Business Intelligence Should be Centralized

Brian Johnson, Himalayan International Institute, USA

ABSTRACT

The implementation of BI into the business strategy and culture is laden with many potential points that could result in failure of the initiative, leaving BI to be underdeveloped and a source of wasted resources for the company. Due to the unique nature of BI in the business space, properly setting up BI within the organizational structure from the onset of integration minimizes the impact of the most common hurdles to BI implementation. Many companies choose to mitigate these problems by using a centralized approach by building a Center of Excellence, but their place in the company’s organizational structure needs to be well-defined and properly empowered to be effective. This paper also reviews how the concept of centralization is defined, how it relates to the implementation of BI, and how it can effectively in over come the common implementation hurdles.

Keywords: Center of Excellence, Centralization, Data Governance, Management of BI, Organizational Structure

INTRODUCTION

As business intelligence becomes more pervasive in businesses of all sizes and industries, a large problem many business leaders experience is exactly how to organize the company to best leverage the implementation of BI enterprise-wide. With BI still in its adolescent phase of development, commonly accepted best practices are still few and far between. Many companies struggle to find the optimum solution that is applicable to their industry, size, culture, and organizational structure. Many approaches toward business organization have been tried with many successes, many failures, but mostly a mix of both.

This paper investigates the best approach toward organizing an enterprise for widespread adaptation of BI methodologies. Setting the proper organization structure and allocating the resources appropriately within an organization from the start can limit the chances of a poor acceptance of BI into the enterprise, reduce unnecessary structuring expenses, and allow the business to leverage the advantages of BI as quickly as possible.

In the ensuing Research section of this paper, the current state of BI implementation practices will be examined. The examination is of the typical lifecycle of BI implementation, including an overview of organizational structures and a focus on the Center of Excellence, followed by a review of the common hurdles to BI acceptance. An Analysis section will provide a review and critique of the concept.
of centralization and apply the benefits and strengths of both a centralized and a decentralized approach to the hurdles laid out in the research section, to determine the extent to which BI should be centralized.

RESEARCH

The new competitive edge in business is quickly forming to be the adaptation of business intelligence into every facet of decision making within an organization. Fully integrated BI companies like Harrah’s and Amazon have pushed their competitive advantage to become leaders in their industries.

Even in companies that don’t push BI as a competitive advantage, the importance of information is no longer a question in the minds of most business executives. Companies can no longer compete well without leveraging their information in some capacity. In fact, 95% of organizations in a Forbes survey recognize that information management is critical to business success (Forbes, 2010).

So the real challenge businesses have to deal with is how to organize their resources to best enable intelligence use to reach its full potential. BI sits on a technical infrastructure, and relies on it exclusively to deliver the information, but the technology is, for the most part, mature to the point where it is not an impediment to the implementation of BI. Instead, as Gerry Lee from Aviva states, “Business intelligence isn’t a technology issue, it’s a business issue.” It’s no longer whether you can do a particular task or project, but how, and who’s responsible (Whiting, 2004).

Implementations of BI

As a company makes the move in their business to integrate data into decision making, it typically won’t occur in one short project cycle. The path to a fully mature BI-centric enterprise takes years to accomplish, and the business will experience many different forms of organizational structure as BI becomes more pervasive. There is not a consensus as to what structure is the most optimal for a BI rollout, even within the same business. Businesses tend to cycle through different structures as they mature. There is a spectrum of organizational structure that could manifest, with a consolidated view on one end, and a decentralized embedded individualistic view on the other.

Organizational Structure

Centralization

A centralized BI unit houses all the technical, managerial, and technical expertise needed to perform all BI functions within the enterprise. Business units become the BI unit’s clients, and the BI unit becomes the central hub for all intelligence activity.

The idea of centralizing a function in an organization usually centers around a focus on coordination, standardization and consolidation of equipment, processes, technology, and customer and vendor management. It enables a shared vision and reduces redundancies found in individual business units (Ulrich, 2009).

Standardization especially is an important function that a centralized BI unit can provide. “Without standards, you’ll require more training, it limits collaboration, it increases software licensing costs and it may also require redundant capabilities if the technologies aren’t compatible” (Henschen, 2008). With a primary purpose for enterprise BI is to establish the standards of enterprise BI, the drawbacks to not being standardized are significant. It is very difficult to create and enforce standards without a centralized body to govern them.

As an example, at Aviva, an Information Management Services department was established to develop a common business intelligence strategy. As the company continued to expand, they found that the centralization was critical to allow them to enter into a CRM initiative, something impossible to do until they had solid data management and BI capabilities (Whiting, 2004).
The Role of Culture in Business Intelligence

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