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Start by choosing the metrics that matter most for your company, and then ensure the support of your employees and partners.

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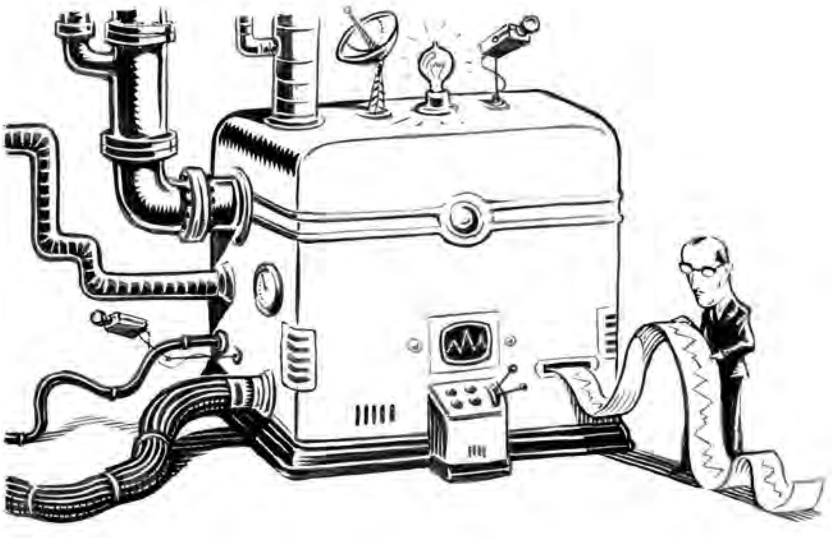

Crafting Best-in-Class Business Intelligence

Start by choosing the metrics that matter most for your company, and then ensure the support of your employees and partners.

by Jamie Campbell, Kenny Kurtzman, and Adam Michaels

Many executives think of business intelligence (BI) merely as a software solution that needs to be bought and installed, a reporting tool for serving up data on a convenient "dashboard." As a result of this misperception — and despite the significant procurement, installation, and maintenance costs — BI systems often generate inaccurate data or distract employees by delving too deeply into corporate minutiae. Gartner Inc., an IT research and advisory firm, predicts that through 2012, 35 percent of the top 5,000 global companies will regularly fail to make insightful decisions because they lack the right information, processes, and tools.

A fairly small number of executives and companies, in contrast, have discovered that true business intelligence is the key to running a performance-oriented organization. They use their systems to home in on a selected group of key performance indicators, often custom-crafted, that help them define corporate strategy and drive profitability. They have found that the data they receive gives them the ability to make sense of markets; to identify strengths and weaknesses; to measure the progress of the company against its goals; and to employ the skills, processes, technologies, applications, and practices that support good decision making.

We've witnessed these business intelligence success stories firsthand. One leading global logistics provider, for example, which had grown to more than 470,000 employees in 220 countries, recognized its need to reduce complexity, improve transparency, and transition from intuition-based to fact-based decision making. The company designed a new common reporting system that consolidated four business units and more than 3,000 reporting entities worldwide. And the key performance indicators that emerged as a result enabled the management team to improve financial reporting capabilities, increase financial control and transparency throughout the company, and harmonize the financial systems — and saved more than €1 billion (approximately US$1.4 billion).

In another example of a best-in-class BI implementation, a global software company worked to align its strategy by measuring the relative value of growth — an assessment of the strength the market places on revenue growth relative to margin growth — across its entire product portfolio, helping management balance the portfolio with corporate strategy. From the beginning, the company developed a clear message about its goal of improving top-line growth and share price, and built a strong case for change internally and externally. As a result, the company drove annual top-line growth from 4 percent to 7 percent and nearly doubled its stock price in two years.

The reason that most companies aren't getting the most out of their business intelligence has nothing to do with the software itself. Most off-the-shelf BI products are easy to implement and incredibly powerful; they are rich with features and capable of aggregating, integrating, and analyzing data from nearly any part of the organization. The reason BI seems to be failing com-

Illustration by Lars Leetaru

panies is that many of them have stumbled in their early attempts to leverage this performance-driven approach to running a business. Very few companies have the discipline to focus their operations in every business unit and product line on the things they do best. Those that do are the companies that identify their strongest internal capabilities; set thoughtful, strategic goals for them; and then constantly — almost obsessively — measure their performance against those goals.

When deployed properly, business intelligence should help define strategy, drive profitability, and develop a performance-oriented culture throughout an organization. It is much more than a reporting tool. Using BI is a way of doing business. Conceiving of metrics that will measure progress toward specific goals is critical. Once the right metrics have been identified, executives should focus on gaining the support of key stakeholders and the cooperation of their employees and partners to ensure smooth implementation.

Even if your company isn't planning a new installation or a major overhaul, studying the following three steps can help you see your business intelligence from a new perspective. It will help you understand the pitfalls you may face and the steps you can take to tap into its true value.

Strategy: Choosing Metrics

The key to designing a successful business intelligence strategy is metrics. They should be closely aligned with a company's strategy and essential capabilities, include both internal and external inputs, and encompass a balanced set of leading and lagging indicators. Perhaps no aspect of a BI implementation is more important — or more difficult — than choosing metrics that are strategically and mathematically sound.

Metrics must be crafted and customized to fit a company's specific goals. Rather than collecting thousands of arcane metrics, such as head count, new product launches per year, and average handle time, companies should focus on the ones that really matter, such as tenure-weighted employee attrition, percentage of development programs that are on track, and median time to relief for customer support issues. Another example of a metric that matters is return on innovation investment (ROI^2). A series of Booz & Company studies conducted over the past seven years statistically correlates ROI^2 with organic growth, and links innovation spending with financial performance in ways that can lead decision makers to generate higher, more reliable returns on innovation and research and development. The statistical validity of ROI^2 bolsters its value as a metric, but so does the fact that it functions as a leading indicator, helping decision makers anticipate what their product portfolio will look like in the future. Too often, companies rely solely on lagging indicators that accurately report past performance while giving no hint of what lies around the next bend.

Good metrics have other temporal considerations. Some, such as ROI^2, guide strategic decision making over the longer term, perhaps for the coming year. Others, such as the sales win rate, can help monitor weekly or monthly performance. A daily dashboard may report essential metrics, such as client issue escalations, that are important to manage on a day-to-day basis. Each type has a role to play as part of an effective BI strategy.

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Performance metrics and incentives must be continually revisited to ensure they are aligned with strategy. That's why companies should employ a continuous metrics-improvement process to manage and govern the use of metrics to drive value, and implement a flexible architecture as well as processes that can accommodate routine upgrades and adjustments. It is important to balance thoughtful updates with a stable core of metrics that allow long-term trend analysis.

Operations: Planning the Rollout

None of the value of business intelligence is gained without the support and leadership of key stakeholders. The roles that employees assume can be just as important as the metrics themselves. That's why some forward-thinking organizations such as the NEC Corporation and Yahoo Inc. have assigned chief performance officers (CPOs). The rise of the CPO role tells us something important about business intelligence and the culture of performance that a BI system encourages. Metrics must be overseen by the highest executive ranks, and managed by the executives most directly responsible for the performance they reflect. In the case of finance-oriented dashboards, that is likely to be the chief financial officer; operations-focused dashboard initiatives may fall under the control of the chief operating officer; in other cases, the right manager may be the head of a business unit.

At the same time, the chief information officer plays a critical role in selecting, implementing, and managing business intelligence. In fact, the CIO should lead the technology design effort, as well as the selection of the software provider and systems integrator. The CIO should also manage the data quality and the build-out of the system.

A business intelligence implementation will run across the breadth of a company's IT infrastructure. Although managers need not wait for new systems before building out BI capabilities, they must ensure that BI software works alongside the future vision for IT and the business. The good news is that BI software is often a front-end function responsible for collecting input in various forms from the user and processing it to conform to a specification the back end (the "guts" of the system) can use. This allows for a high degree of flexibility in the back end, since the BI software can be configured for compatibility.

Finally, BI projects can touch nearly every data source in a company. IT managers should use agile development practices to ensure a flexible, fast, and effective deployment. If they use a modular approach to implementation, progress interruptions can be prevented; they should also effectively schedule future upgrades in coordination with other system changes.

Culture: Managing Change

A BI implementation will be successful only if people use it, and this kind of change can be intimidating at any level of a company. To ensure success, managers must work to foster demand for the tools from the front line, but also insist that the tools be adopted in the executive ranks. It is not a "build it and they will come" scenario. Adoption must be driven throughout the enterprise. Dashboards and metrics must have teeth, with accountability and incentives. And management must train, communicate, and secure senior leadership support in driving behavioral change.

Establishing a central governance structure is an important step. Business intelligence is unlike any other enterprise application. It requires collaborative ownership and oversight, and business-led governance with IT support. It will require new data management roles and functions, as well as robust metrics life-cycle management and strong, ongoing project management. Such capabilities will also help to prevent project delays or scope creep, which can lead to a loss of organizational momentum.

Successful BI implementation depends on broad, business-based support and cross-functional input. And it depends on the multidisciplinary capabilities and cooperation of the organization's partners — the vendors, integrators, and consultants who work together to ensure the success of a well-conceived BI project. Together with these providers, a company can understand the current state of its metrics, systems, people, and management, and define a vision of its future. +

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Business intelligence is unlike any other enterprise application. It requires collaborative ownership and oversight.

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