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Harnessing master data management to save up to $98 million by improving spend visibility and compliance

WHO WE WORKED WITH

A British multinational pharmaceutical.

WHAT THE COMPANY NEEDED

To address vendor and indirect material master data to improve spend visibility and inefficient purchasing practices, and deliver effective supplier risk assessments.

HOW WE HELPED

We created a detailed master data management roadmap, including a vendor data model, data governance and stewardship, indirect material category management, and enabling technologies.

WHAT THE COMPANY GOT

- Standardization and simplification
- Risk and compliance
- Access to technology

The impact of poorly managed master data can create unnecessary risk and put significant cost savings out of reach. A multinational pharmaceutical and healthcare company needed to address its vendor and indirect material master data to improve spend visibility and inefficient purchasing practices, and deliver effective supplier risk assessments.

Recent research shows that while enterprises understand the effect robust master data management (MDM) can have on meeting key business challenges, MDM is one of the least mature procurement functions.[1] Bad data held in disparate systems affects business operations and decisions, fails to offer a single version of the truth, and requires costly manual effort to maintain. Without a structured approach, businesses are missing opportunities for timely analysis, enhanced growth, and accelerated mergers and acquisitions.

With just 27% of the firm's direct and indirect spend categorized, and low-quality vendor data for the broad supplier base, the pharmaceutical company was experiencing reduced purchasing and negotiation power. The company chose to work with Genpact to design a roadmap for improving spend visibility through best-in-class MDM processes, governance, and technology.

CHALLENGE

Silos and vendor risk

To gain greater visibility and enhance the overall procurement processes, the business had to transform its approach to master data management. Many functions within the company played a role in MDM, including IT, procurement, finance, and the data management team, but they were working in their own silos.

The company also wanted to improve vendor risk management and regulatory compliance by introducing third-party oversight. However, the company could not conduct the necessary vendor risk assessments since its vendor data model was not fit for purpose.

SOLUTION

Examining master data

Working with the pharmaceutical company to address these challenges, Genpact leveraged its experience in managing vendor and indirect material master data and taxonomy design. Genpact began by analyzing the existing:

1. Data quality

2. Data governance

3. Target operating model

4. Vendor data model

5. Indirect material and taxonomy

6. Technology

7. Vendor process and KPIs

The assessment revealed:

1. Poor vendor master data quality in terms of completeness, accuracy, and uniqueness

2. Data-quality metrics were not aligned to business needs

3. Missing or incomplete data fields were affecting supplier risk management

4. Vendor data was held in 100+ systems with no integration between them

5. There was no MDM stewardship

6. A long vendor-onboarding process of 45-55 days

7. 10% of indirect materials were categorized in the spend management tool. Globally, 93% of indirect-material purchases were made through free-text entries rather than catalogs, which represented 65% of the organization's total spend

8. Multiple taxonomies with mismatching commodity codes. Within global purchase orders, 35% of commodity codes were not used

To create a transformation roadmap in response to these issues, Genpact recommended ways to improve spend visibility, data quality, and indirect-material maintenance and decrease vendor set-up time.

Master data management can be a daunting task as it has almost limitless boundaries. Genpact carefully aligned the roadmap to areas that would generate the greatest business impact.

Vendor data model

To create a robust vendor data model based on the company's reporting and transactional needs, and third-party oversight requirements, Genpact identified:

1. New attributes to improve supplier risk assessment, including site-level details and parent-child hierarchies

2. Attributes to mandate for better vendor matching, and reporting or transactional needs, such as VAT, NIF, and tax identification numbers, and banking details

3. Redundant or unused attributes to remove

4. Guiding principles for determining attribute location in transactional versus centralized master data systems

5. A roadmap of short- and long-term attribute changes

Data quality and governance

Genpact profiled the supplier data against completeness, accuracy, and uniqueness, which allowed the pharmaceutical company to benchmark the quality of the firm's vendor master data systems. To measure the effectiveness of vendor master matching, Genpact analyzed the related business rules.

Finally, by studying the company's governance structure, it designed the data governance organization and stewardship structure with defined roles and responsibilities, and proposed key metrics for the data quality dashboard.

Indirect material category management

Since 93% of indirect material sourcing did not come through a catalog but through free-form text, there were greater risks of incorrect categorization and inflated inventory. In addition, only 10% of indirect materials were categorized in the spend

management tool. Genpact proposed:

1. Options for either maintaining materials information in a detailed taxonomy with a large number of commodity codes or managing it in a material master

2. The pros and cons of developing a granular taxonomy or material master maintenance

3. Guidance for when a category should be in a material master versus a catalog

4. Opportunities for creating categories in catalogs versus free-form-text purchases

5. High-level taxonomy analysis and best practices for taxonomy revision

Technology

Genpact proposed technologies and guiding principles to support the initiatives, and shared how other related companies are dealing with master data.

IMPACT

Connecting silos, delivering impact

The recommendations Genpact put forward identified ways for the pharmaceutical company to generate benefits of $70-98 million by adopting operational, sourcing, and master data management initiatives. The vice president of strategy and performance praised Genpact's ability to work across the organization's silos to deliver insightful recommendations and a strong MDM framework.

Road ahead

Having assigned and built ownership for the recommended initiatives, Genpact continues to support the company as it implements the target operating model and stewardship structure for effective master data management and world-class procurement.

Transformation Happens Here

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