Improved compliance and risk mitigation through effective master data management

About the client
A Fortune Global 500 oil and gas enterprise

Industry
Energy

Business need addressed
To strengthen procurement, safety and compliance controls for exploration and production business, while simultaneously preparing for a complex global ERP migration

Results
Genpact implemented process improvements that resulted in:

- Increased data compliance by increasing accuracy from 40% to 98%.
- Improved spend visibility and consolidation of upstream business spend.
- Improved safety through fewer materials errors and correct material requisitions.
- Greater awareness of standardized processes among end users.
- Over 20,000 vendors correctly set up for ERP migration and 300,000 items in the master database cleansed.
- 33% reduction in vendor set up cycle time.

Business challenge
Major accidents in the oil and gas industry and the hazardous nature of its materials and products mean that there is heightened concern on compliance and safety. In order to drive these two objectives, one of the world’s leading oil and gas companies created an offshore shared service center to provide support to their existing procurement supply chain management (PSCM) function. At the same time, the client decided to transition to a global SAP-based ERP from multiple regional ERPs in a complex multi-year exercise.

Genpact approach
The company leveraged Genpact’s shared service expertise to drive standardization of processes globally, cleanse data residing in regional ERPs and improve migration readiness. In the initial stages of the engagement, Genpact undertook a study to assess gaps and opportunities in the client’s master data management (MDM) practices. The study revealed that:

- A more accurate and enriched materials database and a higher cataloguing penetration would drive compliance and spend traceability.
- 22% of the materials master data comprised duplicate items; and that materials were often incorrectly specified leading to potential safety issues.
- 16% of materials master data contained inaccuracies which resulted in revenue leakage and incorrect spend.
- Master data setup times were suboptimal, affecting organizational responsiveness.
- A lengthy and inefficient vendor setup process was leading to an extended turnaround time for the business.
The lack of a data dictionary with standard definitions was impacting migration timelines and readiness.

To address these issues, our team of Lean Six Sigma and domain experts developed a comprehensive process-based master data management (MDM) program which covered cataloguing, spend consolidation, materials creation, enrichment, duplicate avoidance and vendor setup activities.

Genpact solution

Genpact located a team of 100+ professionals in the offshore shared service center to run the client’s master data center of excellence. The team worked on:

**Enriching and standardizing master data cataloguing:** Based on an analysis of free text requests (where users typed in requests rather than choosing from predefined options), Genpact:

- Expanded the existing base item descriptions to minimize future free text requests and drive standardization.
- Tagged existing items with their correct codes under the universally recognized noun modifiers along with United Nations Standard Products and Services Code (UNSPSC®) guidelines, and de-duplicated the database to ensure better compliance and efficiency.
- Added catalogue search capabilities for easier database use.
- Matched user requests with existing catalogued items to avoid non-contracted spend.

**Streamlining materials creation process:** The Genpact team standardized the duplicate identification process by performing a Pareto analysis on the materials data to identify the items most commonly duplicated. For instance, out of the top five duplicate categories ‘valves’ was identified as a high priority item with US$1 million potential cost avoidance. The team also initiated a coaching process to eliminate incorrect requests at source. This exercise helped in cost reduction, eliminated safety concerns arising from incorrect materials specifications and ensured data compliance in advance of a planned ERP migration.

**Re-engineering existing vendor set up process:** The client handed over responsibility of all vendor set up activities to Genpact. We started re-engineering the entire process and the steps included:

- Simplifying the vendor on-boarding form and defining an effective follow-up process.
- Modifying the vendor contracting process to reduce set up times.
- Setting up a quality control process to catch errors and update missing information for existing vendors in the client’s database.
- Designing a smart vendor questionnaire to review user input before accepting it and deploying an International Bank Account Number (IBAN) decoder to simplify the process and reduce errors.

**Business impact delivered**

Genpact’s process excellence initiative has helped the client improve safety and compliance; and eliminated roadblocks to the upcoming ERP migration. Key outcomes include:

- Increased data compliance by increasing accuracy (40%-98%).
- Improved spend traceability and consolidation.
- Improved safety through fewer materials errors.
- Greater awareness of standardized processes among end users.
- Over 20,000 vendors correctly set up for ERP migration and 300,000 items in the master database cleansed and enriched.
- Ongoing maintenance of data dictionary.
- Vendor set up cycle time reduced by 33% (30 days to 20 days).

**Road ahead**

Today, we continue to collaborate to meet targeted “go live” dates of the unified technology platform. In addition, Genpact and the client are exploring the option of eliminating duplication within the existing global database encompassing approximately 200,000 items, thereby improving data compliance even further in advance of the planned migration. Genpact is also working with the client to optimize their procure-to-pay and sourcing processes.

About Genpact

Genpact Limited (NYSE: G), a global leader in business process management and technology services, leverages the power of smarter processes, smarter analytics and smarter technology to help its clients drive intelligence across the enterprise. Genpact’s Smart Enterprise Processes (SEP®) framework, its unique science of process combined with deep domain expertise in multiple industry verticals, leads to superior business outcomes. Genpact’s Smart Decision Services deliver valuable business insights to its clients through targeted analytics, reengineering expertise, and advanced risk management. Making technology more intelligent by embedding it with process and data insights, Genpact also offers a wide variety of technology solutions for better business outcomes.

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