11.4: Data Rich, Information Poor

Learning Objectives

After studying this section you should be able to do the following:

1. Know and be able to list the reasons why many organizations have data that can’t be converted to actionable information.
2. Understand why transactional databases can’t always be queried and what needs to be done to facilitate effective data use for analytics and business intelligence.
3. Recognize key issues surrounding data and privacy legislation.

Despite being awash in data, many organizations are data rich but information poor. A survey by consulting firm Accenture found 57 percent of companies reporting that they didn’t have a beneficial, consistently updated, companywide analytical capability. Among major decisions, only 60 percent were backed by analytics—40 percent were made by intuition and gut instinct (King, 2009). The big culprit limiting BI initiatives is getting data into a form where it can be used, analyzed, and turned into information. Here’s a look at some factors holding back information advantages.

• Incompatible Systems

Just because data is collected doesn’t mean it can be used. This limit is a big problem for large firms that have legacy systems, outdated information systems that were not designed to share data, aren’t compatible with newer technologies, and aren’t aligned with the firm’s current business needs. The problem can be made worse by mergers and acquisitions, especially if a firm depends on operational systems that are incompatible with its partner. And the elimination of incompatible systems isn’t just a technical issue. Firms might be under extended agreement with different vendors or outsourcers, and breaking a contract or invoking an escape clause may be costly. Folks working in M&A (the area of
investment banking focused on valuing and facilitating mergers and acquisitions) beware—it’s critical to uncover these hidden costs of technology integration before deciding if a deal makes financial sense.

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**Legacy Systems: A Prison for Strategic Assets**

The experience of one *Fortune* 100 firm that your author has worked with illustrates how incompatible information systems can actually hold back strategy. This firm was the largest in its category, and sold identical commodity products sourced from its many plants worldwide. Being the biggest should have given the firm scale advantages. But many of the firm’s manufacturing facilities and international locations developed or purchased separate, incompatible systems. Still more plants were acquired through acquisition, each coming with its own legacy systems.

The plants with different information systems used *different* part numbers and naming conventions even though they sold *identical* products. As a result, the firm had no timely information on how much of a particular item was sold to which worldwide customers. The company was essentially operating as a collection of smaller, regional businesses, rather than as the worldwide behemoth that it was.

After the firm developed an information system that standardized data across these plants, it was, for the first time, able to get a single view of worldwide sales. The firm then used this data to approach their biggest customers, negotiating lower prices in exchange for increased commitments in worldwide purchasing. This trade let the firm take share from regional rivals. It also gave the firm the ability to shift manufacturing capacity globally, as currency prices, labor conditions, disaster, and other factors impacted sourcing. The new information system in effect liberated the latent strategic asset of scale, increasing sales by well over a billion and a half dollars in the four years following implementation.