The challenge of consolidating different data bases

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Centralisation processes create major savings for companies and enable them to reduce the number of people engaged in administering data bases.

Nowadays it is quite common to see companies with functional departments that, apart from having a central data base common to all the company, have information coming from multiple in-house applications that, in the majority of cases, is not centralised nor shared with other divisions in company. This dispersion of data creates redundancies in information, makes it difficult to get a single record of actions and customers, and forces the IT department to perform a specific task each time crossed information between two or more departments is required. For this reason, one of the main challenges for the IT department is to consolidate the different data bases with the company’s central data base. This can offer tremendous benefits for the organisations. Firstly, it can create substantial savings in costs. According to Giga Group, some consolidation processes can save up to 50% of the budget for technology. On the other hand, it lets the company improve the administration of its data base, as it reduces the number of people that have to intervene in the operation. Finally, centralisation makes other tasks easier, such as back-ups and records of processes.

For Wells Fargo, one of the largest banks in the United States, which manages over 148,000 million dollars in assets, consolidation of its data bases has meant a saving for fund managers in terms of hours of work. Before going through with this process, the company had a data base for each of its financial products, so the most important information on each customer, such as his activities, transactions and preferences, came from more than ten different sources. Now, knowing the services each customer has is just a matter of seconds. Given that the greatest profitability, according to the company, comes from the sale of additional products or upselling to the same customer, the merging of data into a single source has provided the company with numerous benefits. Furthermore, the Wells Fargo marketing department is developing new products thanks to the information it gets from crossing the information it has on its customers. Finally, the costs of the IT department have gone down as its people can devote the time it formerly spent on crossing data to designing new consultancy services for the central data base.

As you can see, costs are not the only reason behind companies consolidating their data bases. The added value in terms of intellectual capital is perhaps even more important.

Decision
If the process of data base consolidation creates benefits in terms of costs and knowledge management, the underlying question is: why don’t companies decide to do so?

In the first place, there are a series of costs that must be assumed in the short term that have an impact of the Profit and Loss account of the organisation (consultants’ fees, purchase of new equipment and the cost of updating licences). Besides, there are certain fears about the loss of information. A third point is that in a long-term process the day to day activities, which are always top priority, use up all the resources of the IT department, so it is very difficult to make inroads in the data merger process. Lastly, consolidation implies improving procedures more than technology and this can produce friction and differences of opinion because it directly affects the way an organisation or department works.

In short, it seems that the consolidation of data bases allows companies to save costs and substantially improve the administration of their information. Carrying out this project requires the design of a gradual long-term plan where benefits exceed implementation costs and where the management of the company is closely involved in order to guarantee its continuity and success. Moreover, habits need to be changed, which is sometimes more difficult than the problems derived from the technical and economic process of implementation.

**What challenges does a company face in order to accomplish the centralisation of data bases?**

**The need to solve problems**

*Josep Valor, IESE professor*

The consolidation of data bases forces a company to solve technological problems, which may even mean rewriting considerable parts of the software that each department uses to access the central data base that at this point in time holds all the data of the company.

Another point to keep in mind is how the access to the information is managed. The fact of having a single data base pushes the company to assign access codes and, in some cases, certain priorities could be set up which may not coincide with the hierarchies previously established.

However, beyond the problems derived from technology, the decision to consolidate data in a single base means that the company must take into account the business processes that create the information or feed on it. This is a problem that is usually much more serious than the ones associated with technology.

**Defining the value of content**

*María Barceló, Senior Manager PwC*

The consolidation of data bases is an opportunity to analyse and rationalise the value of data and provide solutions that change the general perception of the information overload in companies. This consolidation means tackling the management of the processes associated with both the inputs and outputs of data through a user interface. To accomplish this, organisations will firstly have to define the value of content or data depending on a series of variables such as utility, quality or temporary value. This implies creating the right conditions beforehand to filter relevant data and later to move
them from their different applications to their new position by using automatic mechanisms wherever possible. On the other hand, interfaces with personalisation functions and profile definitions must be set up that will allow selective access to the required data for each user.