

BI Radio

Episode 4: Tales From The Trenches

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Montage:

- “It’s coming.”
- “It’s forward looking information.”
- “There are other issues as well.”
- “Things started to go wrong.”
- “Remote dialup.”
- “Probably typical of a lot of organizations.”
- “Continued with process improvements.”
- “Subject matter experts.”
- “Do I do this? Do I do that?”
- “It was a challenge. But at the end, we felt pretty good.”
- “The results, so far, are very promising.”
- “The mayor and his staff actually gave us a round of applause.”

(00:32)

Ken Seeley: Hi there, and welcome to BI Radio. I’m Ken Seeley. On the show today, Tales From The Trenches. We sent our producers to Cognos Forum to hear first hand about the different roads companies take to performance management and the lessons they learn along the way. From Washington D.C., there’s a story of an eight year journey – from Access databases to executive dashboards. From Australia’s top ranked university, talk of balance scorecards and BI cadets. But we begin in Chicago with a story of forecast accuracy and investor opinion. Delaney Turner learns from Deloitte and Baxter why that connection is so important, and why not having one led the life science leader in a new direction.

(01:21)

Delaney Turner: I’m here with Lisa Feuerstein, who is the Director of Global Finance at Baxter Healthcare, and John Wallace who’s a senior manager in the performance management group at Deloitte. Thank you both for joining us.

John Wallace: Thank you for having us.

Lisa Feuerstein: Thank you for having us.

Delaney Turner: I would like to start off with a question. John, you presented some statistics about CIO’s, or finance executives’ priorities. Forecast accuracy seems to be the most important capability in building trust with the financial community; yet, it’s the capability that CEO’s and financial executives are the least happy with. What information are they not getting from their systems?

John Wallace: At the end of the day what it comes down to is financial executives are under a lot of pressure to deliver accurate results to the market and to understand what’s coming. It’s a forward looking information. The executives seem to have a pretty good handle on how they get historic information right. It’s that forward looking stuff and how do they do that? Right now, most of their

information is based on a lot of spreadsheets, and hearsay, and all kinds of different pieces of information that aren't being brought together into a concise piece of information. So it's not entirely unusual for a senior executive to be sitting on the phone with the executives paging through multiple different iterations of financial statements trying to get the one they want. It doesn't help build confidence, does it?

Delaney Turner: No. Now, Lisa, was that the case at Baxter? You talk about forecast accuracy being the spark for this whole project. What could you tell us about the situation at Baxter?

Lisa Feuerstein: Yes, absolutely, that was the case at Baxter. We had suffered a couple of years in a row of disappointing Wall Street. As a result we actually have a new CEO. His name is Bob Parkinson and he joined us in 2004. His task by the board was to embark on, in essence, a turnaround process and he's broken it into two phases. The first phase was approximately three years, and it's main issue was to (a) investor credibility; and (b) start us on a path of working towards forecast accuracy so that we don't continue to disappoint Wall Street. We have brand new management in place, etc. We are now into phase two of his turnaround. And what he is looking to do is continue with process improvements; but also continue on this path of forecast accuracy specifically in our R&D area, which is much more complex so that we are able to significantly bump up our investment in R&D.

Delaney Turner: If we could go one step further, how would an inaccurate forecast lead to poor results or not deliver the right results that the company or that the investment community is looking for?

John Wallace: One of the fundamental problems that a lot of organizations fall into, and Baxter is one of them, is that when they try to manage forecast accuracy they take a look at the number that's been presented to the street and they manage that number. And it's through a top down process they manage that number. In the R&D world the problem with that is that you don't get to the tangible issue. When you're investing money in R&D it's to get a result which may not end up on your financial statements this year. So what's happening is their management of dollars down potentially, they're not actually achieving milestones. But that piece of information doesn't get out to the financial community for months later, or years later.

Lisa Feuerstein: Because most typical research projects span much longer than a calendar year.

Delaney Turner: So you've gone through what you call phase one, which is improving forecast accuracy. Can we say that that has been achieved?

Lisa Feuerstein: No. Not yet.

John Wallace: Well, it's a journey. Number one, phase one of the project, which was a twelve week engagement, or a twelve week project really was around supporting a budget process. But we didn't get there because we wanted to support the budget process.

Lisa Feuerstein: Exactly. So how we started out was knowing that we had our budget right in front of us and we scoped this quite narrowly and focused primarily on what was in our own back yard. Headquarters is in northern Illinois. So we have some units that have their budget in there. Why we can't yet say it's successful is because now, as we're in to the year 2007, we're into what I call phase two. We now can bump those units' actuals and forecast up against that budget and begin to actually measure where we're at. So we're just in the process of gathering those metrics.

John Wallace: The one thing that we would like to say all along is that this is not just a “flick the switch”, and there it is. This is something that’s going to take time to institutionalize at Baxter to get people on board. And quite frankly, to teach management. Now they’ve got all this great information they never had access to before, what do I do with it? That’s what phase two is about. It’s about helping them understand what to do with it now.

Delaney Turner: That’s interesting that you say that because one of the things that I found interesting in your presentation materials was that the biggest challenge was the people, and the process. It’s not necessarily the technology. I was wondering what kind of challenges were you looking at? Was it skills? Was it the organizational structure? Was it new learnings? What were the challenges there?

Lisa Feuerstein: All of the above. What the challenge was and how this whole project started out was I was asked to determine why are we encountering difficulties to accurately forecast our R&D projects, and what’s stopping us. We determined that a lot of it is that our forecasts and our budgets in our organization tend to be driven by the finance organization. Yet, in the research and development world it’s your project managers and your technical community who actually own the projects and know what’s happening. And we hadn’t invited them to the party. So this was an opportunity for them to begin to participate in the overall process. And we envisioned this as a tool set for them to use to actually promote dialogue across the organization in that there’s many service areas that they’re dependent on to manage their milestones and work on their projects.

John Wallace: What’s interesting about the R&D organization at Baxter, which what Lisa has just commented on is probably typical of a lot of organizations that are starting to grown. Finance drives the budget and it’s only out of the sheer generosity of the business peoples hearts that they help with it. And so obviously that doesn’t make a lot of sense because the people closest to the business are the ones that really can provide the best information. What’s different about the Baxter R&D organization is it’s a matrix organization. So that means you’ve got people consuming resources and you’ve got people who actually own those resources, and they need to talk. And if you look at the fundamental thing about this project . . . if we’re judged on one thing at the end of the day it’s, are those people talking about the right tactic? Because if they’re talking effectively we’ll get the forecast accuracy some way. If they aren’t talking, it doesn’t matter how good everything else is, it ain’t going to work.

Delaney Turner: You can hear the rest of my interview with Lisa and John in the pharmaceutical section of the Cognos website. In the second half you’ll hear about the importance of communication, building a business case, and the response from executives when the project was rolled out. To access the file visit cognos.com/solutions, and click on “pharmaceuticals and life sciences” in the category marked “industry”.

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(10:09)

Ken Seeley: Welcome back. Up next, better business intelligence between the mountains and the sea. John Blackmore talks balanced scorecards and BI cadets with Chris Grange from the University of Wollongong in Australia. Let's listen in.

John Blackmore: I'm speaking with Chris Grange, Vice Principal of Administration at the University of Wollongong. Chris, the university is big. Over 20,000 students. And I understand it's an award winning institution.

Chris Grange: Yes, we've won a number of awards. We're the number one teaching university in Australia according to government statistics that come out. We're also one of the top ten research universities in Australia. And last year the Commonwealth University – that's the British Commonwealth – named us the university of the year, and that's across the whole British Commonwealth. Wollongong is about one hour south of Sydney. Wollongong, as a name, is an aboriginal word, and it means between the mountains and the sea.

John Blackmore: You had a successful business intelligence and reporting implementation at the university. But things started to go wrong. Can you talk about that?

Chris Grange: We managed to build content that covered every area of our activity. But it actually started to work against us. The first reason was the sheer volume of content that we collected became too big and too confusing for all of our end users. The second thing was that architecturally it became too complex to support, and the amount of time that we had to put in to supporting all of these disparate cubes and reports became quite difficult. There are other issues as well. It's really hard to recruit and retain well qualified BI professionals. And every time we lost a key person our momentum and our end user relationships would be set back.

John Blackmore: Your solution that you're alluding to I believe is to reorganize on many levels. One really interesting part was on the business structure. You established a unique form of a balanced scorecard. Can you tell us a bit about that?

Chris Grange: We're actually using the balanced scorecard model in much of our business planning already. But we had to customize it in a couple of respects. In our environment the two main customer facing activities that we have are teaching and research. So we basically took that segment of the balance scorecard and broke it off into two subsections. We also had a strong desire from our community engagement folks to add community engagement in as a separate dimension within our scorecard as well. So the six perspectives would then be: students and teaching, research, community engagement, finance, leadership and growth or people, and business process.

John Blackmore: And the balance scorecard then is a collection of metrics around those areas. Can you give us a flavor for a few metrics from one or two of those areas?

Chris Grange: Sure. Let's talk about research. The amount that our faculty publish is a key research metric today. The amount of research funding that they win competitively is a key research metric. The number of post graduate research students that they recruit and that we train is a key research metric. So there are the three most important research metrics, and we're tracking those. So the principal that we've adopted is that every key metric has to be a ratio or a percentage based performance measure so that scale is taken into account and that also allows us to do internal and external benchmarking and comparisons on a like for like basis.

John Blackmore: When you're talking about the balance scorecard approach working in your organization I believe it also affected your own BI organization in terms of the way that you organized it's structure.

Chris Grange: We wanted to come up with a structure that was more robust and better able to withstand the kinds of risks that you face of losing good people and it gave us a stronger consistency over a period of time. The final structure is something of an amalgamation. But the major emphasis is on subject matter experts. There's a project director. There are four business analysts. There are two technical analysts. And there are four, what we've called, business intelligence cadets.

John Blackmore: You mentioned BI cadets. What part of the solution for you was that?

Chris Grange: What we did was we recognized, one, that there was a labor shortage for qualified BI people and, two, that we had an inherent advantage as a university because we produce a large number of IT graduates every year. So we thought, we'll put the two of those together, and what we'll do is that we'll create these BI cadetships. We'll look to recruit graduating students on a two year cadetship. We'll ask that they have a basic understanding of SQL and all that; and we'll pay them a good salary. But what we'll give them is lots of training. They'll start and they'll automatically be booked into three or four training programs, and we'll teach them how to build cubes, how to build reports, how to build metrics, how to contribute to the data warehouse design and development, and so on and so forth.

John Blackmore: It's a clever idea, a clever approach to what you had as a problem.

Chris Grange: The results so far are very promising. So we've had this team together now for 8 months. And they've evaluated Cognos 8.1, they've had that in development for some time. They've created a new data warehouse structure. They have finalized the specifications for all of the HR metrics and indicators, and they've built all of the HR metrics indicators. They've written the first draft specifications on research, on students and teaching, and on financing, and they're out with the end users to comment at the moment. They've ordered the new server infrastructure and worked with our IT group to put all that in place. And they're actually installing Cognos 8.2 this week in the production environment. And we'll be starting to roll out some of the new content and models over the next few weeks. I think the BI cadets model is extremely repeatable for universities. I think it's repeatable for other employers more widely. But for universities in particular, it leverages on their ability to access a prospective labor market really well.

John Blackmore: I really appreciate your time today. It's a great approach to what could have been a problem. You've turned a challenge into opportunities. Thank you very much.

Chris Grange: You're welcome.

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(19:00)

Ken Seeley: Welcome back to BI Radio. I'm Ken Seeley. Our last tale from the trenches comes from Washington D.C. where Kelsey Howarth talks to John Nitz. He's the president of Jentech LLC. He was the former Director of Information Systems and Operations in the District of Columbia Office of Budgeting and Planning. His story about executive dashboards is eight years in the making. And, as you'll hear, it ends with a round of applause.

Kelsey Howarth: First off, I would like to talk about your experience with the Office of Budgeting and Planning. Could you tell us what the pains were?

John Nitz: Actually, I started with budgeting and planning about eight and a half years ago as their information systems director. When we started the office was still in a non-technical state. It was learning about technology. They were doing a lot of things on spreadsheets and actually using copiers to make copies of pages to put in to publish for their budget books. So when I came on board I found out right away that it was going to be a large challenge to try to get them, not just to the current state, but paddling out of the dark ages, as they were in at that point. So when I came in I was looking at what was going on, how they were doing business, and finding places where we could automate. It started with things as simple as Access databases; data that they would collect on spreadsheets or hand write. We looked at that information, saw how that information was structured, and created simple databases so that they could begin sharing information, which they were not able to in the past. And not just sharing information but sharing information in real time. Not emails, not handing out a piece of paper, but interacting through a database realtime so that they could get their work done more efficiently, quickly, and in some cases actually, more accurately. So that was kind of the beginning. Over time we've done thing as it relates to bringing those automations to a new level. Bringing in tools such as Cognos PowerPlay, Impromptu, IWR, (Impromptu Web Reports), and just recently in the last couple of years, ReportNet, and hopefully in the near future, Cognos 8. We've realized that, although Access is a very nice tool to use, it's not the proper tool if you're going to work on an enterprise level. We realized that a while back, and we've begun that process. Part of our accomplishments have been, as I think I've spoken in years past, is the executive dashboard that we built for the CFO's office. And it has also rolled into the Mayor's office and the City Council. That application base is Cognos. It's a data warehouse pooled by Cognos using Cognos PowerPlay, using the Impromptu Web Reports and other various Cognos tools to put in front of our executives a view of their government in a very quick and accurate fashion. It's very intuitive. It's quick to use and easy to understand, and it provides them the ability to make those decisions they need to make quickly.

Kelsey Howarth: In terms of benefits you've mentioned a few already. But are there any in terms of time or cost that really stand out?

John Nitz: When people see the dashboard, yes, they see something that's very unique to the district. But what they don't see is that it's kind of like a lot of your back office tools; you don't see that stuff up front. You only see the pretty picture in the window. You don't realize all the hard work going on in the background. And that's what Cognos is doing. That's what their tools do is they do all that work. They pull all that information together. They take all the information through our BI standardization work. They take all this information, relating and normalizing it, and letting the system continually pull that together so that everyday when they go in they know they're getting up to date information. They're getting it quickly. They know it's right. They know it's been reconciled. They don't have to think about that. They just have to react. Do I do this? Do I do that? Do I up this program? Do I decrease the funds in this program? Do I need to call this director to find out why their

performance isn't at the level that they had promised, or that they said they were able to achieve? That's where we needed to get them at. And then we were finally able to do that. So it was a challenge. But at the end, we felt pretty good about being able to do that. In fact, I always tell people that what showed me that we were at a point that we had become, that this had become, successful was when we demoed this for the Mayor's cabinet. And after the demo the Mayor and the staff actually gave us a round of applause at a staff meeting. Now that is just not something that happens. Time-wise, I don't even know if I can describe it. I mean, to tell you that the Mayor, the Council stakeholders in general are getting information within seconds, that it used to take hours, days, and weeks to get. How do you describe that except that it's huge. Cost-wise, that's a little bit more difficult. People have asked us this question and there are two reasons why it's hard. One, you hear about government at it relates to benefits realization, saving money. And in government, it's hard. I actually believe it's hard because governments aren't meant to save money. Governments are meant to provide services. So if you're saving money you're not providing services. Now, can you reallocate your monies better so that the right services are getting the adequate amounts of dollars? Yes. And does this, does the dashboard, does using Cognos, does using this dashboard help allocate those monies to the right services? That I can say, yes. But to say that it's a dollar amount of savings? I really try to stay away from that because I really think that at the end of the day if you're not providing adequate services then the amount of money you save really doesn't matter.

Kelsey Howarth: Are you envisioning the Mayor having Cognos 8 on his mobile?

John Nitz: I think it's really going to be more timing than anything else. I want to be more maybe a "when" than an "if". Like I said, once things get rolling into bringing Cognos in on board, it will be interesting to see. It will be very interesting to see. One of the things that the Mayor has done is he's very much patterned the way he operates as similar to what Mayor Bloomberg does in New York – the Bullpen format, and all that. So he's very much about interactive, sharing information, dialogue, bringing great ideas to the table and making sure that the information is shared immediately with others. So it could very well be. I mean Cognos is going to be a mainstay at the district. I don't see anything coming in and replacing Cognos as the tool of choice. We've looked at groups like Hyperion and Business Objects, and they just haven't provided the full gamut of tools and opportunities that Cognos has. And why switch to something when we're winning with what we got?

Kelsey Howarth: For more information on the Office of Budgeting and Planning's journey to better performance please visit the customer section of cognos.com. For more information on how John's company can help an organization like yours please email him at Jentechllc@verizon.net.

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(29:05)

Ken Seeley: Well that makes it a wrap for another episode of BI Radio. I would like to thank our guests. From Baxter, Lisa Feuerstein. From Deloitte, John Wallace. From the University of Wollongong, Chris Range. And from Washing D.C., John Nitz. Thanks as well to Contributing Producers, John Blackmore, Kelsey Howarth, and Delaney Turner. And finally, I would like to thank our Producer and Recording Engineer, Derek Schraner, for composing all the original music you hear on BI Radio and for making us sound so good. A reminder to check us out at radiocognos.com where you can download any of our shows, read the transcripts, and find additional information about the stories you've heard. If you have question or care to comment about BI Radio, send us an email at radio@cognos.com. I'm Ken Seeley. Thanks for listening. See you again in six weeks.

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