


BUSINESS INTELLIGENCE

The BI Opportunity

A BUSINESS CAN ONLY OPTIMIZE WHAT IT CAN MEASURE



Once again, your grandfather was right: Know what your customers want and what your suppliers can do for you, and you'll make a good living—even in hard times.

A lot has changed since the days of the neighborhood dry goods store and the grocery on the corner, but a venerable business truth is once again being proven: Knowledge is the key to success. Business today is a battle for scarce dollars, in which any gains in market share are hard-won. Good intelligence can make the difference.

Yet in this challenging market for business technology, sales of business intelligence (BI) tools are up sharply. Why? Simply put, you can only optimize what you can measure.

Knowing what you know is important. But BI alone can carry a company only so far. True competitiveness requires putting BI to strategic use, linking it to the company's strategy by tying it to key performance indicators. When BI tools are used to monitor business process effectiveness across a far-flung enterprise and when the personalized intelligence

flows to decision-makers' desks on a real- or near-real-time basis, precise business "tuning" becomes possible.

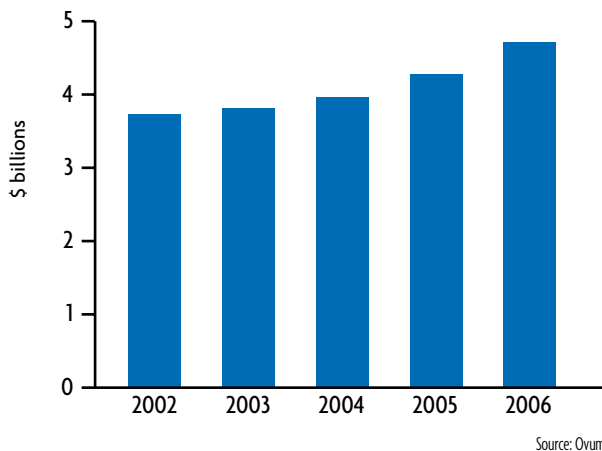
Putting Data In Context

Almost one year ago, in July 2002, Congress responded to the seemingly unending series of corporate accounting scandals by passing the Sarbanes-Oxley Act. That law holds management responsible for the quality of reporting, opens up the auditing process and requires that stockholders be informed in a timely way of any issues management believes will affect the performance of the company.

As Michael Branchaud, director of BI product marketing at BI software maker Cognos Inc. in Ottawa, Ontario, notes: "If you're going to stand behind those numbers, you need to be absolutely certain the numbers are a fair reflection of how the business is doing."

BI Demand Continuing To Grow

Despite the popularity of BI applications in recent years, most analysts do not see any sign of BI purchases declining.



Adds Jim Davis, senior vice president and chief marketing officer at BI vendor SAS Institute Inc. in Cary, N.C.: "It is imperative that companies focus on generating an accurate 'single version of the truth.' Through BI software powered by predictive analytics, executives can eliminate the silos within their organizations to learn the truth about their relationships with their customers, their dealings with their suppliers and the align-

ment of their employees' day-to-day activities with strategic corporate goals."

How the business is doing today involves far more than your company, though. In today's business economy, no company is an island. As a result, no company's bottom line is totally under the control of its management.

Given the unforgiving nature of competition today, members of a company's extended value chain—channel partners, suppliers and customers—must be engaged as partners for it to win the battle for bottom-line supremacy.

A company can, for example, extract from its operational data systems key metrics—measures of supplier performance such as on-time deliveries, percentage rejects or rates of recalls—and flow those metrics back to the suppliers automatically and in near-real-time. With that intelligence in hand, those supply chain partners can adjust as needed.

Portal technology offers the most elegant currently available tool for sharing such strategic intelligence, but it also can be done via e-mail or electronic data interchange (EDI). As is often the case in the universe of knowledge sharing, though, the challenges are less technological than they are strategic and cultural.

Overcoming BI Challenges

If those challenges are not overcome, companies could find themselves with data that might be not only insufficient but destructive. Bernard Liautaud, CEO of San Jose-based BI vendor Business Objects SA, fears that many firms will default to merely analyzing financial data, the area where BI initially became popular years ago.

"Up until now, analyzing financial stats was the only way a lot of these companies measured their performance. They need to be looking at a much more balanced set of information throughout the enterprise," Liautaud says. "By taking a very focused, narrow view of what is going on in their organizations, they are missing key performance indicators. If they analyze just that small subset of their company's data, they will invariably draw misleading conclusions. To be blunt, it could easily end up hurting them because bad analysis is worse than no analysis."

BI RESOURCES

Business Objects SA
www.businessobjects.com

Cognos Inc.
www.cognos.com

SAP AG
www.sap.com

AMR Research
www.amrresearch.com

Roman Bukary, director of market strategy for BI vendor SAP AG in Walldorf, Germany, says that there are indeed a lot of unrealistic BI goals out there, and he concedes some of the blame might fall on vendors and the media that overhyped the BI concept.

“Both the vendors and the CEOs get excited about the possibilities, the vision. But that vision sometimes gets mistaken for an actionable plan,” he says. “BI is not some magic cure-all. If your basic strategy is misaligned or you are not prepared to execute or to act on the new data, then it doesn’t really matter.”



Bukary adds that many companies need to make their initial BI efforts more limited. Companies need to deploy initial BI projects “in logical, discrete steps. It needs to start out as a more finite project.”

Competitive Value

For those companies that do keep their expectations in check, know what they are trying to achieve and are prepared to act on what their BI project discovers, BI can be very effective. This is especially true for companies that expand beyond their own enterprises and include data from a variety of partners, including distributors, suppliers, retailers and large customers.

Shari Shore, CleverPath brand marketing director at software vendor Computer Associates in Islandia, N.Y., says there’s an ROI to be realized from intelligence sharing with partners in the form of decreased development, integration and distribution costs; improved partner and customer satisfaction; and shorter “time to value.”

Norm Tymo, the “information ambassador” in the Knowledge and Information Solutions center within the IT group at Telus Communications Inc., adds that by automating much of the process of collecting and organizing data, a performance management system frees knowledge workers’ time and energy. As a result, they can focus more on analyzing that data and crafting business actions based on those analyses.

Although the Alberta, Ontario, telecommunications giant has not yet done a dollar-analysis of the business value of performance management,

Tymo reports: “One of the things that has happened is that the need for metrics and performance management has become intrinsic to the way our business operates. It’s become a means of doing business.”

Using tools from Cognos Inc., Tymo and his colleagues have created a single, integrated enterprise information repository from which metrics can be derived and delivered in whatever form the recipient desires or can use. Each metric has an owner, but that metric can be delivered wherever needed.

Strategic Performance Indicators

What’s happening at Telus illustrates one evolving use of BI tools: to provide the technological and data underpinning for systems that track company performance. These tools regularly monitor strategic performance indicators.

This strategic management approach involves more than deploying tools to allow access to and analysis of metrics. It is about placing before players the metrics each needs to determine whether his or her areas of responsibility are performing optimally as well as to decide how to adjust to changing conditions. It also is about empowering not only dispersed decision-making but dispersed responsibility for analyzing processes and minimizing risk. The context for a performance management system today is likely to be a continuous improvement framework, such as Balanced Scorecard or Six Sigma, or a commitment to Key Performance Indicators.

Bob Moran, vice president of enterprise business applications and analytics at Boston-based industry analyst firm Aberdeen Group, observes that, while there’s little new about today’s approaches to performance management, the impact nonetheless is potentially substantial. Says Moran: “Corporate performance management is what everybody intended with BI all along.” ■

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