



The high cost of bad data for procurement

WHITE PAPER

Rosslyn
Data Technologies

“Data and information are now as vital to an organisations well being and future success as oxygen is to humans. And without a fresh supply of clean, unpolluted data, companies will struggle to survive.”

Source: The Data Warehousing Institute (TDWI)

EXECUTIVE SUMMARY

According to The Data Warehousing Institute (TDWI), in the US alone, bad, dirty, inaccurate or missing data is estimated to cost companies over \$600 billion a year. Without a clear data management strategy and a deep appreciation for data governance, no company can avoid the repercussions of bad data irrespective of industry, department, or location. Left unaddressed, the impact will only increase as bad data propagates across systems, data quality continues to deteriorate, and the cost of complex data cleansing spirals out of control.

At a time when data volumes are experiencing exponential growth and show no signs of abating, it comes as no surprise that astute organisations are turning their attention to data management and analytics as a means to not only reduce the cost of bad data but also to mitigate the risks and impact to their bottom line.

In this White Paper, we will discuss the business impact of bad data and how procurement and supply chain professionals can address this to improve bottom line performance.



“Clean data is the path to success. Clean data leads to insight. Insight leads to better decisions. Better decisions lead to effectiveness.”

Michael Ashmore,
Director, Pitney Bowes Software

THE IMPACT

In the simplest of terms, there are two main ways companies use data:

Operationally - to keep the business running effectively and efficiently.

Strategically - for analysis to gain deeper insights and intelligence in order to make smarter decisions, identify new opportunities and mitigate risk.

Both of these uses rely heavily on high quality data – both structured and unstructured - in order to optimise performance and achieve business goals.

It would be naïve to suggest that bad data will be eliminated completely. However, as data volumes continue to grow and data sources continue to expand, the time to act is now as the cost and complexity of fixing data problems – accuracy, security, management - will be exponentially greater in the future.

Failure to act now simply places organisations in a weakened state - unable to optimise procurement strategies and forced to spend significant funds on time consuming, manual tasks merely to compensate for the problems caused by bad data.

Operational efficiencies and productivity

A well developed data management strategy coupled with a clearly defined data governance policy is a long term commitment to ensuring accuracy, compliance and use of data. Processes and technologies need to be implemented in order to ensure continual development and adoption of such initiatives. A data management strategy can significantly reduce the time invested, resources required and costs associated with data cleansing. In so doing, time may be better spent on higher value areas of data management such as data enrichment enabling more accurate analysis and data consumption.

Without ongoing data quality efforts, daily business requests such as ad hoc or time sensitive reports can leave business users spending hours manipulating Excel spreadsheets or data to try to find answers to questions proposed by management. Some workers can spend up to 50 percent of their time re-working, validating and manually searching for results to formulate an answer to make business decisions. In turn, this inflates opportunity costs and impacts business efficiency and productivity.

According to Aberdeen Group, organisations with information governance tools including data quality and data management, not only have more accurate data to start with, but they are improving at almost 3-times the rate of their competitors. With more reliable data, such organisations in turn see improvements in business efficiency. Every data-centric task and function, from billing and invoicing to overall supply chain management benefits from access to accurate, timely data.



“Poor information quality costs organisations 20-35% of operating revenue wasted in recovery from process failure, information scrap and re-work.”

Larry English,
Total Information Quality
Management (TIQM)

Decision making and opportunity

Procurement and supply chain rely increasingly on data not only to enhance core activities but to expand mandates into areas such as risk management, innovation, and enterprise-wide coordination.

Imagine a procurement team so deeply connected into its suppliers that it gains access to all relevant data on cost structures, supply availability, lead times, and financial and operational risks, as well as service and quality metrics for its supply base. Understanding these dimensions can lead to vastly improved, data-driven decision making.

The procurement team becomes well positioned to negotiate the right prices, adapt its own planning, or switch to alternative suppliers in the case of supply shortages. Such an approach also helps suppliers improve deteriorating quality levels by applying intelligent insights that were previously unattainable.

Very often however, companies rely on data that is inconsistent, incomplete, incorrect, outdated, duplicated, or incorrectly categorised. The result? Direct cost to the business arising from decisions based upon old assumptions or invalid data.

Here are a few ways that data-driven decision making underpinned by a consistent data management strategy can be of benefit:

Creating opportunity

Easy visibility into accurate data can present many opportunities that may otherwise be missed or overlooked. These include consolidation of sourcing and performance management opportunities such as payment terms, payment methods and frequency.

Cost savings

These can often be missed opportunities if the data is not readily available or missing context. This includes savings achieved from sourcing events, spend under management, contract compliance rates and maverick spend reduction.

Proactive supplier management

Incorrectly associating or parenting suppliers can often result in the loss of opportunity. Organisations with a data management strategy in place are finding it easier to identify opportunities for price breaks and volume discounts, to score card suppliers more accurately, and to gain a clearer understanding of which suppliers offer the most value for specific products or services.

Vendor master file management

For most companies, the vendor master file is riddled with inconsistent, missing, duplicate or outdated information about their vendors. Because the file contains all the contact, tax, and contract information for each vendor, inaccurate information can lead to duplicate payments, unpaid invoices, and fraudulent payments. A clean and accurate vendor master file is essential to prevent errors, reduce risk and streamline regulatory compliance.

Risk management & mitigation

Supply chain risk mitigation is now high on the procurement agenda, particularly in light of recent events – financial crisis, natural disasters and supplier failures, to name just a few.

In this context, the key goal of data management and analytics is to gain sufficient intelligence and forward-looking insight to enable decisions that will minimise risk and increase competitiveness.

However, with less than 50 percent of management confident in the data contained within their systems, any decision based on bad, or untrusted data, is of questionable reliability.

BDI - BDO

As decisions are only as good as the data and information on which they're based, focus has to be placed on ensuring data is gathered, entered, stored, managed and analysed in a controlled manner using the best possible data management and analytics solutions available.

Forecasting and predictive analytics

Making decisions with bad data can send companies down the wrong path, resulting in costly corrections and wasted assets. For example, bad forecast data may result in higher inventory carrying costs.

Credit checking and fraud identification

Enriching internally held data with external credit and/ or fraud data enables companies to track credit worthiness and identify fraudulent behaviour as an ongoing practice, allowing for visibility to make quick adjustments when changes occur.

Compliance

Violation of regulatory compliance mandates – Sarbanes-Oxley, Basel II, Solvency II or SEPA, to name just a few – have direct cost implications. Comprehensive data management is vital to ensure compliance and mitigate risk.

Materials management

For companies sourcing materials or components from high risk locations, the ability to quickly access and analyse accurate, timely data is vital in order to make more informed risk-based decisions in the case of emergency or natural disaster.



“89% of companies believe that their departmental budgets are being wasted as a result of inaccurate data.”

Global Data Quality Research,
Experian QAS

MINIMISING THE IMPACT OF BAD DATA

Bridge the gap between business and data

Today's businesses are faced with the challenge of setting and implementing new strategies for data management and analytics in an environment where the pace of change is unprecedented and is only set to accelerate as data management and analytics make the steady transition to the cloud.

To optimise both strategy and operations, IT and data specialists need to work alongside business decision makers to implement a data-driven culture, to promote data sharing best practices and to develop clear data management and data governance policies.

Without such policies, employees will continue to struggle to understand the value and impact to the business of the data they work with every day. The value of insightful decision making will prove elusive and the opportunities to increase business efficiencies, productivity, competitiveness and profitability will be lost.



Data quality is a journey, not a destination

According to Experian, business data may decay by up to 37 percent each year. With “data decay” happening at such high rates, businesses must put in place practices that keep their data current to perform day-to-day operations efficiently and competitively. Ongoing, long-term data quality can offer confidence in answering questions such as, “How do I find that extra 3 percent cost saving,” or even offer immediate visibility into high risk situations such as, “My vendor of a critical component has moved into an area that may be a high risk flood zone.”

Below, you will learn the essential components to a successful data management strategy.

Discover

So often, companies are unaware of data available to them and therefore drive decision making based on incomplete data views. The problem arises from the fact that procurement and supply chain data is stored across multiple disparate, distributed systems often across multiple locations – each of which may then have different access and usage rights attached to them.

Taking the time to discover core data assets, to identify and scope data sources, to profile data sets required for integration and to align data discovery with desired business outcomes provides the basis for the development of a sound data management strategy.

Cleanse

Equipping your business with the ability to quickly and easily integrate data from multiple sources into a single repository ready for cleansing, classification and categorisation is an essential step towards detecting and eliminating bad data.

Enrich

Enhancing and adding value to integrated and cleansed data through data enrichment enables organisations to gain a deep understanding of and insight into supplier location, credit worthiness, risk exposure and behavior. Enrichment opens up new opportunities to develop optimised procurement and supply chain strategies by delivering analytics ready data for dynamic analysis, visualisation and reporting across the organisation.

Establish a single data management & analytics platform

Whilst raw data may be ‘dirty at source’, the use of point solutions to support each of the discrete tasks of data integration, cleansing and enrichment only compounds the problem of bad data.

Selecting a single platform that unifies all of the core disciplines of data management and analytics including data integration, cleansing, enrichment, visualisation and reporting is proven to reduce the impact of bad data.

“Dirty data is to a business, what dirty drinking water is to a human. It fundamentally affects the vitality and effectiveness of its operations and can ultimately lead to its demise. And, just as world-class athletes perform at their best when they enrich their drinking water, world-class businesses perform at their best when they enrich their data.”

Michael Ashmore, Director, Pitney Bowes Software





ABOUT ROSSLYN

Since 2005, Rosslyn Data Technologies has been at the forefront of helping organisations deliver accelerated business value through data insight.

With thousands of users in over fifty countries, we empower organisations to automate critical business processes and analytics through simple, self-service tools. Our portfolio of services ranges from AI-driven Procurement Spend Analytics to Master Data Management.

We service a global list of clients from our headquarters in London, with US presence in Chicago and New York.

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