

BI Radio

Episode 24 – The Analyst Show

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Montage:

- The benefits of BI are hard for many people in an organization to understand.
- It's very unusual for it to be a technical issue that prevents them from doing it. It's almost always a cultural issue.
- You know, I always thought that BI was a tool for the best of times and the worst of times, and I think BI can really help companies to move ahead of the pack.

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Ken Seeley: Hi there, and welcome to BI Radio. I'm Ken Seeley. On the show today, three privileged perspectives on performance management. Three industry analysts tell us where the industry is headed, how to get your first project off the ground and the skills you need to see breakthrough results. David O'Connell of Nucleus Research describes the value of the BI champion. And Dave Kasabian of the Pervasive Performance Group provides some best practice insights for the Office of Finance. But first up, the view from very high above. Delaney Turner talks to Madan Sheina of the U.K. firm Ovum about broad trends in business intelligence.

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Delaney Turner: Hi, I'm Delaney Turner with IBM, and today I'm speaking with Madan Sheina. Madan is the Principal Analyst of BI Technologies for the U.K. research firm Ovum. Madan, welcome to the show.

Madan Sheina: Thanks for having me.

Delaney Turner: I'd like to get your perspective on a lot of broad general topics because you have a kind of unique and broad perspective on the industry that you've followed for quite a while. The BI industry, at one point, seemed to be about metadata, it seemed to be about performing tuning and the applications, really down in the weeds kind of stuff. What we're hearing now is more about people, process changes, culture changes. I was wondering if that would be a fair assessment and if you could give us your perspective about that?

Madan Sheina: Yes, I think that's a pretty fair assessment. I think it all stems down from two factors. The first factor is related to end users and the second one is related to vendors. From the end user perspective the BI discussion used to be an IT discussion, which is why probably we had all these discussions about the plumbing of how you get the metadata, the data in there, the servers that are required, the performance aspects of running BI queries, how it's going to impact the network. Stuff like that. So it's very low level discussions. Probably down on an IT perspective. I think that's changed now because the way that technology has advanced and the way people are looking at business intelligence as a business application, as opposed to an IT controlled application, they're taking more control. So that's reflected in the types of applications and tools we're seeing, which are aimed more at business users that somehow in many ways take IT out of the equation in terms of implementation and even running and maintaining and managing it as well. So from that perspective that's why the focus has been on, rather than the plumbing issues, is really to how we can use these tools to get business advantage and value from our business processes and how we can affect business change, and that also reflects the business culture in terms of the decision making culture. So the second aspect is really related to vendors, and I think it really comes down to the fact that vendors like Cognos, some of your competitors, as well that have been required, have really shifted the focus from having to provide an integrated platform. So a lot of you guys have been preoccupied with making sure you have a consistent platform, rationalizing technology, and I think now that's mostly done, a lot of the focus is now on what are some of the innovative applications that we can do to really transform businesses. So, again, the discussion again shifts from the IT side to the business side.

Delaney Turner: Companies, we heard this morning, are going back to basics and looking for ways to manage risk, improve profitability, find new opportunities, and really, really focus on that. How do you see companies using BI and performance management in those efforts?

Madan Sheina: Yes, it's a great question. I think it's very topical at the moment. You know, I always thought that BI was a tool for the best of times and the worst of times. For many companies it is your best recession-fighting tool at the moment. In good times BI helps you to grow, get ahead of your competitors. In bad times, it helps you save, cut costs, which is what everybody's trying to do here, but also to optimize and leverage what you have in place already, to squeeze as much efficiency and value from your existing IT infrastructure, but also your existing processes, et cetera. So I think companies are really looking at business intelligence not just as a cost savings tool, but also as an opportunity to, in many ways a recession not only makes companies hunker down, but for the smarter companies they really see an opportunity. There's always opportunities out there, and particularly when other companies and your competitors are struggling, and I think BI can really help companies to move ahead of the pack in that sense.

Delaney Turner: I'd like to talk more about the future now. We heard this morning about some key trends that are making themselves felt in companies. Cloud computing is one. Predictive analytics. Social networks. How do you see these trends playing out in companies, and then what is their connection or influence on BI?

Madan Sheina: Yes, another good question. I think, having looked at the industry now for 10, 15 years, the market is awash with buzzwords.

Delaney Turner: Yes.

Madan Sheina: And I think companies have to be a little bit careful of that. I call it separating the wheat from the chaff, and there's a lot of good stuff out there, but there's a lot of stuff that companies are not really ready for yet. It hasn't been a proven technology. Why marry BI with social networking because the two are topical and hot at the moment? I think a lot of the trends that we're seeing around say the integration of BI with unstructured data and Web 2.0, people have talked about it for quite a long time, but it's difficult to do that. It's very easy to put on a PowerPoint slide. So my first thing would be to take all the trends that you see with a pinch of salt. Having said that, there are some bona fide trends there. Most of the trends, I think, the important ones that companies really have to look for are the ones that help them to lower the cost of ownership and of their IT investments. And it relates again to the previous question where everybody's operating in a tightening economy and with tightening budgets. So trends around cloud computing are very good that way in the sense of their ability to save costs, pre-packaged appliance bundles, open source technologies. Those, I think, are the trends that are perhaps more important than the more sort of sexier trends that we're seeing around the social networking and BI. That's important as well. I mean, I think that BI has always needed to get more collaborative and more pervasive in the technologies that come from the consumer side, so applying principles of Facebook and Google to BI, that's going to continue to happen, and it has value. But I still think a lot of the stuff is still, there's still a lot of buzz ahead of its time. I don't think companies have really thought out a proven business case of why somebody would want to invest in this.

Delaney Turner: Final question now. If you look back to economic downturns in the past we see that a lot of innovative or new successful companies come out of challenging times because it forces people to think differently, or think outside the box, new ways of doing things. We're in those times now. From what you've seen, what are some of the innovative companies, practices, applications, approaches that you've seen?

Madan Sheina: Yes, I think, like I said before, a lot of the focus now, I'm speaking from the BI perspective here, is the focus on we've got the platform in place, we've got it stable. Now let's focus on getting some really innovative applications out there. So, again, the companies are looking more towards I think areas around unstructured data, how they can bring that into the decision mix. And I think, again, it's a tricky area because data integration is the single most complex topic. New types of data, for example, location-based data I think are providing some really innovative new opportunities for analyzing an information dimension that's previously been ignored. And we're seeing a lot of good use cases coming out of that. Other areas, I think, are more forward-looking, predictive type analytics, maybe automating more decisions so that companies are less preoccupied with the mundane transactional decisions, and they can focus on the real value-add decisions as well. So I think there is innovation that's coming out. Innovation though

doesn't come from a BI tool. You have to remember, it still comes from the creativity in the minds of people and I think BI can only be a supporting aspect of that.

Delaney Turner: Well it's an excellent perspective on a dynamic industry in some interesting times. Madan Sheina from Ovum, thank you very much.

Madan Sheina: My pleasure, thank you.

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Station ID: Interviews, insights and opinions on performance management. You're listening to BI Radio.

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Delaney Turner: Hi, I'm Delaney Turner with IBM. Today I'm speaking with Dave Kasabian. Dave is the founder of the Pervasive Performance Group and a long-time industry watcher. Dave, welcome to BI Radio.

Dave Kasabian: Well, thank you, Delaney. I'm happy to be here.

Delaney Turner: Could you briefly describe what the Pervasive Performance Group does, just for our listeners?

Dave Kasabian: Sure, the group was founded really around the concept of pervasive performance management, which is a concept that I wrote about back when I was at AMR Research a couple of years ago with John Hagerty. And the concept is taking performance management from the traditional siloed approach to a broader enterprise-wide, enterprise-deep and outside-in approach to performance management. And what I found over the course of my research is that companies are really struggling. They embrace the concept, but they're struggling with execution around that. So Pervasive Performance Group was founded to help businesses embrace the concept, but not only that, but to work with them directly on executing on the concept.

Delaney Turner: A lot of organizations focus on making performance management a reality within their organizations, or within a department, say finance. But as you suggest, you suggest they also need to look at it from the outside in. Why is that?

Dave Kasabian: When we look at IT, they need to look outside of their own organization and look at the typical business user and how users are using business intelligence and performance management and empower them to use it in a way that helps them deliver value to the organization, versus looking at it from a what fits best in my IT strategy, or in my IT portfolio.

Delaney Turner: Okay.

Dave Kasabian: That's a perspective that some IT organizations embrace quite readily and others tend to stay in that approach of I need to do this from an IT strategy perspective rather than a business perspective. And then on the finance side, it tends to be more of them breaking outside of thinking about things strictly from a P&L balance sheet and cash flow perspective and thinking about performance management from a day-to-day operations perspective.

Delaney Turner: Well, every performance management project does begin with a business case to justify the investments. What are the critical must-have elements for a substantially business case to get a project off the ground?

Dave Kasabian: Well, right now I think it's around a return on investment. What are the tangible values, whether that be from an increasing revenue or decreasing cost perspective. And so these projects now are having to compete head to head with more tactical projects that can more easily develop a tangible business case, even though they may not have as strong of a long-term business value case.

Delaney Turner: Right. What should teams do to sort of build momentum and keep it going once they've got the funds? What would you recommend?

Dave Kasabian: What seems to happen is that they will start out with a much broader scope, when they're evaluating what they're going to do initially around performance management. And then they tend to lose focus on the original overall value of what they were going to do.

Delaney Turner: Right.

Dave Kasabian: And so what I've found companies do in order to get that re-kick-started is to revisit the original scope of why they invested in performance management and BI because they'll invariably find that there were things that they built the business case around, they got justification for, that they just never implemented. So they won't even necessarily, they may have to update a business case for those, but they won't have to build a business case from scratch.

Delaney Turner: Right.

Dave Kasabian: The other thing that I've seen work quite well is to go to a pilot approach to the next phase, where you may not be able to get overall approval to do

something globally, you may be able to get approval to do it in a region and then do it successfully in that region and more quickly than you could globally and at lower cost, and the market the success of that out to the rest of the organization and take it global.

Delaney Turner: Now, you've consulted with many organizations, large and small, with implementations at every stage of maturity. What are some of the common elements that you've seen in your experiences?

Dave Kasabian: Well, one of the common things is companies that struggle to get to the higher levels of maturity around performance management. It's very unusual for it to be a technical issue that prevents them from doing it. It's almost always a cultural issue.

Delaney Turner: Right, okay.

Dave Kasabian: Whether that be across functional boundaries, or a political reason, can create issues that prevent them from taking performance management more broadly into the organization. Another thing that I've seen is that, to get to those broader deployments in making performance management more pervasive, companies that do that successfully tend to have some type of centre of excellence involved in the process. And that creates the governance and common definitions and common technologies and best practices in leveraging resources across the organization in that centre of excellence.

Delaney Turner: Right. Could you tell us, just to conclude, maybe about a particularly successful implementation that you've seen recently and maybe glean something for our listeners that they could learn from the example?

Dave Kasabian: Sure. One that comes to mind would be a major consumer products company that is a multi-billion dollar company where the CIO realized that they were spending a lot of unnecessary money on their financial processes. And there was pushback internally within the different business units to say that, you know what, things are working fine the way we're doing it. We're happy with it and we don't want to invest, we don't want to spend our budget on creating a global process and global technology around this. And the CIO was able to bring on the CFO as the sponsor and was able to also sell to the rest of the business why, even though the business units were going to have to pony up some money for this, that it was going to benefit the company and was also going to benefit those individual business units, by helping them realize the actual costs that they were incurring in order to support the processes they were currently doing.

Delaney Turner: Right.

Dave Kasabian: And then they put together a business case to say, you know what? If we're able to cut 25 per cent of this out, then it's going to pay for the project, as well as if we're going to grow our organization, we want to be able to control the cost of the finance, we can do that by making ourselves more efficient so that our finance organization doesn't have to grow, as our company does, we can become more efficient in the finance organization.

Delaney Turner: Well, that's some great insight. Dave Kasabian, from the Pervasive Performance Group, I'd like to thank you for speaking with us today.

Dave Kasabian: Thank you very much. I appreciate the opportunity.

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Station ID: Insights on performance management from the people who shape the industry.

(19:25)

Delaney Turner: Hi, I'm Delaney Turner with IBM. And today I'm speaking with David O'Connell. David is a senior analyst at Nucleus Research and today we're going to be speaking about business intelligence competency centres and BI champions. Now your research deals with the roles and responsibilities of a BI champion. From what you've seen could describe those roles and responsibilities, and what's on their CV?

David O'Connell: I think there are three or four things that they should be able to do for the BI initiative in their company, okay? First of all, they should be able to select projects and, this will sound redundant but it isn't, and I mean that they should select projects very selectively. They should try to be able to identify the real opportunities to get high ROI, higher levels of benefits. And by that I mean, there's lots of potential BI projects that you can do, but you really have to look through those to find out which ones have the highest benefits. And you have to select those projects in order to have a winning track record, and in order to have also momentum in your BI initiative. Which gets me to articulating value. BI champions have to be able to measure benefits and be able to sit in the CFO's office or in front of the investment committee, and truly articulate those benefits and also to be able to estimate them, estimate their value in a very credible way, to be able to scope carefully. And I think one thing that I've been talking about a little bit throughout these components is they should be able to proselytize. BI and PM, they're extremely social technologies and they have to sell adoption, we have to manage change, and we also have to gather inputs and target end user groups. In terms of things on their CV, I think that the CV should reveal that they have kind of two veins. They should be very technology savvy, but they should also be very business model savvy and have a real clear understanding about how people actually do their jobs and how reports and dashboards and tools impact their day-to-day life.

Delaney Turner: Now, let's talk about ROI itself. You recommend that companies use a three-year time horizon to evaluate their implementations. Why so long? Can companies wait that long to find out if they're being successful?

David O'Connell: We like three years because I do think that there should be a pretty good length of time over which to average benefits. But I think the break-even ought to be south of two, I think.

Delaney Turner: Now direct business intelligence benefits are easy to quantify and they seem to be more effective in justifying for their purchases, lower costs, greater efficiencies and so on. But your research also shows that half, or 50 per cent of those BI benefits are indirect. How can BI champions make better use of those to further their cause?

David O'Connell: Yes, you bring up a real problem. There's this phenomenon where people who are evaluating potential projects, CFOs and investment committee members, where they tend to just completely disregard indirect benefits; and I think that's extremely unwise. If we look around us, where we are in our office every day, there are dozens of things that we've deployed that do not assert direct benefits. I synchronize my Outlook to my iPhone and my iPhone doesn't have a direct benefit.

Delaney Turner: Right, okay.

David O'Connell: My new flat screen doesn't have a direct benefit. And one way that champions can counter this is to simply point that out, and whoever's objecting to the indirect benefits says, geez, we just got new computers a couple of months ago. There's no indirect benefit there, and I'm not trying to pick a fight with you, I'm just pointing out that we continuously deploy things, new things, and we do it because we know that they generate productivity improvements.

Delaney Turner: Right.

David O'Connell: Which gets me to the point, productivity benefits, they may not result in cutting lower payroll checks at the end of the week, but over time productivity benefits, if they're big enough or broad enough, can allow a company to grow without adding people, or to maybe go along forward in time, not necessarily growing, but not replacing people as people leave the company.

Delaney Turner: What about BICCs, or business intelligence competency centres? What's the importance of these to the BI champion and how does it help the ROI discussion?

David O'Connell: I think it helps to proselytize the importance of BI in an organization. The benefits of BI are hard for many people in an organization to understand. And therefore the people in the BICC, each who are articulate the benefits of BI to both the people who let you buy BI tools and they also have to push the discussion to end users

and potential new end users so that they can go on road shows and have discussions in which people understand why BI is being deployed, why it's going to change their work day a little bit and how it will benefit them. And that's kind of on a day-to-day basis, but when you kind of add it up and do it over time, what happens is you end up deploying with a lot more scale and a lot more consistency and that's when BI, and in fact any type of software begins to deliver higher benefits.

Delaney Turner: Last question now. You've been researching BI implementations for a long time. Are there common themes that you've seen in the most successful ones? What trends have you seen over time?

David O'Connell: I think there are three major benefits. First of all, productivity and the people who have become more productive are report builders, report consumers, and analysts of pretty much all types. What I see with BI is that people are able to build their own reports, build their own dashboards fairly rapidly and iteratively; because end users they sometimes don't know what they want out of BI and then once they know it might change kind of rapidly. That's a lot better done with end user driven functionality rather than consuming lots of time from report builders in continually revising or creating iterative version of canned reports. The other major benefit that I see in the high ROI deployments that Nucleus analyzes is that it allows managers and lots of business analysts, and actually people all over the company, to no longer be flying blind when they're managing really important factors. Here are some examples of visibility that people got that saved, frankly, a lot of money for a company and led to a really high ROI deployment. First of all, examining labour. You know, how much you need, how much excess labour might be in the department next to you, out of the facility next to you, and how much can be transferred around rather than hiring people and having excess workers. The other big thing is people analyzing turnover of current assets, accounts receivable and inventory, finding that slow inventory, finding the slow-paying customers, accelerating those, and when you reduce current assets, you reduce your capital costs. And another thing is pricing. Obviously when you're taking the revenue up and you're also taking the gross margin up that's a huge benefit to the bottom line.

Delaney Turner: David O'Connell at Nucleus Research, thanks for talking with us today.

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(28:15)

Ken Seeley: Well, that's a wrap. I'd like to thank our guests today. From Ovum, Madan Sheina; from the Pervasive Performance Group, Dave Kasabian; and from Nucleus Research, David O'Connell. Thanks as well to our segment producer, Delaney Turner; and finally, to our head producer, composer, and audio engineer, Derek Schraner. A reminder to check us out online at radiocognos.com, or our new home on ibm.com/cognos where you can listen to previous shows, download individual segments and view the transcript of each broadcast. You can follow us on Twitter at twitter.com/ibmcognos, or if you care to comment about anything you hear on the show, e-mail us at biradio@ca.ibm.com. I thank you for listening. I'm Ken Seeley. We'll see you in about six weeks.

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