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Using BI/PM Technology To Accelerate Out of the Downturn

by John Hagerty

Through one of the worst business slowdowns in three decades, companies trimmed all sorts of budgets, spending money only when they had to. In the last few months, there have been hopeful signs that the overall economy is improving, with firms daring to think about the investments to make in order to successfully propel them into a future upcycle. Accordingly, the volume of business intelligence (BI) and performance management (PM) inquiries are up, and the mood is hopeful but cautious.

AMR Research conducted a multi-client study this past June with nearly 600 companies of all sizes and in several industries across established and emerging markets. We assessed BI/PM demand and identified key value drivers as organizations look to stabilize, and then improve, company performance. This research confirmed a lot of our suppositions about what's important to buyers and what spending plans might look like in 2010. And it also uncovered some unexpected dynamics within firms that portend subtle and important shifts in buyer behavior.

On balance, I expect 2010 to be a year of modest spending growth. I also believe that companies can use BI and PM initiatives to help them navigate the recovery and emerge a stronger, more nimble, and better informed organization.

PBF systems were tapped as the most strategic BI/PM investment a company can make.

Companies will spend \$59.3B on core BI/PM activities in 2010, up 1.6%

First and foremost, spending will tick up, albeit slightly, in 2010. By our definition, core BI/PM spending encompasses more than technology products, also including the following:

- Software, including capabilities for query, reporting and analysis, dashboards and scorecards, analytics

and content-rich applications, as well as infrastructure—data warehouses/marts, integration, and data quality—to support these capabilities

- Hardware such as servers, appliances, mobile devices, and desktops/laptops associated with analytic tasks
- External services that encompass consulting, implementation, and outsourced processes conducted onshore and/or offshore
- Internal efforts needed to make BI/PM come to life within an organization, such as staffing centers of excellence and securing time for programmers, DBAs, and line-of-business experts

This fully-loaded spending estimate constitutes continued healthy demand for products and services.

North America is slated to increase

spending at a faster clip than other geographies. Software is growing fastest for the four categories mentioned above.

But business intelligence and performance management aren't static business processes. They're quickly expanding to incorporate a broader information agenda. It's a rare inquiry that doesn't include some discussion about interactive collaboration, text analysis, or impact of search, and we asked study participants to weigh in on

the importance of these capabilities in a BI/PM agenda. When factored in, spending jumped to \$71.8B, reflecting the growing importance of these initiatives.

Companies continued to expand BI/PM use during economic crisis

It was encouraging to confirm that organizations didn't sit on their hands in 2009. We asked study participants to detail what they'd accomplished, and they reported expanding BI and PM programs that delivered a host of capabilities to significantly more people in the enterprise. While they didn't necessarily spend at the same clip as in prior years, they didn't stop buying either. Companies knew they were able to bring more people on the BI/PM bandwagon by consuming licenses they'd already contracted for (see Figure 1).

Planning deemed the most strategic investment

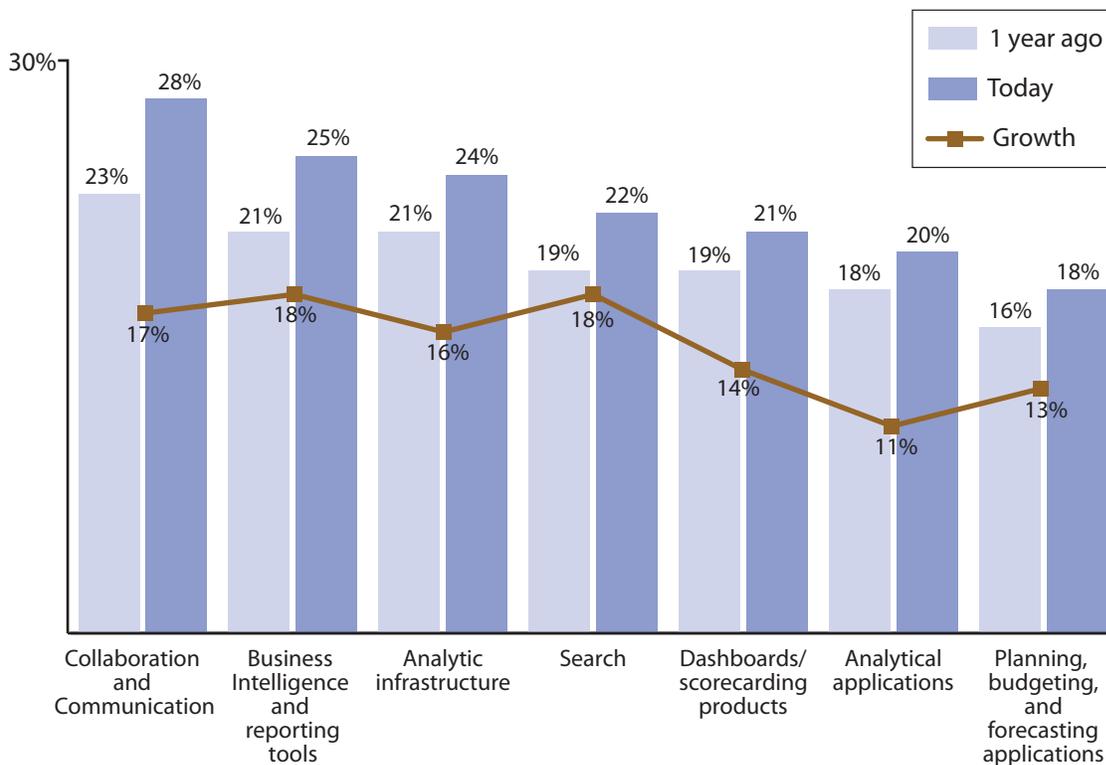
Planning, budgeting, and forecasting (PBF) systems were tapped as the most strategic BI/PM investment

a company can make (see Figure 2). While it isn't the biggest category of spending, it shows continual growth over the past several years. To some, planning, budgeting, and forecasting is largely a financial process. But to the majority of companies, it's operationally focused or blended with financial aspects in an integrated planning process (see Figure 3). This reflects the trend we hear through inquiry calls across a broad swath of industries.

Business users take a more active role in evaluating and funding projects

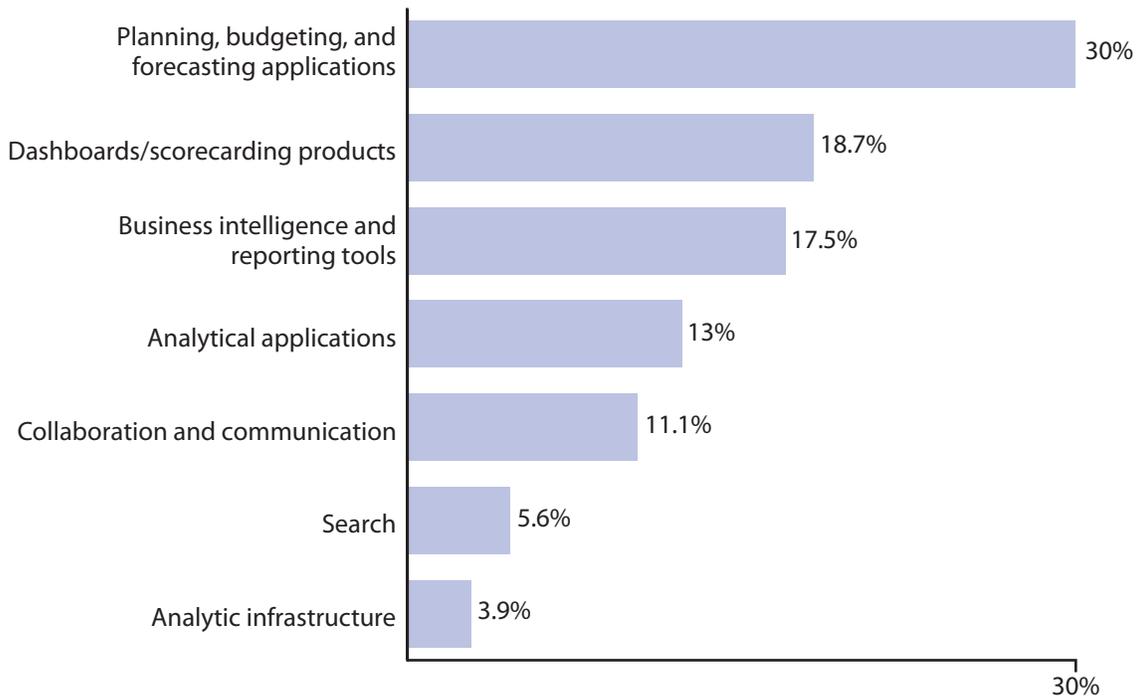
Historically, business intelligence was the province of IT, while performance management was led by business. The study indicates a shift is underway, with business leadership significantly more active in BI/PM across the board and now funding a majority of projects—a big change. Is there a fight for BI/PM ownership at hand? When asked about the biggest benefits business intelligence and performance management deliver, I can clearly see the dual imperatives: In-context operational visibility is neck and neck with lowering IT costs.

Figure 1: Growth in BI/PM use, 2008 to 2009



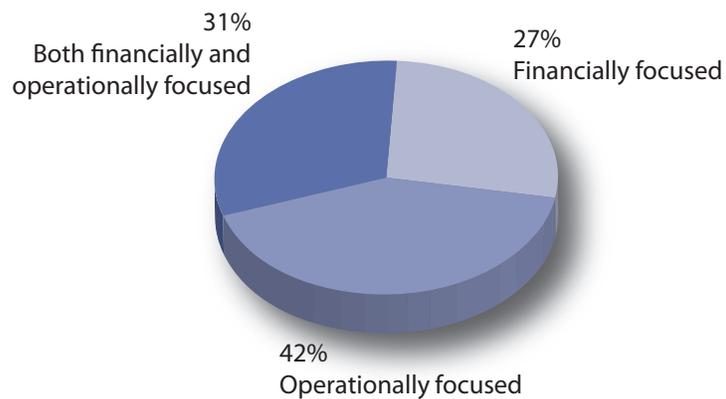
Source: AMR Research, 2009

Figure 2: Most strategic investment in 2009 – 2010



Source: AMR Research, 2009

Figure 3: A move to integrated planning models



Source: AMR Research, 2009

While I wouldn't categorize this as a battle, the lines are shifting, with participants learning how to work better toward a common goal that meets the requirements of both sides in the process.

There are two additional areas that reflect a subtle shift in perspective that will have profound impact on BI/PM programs going forward:

- **Resistance to software as a service (SaaS) and cloud computing is rapidly dissipating.**

The perceived "loss of control" of sensitive data is no longer as strong an objection, paving the way for buyers to look at all possible deployment options without dismissing one mode automatically.

- **Analytics is hitting its stride, fueled by innovative software and bundled services.** Is it time to bring the power of analytics to the masses? While spending in the analytic applications category isn't growing, the attributes that buyers value clearly point to broader awareness and acceptance of analytics across the business.

BI and PM as accelerators for growth

After looking at the data and listening to the countless inquires, I see some broad directives that every participant—business leaders, IT, vendors, and service providers—should incorporate in any BI/PM program:

- **Make it easy to use.** Any information should be presented in context of the recipient's business role. It must be easy to consume—metrics and dashboards are a good vehicle for that—and include a broad spectrum of content, not just the data that's easy to get to. Lines of business demand more and will get more, with or without IT's help.

- **More operational information is better than less.**

The "Eureka!" moment occurs when connections are made that weren't apparent before. Too often, data is analyzed in silos and not connected across the enterprise. When companies understand that a change in X impacts Y and/or Z, they understand they're part of an interconnected business. They then look to establish leading indicators so they can adapt more quickly to change, rather than looking in the rearview mirror at a slate of lagging metrics that only tell them where they've been.

- **Plan and predict—don't just react.** Static plans are largely a thing of the past. Business must respond quickly. Planning is rapidly incorporating a scenario/modeling approach, algorithmically predicting what may occur across a range of inputs and outcomes. These different "plans" prepare companies for a host of situations. They know what makes the company tick and can more easily adapt to challenges and opportunities as they crop up.

A return to decision support?

I've worked in the software industry for nearly 30 years. One benefit of this tenure is that you see trends come and go—and occasionally come back in vogue. I increasingly see companies thinking about BI/PM as a service to help them make better business decisions. The conversations are reminiscent of those I had with companies in the late 1980s and early 1990s.

Organizations are looking for more information, more context, more metrics, more everything—this is what decision support systems were meant to be. While the term "decision support" was never clearly defined, it always raises red flags for companies that tried and failed because of the inflexible technologies available at the time.

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