SAP Master Data Governance

Central governance of financial data

Based on SAP Master Data Governance on SAP S/4HANA 1709 / SAP Master Data Governance 9.1

January 2018

CUSTOMER
SAP Master Data Governance (MDG) is a state-of-the-art master data management solution, providing out-of-the-box, domain-specific master data governance to centrally create, change, and distribute, or to consolidate master data across your complete enterprise system landscape.

In this context, MDG can either run as a separate master data hub or be co-deployed on an operational system. In both cases MDG can run on:

- ECC on any DB
- ECC on HANA
- S/4HANA

From a functional perspective, SAP MDG on SAP S/4HANA 1709 correlates with the ERP 6.0-based SAP MDG 9.1 release.
Agenda

- Financial Master Data in the Business – Situation and Challenges
  - The Solution: MDG, Central Governance for Financials
    - Process
    - Content
    - Architecture
    - Technology
  - The Solution Benefits
- Summary
These Challenges are Driving the Need for Greater Financial Information Governance

Maintain consistency across data sources

- Strong data maintenance and approval guidance
- Validation checks built into data entry processes
- Data distribution control to manage varied content over multiple systems

Streamline and automate processes

- Centrally governed maintenance processes
- Role-based workflows with flexible routing
- Business Rules to control content and assignment options

Tracking and tracing of changes

- Change documentation on content
- Workflow tracking on approval history
- Validity tracing of time-controlled distribution
Financial Organizations’ Master Data Challenges

Current Challenges

- Lack of data standards/policies
- Manual data management processes
- Increasingly complex regulations
- Lack of change transparency/audit trails
- Inability to manage time-dependent data provisioning

Impacting Your

Operational Efficiency

Regulatory Compliance

Planning & Analysis

"Data quality effects overall labor productivity by as much as 20%.

Measuring the Business Value of Data Quality, Gartner, Inc."
How Can Information Governance Help?

Now that master data is consistent throughout, creating a new cost center takes less than 30 minutes instead of several days.

Jian Ming Se, Global IT Associate Director Colgate-Palmolive on the benefits of SAP MDG

“...”

Hours per week employees spend searching for information

- 6 worst
- 2.0 average
- 1.2 best

Aberdeen Group

Decrease in business process cycle time

- 54.2% best
- 18.6% average
- 11.8% worst

SAP Value Engineering
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MDG, Central Governance for Financials at a Glance

- MDG, Central Governance for Financials (MDG-F) is an application to centrally govern the maintenance of financial master data.
- MDG-F provides central steering and control mechanisms independently of local or centralized execution.
- In MDG-F, master data records can be created, completed or changed in a staging area, following a distributed step-by-step way, before making the record available to connected business applications.
MDG, Central Governance for Financials Addresses Main Action Areas

Consistent financial master data across the entire organization

Collaborative maintenance

Traceability of changes for compliance requirements

Excellence in financial processes, i.e. accurate reconciliation, timely group closing

High quality of master data and a single version of the truth
MDG-F: The Solution
Building Block Overview

**Process**

- Business Rules
  - Search
  - Maintain
  - Validate
  - Approve
  - Replicate

**Content**
- Data Models
- Extensibility

**Architecture**
- Staging area
- Deployment
- Replication

**Technology**
- UI and configurability
- Integration
MDG-F Process Framework

![Diagram showing the MDG-F Process Framework]

- **Work Center**
  - Financial Accounting
  - Financial Controlling
  - Financial Consolidation

- **Search**
  - Search
  - Create
  - Change
  - Block
  - Mark for Deletion
  - Replicate

- **Workflow / Business Rules**
  - Business Rules
    - Maintain
    - Validate
    - Approve
    - Replicate
  - Edition Management

- **Roles**
  - Requestor
  - Accountant
  - Corporate Accountant
  - Data Steward
  - Approver
  - Data Specialist
The Change Request

- The Change Request is an MDG-specific object that:
  - acts as the container for new and changed data
    - Master data content
    - Comments
    - Approval history
  - defines and controls the process flow and processors according to defined Change Request type
  - optionally holds multiple changes
Editions are used to control the validity of a change. In the edition, planned change requests for the creation of new data or for changes to existing data are collected and released collectively at a certain date. Time-dependent objects (Profit/Cost Center) automatically inherit the valid-from date from the edition’s valid-from date.
Work with Changeable Keys

When requesting a new financial master data item, often the requesting user does not yet know the number to be used in Business Suite Applications. To provide flexibility to the requestor whilst adhering to corporate numbering standards, the single-object maintenance in SAP MDG-F offers the feature to use a generated key first, and changing it to the desired final number in a later step of the creation process.
Process Features

- Copy multiple company codes: create multiple company code-specific G/L accounts by simple copying

- One-step creation of primary cost element: automatically create the primary cost element connected to a new account in the same maintenance step
Hierarchy Assignment in Single-Object Processing

Master Data and Hierarchy Assignment in the same Main Financial Objects UI

- Cost Center
- Profit Center
- Cost Element
- Cost Center Group
- Profit Center Group
- Cost Element Group
  - And also:
  - G/L Account
  - Financial Reporting Structure Item

In addition to ERP:
- Overview of all assignments in all hierarchies
- Display and maintain not only standard group, but also alternative hierarchies on master data screen
Integrated Change Request

- For all multiple objects processing applications:
  - Hierarchy Processing
  - File Upload
  - Mass Change
Hierarchy Interlocking

Loose interlocking provides additional flexibility

- **Strict Interlocking (Default)**
  - Upwards and Downwards

- **Loose Interlocking (New Option)**
  - Same parent

Node currently maintained in a pending change request

**Interlocked**: You must use the pending change request

**Not Interlocked**: You can use a separate change request
Usability Features in Single-Object Maintenance UI

- **Side panel / Business Context Viewer:** Context information can be displayed in the side panel to provide further related information about the current data record, e.g. the change history.

- **Highlight Changes:** Fields that were changed in the previous step are highlighted in color.
Usability Features in Hierarchy Processing

Easy Actions supported for multiple objects:
- Drag & Drop
- Move Up, Down
- Rank Higher, Rank Lower
- Copy & Paste or Paste at Lower Level
- Cut & Paste or Paste at Lower Level

Easy to use:
Select multiple subnodes of one node and carry out any of the actions above.
Usability Features in Hierarchy Processing

Direct Access/Insight to Hierarchy Change by clicking icons:

- Pending Change Request
- Change Document
In an SAP Central Finance usage scenario, MDG-F can optionally serve as the central master data governance application to ensure high quality and consistency for financial master data.

In addition, MDG consolidation can create the necessary key mappings for customer and supplier data by many-to-one matching, and keep them updated.
Standard Objects in Data Model 0G

The figure shows only type 1 entities grouped into the three major MDG-F areas. Entities Profit Center, Profit Center Group and Profit Center Hierarchy are used by the Financial area, too.

Data Objects can be modified/extended flexibly to specific needs, according to the backend systems.
Deployment

- MDG is delivered as a business function within SAP ERP and SAP S/4HANA OP
- Deployment as standalone hub or on top of existing ERP or S/4 instance
- Replication into various applications from both SAP MDG on SAP S/4HANA or MDG on ERP:
  - SAP Business Suite
  - SAP S/4HANA
  - Non-SAP

Example

MDG is pre-integrated with SAP ECC, and provides publish/subscribe and master/slave implementation modes with automatic distribution to SAP and 3rd party applications.

Aaron Zornes, The MDM Institute
MDG-F replicates the data according to the needs of the connected business systems. This is independent of the deployment option, if MDG is used on top of one of the operational ERP or S/4 systems, or as a standalone MDG data hub.
SAP Master Data Governance Capabilities
Robust Data Replication

**Replication**
- Automatic or manual replication to SAP and non-SAP systems
- Peer-to-peer or mediated

**Replication Techniques**
- DRF controlling replication mechanisms like
  - ALE for SAP ECC, R/3 and non SAP systems
  - SOA service for SAP and non SAP systems
  - RFC and File for SAP and non SAP systems
  - CIF for SAP SCM and MW for SAP CRM/SRM

**Replication Features**
- Flexibility to replicate selected data only to a specific client system by defining filters (controlled by DRF)
- Support of different object IDs or customizing keys between hub and client systems (via mapping in SAP MDG or SAP PI)
- Monitoring and error handling
User Interface

Technology

- Browser-based UI (Web Dynpro ABAP) to allow decentralized task execution
- Use of Floorplan Manager for easy screen configuration and personalization
- Pre-delivered workcenters provide a structured entry point for individual roles
You can also use Fiori apps to request a new cost center or a new profit center.

These apps can be flexibly used on a variety of devices including tablets and smartphones.
Approve Cost Center, Profit Center or G/L Account With Fiori App

Approve new object: Only entered fields are displayed

Approve change: Only changed fields (with old values) are displayed
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## Benefits of MDG, Central Governance for Financials

<table>
<thead>
<tr>
<th>What can be improved?</th>
<th>How can SAP Master Data Governance help?</th>
<th>What benefits can be achieved?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Process efficiency</strong></td>
<td><strong>Greater governance across local and corporate systems</strong></td>
<td><strong>Faster financial close</strong></td>
</tr>
<tr>
<td>• Intercompany reconciliations</td>
<td>• Automation of data maintenance through integrated validations, derivations and role-based transactional guidance</td>
<td>• Increased coordination across operating units</td>
</tr>
<tr>
<td>• Period closing</td>
<td>• Reduction of manual correction work due to “First Time Right” data entry</td>
<td>• Increased trust in reporting data</td>
</tr>
<tr>
<td>• Corporate controlling</td>
<td>• More automation in reconciliation of charts of accounts across multiple ledgers</td>
<td>• Reduced cost of finance as a percentage of revenues</td>
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<tr>
<td>• Financial consolidation</td>
<td></td>
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<tr>
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<th>Corporate Controller</th>
<th>Internal Audit/Compliance</th>
<th>Exec. Mgmt. and External Stakeholders</th>
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<td>Divisional period cut-off</td>
<td>Intercompany reconciliation &amp; local close</td>
<td>Corporate consolidations &amp; flash reports</td>
<td>Regulatory reporting</td>
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<td>Internal audit &amp; validate numbers</td>
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SAP Master Data Governance
Benefits of MDG, Central Governance for Financials

What can be improved?

Greater governance across local and corporate systems

How can Master Data Governance help?

What benefits can be achieved?

**Compliance Management**

- Transparency
- Traceability
- Risk exposure

- Increased visibility into change impact on financial statements
- Reduced audit workloads and costs
- Greater collaboration in support of internal policies and government/industry regulations
- Fewer non-compliance penalties

- Separation of duties between change and approval authority for financial master data
- Standardized workflow and automated routing
- Complete history and audit trail of changes to financial master data

- Increased visibility into change impact on financial statements
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<td><strong>Quality and Consistency</strong></td>
<td>Greater governance across local and corporate systems</td>
<td>Reduced effort to find information</td>
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<td>• Master data</td>
<td>• Single Source of Truth allowing for creating and storing the right data at the right place, even in distributed and changing landscapes</td>
<td>• Increased trust in data by business users</td>
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<tr>
<td>• Business rules</td>
<td>• Standardized data models, validation rules and workflows</td>
<td>• Greater consistency of financial statements and less need for restatements</td>
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<tr>
<td>• Governance processes</td>
<td>• Easier Cross-System Data Synchronization through configurable and selective distribution logic</td>
<td>• Improved modeling, planning and analysis</td>
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Colgate-Palmolive Supports Information Governance Programs with SAP® Solutions

**Company**  
Colgate-Palmolive Company

**Headquarters**  
New York City

**Industry**  
Consumer products

**Products and Services**  
Household, personal care, oral care, and pet nutrition products

**Employees**  
39,000

**Web Site**  
www.colgatepalmolive.com

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**Objectives**

- Support an information governance need of both global and regional business units
- Implement company-wide standards for master data, starting with the vendor, financial, and material data domains
- Measure and control quality of information to make it a valuable asset for use throughout the enterprise

**Why SAP**

- Enterprise-strength master-data management software
- Business-user interface for profiling and measuring data quality in planning reports extracted from the SAP® ERP application and the SAP Advanced Planning & Optimization (SAP APO) component through SAP Information Steward software
- Tight integration with SAP Business Suite software across the business landscape

**Benefits**

- Increased accuracy of data and reports through centralized maintenance of master data and ongoing data quality monitoring
- Faster financial close and improved efficiency for financial reporting
- Better data quality to drive process improvement across multiple business channels

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"With SAP enterprise information management solutions, we can profile, govern, and measure our enterprise data more effectively. We utilize packaged and extensible solutions that support our information governance program, automate compliance, and leverage our investments."

Jian Ming Se, Associate Director, Colgate-Palmolive Company

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Automotive Company Proactively Manages Financial Data

Objectives
- Enable continuous maintenance as business operations change
- Greater compliance with audit and control policies
- Increase process efficiency and reporting confidence

Why SAP
- Better user experience through interface which provides drop down lists, real-time validations and error message functionality
- Out of the box workflows to manage the request, processing and approval of master data creation and changes
- Centralized audit trail and separation of activities functionality

Benefits
- Increased data steward productivity through centralized management and enhanced user experience
- Greater compliance with governance policies through automated validation, audit trails, and separation of duties
- Improved consistency of financial master data and increased business process efficiency

“SAP has helped us move from reactive to proactive master data governance. The result has been greater efficiency, quality, and control of our financial data and processes.”

Senior Finance Lead
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Summary: Why Master Data Governance?

1. Up-front, central creation of master data enables high data quality and leads to significant business improvements

2. Out-of-the-box, process-centric applications provide centralized governance for master data domains such as financial data, supplier data, material data etc.

3. Embedded solution with native integration into Business Suite using existing business logic and infrastructure leads to low TCO

4. Master Data Governance provides flexibility, from configurable workflows and extensible data models up to custom-built applications