Box 22: What, Why, How & Who of MDM

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Master data management (MDM) arose out of the necessity for businesses to improve the consistency and quality of their key data assets, such as product data, asset data, customer data, location data, etc. Many businesses today, especially global enterprises have hundreds of separate applications and systems (i.e. enterprise resource planning (ERP), customer relationship management (CRM)) where data that crosses organizational departments or divisions can easily become fragmented, duplicated and most commonly out of date. When this occurs, answering even the most basic, but critical questions about any type of performance metric or KPI for a business accurately becomes a pain. Getting answers to basic questions such as "who are our most profitable customers?", "what product(s) have the best margins?" or in some cases, "how many employees do we have"? become tough to answer – or at least with any degree of accuracy. Basically, the need for accurate, timely information is acute and as sources of data increase, managing it consistently and keeping data definitions up to date so all parts of a business use the same information is a never-ending challenge. To meet this challenge, businesses turn to master data management

Master Data Definition

One of the most important steps in understanding master data is getting to know the terminology […] many define master data simply by reciting a commonly agreed upon master data item list, such as: Customer, Product, Location, Employee and Asset. Master data [is the] core data within the enterprise that describes objects around which business is conducted. It typically changes infrequently and can include reference data that is necessary to operate the business. Master data is not transactional in nature, but it does describe transactions. The critical nouns of a business that master data covers generally fall into four domains …

The four General Master Data Domains are:

While identifying master data entities is pretty straightforward, … it is sometimes more challenging to decide which data items in a company should be treated as master data. Often, data that does not normally comply with the definition for master data may need to be managed as such and data that does comply with the definition may not. Ultimately, when deciding on what entity types should be treated as master data, it is better to categorize them in terms of their behaviour and attributes within the context of the business needs than to rely on simple lists of entity types.

What is Master Data Management

Master Data Management (MDM) is the technology, tools and processes that ensure master data is coordinated across the enterprise. MDM provides a unified master data service that provides accurate, consistent and complete master data across the enterprise and to business partners. There are a couple things worth noting in this definition:

1

MDM is not just a technological problem. In many cases, fundamental changes to business process will be required to maintain clean master data and some of the most difficult MDM issues are more political than technical.

2

MDM includes both creating and maintaining master data. Investing a lot of time, money and effort in creating a clean, consistent set of master data is a wasted effort unless the solution includes tools and processes to keep the master data clean and consistent as it gets updated and expands over time...

For further detail from the rest of the article that addresses the practical challenge of implementing MDM

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