

# **Business Intelligence In the Corporate Finance Environment**

**BusinessFinance**

Study Sponsored by IBM Cognos

# Business Intelligence In the Corporate Finance Environment

Productivity Gains Associated with Data Agnostic BI Solutions

**A**S BUSINESS FINANCE EXECUTIVES adjust to a recovering economy, many organizations are invigorating the role of business intelligence (BI) in their operations. Executives are making significant adjustments to corporate strategy and tactics on a more frequent basis; all as a normal course of succeeding in today's hyper-competitive markets. This is occurring in a global context that has added a seemingly infinite number of variables that affect the financial and operational performance of an enterprise. As a result, CEOs, COOs and other C-level executives are placing greater demands on the finance department in general – and the CFO in particular – to:

- Provide an accurate and ongoing picture of the financial health of the enterprise; and
- Offer insight into how emerging – and potential – shifts in key market factors will affect the organization.
- Establish timely scalable measures of corporate performance that align across functions

These insights from the CFO's office are not only being used to respond to competitive and market developments, but are also being used to mitigate the risk posture of the enterprise. In this context, the need to make good decisions based on the most accurate and current information has never been more important.

As a result, there is a growing sensitivity to any factor that gets in the way of the rapid gathering and analysis of information to support the enterprise decision-making process. Variables that are contributing to delays or complexity to the data compilation and study of key enterprise information resources include:

- The widespread reliance on spreadsheets, rather than the analytical capabilities of BI tools in performing ongoing analysis to support planning and budgeting functions.
- The lack of interoperability of BI features that come bundled with popular enterprise resource planning (ERP) applications.

- The absence of intuitive tools that can be readily used by business executives and non-IT staff to generate timely performance management content and facilitate speed of thought analysis.

These are among the central findings in a study conducted by Business-Finance magazine in a project sponsored by IBM to understand the evolving role of business intelligence in today's complex and dynamic global marketplace.

It is the position of this report that organizations with highly-complex organizational structures (especially those operating multiple enterprise application systems across a number of geographies and lines of business) will find an application independent BI strategy more effective than BI tools that come bundled in ERP applications in managing the complexity of critical information capture and analysis functions.

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dents cited many impediments to optimizing both of these functions. For instance:

- Many organizations are wrestling with how to bring together multiple enterprise systems that

host or generate information which must be quickly and effectively analyzed in a common environment.

- Critical information is often not available in a standard format that can be easily accessed by business finance analysts through a common decision support platform.

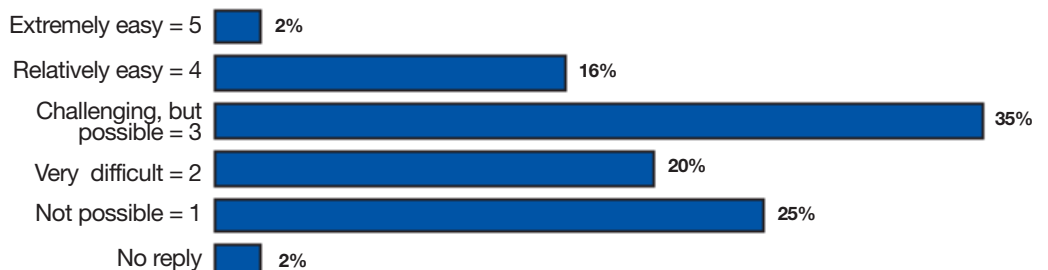
- The absence of a common format and analytical tools has prompted many of organizations to manually copy and paste data into spreadsheets for further analysis, reporting and dissemination to key enterprise audiences.

- The enterprise data management environment is often so complicated that business finance analysts depend on significant assistance from

#### BUSINESS FINANCE WRESTLES WITH COMPLEXITY OF SOURCES AND THE IMPERATIVE FOR SPEED

Our survey of 267 senior finance executives found that many enterprises are struggling for ways to remove barriers to gathering data from multiple enterprise systems, while accelerating the ability to generate high-quality analytical and decision-support processes. The respon-

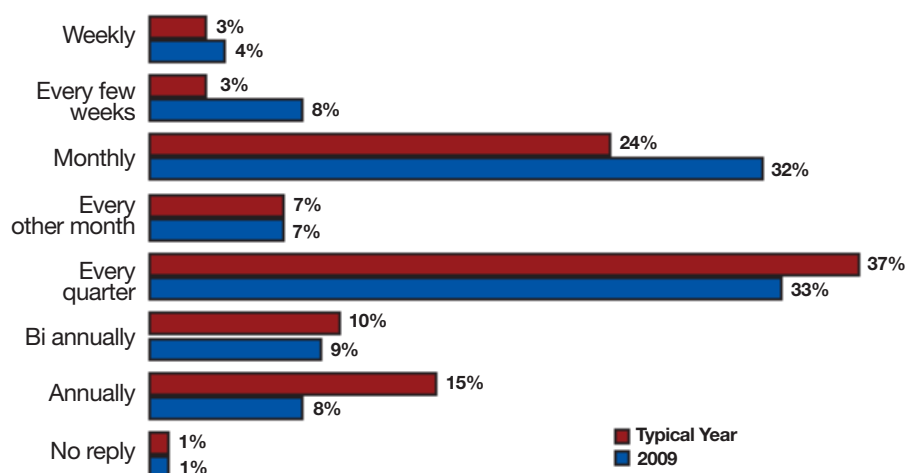
*How would you rate your ability to do all your planning, budgeting, and forecasting activity using your financial performance management software without the use of spreadsheets?*



# 2009 Business Finance Research Report

• In a typical year, how often are you required to update or revisit your plans within your organization?

• In 2009, how often have you been required to update or revisit your plans within your organization?



the information technology (IT) department.

These challenges are prompting CFOs and other senior business finance executives to open an extremely important dialog with their CIO counterparts about the role current BI systems are playing in the decision-making process, and to evaluate whether the status quo needs to evolve. Today, almost half of the companies surveyed who buy large enterprise applications depend on the BI tools that come bundled with the ERP systems that they have purchased. For instance, 47 percent of respondents surveyed who use SAP as their primary ERP system said they also use an SAP package as their primary BI tool. Similarly, 44 percent of respondents who use Oracle as their primary ERP system use Oracle as their primary BI tool. In these cases, SAP and Oracle customers chose the embedded BI features in their ERP solutions 50 percent of the time.

Because the tools most organizations use were

not designed specifically for BI operations, it should not come as a surprise that many have experienced frustration when it comes to performing analysis or generating reports. When we asked respondents to rate how easy or effective their existing BI tools were in supporting key planning budgeting and forecasting activities, only 18 percent believed the technologies were easy to use, with 36 percent characterizing the activity as challenging, 20 percent saying it was very difficult, and over a quarter (26 percent) reporting that it was not possible at all.

These findings suggest a significant BI performance gap that is prompting business finance executives to explore the trade-off associated with:

- Using the BI tools and capabilities that are bundled in with enterprise applications; or
- Making dedicated investments in application independent BI solutions that offer better ways to integrate information from disparate sources and leverage all investments in data and ERP applications.

## FASTER AND BETTER ANALYSIS IN A MORE COMPLEX AND DYNAMIC ENVIRONMENT

While the need for speed and agility has always been of paramount importance, the past few years has elevated the stakes – and the requirements for improved performance to a new level. The need for transparency has been significantly enhanced, as executives look for ways to secure financing, operate in significantly more volatile equities market, and address the emergence of new regulatory reporting requirements that have emerged in the

major economies of North America, Europe and Asia.

The dynamic nature of today's environment makes it necessary to rapidly shift directions. Very few strategic plans envisioned at the beginning of this fiscal year are holding completely steady without significant adjustments to major tactical elements of the plan, or even whole-sale changes to the strategic objective.

This has manifested itself most obviously by the need to increase the number and frequency of budget and financial plans or updates over the course of the fiscal year. For instance, while 24 percent of our respondents reported the need to update plans on a monthly basis in a typical year, in 2009 that percentage jumped up to almost 32 percent.

By contrast, the percentage of organizations that typically depended on plans developed once a year (15 percent) dropped down to 8 percent in 2009. And as the frequency of financial planning and updates rises, a full 68 percent of our respondents admitted that re-forecasts and plan revisions are considered a more challenging aspect of their responsibilities today. The nature for this difficulty can be attributed to the technologies and processes that business finance analysts currently depend upon to meet their reporting responsibilities. For instance, nearly half of our respondents (47 percent) stated the need for IT assistance or the aid of spreadsheet applications due to gaps in planning and BI software capabilities that come bundled with their ERP offerings.

Dependence on the IT department to conduct financial analysis – such as creating and changing

reports in their BI tool – was cited by a whopping 59 percent of respondents. This has had the dual effect of taking IT staff off of core responsibilities to provide administrative support to business finance professionals, while adding a step in the critical path of analysis, and delaying the delivery of key insights to corporate decision-makers.

More important, however, is the opportunity

cost that may not be captured by this statistic.

If IT staff involvement is a requirement for certain business finance projects, therefore adding time and specialized resource prerequisites, it is very conceivable that certain analyses are avoided, postponed or discouraged. This could remove important inputs from the decision-making process.

Limitations embedded in the BI offerings that are bundled with enterprise application systems were also cited by a full 52 percent of respondents who reported the need to use spreadsheet programs to cross-correlate, analyze and examine

core enterprise performance management metrics.

Manual manipulation of data and information between applications often introduces errors into the data analysis process. This is especially true if the analysis is being conducted in a collaborative environment, where multiple analysts are examining and processing data in spread sheets. (It also makes version control in documents a critical concern.)

#### COMPLEXITY IS THE COMMON DENOMINATOR

As a result, there is growing interest in solutions that are dedicated to a more complex BI mission

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that takes both complexity and the scale of data into account. Within the survey, 43 percent of executives reported they currently pull data manually from multiple sources into their performance management process; an additional 41 percent stated that they have future plans to do so.

It is challenging for legacy BI tools that are bundled with ERP applications to meet this requirements because they were not necessarily designed to work beyond their own operating environment. Some BI components in the ERP suite assume that most – if not all – data that needs to be mined and managed will be kept in the packaged ERP repositories.

This, however, is increasingly not the case. As many organizations adopt new systems architectures in which natively developed applications coexist with packaged enterprise software, Software as a Service or other Cloud Computing formats, the number of places in which data can reside will not decrease... it will increase.

Adding further to the complexity equation, our survey showed an interest in developing a multi-disciplinary picture of how the enterprise is performing. An overwhelming 69 percent of respondents said it was important to link financial and operational plans in a way that allows changes in one environment to be automatically reflected in the other. Only 23 percent said they have that capability today. This seems to emphasize the importance of application agnostic BI tools that can interoperate with many different enterprise systems.

## THE CASE FOR APPLICATION INDEPENDENT BI

Given the complexity management and interoperability challenges that our respondents appear to be having with the BI modules that come bun-

dled with enterprise application packages, it seems that there is a growing business case for dedicated application independent BI tools that:

- Bring together information from a wide variety of internal and external sources onto a common platform.
  - Are intuitive enough for business finance professionals to manipulate extensively (i.e. they must provide user interfaces that rival popular spreadsheet applications).
  - Absorb terabytes (or more) of data that are being pumped by internal and external systems.
  - Access data in real-time from source systems.
  - Support the analytical manipulation of dynamic data in real-time.
- While the deployment of these application independent solutions will represent an additional investment in enterprise software, these new outlays can be cost justified on the basis of:
- Less dependence on IT resources to conduct new and novel analyses.
  - Reduced error rates in the analytical process that comes as a result of manually cutting and pasting data from operational systems into spreadsheets.
  - Better access to more sources of data to provide more context, and therefore better decision-making support.
  - Reduced exposure to risk by having more transparent access to the full array of information resources that are critical to the decision-making process.

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