



TOPIC: SHADOW DATABASES

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Are Shadow Databases Hurting Your Business

Regardless of how much or how little equipment finance companies elect to become involved with the alternative finance marketplace, the takeaway should be there is a need to enter into the market in some capacity. Either by entering in it directly, or through partnerships or referral relationships. The only wrong move is to ignore the alternative finance movement. The alternative financing space may see a correction with some bubbles bursting, but alternative financing as a major financing option is

In today's business climate, successful businesses are empowered by knowledge – which is usually gained through access to accurate and timely information. When a business group doesn't have access to the data they need, more times than not, their solution is to create a departmental “shadow database”.

A shadow database is a database that is built and used inside organizations, without IT knowledge or approval (hence the “shadow” in the title). These databases are usually created by individual employees using Excel spreadsheets, notes on their desktop using Word, or Outlook contact, etc.

Imagine this scenario: an important customer calls asking why they did not receive the documents they were waiting on. After further investigation, you confirm the documents were sent, but to the wrong address. “But I've given you my new address several times already!” the customer exclaims. The culprit is probably a shadow database. Most likely, the person that was told to make the changes made them in one database, but not the one that was used when mailing the documentation.

What's scary is that this scenario could happen again to the same customer when dealing with a different department in the same company. These inefficiencies reflect poorly on the company and can shake a customer's confidence. And in a business climate where creating a good customer experience is critical for success, this type of activity can be back breaking.

One of the main reasons shadow databases create such a problem is because manually updating and syncing information between a centralized database and a shadow database can be time-consuming and, consequently, it is often overlooked. This leads to old, incorrect data living somewhere – either in the shadow databases or the central database, or more likely, both.

Other problems with shadow databases include:

- Shadow databases typically aren't adequately secured or backed up
- No one is designated to update and cleanse the shadow data
- Shadow data leads to disparate and conflicting reports, and inaccurate analysis

But above all, shadow databases create inefficiencies. In today's competitive landscape, it's critical to maintain operational efficiency, intuitive processes and a great customer experience; shadow databases can derail all of these objectives.

According to findings from an Accenture online survey of more than 1,000 companies in the U.S. and

U.K.:

- 59% of managers said that as a consequence of shadow databases, they miss information that might be valuable to their jobs because it exists somewhere else in the company
- 42% of respondents said they accidentally use the wrong information at least once a week
- 57% of respondents said that having to go to numerous sources to compile information is a difficult and time consuming process

The same survey also reported the following inefficiencies and productivity issues:

- Corporate knowledge assets are not visible to the entire company
- Manual data flows are not formalized and operate in a sub-optimal way with workers unknowingly duplicating efforts
- Customer-specific preferences and servicing notes are not likely to be included in shadow databases

Shadow Databases are the Symptom, not the Illness

It is easy to blame the business group or individual users for building shadow databases, but generally, the blame isn't on them. Shadow databases are typically built when users feel there isn't another way to easily access the data they need. In order for businesses to address this common complaint, and potentially eliminate the need for shadow databases, it is essential to integrate business processes with a single database.

This can be achieved by implementing a management system with a framework that supports seamless integrations and has the ability to reach across business lines. By implementing a flexible architecture, you can break down data silos, improving efficiencies, data quality and data security. But that's just the beginning. Implementing an end-to-end system with a single database also yields cost savings and improves business productivity, including:

- **Improved Visibility** - Real-time visibility of data is important in making timely and informed decisions. When information can be accessed instantly, without wasting resources on data extraction and tying data from different sources together, employees are better informed and can make more accurate, faster decisions.
- **Unified Business Processes across the Enterprise** - With a single, integrated platform encompassing all functional areas, employees no longer have to re-enter data in different systems, reducing inconsistent or inaccurate data.
- **Improved Customer Service** - The quicker and more efficiently a customer's needs are addressed, the more likely they are to continue doing business with you. With an integrated system, you can more easily service your customer's needs by having the right data available at the right time.
- **Better Analytics and Reporting** - A single integrated database also improves analysis and reporting. Having all the data in one database allows users to drill down and parse through the data anyway they want. This improved level of visibility into the data delivers more detailed and accurate metrics, which directly correlates to better, more informed business decisions.

Summary

Shadow databases can create a number of risks for businesses. Because they require a manual coordination of efforts, they often lead to duplicate entries, inconsistencies, inaccuracies and confusion across the business. The obvious result of this is wasted time and lost productivity, but that isn't the only cost. The integrity of the information and customer loyalty are also on the line.

The root of the problem may not actually be the databases at all, but the reason the databases were created in the first place. Shadow databases are typically built out of convenience and ease of access. Therefore, in order for businesses to combat shadow databases, they need to employ a fully integrated system that will support the integration of processes across business lines, with a single database. Employing a fully integrated system can help establish data integrity and create process efficiencies, improving reporting and analytics, and leading to better customer service levels.

This is a much better picture than fostering data silos where the best case scenario is that different departments will invest time and money collecting the same information, and in the worst case scenario, readily available information is inaccurate or unavailable – to the detriment of the business.