

The Real Cost of Disconnected Data

*Dynamic BMS Study Group – Research Note
September 2026*

Abstract

Organizations that manage critical operational data across disconnected spreadsheets and subsystem silos incur continuous, compounding inefficiencies. This research note reviews the academic and industry evidence on the productivity impact of moving from fragmented data environments to centralized systems that eliminate redundancy and align processes. Drawing on studies of ERP adoption, information system integration, and manufacturing performance, the note shows that centralization is associated with measurable productivity gains, typically in the range of 2–5 % at the firm level and substantially higher in operational metrics once process alignment is achieved. The findings support the view that the primary value of centralization lies not merely in data consolidation, but in the reduction of coordination costs and the elimination of duplicated effort.

Keywords: data centralization, ERP, productivity, process alignment, manufacturing, information silos

1. Introduction

In many manufacturing and project-based organizations, operational data remains dispersed across individual spreadsheets, local databases, and loosely connected subsystems. While each tool may serve a local purpose, the absence of a single source of truth generates continuous friction: duplicated data entry, inconsistent figures, delayed decision-making, and overlapping roles. The literature on information systems and operations management has long identified these coordination costs as a drag on productivity.

2. Evidence on the Productivity Effects of Centralization

Empirical studies of ERP adoption and system integration consistently report positive productivity effects once the system is fully implemented and processes are realigned. Brynjolfsson and Hitt (1996, 2003) documented that firms investing in information technology and complementary organizational changes achieved productivity gains of approximately 2–4 % annually beyond those explained by capital and labor alone. More recent analyses of ERP implementations in manufacturing show that plants that achieve high levels of data integration and process standardization report higher labor productivity and better inventory performance than plants that retain fragmented systems.

A frequently cited range in the operations literature is a 2.3–4.2 % uplift in total factor productivity following successful ERP implementation, with larger effects observed when the system is accompanied by process redesign rather than simple automation of existing fragmented workflows. Complementary industry studies (including McKinsey analyses of digital operations) report operational metric improvements of 10–30 % in areas such as on-time delivery, inventory accuracy, and labor utilization once real-time, centralized visibility replaces delayed spreadsheet reporting.

3. Mechanisms: From Redundancy Reduction to Process Alignment

The productivity gains arise through two primary channels. First, the elimination of redundant data entry and reconciliation frees skilled time previously spent on non-value-added coordination. Second, and more importantly, a centralized system makes process overlaps and role conflicts visible, enabling organizations to redesign workflows so that tasks are performed once, by the appropriate role, and with consistent data. Studies of business process reengineering in conjunction with ERP (e.g., Davenport, 1998; Markus & Tanis, 2000) emphasize that the largest gains occur when the system is used as a catalyst for process alignment rather than as a passive repository of existing practices.

4. Implications for Discrete and Project-Based Manufacturing

In environments such as joinery, custom fabrication, and installation, where production is organized around discrete orders and multiple teams contribute to the same project, the cost of disconnected data is particularly acute. Hours, material consumption, and status information recorded in separate spreadsheets cannot be reliably aggregated until after the fact, limiting the ability to manage cost and schedule in real time. Centralized recording of activity against projects and production orders reduces these coordination losses and supports more accurate costing and resource allocation.

5. Conclusions

The evidence indicates that the real cost of disconnected data is not limited to occasional errors or delayed reports. It is a continuous tax on productivity arising from redundancy, inconsistent information, and misaligned processes. Organizations that replace fragmented spreadsheets and subsystems with a centralized system that eliminates duplication and supports process alignment typically realize firm-level productivity gains in the range of 2–5 %, with substantially larger improvements in operational metrics. These gains are not automatic; they depend on the extent to which the system is used to redesign rather than merely digitize existing workflows.

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