based on cost at purchase. The company was losing millions of dollars each year by selling the same product at a variety of prices, many times well below what the market would bear.

Banking - Banking is all about relationships; building trust with clients so they will rely on your institution to finance their endeavors. Client relationships can be complicated, with the needs of parent companies, subsidiaries, and personal financial needs, all intertwined. Most of the banks Waypoint has worked with struggle with defining a master list of client relationships and assigning the management of all deals in that relationship to one accountable party. This is critical because one failed deal with one part of a client relationship can erode trust and cost a bank tens of millions in future lending.

Healthcare - Purchasing in healthcare is a complex process impacted by interrelated contracts with equipment suppliers, group purchasing organizations and risk purchasing agreements. We have seen the same tongue depressor purchased at five different costs within the same hospital because of the complex network of contracts that exist. And yet, there is often no single steward of the contracts, agreements, and costs who can assess the impact of this purchasing web and untangle it.

Master Data Management Challenges

If Master Data is critical to business operations, then why do most businesses usually have no strategy for managing it?

How Do We Find the Master Data? - The most common challenge we observe is the fact that Master Data are often scattered and managed in multiple information systems, and sometimes offline in spreadsheets. When data are stored or managed in different systems, the process of putting those data to use becomes an exercise in downloading reports from multiple sources and manually merging the results in spreadsheets. Often this same exercise is executed by different people in different ways within the same organization. In a situation like this there is no “single source of the truth” for Master Data within an organization.

Is it a IT Problem or a Business Problem? - Many organizations view the management of data as solely the province of Information Technology (IT). So if someone should be managing Master Data, they assume IT is the logical choice. But the decisions regarding Master Data are made overwhelmingly by other business units (Finance, Marketing, etc.). If IT assumes control of Master Data without other parts of the business involved, how can the correct data be maintained accurately?

Even If We Manage Master Data, How Do We Use It? - Even in organizations that have addressed the first two challenges, Master Data can be underused or ignored if there is no effective information strategy for the enterprise. How are Master Data obtained? How are they used in reporting? If someone downloads Master Data into a spreadsheet and changes values or creates their own aggregations, how would anyone know that occurred? Many efforts to leverage Master Data more effectively are undermined by the lack of a common information strategy to guide data use by everyone in the organization.

Creating and Executing a Successful Master Data Management Strategy

Once organizations recognize the importance of Master Data, what steps should they take to take control and use it effectively?

Declare Master Data to be a Key Corporate Asset - This may be the hardest obstacle to overcome, but also the easiest challenge to understand. Companies invest heavily in obtaining and storing data, but typically spend little on creating and implementing a strategy for how data are used. This rarely happens with tangible assets that everyone understands the value of. For example, companies do not acquire an office building without careful consideration or without designating an Office Manager. An individual employee cannot make a decision about how any part of the office is used without the Office Manager knowing about it and approving the use based on policy. But if you are old enough to remember the 1980's when personal computers and the internet were introduced to corporate operations, you may recall how poorly understood the technologies were and how disjointed the management of computers was then. Individuals bought and installed their own software, there were no restrictions on internet traffic, and chaos ensued. Once the value of computing technology as an asset was understood, this changed quickly.

The perception of data in corporations today is not much different from the perception of computers in the 1980s. Everyone knows that we need data and we need to put it to work, but lack of management and policy empowers individuals to make decisions on how data are used in ways that have major implications for the company. When companies recognize their Master Data as a key corporate asset, the decision to manage that asset in a manner consistent with other key data assets follows as a logical consequence.

Inventory Master Data Assets

Once Master Data are recognized as a key asset, a complete inventory is necessary. There are several key questions to resolve:

- What Master Data sources exist?
- In what information system or files are they managed?
- How often are they updated?
- Who is responsible for their management and how is that party directed to make changes to the data?

Once these questions are answered the inventory of Master Data needs to be compiled, documented and shared with corporate leadership. These now are the assets that have to be managed.

Designate Accountability for Management of Master Data

As with any asset, a manager for Master Data needs to be designated and empowered with authority to enforce how those data are used. This individual should understand fully how Master Data are incorporated into financial and operational decision making. They are not just ensuring that the data are secure and accurate, they are also responsible for understanding and communicating how changes in Master Data will impact the business, and ensuring that those changes comply with corporate policy. To accomplish this, they will need a Master Data Management Plan to guide them.

Best Practices for a Master Data Management Plan

There are a variety of best practices to consider when developing a plan for managing Master Data. Please note, none of these practices include “purchase a Master Data management technology”. Solutions do exist for some or all of these practices, but Master Data management is not a problem companies can solve by buying a tool. The hard work is the work that requires human thought and strategic thinking.

Defining Master Data - It is always surprising how people in the same company use different terms to convey the same meaning. It is a common source of confusion and inaccurate interpretation of results. A good practice for organizations trying to leverage Master Data more effectively is to create a common dictionary of terms that are critical to operations. The dictionary should include a business definition of the term (what it means from an accounting or operational standpoint), a technical definition (where the information is stored, managed, and retrieved for use) and guidelines for use in reporting. Once terms are defined, their use in reporting and in business conversations needs to be standardized to conform to the established definition. It is imperative that the dictionary be a single source, easily available to the entire enterprise, and managed to reflect the most current and accurate definition of the term.

Stewardship of Master Data - The actual management of Master Data rarely falls to a single individual. Most companies have multiple employees who actively modify, update, and delete key Master Data, often because access to different information systems is restricted and because the volume of work is too large for one individual to complete. Just as the Master Data assets need to be inventoried, the stewards of Master Data need to be identified and this responsibility needs to be part of their job description. Having a common dictionary and a unified policy with a single manager will help them to execute that job more effectively.

Securing and Distributing Master Data - Establishing accountability for stewardship and management of Master Data necessitates that those data must also be secured and distributed to insure accuracy and reliability. Defining a security model (even a rudimentary one) for Master Data is a priority, but so is a reliable schedule for when data will be available, how they can be accessed, and guidelines for how they can be used.

Governing Master Data - A state must exist before governance can commence. Once a strategy for managing Master Data is developed and best practices begin to be implemented, the foundation for governance is set. Corporate leadership can begin to understand the impact that decisions regarding Master Data have on the organization and they can control and direct the decision-making process, with the assurance that their direction will be implemented effectively.

Waypoint Consulting

Waypoint has an impeccable track record with a blend of business knowledge, technical skills, data visualization design skills and management consulting experience that translates into more value and less risk for our clients. With more than 100 clients served over our 13 years of experience, Waypoint is recognized among the most reputable data management and analytic solution providers in the US today.

At Waypoint Consulting, we have helped many organizations to create strategies and programs to leverage and manage their Master Data as a project and as part of a larger strategy for Enterprise Information Management.

Contact us to discuss how we can help your organization address this challenge successfully.

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