INTERVIEW WITH LYNN SWEETWOOD

Eric Green: Hello and welcome to a new podcast series from IBM software that explores the challenges IT managers and business professionals are facing today. I'm Eric Green and I'll be talking with a range of experts to discover new perspectives, approaches and examples that can help meet these challenges and introduce you to the capabilities of smarter software from IBM. So let's get started.

Welcome back to the show. Today we're going to now directly discuss that which we've been hitting on throughout the podcast series in one form or another, business analytics. And here to discuss this with us today is Lynn Sweetwood, Business Unit Executive and Client Technical Professional in IBM's business analytics division. Lynn, thanks for joining us.

Lynn Sweetwood: Thank you for having me.

Eric Green: So can you start by providing a practical definition of business analytics?

Lynn Sweetwood: Great question. Business analytics is often confusing to people because it brings together a number of technologies that IBM has brought together, and it really comprises a number of things. First you start out with your classic infrastructure. That allows you to gain access to the right kind of information that drives your business. You add into that some business intelligence, so the Cognos solution from IBM gives you that look into the rich history of the data that you might have and helps you also identify what's happening right now.

The next part of course brings in predictive analytics which says, All right, great, based on what's happened in the past and what's happening right now, what do I think's going to happen next? Add to it some statistical analysis to help me build the confidence in the decision that I might make. And then takes you into business rules management and business process management, something like iLog might bring to bear, along with a number of other technologies to help you create an atmosphere where you can collaboratively, through a wider audience, bring together decisions in a strategical, tactical and operational fashion. So it really helps you differentiate your business from your competitors, helps you sort of break away.

Some examples of that might be in your inventory management. How do I deliver the right part to the right store at the right time? So for instance we have an auto parts distributor that looks at what cars are being purchased at a particular location, or being driven, so say DMV-type of records, and I want to pull together, you know, what parts typically break down on those vehicles? And then a year, two years or whenever it's appropriate, I deliver a part to that store at the right time for that particular geographical area. In this case, they're saving hundreds of millions of dollars in inventory costs.

Another one not quite so related is police. How do I tell a policeman to be in the right place at the right time? So hour by hour, I could predict based on the temperature, the day of the week, maybe it's a holiday, what the demographics of the area are, what the past crime statistics may have been – I can predict where a crime might happen and direct a police officer to be at that location. I can also predict, well, in the past when crime has been there, we put a police officer there, it moved to site B. So we'll also send cops to site B. And we found through a number of our customers, police agencies, that they've seen a dramatic decrease in their crime based on using business analytics and predictive analytics in their particular business or agency.

So business analytics is really all about bringing together that information and technology to help you not only strategically decide where you need to go, but help you in your operational day to day business as well.

Eric Green: Excellent. So what are some of the obstacles companies might encounter and how would you see them being overcome?

Lynn Sweetwood: Great question. typically the first thing that they'll run into is the thing that we've been working on a long time, and that is how do we get access to the right data, and what is the information I really need? Once you define that, we've done a pretty good job I think over the last decade bringing to bear technology that helps us define and address those strategic decisions. So at your C level and at your management level, I can really define it and direct where my business is going. Probably the biggest obstacle, then, is in my mission critical processes, mission critical systems, what I do in day to day, how do I implement those business analytics into those processes? That's been the most difficult. Just recently you've seen a rise in what's called decision management technologies. And decision management allows us to implement

in an almost automated fashion, because you still want people to be somewhat involved in that process, but you implement technology that allows you to put the right question in front of the salesperson or the claims agent or the police officer or whatever the case may be, that allows them to confidently make the decision or what is the next question going to be.

So I'll give you an example, we have a number of large insurance companies that take claims for auto accidents over the telephone. By asking certain questions, based on those answers, we will score them, using data mining technologies, to say hmm, does this look like a high risk or a low risk claim that's coming in? And based on the answer, the questions will change, and they'll continue down through that chain to see whether I could pay this claim immediately, or I need to investigate that.

Now using business rules and business process management, I can also roll in the ability to say well, I only have the ability or capability to address two investigations a date, or whatever that number is, per agent. And then I can play some what if scenario processes to determine what can I handle, what can't I handle, and I can manage my system appropriately, so I'm not overloading my existing resources. That's just a couple examples of some of the obstacles people will run into.

So recapping, it's identifying what those mission critical systems that I can utilize business analytics in, and then actually implementing it utilizing business management technologies.

Eric Green: So you've given a bunch of examples of companies that are already well on their way with business analytics. How about companies that are new to analytics? What do you think is the best way for them to get started?

Lynn Sweetwood: It's interesting that companies always want to try and go for the end goal all at once. And you're absolutely right, companies are at different points on the path to the breakaway competitive standpoint utilizing business analytics. No one's ever at the end right off the bat. That's a nice goal, and it's a difficult place to get to immediately. So you need to start at the very beginning, identify what is the process you really want to be able control? And what is the information I really need to gain access to to influence that? And it's going to be of course start with the data they own, their transactional data, their financial information and so on. There's a number of data sources that are available on the

worldwide web, through the cloud and so forth, to add to it whether it's demographics or market information and so forth. Having the tools, and that's one of the important key characteristics of business analytics, is to allow you to bring in outside or external data into this process to help in creating the most efficient and best strategic and operational decisions. So identifying the right kind of data that you want to utilize is important.

The next step would be to implement the business intelligence solution such as Cognos, that allows you to where have I been, where am I now, and what are some of the trends and key performance indicators that I need to track and monitor on a day to day basis. Once you've started on that path, it allows you to start – now I can do a little predictive analytics and start looking into the future, and I can roll that into my strategic decisions. The next set of steps brings in really your business rules and business process management as well as the decision management solutions that I spoke of before, really allowing you to take advantage into your operational decisions to affect the better business outcomes that you're really driving for. ,

Eric Green: Very interesting. So how is IBM innovating in this space?

Lynn Sweetwood: IBM has spent billions of dollars over the last three or four years in really putting together a new division for IBM, which IBM doesn't do all that often, by creating the business analytics division. And they brought together some of the key technologies, so Cognos and SPSS and iLog and others, Clarity and Openpages and so on, that provides a robust set of systems and processes on top of the infrastructure that IBM has already had for some time for databases and hardware and so forth to run and process those millions and trillions of transactions that come in each day for a particular business.

IBM also has one of the largest labs and math departments that allow us to define better algorithms and better processes to do better predictions and confidence levels in decision management processes that are part of the business analytics. Add onto that the drive for not only our own services company but other service companies who are building practices around business analytics.

Sort of touching on the last question you asked me, how do companies get started – IBM offers the ability to come and do a bit of an audit on your company and help you set what that direction

might be and how you can utilize business analytics to drive in that direction. And then finally there are practices being built in those services companies that I was talking about that are solely focused on business analytics, and that's a real change. There's been a drive on business intelligence for some time, but adding the rest of the breadth of the story, sort of like that three time arises I was talking about in the predictive analytics side of it, is something new. And you'll see, whether it's IBM's own GBS or other service companies out there, that these new practices are focusing on how do I make it a more intelligent business or smarter business, which is part of the IBM smarter planet initiative.

Eric Green: Great stuff. Well I'm afraid we're actually out of time for this podcast. But Lynn, thank you so much for so much great information for our audience on business analytics.

Lynn Sweetwood: You bet. Thank you very much.

Eric Green: Thanks for listening. Please do visit IBM.com/software to connect with our experts, continue the conversation, and to learn more about smarter software from IBM. Let's build a smarter planet.