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IBM

Building the Case for Business Intelligence ROI in a Turbulent Economy

6 Tactics You Can Use

Information Management

Cognos. software

Contents

Executive Summary

This paper is a prelude to a six part webcast series sponsored by IBM Cognos and developed specifically for IBM Cognos Innovation Center members. The series is designed to empower IT and Business Unit managers to develop a strong business case for the return on investment (ROI) of their business intelligence initiatives and effectively communicate that value to their business leaders. The series will help you get the attention of senior management, position the business value of BI to their specific needs and wants, and get management approval for BI investments.

Each of the segments in the webcast series will dive deeper into one of 6 specific tactics that you can use to lead the proverbial horse to water and make him drink.

Introduction

These days it seems every news story has the word turbulent in the title (this paper included). It's a bit of overkill but there is a reason for it. Surviving these economic conditions is top of mind for virtually everyone, in every business, in every country. In that sense it is a galvanizing force for all of us in both our personal and our business lives.

The recent economic conditions have significantly impacted the budgets of most every business in the world. Even those that are thriving are more conservative about spending for fear of deeper and extended recession over the coming months and years. This has made it more difficult than ever to gain funding for BI initiatives. For these initiatives to garner their fair share of the limited funding available in this economy it is important to build a case that documents how investing in BI addresses the common fears created by this downturn but also how it is critical to capitalizing on the (hopefully) inevitable recovery. This paper describes 6 tactics to strengthen the case for BI investment in this environment.

6 Ways to Strengthen the Case for BI Investment

1. ROI, ROI, ROI
2. Recycle, Reduce, Reuse
3. Think Globally, Act Locally
4. Go Deep
5. Be Real
6. Embrace the Changing Champion

> *"Take an inventory across all regions and business units. Don't limit this effort to just to technology, do it for BI skills, process expertise, reports, and data."*

ROI, ROI, ROI

Today budgets are slashed and all spending is scrutinized. BI projects compete against a multitude of capital projects with strong rates of return. The focus is on tangible value, return on investment, and time to value. ROI on BI has typically been relatively dependent on intangible values like better decision making, one version of the truth and other subjective value propositions.

Today, if an initiative depends on intangible value it has an uphill battle. It is important to document the tangibles first to get to the short-list when competing against other projects for limited funds. Then, once the tangible value has been established, use the intangibles to differentiate against the other projects. While there must be a focus is on the short-term value, don't diminish the long-term impact as a differentiator from other more tactical projects. Unlike some of the tactical projects that it competes against, BI will drive growth in an expanding market not just control costs in a constricting one. But without creating a tangible business case BI may not get that chance.

> *"Where there must be a focus is on the short-term value, don't diminish the long-term impact as a differentiator from other more tactical projects."*

A leading animal health company found themselves in the unenviable (but not uncommon these days) position of being well behind their sales forecast as quarter-end approached. The Sales VP was under pressure from the CEO to make up for a short-fall in his sales forecast. With only a couple of weeks to make up the shortfall the VP did not have the luxury of a long-term solution. His team proposed using their existing BI products to mine their existing data to identify specific customers with a seasonal propensity to purchase specific products in large quantities.

By targeting a promotion directly at those clients they were able to focus their selling resources on those specific clients during the short-term initiative.

The entire shortfall was offset with a single, focused, two week promotion.

This initiative became a bellwether example of the ROI BI can bring to the organization and to the sponsor.

> *"The potential ROI will more than offset the cost of the inventorying effort and in this economy cost reduction helps the business case more than anything else because it creates quick, tangible savings."*

Recycle, Reduce, Reuse

All businesses have some level of previous investment in BI and performance management products and tools. However, many companies have no idea what they own across the entire organization. Take an inventory across all regions and business units. Don't limit this effort to just to technology, do it for BI skills, process expertise, reports, and data. By having this documented in one place you may be surprised by the assets you have and will likely find opportunities to reuse technology and skills more broadly which will reduce the cost of expanding the usage of BI. But don't just take inventory, also evaluate the usage of tools, reports, and data and reduce unused, under used, or redundant assets and skills. The potential ROI will more than offset the cost of the inventorying effort and in this economy cost reduction helps the business case more than anything else because it creates quick, tangible savings.

A global business services company took an inventory of their reports and found they were supporting production of over 200 reports each month. They monitored usage, eliminated redundancies, built in criteria selection, and facilitated user self-service reporting and analysis. As a result they were able to meet the vast majority of reporting requirements via two template reports and eliminate 198 of the 200 monthly reports. This generated tangible ROI by reducing the cost to support reporting while also improving user satisfaction.

Think Globally, Act Locally

While a strategic vision for BI is important to maximizing the long-term value BI will bring to the organization, it is equally important to keep momentum during these tough times. Going for a big-bang, multi-year BI initiative is likely to meet significant resistance and often requires a much longer time frame in order to define enterprise standards and governance. Another option is to focus instead on an area where there is a specific process that needs attention and has a definitive short-term ROI. A well defined and limited scope is more likely to win approval and achieve a quicker time to value. Afterward, take that success and use it to market a more pervasive BI strategy.

> *"Less effort is spent on troubleshooting technology, developing skills, training users, and ramping up service providers which reduces cost, improves ROI, and shortens time to value."*

A leading provider of digital television entertainment services initially had some challenges with executive buy-in for a global BI initiative so instead they started with a grass-roots effort around revenue modeling sponsored by their marketing organization. They were then able to distribute reports from the revenue model to other parts of the organization which improved the ROI of the investment and opened more eyes to the value BI can bring. Many who previously had little interest in BI started asking how they could "Cognosize" their processes and data. Due to the success and acceptance of the revenue model and reporting they will soon be expanding to sales forecasting and expect continued expansion in the future.

Go Deep

Two of the biggest barriers to investing in BI are the cost and scarcity of skilled resources. One way to diminish these barriers is to focus on going deeper into the organization with existing investments. You can often support expansion deeper into the organization with existing technologies, resources, skill sets, and service providers. Less effort is spent on troubleshooting technology, developing skills, training users, and ramping up service providers which reduces cost, improves ROI, and shortens time to value. There is also an established champion in place and a track record of success which are critical to any initiative, especially in a down economy. Often the CFO is the likely sponsor for expanding performance management initiatives because he or she is the established champion for the planning process. A natural extension might be more frequent reforecasts, workforce planning, or capital planning because all of these processes are under the jurisdiction of the same champion (the CFO) and utilize many of the same resources for execution.

Not too long ago industry analysts were predicting demand for heavy-duty trucks to be at an all time high in 2009, needless to say that did not turn out to be the case. One major North American truck manufacturer was able to quickly, and at little cost, move from a monthly to a weekly planning process in order to more proactively adapt to changes in demand. Now every Monday morning the forecast is updated and reflected in their balanced scorecard so that their executives can make more informed decisions about production, SKU rationalization, inventory, and cost controls during this difficult time for their industry.

"Be careful about biting off more than the organization can chew. Resources are tight and could potentially get tighter if the economy is slow to recover, so be conservative with project scope."

Be Real

In this economy on-time and on-budget can be the difference between keeping your job and looking for a job. Be careful about biting off more than the organization can chew. Resources are tight and could potentially get tighter if the economy is slow to recover, so be conservative with project scope. It is better to under promise and over deliver than to have to defend underperformance later. Propose a phased approach with interim measures of success and "jumping off" points. In the current environment, management wants an opt-out option if the economy continues to struggle and further reductions become necessary. Absent an opt-out they may plan for the worst which can jeopardize the entire initiative.

A Fortune 100 health care company purchased an enterprise "all you can eat" license for BI but still went with a phased approach to implementation and deployment. Rather than taking on the formidable effort of standardization and governance across the entire organization they targeted phased deployments in Finance, Sales, and Supply Chain to establish successes and address pressing pains. This way they are generating tangible ROI from their investment while they work towards establishing global standards, governance policies, and BI competency centers.

> *"BI projects compete against a multitude of capital projects with strong rates of return. The focus is on tangible value, return on investment, and time to value."*

Embrace the Changing Champion

Even if your champion has not changed, their motivation probably has. Almost everyone is more risk averse and less likely to go for the home run that might make or break their career. Many executives prefer to keep their head down and let someone else take the risk while they focus on cost cutting, potential layoffs, and doing whatever they can to protect themselves, their teams, and their company. They have less time or energy to focus on cross functional initiatives. To get and retain a champion you need to help them succeed. You need to take on some of the blocking and tackling for them. Make it easier for them to be a champion by laying out a plan of what you will be doing behind the scenes to make them successful.

A leading semiconductor manufacturer leveraged the CEO to drive executive buy-in. Many executives were resisting the move to common data and common tools. These executives felt they could get the information they needed from their existing systems and tools. It might take a while, but they could do it so they were resistant to fund any new tools. To diffuse this opposition, the IT department built a dashboard for the CEO with all the metrics he needed for his weekly review meeting with his staff. His team quickly learned that the CEO was going to ask the hard questions and would no longer tolerate arguments about whose data was correct or accept answers not based on verifiable fact. The risk of negative exposure to the CEO motivated the management team to adopt the dashboard and the underlying BI initiative in their organizations.

Summary

All businesses need to make tough decisions in a turbulent economy. The decisions made now will have a major impact on how the business weathers the storm and also on the make-up, morale, and retention of its workforce and its customers. BI provides decision-makers with the necessary information to make "the right tough decisions" and making the right tough decisions will be the difference between those companies that merely survive and those who succeed. Now is not the time to back away from investments in BI and Performance Management but in order to compete for limited funds, a strong, well thought-out business case is imperative.

To explore these topics further you are urged to attend our upcoming webcast series where Dave Kasabian of the Pervasive Performance Group will dive deeper into each of the 6 tactics introduced in this paper.

About Pervasive Performance Group

Pervasive Performance Group is a provider of advisory services on performance management and business intelligence. Our focus is helping businesses expand performance management from finance or IT-centric initiatives to an enterprise-wide and enterprise-deep approach that increases the return on their BI and PM investments.

Pervasive Performance Group provides advice, insight, and direction that help businesses recognize and break down the barriers that inhibit wider deployment and limit return on technology investments. Our services help companies progress to a performance-driven culture that empowers IT to expand the reach and impact of technology. We do this by helping companies recognize the tangible and intangible value of expanding performance management from isolated initiatives and departmental fiefdoms to a collaborative performance culture.

About the IBM Cognos Innovation Center for Performance Management

The IBM Cognos Innovation Center was established in North America, Europe and Asia Pacific to advance the understanding of proven planning and performance management techniques, technologies, and practices. The Innovation Center is dedicated to transforming routine performance management practices into "next practices" that help cut costs, streamline processes, boost productivity, enable rapid response to opportunity, and increase management visibility.

Staffed globally by experts in planning, technology, and performance management, the Innovation Center partners with more than 3,000 IBM Cognos customers, academics, industry leaders, and others seeking to accelerate adoption, reduce risk, and maximize the impact of technology-enabled performance management practices.

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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