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Understanding the components of business confidence

Information Management

Cognos® software

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Abstract

Companies of all sizes and in all sectors are investing significant resources in improving their business effectiveness. Their efforts focus on a number of key areas, including technologies to improve efficiencies and remove bottlenecks, human resources to select and equip the best and the brightest, and processes to maximize the precision of delivered services and ensure organizational knowledge is carried forward.

While these investments seem to take on added urgency during times of economic distress, they must really be seen as integral to ongoing business planning and operations. Incorporating these initiatives on a continuous basis helps lay the foundation for a more competitive, and ultimately more profitable, enterprise.

For all the promise this mindset holds, however, it's often let down by substandard decision-making. Even after implementing advanced technologies, hiring and training staff and adopting streamlined operational processes and best practices, organizations may still find themselves making decisions based more on guesswork than on actual fact. Despite these significant investments in improving business capability, leaders – as well as decision-makers at all levels of the organization – are challenged by applications and processes that often fail to give them sufficient visibility into business performance. In many ways it is similar to driving a car without a working instrument panel. In this scenario, driving becomes an imprecise, error-prone, higher-risk exercise.

The ultimate impact is not a positive one, as it compromises business confidence, the most crucial basis of decision-making capability. Organizations are at higher risk of making decisions with little faith in the numbers that support them – assuming they even have access to the numbers to begin with. Key individuals

throughout the company may lack timely access to performance indicators, and as a result are forced to make the call based on improvised workarounds. Ultimately it affects the organization's ability to consistently manage itself and its business activities. That's because each scenario is managed not according to an established framework, but using whatever solutions make the most sense at that moment.

With this in mind, business confidence is increasingly becoming the key driver of organizational performance, as it underpins so many of the higher profile investments being made today.

Overview

It's fair to say that many businesses could be doing a better job of increasing their visibility into their operational and planning environments. Although they sit on deep wells of organizational data, they often lack the ability to leverage that data in a meaningful way. As evidenced by the following figures[1], their stakeholders lack confidence in their data, which compromises their ability to use it to gain business advantage:

- About half of all users say they lack confidence in their information
- Over half say they often miss information that might be of value because they don't know where to find it
- Managers spend over a quarter of their time looking for information — and half the time, it doesn't even add value

With over 60% of CEOs saying they need to do a better job of capturing and understanding information to make more effective and timely business decisions, it's clear that there's a gap between capability and need. It's similarly fair to say that this shortfall is a leading reason why businesses aren't as competitive as they'd like to be — and why they're at greater risk of failure during challenging times.

Understanding the nature of this lost opportunity is key to improving business performance. By building business confidence, organizations position themselves to rely more deeply and broadly on the information they generate. Increasing the business confidence in the information allows organizations to unlock the potential of their data to and use it to drive the bottom line.

At its simplest, business confidence in information involves three key aspects of the information management lifecycle:

1. Information understanding

What it is: The context of where data comes from and what it means.

A typical scenario: Business executives often review reports before interpreting and sharing the results with others within the organization. They are accountable for ensuring everyone within their respective reporting areas can clearly understand the information they're working with so they can make rapid, precise decisions. In a common example, a manager or analyst chairing a sales meeting may encounter a problem with last month's sales figures. Instant understanding of where the data came from and how the problem may have crept in ensures the issue can be dealt with immediately. Everyone in the meeting room gets the right answer and can dive into the work at hand. In a case like this, failure to have instant understanding would result in delays while individuals and teams try to figure out how the mistake got there. Alternatively, attendees might choose to make decisions based on a less precise foundation.

2. Information trust
What it is: The belief that the numbers are in fact correct and are consistently applicable from one instance to another.

A typical scenario: Over a decade ago, a large telecommunications provider found itself using over 30 different BI systems across its multiple lines of business following a series of mergers, acquisitions and technology implementation projects. Instead of consolidating down to a single platform, it continued to allow each area to run its own disconnected environment, which resulted in multiple versions of the truth being created, and little to no interplay between departments. Management was far from transparent, and the organization was unable to strategically capitalize on information to identify and close deals, or manage customer expectations. Over time, this organization was unable to understand its overall business position and had difficulty matching its prime competitor – a company that had deliberately consolidated its BI infrastructure years before.

3. Information reach
What it is: The timely and relevant access to business-aligned data.

A typical scenario: Because organizational data is often stored in separate repositories that are accessible only by limited resources within the company, average business users have to navigate ponderous processes before gaining access to the information they need to fulfill their individual roles. In a best case scenario, users submit help desk requests that are then case managed until closure. In a worst case scenario, individual users figure out their own processes, all beneath the radar. A large mobile handset provider learned this the hard way. After enjoying breakout sales of a leading product, it wrestled with multiple conflicting internal sources of data and business units that guarded their respective data repositories as proprietary. Without seamless cross-organization information sharing, business users resorted to ad hoc solutions, relying on whatever data they could find, even if it was out of date, out of context or simply inaccurate. This compromised decision-making quality and left the company unable to respond to changing market conditions that were already beginning to erode demand for this hot product. Without this vision, the company underinvested in follow-on products and was left vulnerable when the inevitable market shift occurred.

Greater business confidence in information can help overcome each of these challenges by reducing the overhead associated with identifying information sources, relating information to underlying business needs and validating its relevancy. It fuels business agility by removing — as much as possible — the obstacles to effective decision-making imposed by more traditional, hierarchical approaches to organizational data management.

Viewed within this context, organizations of any size and any type can benefit tremendously by raising the confidence they have in their data. Business confidence in information can make any organization more:

- **Efficient.** It takes fewer organizational resources to achieve similar results. Individuals throughout the organization can access data directly instead of going through traditional — and often rigid — channels and approvals.
- **Effective.** Improved efficiencies help improve decision-making precision by breaking down barriers between data silos and putting greater analytical capabilities into more hands.
- **Agile.** Companies with high levels of business confidence in their data are better equipped to respond more quickly to market opportunities, to change strategies and tactics mid-stream, and to outcompete organizations still making decisions based on outdated, disconnected and irrelevant information.

Business problems

Although it's easy to blame the recession for many problems facing businesses today, the unfortunate truth for many companies is that inefficiencies in planning and operations were hampering organizational performance long before the economy began trending downward.

This kind of exposure doesn't just affect organizations that haven't yet adopted BI. Surprisingly, it can touch organizations that have a BI solution in place, but have not yet driven the BI competency more deeply into the organization. The issue may manifest itself as follows:

- **Organizations that have not yet implemented BI.** Disconnected and inconsistent data infrastructure makes generating reports and basing decisions on them a similarly disconnected, inconsistent process. Individuals and teams throughout the organization evolve their own processes for building sufficiently detailed situational awareness – processes which are, not surprisingly, inefficient and less than optimally effective.
- **Organizations with BI already in place.** Although the tools are in place and initial steps have been taken to consolidate disparate pools of data and improve analytical competencies, these tools and processes are not yet accessible to a wide enough audience within the organization to justify the capital investment. Rank and file business users – in most cases the largest target group – often lack direct access to these tools. In cases where they can submit requests for access to data or related analytics, the costs and delays associated with this process often discourage this form of use and limit the bottom line benefit of BI.

Regardless of organizational BI maturity, the net effect on competitiveness can be significant. Stakeholders continue to make do with yesterday's tools and processes, and people continue to make decisions based more on personal experience than on empirical, measurable data. Key resources within the organization – including senior executives, business analysts, managers and rank-and-file employees – are unable to take advantage of role-appropriate tools and processes to help them get their job done. Because reports are often compiled using data whose sources are either unknown, unavailable or both, further analysis and validation is either not possible or more difficult than it could otherwise be.

Far from being a bad-news story, however, this seemingly stark reality holds important lessons for organizations focused on improving current performance levels and positioning themselves for greater competitiveness as the economy bottoms out and moves toward recovery. IBM Cognos 8 BI addresses the following key issues at all levels of the organization:

- **Ownership.** By giving a wider audience of stakeholders greater access to consolidated data and related analytical and reporting tools, organizations allow individuals at all levels to get closer to the data, to do more with it and to identify additional ways to add value. Traditional data access, where data is deliberately segregated from the audiences that need it, discourages this form of connection.
- **Context.** It is much easier for individuals to talk to the data and make it relevant to others when they inherently understand how that data was created and how it became available. Solutions that embrace the business terminology maximize the broader audience's ability to get the most out of their information. Similarly, greater transparency drives deeper understanding, which in turn encourages more precise analysis and less guesswork.
- **Governance.** Tightening regulatory environments underscore the value of greater information management agility. Responding to an audit request, for example, is a much more straightforward, risk-free process when the underlying data infrastructure has been deliberately structured to support proactive analysis. A well thought-out BI implementation and culture allow such requests to be met in a more timely, cost effective manner – which in turn reduces the risk of breaching regulatory requirements or failing to comply with an audit.

Greater confidence in the information reinforces ownership, context and governance. It ensures consistency throughout the organization in terms of how information is used and how decisions are made. This core competency becomes even more critical as external markets evolve more quickly and less predictably. Confidence in the underlying information gives individuals, teams, departments and entire organizations a key competitive advantage and positions them to outperform organizations still running on intuition and guesswork.

Business drivers

Efficiency matters more now than ever before. Organizations find themselves facing a growing need to do more with less, to do it better and to do it faster. Business tools and processes that may have been effective in the past may no longer be adequate given the rapidly evolving external environment. Because these technologies and their related organizational structures fail to address a key root cause of business inefficiency — disparate data sources that are far from universally accessible — continued reliance on them introduces lag and latency into business operations. The net result: reduced agility and a very real risk of competitive disadvantage.

How do you know if this applies to you? The issue manifests itself in the following ways:

- **Heterogeneity.** Different areas of the organization use different data sources and different means of querying them. Answers to a given question may not be consistent across the org chart, resulting in multiple versions of the truth — and overall reduced business confidence in the results. Geographically distributed organizations with multiple regional offices are particularly vulnerable to this. Staff spend too much time trying to access resources, adopting processes on the fly with little connection to other offices. Even if an individual office adopts best practices in information management, they are rarely shared elsewhere in the organization. No one sings from the same songbook, and corporate consistency is compromised.

- **Opaqueness.** Data sources are not generally or easily known, and definitions of specific terms are not universally available. This hampers stakeholders' ability to speak to how a given result was achieved and reduces decision-making precision as the amount of guesswork is necessarily increased to compensate. This contravenes conventional leadership wisdom that affirms great leaders don't just wing it. If leaders don't know how certain numbers came to be, then they're simply leading by luck.

- **Thoroughness.** Truly successful BI is actively used by the widest possible audience. If business users of data cannot directly annotate their reports to better explain their results to others, they'll resort to manual workarounds to incorporate sufficient levels of detail for their respective audiences. This often includes using disconnected tools such as spreadsheets that are rarely captured as organizational best practices, and tend to increase turnaround time for routine reporting activities. Best of breed solutions incorporate easy annotation that fits everyday workflows and allows these critical resources to do more, share more and become centers of excellence in their own right. This benefits the entire org chart as well, as increased line of business capability drives stronger, more data-based leadership and decision-making.

- **Ownership.** Business areas do not own their data outright or, alternatively, are unable to provide consistent access to said data for the business resources that need it most. As a result employees must jump through hoops – often outside their own business areas – to achieve direct access to their data. This is a time-consuming process that can compromise the end result, as it forces users to log requests with IT, then wait for those requests to be fulfilled. This reduces agility and forces IT to devote resources to routine requests instead of investing in value-added solutions that drive business agility. By returning ownership to the business areas, turnaround is improved dramatically and resources allocated to administrative overhead – especially in IT – are freed up.

Thanks to an increasingly intense external business landscape, these challenges will only accelerate over time. No one can afford to stand still. Organizations of all sizes and in all sectors must aggressively develop more effective workflows that move data management capabilities right into business users' hands. This capability, virtually unheard of before broad adoption of BI — and indeed in the early years of this transformation — is now seen as key to maximizing value from BI investments and, more importantly, to empowering employees at all levels of the organization to move their decision-making capabilities to the next level.

Knowledge management investments, which in many conventional respects have been viewed on a project-by-project or department-by-department basis, must instead be viewed from a strategic perspective. By consolidating such investments at an organizational level, companies can bypass the risks associated with disconnected data silos and instead take advantage of synergies that help everyone adhere to a common truth when working with organizational data.

This capability can help companies reduce overhead associated with making both long-term and day-to-day decisions. This not only drives ROI — as it allows greater benefit to be realized from fixed investments in BI — but it also improves the qualitative performance of the organization. Simply put, it encourages better decisions that cost less to make and take less time to implement.

The need to raise business confidence in the information as well as the decision-making process applies both to organizations that have already implemented BI as well as those that may still be in the planning stages. The payoff in either case is just as critical to bottom line performance.

The solution

Business confidence in the information that is every organization's lifeblood starts and ends with both consistency and context.

Consistency involves breaking down barriers that have traditionally isolated different pools of data throughout the organization. These barriers drive inconsistencies that often result in different areas of the company arriving at conflicting conclusions. Context reflects the ability to understand where a given piece of information came from, how it came to be there and what it went through along the way. Greater context helps business users relate both sources and outcomes to underlying business needs, which drives understanding, trust and reach.

Against this backdrop, an effective information management solution must address these critical needs:

- **Deliver more context** around the information that is used to make decisions. This boosts confidence in the data and improves decision-making quality.
- **Enable the business to re-shape and model data** to satisfy the business requirements. To accomplish this, the information must have meaning to the business user and be aligned to organizational – not only technical – requirements.
- **Allow business users to own and manage the definition of business terms and structures** while providing governance and control. To meet this need, business areas need direct familiarity with their data and the structures and tools used to manage it.

To improve the meaning of information consumed by increasing its context and consistency of usage, organizations must provide business users with confidence that the same information is used for decisions across all areas and functions. They must also ensure that all business users can confidently make decisions knowing they are based on clearly understood data.

Enabling business users to share information and insight with commentary, and providing them with the ability to create, organize and manage information, results in the right action and decisions being made based on mutual perception of clearly understood information. This ultimately results in greater adoption of BI across the business.

Because any BI solution is only as effective as the data that powers it, IBM Cognos 8 BI integrates into a broader array of tools that collectively improve data reliability and fluidity. For example, InfoSphere Business Glossary gives businesses greater control over data definitions and ensures everyone, wherever they may be within the organization, can arrive at a single version of the truth. InfoSphere Metadata Workbench helps organizations build and manage more robust information infrastructure. These tools help to make BI implementations much more intuitive and powerful, which enhances governance efforts and allows organizations to more effectively manage risk in compliance-driven scenarios.

Bottom line performance improvement is no accident; it is a direct result of improved business confidence in underlying organizational information. To remain competitive in today's economy, businesses must be more informed, engaged and aligned in decision-making. Their people need access to relevant information in the right form, at the right time and in the right place. To accomplish this, their systems must be able to pull together information from fragmented, disparate systems – and they must do so at a scale and pace that supports the business need.

Conclusion

If you don’t understand where your data comes from and what it means, you’re leaving opportunity on the table. The more you know about your data’s origins and how it evolves on its way into a given report, the easier it is to incorporate that knowledge into your decision-making processes. By enabling a larger range of stakeholders within the organization to leverage this capability, BI solutions help free up overhead formerly allocated to managing information management requests. This capability also empowers greater numbers of people within the organization to proactively manage data and use it to fulfill their roles.

Deeper information understanding drives greater levels of trust as well. Stakeholders believe that the numbers are, in fact, correct, and confidently use them across the organization as well as over time. Multiple versions of the truth – which often lie at the root of serious decision-making errors – are replaced with a single, broadly trusted version of same.

Finally, improved information reach ensures the right people throughout the organization can easily access the information they need to fulfill their roles. Productivity-sapping obstacles to access are removed, allowing individuals to more universally leverage information to raise their own performance – and drive organizational performance as well.

IBM Cognos 8 BI enables both IT and business users to increase their confidence and trust in the data they use. They’re more confident in driving organizational performance because they implicitly understand where the underlying data comes from, they can access it wherever it may reside and they trust that the data precisely addresses the questions they’re trying to answer.

Regardless of the state of your current data infrastructure, IBM’s modular solutions can help you build an evolving roadmap of data management competency that gives your people the power to make better decisions.

About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

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Endnotes

1 IBM & Industry Studies, Customer Interviews. *IBM CIO Survey*, June 19, 2007, and Accenture survey, January 04, 2007.

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