

SearchCIO.com E-Guide **Business Intelligence Tips for the CIO**

CIOs and their organizations, both large and small, need better business intelligence (BI). Fears of regulatory failure, coupled with globalization, complex B2B relationships and competition, are forcing some CIOs to look for more sophisticated BI tools, while other CIOs are changing the way they handle the training aspect of BI. Learn about a new formalized training organization which can reduce unmanaged costs and legal risks, and teaches people to use information to drive business. Also, discover 5 tips CIOs should keep in mind before embarking on a BI adventure.

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BI Competency Centers tackle cost and legal concerns

Garry Kranz, Contributor

As CIOs will attest, information isn't in short supply. What they and their organizations really need is better business intelligence (BI): the ability to analyze discrete pieces of information and use them to gain a competitive edge.

This sounds simple enough, but experts say the concept of BI has not been widely understood by employees below C-level management. Typical of many organizations is the phenomenon of data in isolation: information buried within discrete ERP, customer relationship management and other data systems of individual departments.

"If you've got 100 people pushing around spreadsheets and Access databases, you can't audit [the information], you can't track it ... and you can guarantee that at some level, there are going to be mistakes," said Scott Sognefest, a BI expert at Deloitte Consulting LLP in Chicago.

Fears of regulatory failure, coupled with increased global competition and the rise of Internet technologies, are changing how some CIOs handle the training aspect of BI. During the past few years, more and more enterprises have launched—or begun to consider—formalized training organizations known as Business Intelligence Competency Centers, or BICCs.

Normally comprised of cross-functional teams of people from IT and business units, a BICC sets the stage for "evangelizing" BI to end users, said Dan Vesset, an analyst at research firm IDC in Framingham, Mass. BICCs take various shapes, from the formalization of a new department to an informal group with dotted-line responsibilities, to initiatives sometimes spearheaded by only one or two people. However it is designed, the goal is often the same: deliver a "self-service environment" in which people run their own reports and queries.

More than half of large organizations (those with more than \$500 million in annual revenue) have implemented BICCs or plan to do so, according to a joint survey last year by Computerworld, BI software company SAS Institute Inc., and Intel Corp. Smaller organizations—those with yearly revenue less than \$500 million—aren't quite as eager: only 6% have BICCs, although 17% are likely to launch similar training initiatives during the next 12 months, according to the survey.

CIOs' renewed focus on BI training stems from two major realizations: unmanaged costs and legal risk.

"The competency centers are a growing realization by CIOs and CFOs that they don't have the people who understand the kind of information the business needs," Sognefest said.

Also, CFOs are putting pressure on CIOs to get a better return on IT investments. "They're realizing how much money they spend [cumulatively on IT projects], and it is way more than they ever imagined," Sognefest said.

TD Meloche Monnex Inc., a large property and casualty insurer in Montreal, runs perhaps one of the most mature BI competency centers in operation. Since launching it in 1999, TD Meloche has saved about \$1 million a year by



automating the financial reports it files with regulatory agencies. In addition, the company has reduced the number of reports used throughout the organization, from 260 originally to between 10 and 20.

"It is not sufficient to provide new reports; we also needed to stop non-necessary reports," said Carl Lambert, TD Meloche's vice president for forecasting and business intelligence.

Recently, TD Meloche used BI software to reduce customer churn. Lambert's BI team analyzed several control groups of customers, trying to predict which might be likely to switch carriers. Using that analysis, sales and marketing teams were able to zero in on those customers and woo them with special promotions.

"We were able to retain about 35% to 40% more of those customers" than if the analysis had not been done, said Lambert.

BI represents one of the fastest-growing sectors of the IT software market. IDC says the business analytics market accounted for \$18.25 million in global revenue in 2006, and is forecast to grow at a compound annual rate of about 10% a year during the next five years.

But BI training primarily is about people, not technology, said Betsy Burton, an analyst at Stamford, Conn.-based Gartner Inc. Internal discussions about BI training should lead organizations to review their business processes, as well as their people's ability to execute them.

"Organizations are trying to shift from tactical responses for reporting to [address] more strategic questions, like 'How do we teach people to use information to drive our business?'" Burton said.

That shift is pushing decision making beyond senior executives to lower levels within organizations. Once people understand which information is critical and how it can be used, then CIOs can decide about applications and platforms, Burton said.

"Business intelligence is not a project; it's a process and an evolution. It's a matter of making your organization, over time, much more analysis- and information-driven."

For BI training to really take hold, CIOs should start at the top. So said Wayne Eckerson, director of research at The Data Warehousing Institute in Seattle. "Once a CEO starts using the output of BI tools, everyone else in the organization will follow suit."



BI for the small guy

Ed Parry, Contributor

Business intelligence (BI) tools are hardly new to small and medium-sized businesses (SMBs). However, SMBs do seem to be going after more sophisticated BI. And experts have familiar caveats for SMBs looking for a BI makeover.

Baby steps

United Pipe & Supply Co., a \$147 million wholesale distributor in Portland, Ore., needed a user-friendly and relatively inexpensive way for employees to gauge the health of their inventory and obtain ad hoc analytics on everything from sales growth to cost per unit. CIO Mike Green decided the company should cut its BI baby teeth on browser-based software from Santa Clara, Calif.-based FileMaker Inc.

"For many managers, it was their first foray into using BI and analytics," Green said. "It was as easy to learn as Excel. Now our people are more self-sufficient with analytical capabilities."

BI baby steps have been the key to Green's success. He said the small start allowed his department to build a bigger BI and justify investment in more sophisticated and powerful technology. He has since implemented Cary, N.C.-based SAS Institute Inc.'s Activity-Based Management tool and products from Stamford, Conn.-based OutlookSoft Corp.

"We started small and made inexpensive mistakes—now we have scores of applications delivering real value," Green said. "The low-key, casual approach really helped us."

David Loshin, president of consulting firm Knowledge Integrity Inc. in Silver Spring, Md., also said small is a big idea. "Think small, start small, get the benefits, then expand," he said.

The good, the bad, the BI boom

Starting small isn't such a tall order these days. Gone are the days when one needed wads of cash and a big staff to build a BI program. Loshin credits downloadable open source tools and the inclusion of BI capabilities into main-stream productivity suites for making BI more available to the masses. But there's been another BI boom going on at the same time. Big vendors such as Ottawa, Ontario-based Cognos Inc. and Business Objects S.A. in Levallois-Perret Cedex, France, are now trying to woo SMBs.

It's a blessing and a curse, according to Boris Evelson, an analyst at Forrester Research Inc. in Cambridge, Mass. "There are more choices, but the selection process is much more complex," he said in an email to SearchSMB.com. SMBs might have more than 100 vendors to choose from, Evelson said -- about 10 times the number that large enterprises have.



All vendors great and small see SMBs' need for better BI. Globalization and the complex business-to-business relationships and competition that come with it mean SMBs are looking for more sophisticated tools to give them an edge. "A simple set of reports from QuickBooks is no longer enough," Evelson said.

With such an overwhelming set of choices, what should an SMB CIO or IT manager keep in mind before embarking on a BI adventure?

- **Think about business objectives.** Loshin suggests educating representatives from the business side about the benefits of BI beforehand. "Cool dashboards and such might be interesting to business people, but if they can't do anything with them, there's no point."

- **Get the business people involved.** Evelson recommends forming a data governance organization sponsored by a C-level business executive that gets feedback from all major divisions and departments.

"Make sure that the data governance organization gets its arms around creating a common corporate data dictionary with clear and agreed-upon definitions of key performance metrics and indicators," Evelson said. "Establish a long-term BI strategy, identify the logical BI processes, architectures and resources required to fulfill that vision, and divide the strategy into manageable tactical phases." He added that only after that has been done should one look at tools and technologies.

- **Think small.** Green said the evolutionary process has been key to the success of his BI initiative. "Crawl, walk, then run," he said. "As the organization gets more sophisticated, you can upgrade, but you can get pretty far with these [less expensive] tools."

- **Don't rule out "big."** Evelson cautions SMBs against small BI vendors and their seductive whispers of simple and inexpensive. Smaller isn't always wiser.

"A \$20,000 dashboard product will still take as much effort, resources and complexity to source, cleanse and integrate the data as a \$200,000 fully functional, enterprise level BI tool," he said.

It's best to keep in mind the total economic impact of any BI tool before taking the less expensive route.

- **Don't forget the future.** Evelson also suggested making sure that a BI vendor will continue to customize its prepackaged tools and offer other growth options. Green's business is growing 15% to 20% annually. "We decided we needed to invest in a BI tool that will carry us for the next decade," he said.

A well-executed BI initiative can really pay off for SMBs. It can make the organization think more strategically. And that can mean more effective management.

"SMBs can be more nimble with a proactive, performance-oriented management style that better positions them for growth and competitiveness," Loshin said. He added that SMBs are in a better position than many large enterprises to take advantage of BI.

"The big firms can be compartmentalized, [but] SMB people know each other," he said. "SMBs have a better chance to exploit discovered knowledge rapidly."