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BI and Performance Management: The value's the thing

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Although technology can be a magic bullet for solving the most pressing business challenges, many organizations experience difficulty in translating the value these transformative technologies bring into terms the business will understand. They are also challenged to quantify the gains that are achieved. This results in an inability for organizations to recognize these gains, press forward and reach the full potential of these investments.

This can be particularly unfortunate when you realize that it doesn't take much to articulate the value proposition of tools that can put the right knowledge in the right hands at the right time and, in the process, transform how decisions are made. The most successful Business Intelligence (BI) and Performance Management implementations start with champions and leaders who appreciate, at a personal and cultural level, the value proposition of these solutions.

The efficiency paradox

Generations of technologies from Customer Relationship Management (CRM) and Supply Chain Management (SCM) to Human Resources Management Systems (HRMS) and Enterprise Resource Planning (ERP) all promise to significantly improve business efficiency. To a large extent, they succeed in adding value to front- and back-end processing by streamlining internal and external processes, automating redundant business activities and reducing transaction-related obstacles.

But efficiency can only take a company so far. To continue to raise the overall performance/competitiveness bar, organizations must strengthen two core competencies that none of the aforementioned systems can independently transform:

- **Agility.** Today's companies must respond to rapid changes in market conditions. They must also proactively scan their environments and prepare themselves for a broad range of potential scenarios. Lack of agility raises the risk of being blindsided by unforeseen market changes.

- **Certainty.** Organizations must be able to qualitatively and quantitatively assess whether they are allocating resources to the right activities and initiatives. As companies make high-stakes bets on which initiatives will drive bottom line performance, their very survival often depends on putting scarce dollars, people and time behind the right projects.

Even the most efficient organizations will fail to keep pace with competitors if they focus exclusively on efficiency without also addressing operational agility and decision-making certainty. This is where BI and Performance Management come in. They allow any organization to unleash the potential of information they likely already have. But only if the right people within the organization realize the potential of their information, manage it as a strategic asset and appreciate the value it can bring in today's economy.

Bridging the value gap

It's one thing to grasp the value of BI and Performance Management and quite another to articulate it in terms that make sense to the rest of the organization. This is, on many levels, is the most challenging aspect of gaining buy-in for BI and Performance Management initiatives.

"Everyone in IT has an understanding in their heart of what these things are capable of," says Forrest Palmer, IBM's Business Executive, Performance Management Competencies & Practices. "Yet they tend to scratch their head a bit when it comes to hard numbers that illustrate the value proposition."

Palmer says solid knowledge of the organization's culture is a critical first step for those interested in demonstrating and articulating the value of BI and Performance Management. Companies that internalize the need to use interconnected pools of operational data to drive better decisions are more likely to appreciate the BI/ Performance Management value proposition than those that see such systems as nice-to-haves or, at worst, outright costs that aren't currently justifiable.

At their core, BI and Performance Management help organizations of all sizes and in all sectors answer three relatively simple questions:

1. How are we doing?
2. What is driving this performance and these outcomes?
3. What should we be doing to improve performance and outcomes?

“Ideally, you want your company to recognize this fundamental truth: if you can’t measure it, you can’t manage it,” says Palmer. “Value comes from the fact that people within the organization recognize this truth, and are invested in driving a culture of performance.”

It isn’t enough to just sell the culture, because business bottom lines aren’t expressed in these terms. Champions must tell the story of how this evolved culture improves business performance in a measurable, meaningful way. A report recently published by Nucleus Research¹ highlights some key areas where BI and Performance Management have already delivered value directly to business areas. Specifically, Nucleus’s findings include:

- “IBM Cognos applications can improve the productivity of workers involved in reporting, finance, or analysis by up to 20 percent.”
- “When organizations use IBM Cognos software to improve the productivity of its workforce or analyze how it is deployed, staffing needs can be reduced by up to 15 percent.”
- “IBM Cognos software enables companies to reduce asset levels by up to 15 percent.”

Many organizations have already made historic investments in back-end systems like ERP and other technologies that resulted in large pools of disconnected data. By connecting these silos and using the results to get actionable information into the hands of resources across the business, BI and Performance Management can maximize these existing investments and, more importantly, drive organizational agility and decision-making certainty.

Knowing where it hurts

You can't internally sell something unless you pair the message to a related point of pain. For example, a marketing team that fails to adjust its product mix to fluctuating market demand risks both bloated inventory carrying costs and missed sales opportunities. Companies without a transparent, near-real-time view of market performance risk being on the wrong side of this curve. The impact has immediate and longer-term implications to customer satisfaction, profitability and competitiveness.

In the ideal world, pain points would be limited in number and scope. They would also be easy to prioritize, allowing organizations to invest in fixes that generate optimal returns. But the real world is far from ideal, and companies are constantly looking for ways to improve their responsiveness to foreseeable and unforeseeable change. BI and Performance Management provide ample ways to assess, measure and rank performance. This, in turn, allows pain points to be prioritized and scant resources to be optimally allocated to fix them.

Understanding the different types of value

To properly demonstrate the value of information to operational and strategic business processes, it helps to first understand the two fundamental forms of value in today's business environment:

- **Qualitative value.** Information that showcases how IT helped the business area improve performance in a particular area. For example, by having greater visibility into market opportunities, the sales organization enhanced its campaign effectiveness. It used this knowledge to increase the number of opportunities in its pipeline and raise visibility among prospects.
- **Quantitative value.** Information that highlights how pervasive BI and Performance Management tools drive greater business agility and bottom line success. For example, instead of routing reporting requests through IT – and dealing with the resulting bottlenecks and resource inefficiencies – wider availability of BI and Performance Management capability allows business areas to more rapidly conduct their own analyses. IT's costs go down as it can now focus on more value-added improvements to infrastructure and service delivery. The business areas, in turn, can more proactively capitalize on fast-changing market conditions.

Establishing a sense of urgency

In challenging economic times, the last thing an executive wants to hear is a request for money. Because of today's turbulent market conditions, companies are more inclined to conserve scarce budget dollars and maintain the status quo when considering technology investments. This kind of thinking can be disastrous.

For the typical organization whose employees are forced to wrestle with outdated, disconnected systems and processes, the current state could represent their ultimate doom. That's because there are significant, often stealthy, costs associated with sub-optimal decision-making. Companies can't respond to market changes fast enough – or at all, in some cases – while their more BI-friendly competitors are already unlocking the potential of their interconnected knowledge environments.

Today's accelerated market conditions can lay waste to an organization before it even realizes it's in trouble. Raising the red flag to this need is something best not done alone.

“No matter who you are, your effectiveness as a leader really comes from recognizing the need and the urgency in such a way that you can articulate to others, and start to build consensus, that the organization needs to do something,” says Palmer. “You can't do it by yourself. To alert the rest of the organization to this, you need to recruit others and get them to drive the cause forward.”

Look beyond technology

While building organizational awareness of the need to invest more deeply in BI and Performance Management, it is critical to avoid focusing exclusively on technology. In addition to actual technology, people and processes lie at the core of any successful IT/business partnership. BI and Performance Management implementations will certainly fail if they do not encompass all three.

“You already have the data, and you have a problem that you'd like to address,” says Palmer. “Now you need to harness the right people, you need to harness changes in process as well as changes in technology. Only a holistic approach will allow you to make the value proposition an integral part of your organization's culture.”

Summary

In the end, value is all that matters when implementing new business tools and processes. Value is especially important when the tools are as strategic to the organization's future as BI and Performance Management. Organizations that drive these initiatives with a clear, unwavering understanding of value stand a much greater chance of actually achieving it than companies that don't.



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Endnote

¹ ROI Evaluation Report, IBM Cognos Software, David O'Connell, Nucleus Research, May 2009.