

Data silos are the greatest stumbling block to an effective use of firms' data



Greater access to data has given business leaders real, valuable insights into the inner workings of their organisations. Those who have been ahead of the curve in utilising the right kinds of data for the right purposes have reaped the rewards of better customer engagement, improved decision-making and a more productive business, whilst those who have lagged behind have found themselves faced with an uphill struggle to compete.

This, however, has only been the first part of the data story. As businesses have begun to recognise the positive impact data could have on how they run their business, they've taken a predictable next step: they're collecting more of it. And lots more.

Whilst the logic that more data means greater and more varied business insights is sound on paper, our research suggests that many businesses don't have a suitable strategy or the technological infrastructure needed to realise true business benefits from their growing data stores. We recently [commissioned a survey](#) of information technology decision-makers across US and UK businesses with 500 employees or more to examine enterprises' data ambitions, investment plans, and return-on-investment (ROI) expectations.

The challenge is clear: around three-quarters (74 per cent) of our respondents believe their organisation has more data than ever but is struggling to use it to help generate useful business insights. So what are the challenges and stumbling blocks that businesses are facing when dealing with their data, and what steps can they take to solve them?

Understanding data value

Firstly, it's necessary to find out what goals businesses have for their data. Nine in ten (90 per cent) IT decision-makers agree that it's an increasingly high priority for their organisation to be able to better utilise data, with 86 per cent seeing this as being a key means of gaining competitive advantage.

Drilling down further, many are aiming to make more effective use of data to improve organisation-wide operations. The most commonly cited goals were around improving business processes (64 per cent), driving operational efficiencies and reducing costs (57 per cent), as well as making business decisions more quickly (46 per cent).

Alongside this, a number of data goals relate to improving the customer experience. Over half (54 per cent) highlight improved customer service as a goal, and over a third (35 per cent) say the same for providing more tailored and personalised customer experiences. This is hardly a great shock. For any business, understanding the needs of your customer base and being able to shepherd them through their purchasing journey more effectively is key to pushing revenue growth.

Data investment and ROI

At the outset I highlighted that the amount of data businesses collect and generate is due to grow significantly in the future, and that, even today, businesses are struggling to turn their data into actionable insights. However, this isn't from a lack of effort or financial support from within the business itself. This year, respondents' organisations have allocated on average \$797,537 to operationalising data. The expected average for 2019 jumps to \$1,132,013, and in five years' time it's expected to be \$1,725,309.

This willingness to invest is easily explained when we asked about the financial benefits expected from proper data use. Respondents estimate that, on average, their organisation would see annual revenue increase of \$5,156,891. This equates to a staggering 547 per cent return, or \$4,359,354 gain, on the current average investment. However, to realise these lofty data ambitions, businesses will need to invest this budget appropriately, rather than risk throwing good money after bad.

Disconnected data

The greatest stumbling block our respondents identified as hindering their attempts at better utilising data is one that has existed for some time, but seems to have worsened as data volumes have grown – data silos. Only 2 per cent of our respondents considered their business to be completely effective at data sharing – for the rest, data silos are a real problem.

The causes for this are numerous, and span inconsistency of systems being used (42 per cent), different data formats (38 per cent), and a lack of coordinated data strategy (37 per cent). On top of this, over a third highlight a lack of technology integration (36 per cent) and/or legacy technology barriers (36 per cent) as blocking attempts to effectively share data.

Final thoughts

If businesses are to truly make the most of their increasingly large and complex data landscapes they'll need to ensure that they're investing in the right technologies. The issue of data silos is nothing new to businesses both large and small, but it's becoming far more pronounced as data stores grow and the move to becoming a more data-driven business is advocated by senior business leadership.

If organisations could invest in improved data integration technologies, as well as create a business wide culture and strategy for better data sharing, it would go a long way towards improving the data-driven decisions being made across the business.

With nearly half of our respondents citing differences in how data is being collected, defined and managed across their company as a reason to mistrust it, clearly a unified, integrated approach to data is a reasonable first step to creating a more data-driven organisation.



Notes:

- *This blog post gives the views of its author, not the position of LSE Business Review or the London School of Economics.*
- *Featured image credit: [Photo](#) by [thaianeoliveira](#), under a [CC0](#) licence*
- *When you leave a comment, you're agreeing to our [Comment Policy](#).*



Gaurav Dhillon is the chairman and CEO of SnapLogic, overseeing the company's strategy, operations, financing, and partnerships. He is an experienced builder of technology companies that have a simpler, faster, and more cost-effective ways to integrate data and applications for improved decision-making and better business outcomes. As the co-founder and former CEO of Informatica, he guided it through a successful IPO and global expansion to become a market leader.