



WHITE PAPER

Mastering the Global Manufacturing Data Challenge

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Global manufacturers continue to compete in a space that becomes more competitive and complex as the years pass. KPIs, ERPs, CRMs; these acronyms often mean we must do more with less, while increasing throughput on a decreased budget. The financial aspect drives this space, as it does every space. It is imperative that financial contributors such as storeroom inventory be managed with as much scrutiny as the equipment that is used to manufacturer the finished goods that are produced.

STOREROOM INVENTORY

One of the largest financial contributors to manufacturing is working capital. Specifically, the inventory that is maintained to ensure that equipment is kept running effectively and efficiently through both planned and catastrophic downtime. It really seems quite simple. If you need it, stock it. As ridiculous as this strategy seems there were decades where this methodology was the norm, not the exception. Fearful of excessive downtime it seemed logical to stock parts worth hundreds, or even thousands of dollars, in an effort to avoid the costs of downtime. With the introduction of computers, ERPs, and CMMSs, the strategy became much more defined. A manufacturing facility can now receive recommended stock levels for new parts that will allegedly safeguard against stock outs. This new inventory will maintain production at a cost deemed reasonable by the financial department of the organization. In addition, the recommended on hand inventory is, for lack of a better term, minimal. Finance, engineering, production, and maintenance can rest assured that the items subjected to this new version of recommended stock levels are the ultimate in precise, accurate, never cost overbearing, calculations.

LEGACY PARTS

So what about the parts that have been there for years? Could the same strategy not be applied to these? The challenge for every organization is data quality, or lack thereof, related to these inventoried parts. Some parts, and their related description, radiate with accuracy and attribute information. Truth be known this only represents about 10%, arguably much less, of the items in a given database. More realistic are parts that barely have a part number, let alone any type of description that would allow the preferred supplier to accurately provide a replacement part. Without clean data there is a good chance that the agreement, which was originally negotiated with the preferred supplier, doesn't accurately represent the organizations true spend. Without good data product group reporting lacks accuracy that could very well change the margin, cost savings, and inventory commitments that are deserved when negotiating. In reality, most companies can't tell definitively what they bought, who they bought it from, and how much they bought it for within the last month, let alone the past year. P-cards, free text descriptions, VMI one line invoices: these are all contributors to poor data and inaccurate, or unavailable item detail information.

BAD DATA

Bad, dirty, or corrupt data. Regardless of what it's referred to as, the fact is that low quality data negatively impacts the financial aspect and efficiency of an organization. Over stock, under stock, inaccurate reporting, unachieved benefits from preferred supplier agreements...all can be attributed to inconsistent, inaccurate, and incomplete data. It's no one person's fault though. In fact if it must be blamed on someone or something, blame it on the introduction and implementation of computers within the manufacturing space. Blame it on the lack of recognition for data governance. Blame it on mergers and acquisitions, which have

challenged companies to combine multiple ERPs into one unified, strategically selected, common platform. All of these contributors, and more, have brought inventory management to where it is today. Although it is impossible to change what has been done in the past, we can change the methodology and operational processes moving forward.

DATA CLEANSING

Well here is the good news. There are companies throughout the world that specialize in the niche field of material and vendor master data cleansing. What does that mean? It means that manufacturing organizations can focus on producing finished goods, while third-party subject matter experts clean, standardize, and enhance legacy data to provide an item master that is consistent amongst product groups and contains accurate, attribute-rich descriptions. Once clean, data will be formatted to meet the specific configuration requirements of the chosen ERP. Since each enterprise system is unique it is imperative that a strategy be developed to ensure that the end deliverable meets configuration requirements such as file format, character limitations, field population, etc. A defined Standard Operating Procedure will be developed at the beginning of the cleansing initiative to clearly articulate naming convention and formatting requirements. During the cleansing process duplicate items will be identified within individual plants, as well as, across the corporation. On average duplicates represent 10% but can often climb as high as 30%. Duplicate identification provides opportunity to reduce on hand inventory and further leverage spend. For most organizations it is also beneficial to run an OEM to MRO item conversion project in parallel with the cleansing initiative. Significant procurement savings can be achieved by interchanging costly OEM parts for standard MRO items. It is worth mentioning that although some parts may appear to be identical there can be minor variations that, when used improperly, can have devastating effects to machinery and production uptime. It is best to include engineering team members, as well as, external subject matter experts when making these interchange decisions.

For companies who are in the process of upgrading their existing ERP, implementing a new ERP, or have already identified that they have corrupt data, there has never been a better time to implement a data cleansing project. Reaching out to an expert in this space can not only save a company significant dollars in the long run through procurement efficiencies, but can also maximize the return on investment for a costly ERP implementation. To truly identify the current state of materials data, consider having a no cost, no obligation data evaluation performed on the legacy data set. The end result provides an item master that enables extensive benefits to all users within maintenance, production, engineering, finance, and procurement.

ABOUT IMA LTD.

Founded in 1989, IMA Ltd. provides world-class material master data management solutions, specializing in MRO Data Cleansing, Catalog Management, and Inventory Optimization. Throughout twenty-five years of business, IMA has assisted manufacturing and asset-intensive organizations worldwide in their efforts to improve maintenance efficiency, reduce inventory costs, and optimize procurement performance. For more information, please visit www.imaltd.com.