

Navigating Through Uncertainty

Applying BI to gain agility and
true intelligence

Agenda

- ▀ Objectives
- ▀ Business Drivers
- ▀ Constraints
- ▀ Response and Approaches
- ▀ Open Discussion

Business Intelligence Goals

- ▲ Align to the business challenges faced by today's leaders
- ▲ Deliver useful, actionable information that directly impacts and improves operational performance
- ▲ Enable more efficient data integration and reduce the cost and complexities of data mart proliferation
- ▲ Accelerate the development and deployment of deliverables like analytical dashboards and reports
- ▲ Add high-value business process monitoring and analysis to drive improved productivity and performance

Presentation Objectives

- ▀ Strategies for achieving alignment
- ▀ Model for impacting and improving business performance
- ▀ Approach to enable strategic views of information
- ▀ Tactics to accelerate delivery of technology solutions
- ▀ Ideas for enabling business process monitoring

Business Drivers

Macro Effects / Strategic Drivers

Governance

Sales and Marketing / Operations

Technology

Macro Effect On Drivers

- Market conditions are impacting all verticals, most negatively
- Unprecedented global market retraction
- Capital market constraints limit investments
- Consumer spending falling or slowing in emerging markets
- Business-to-business spending also shrinking
- Increased regulation and oversight in key industries

Output, prices and jobs

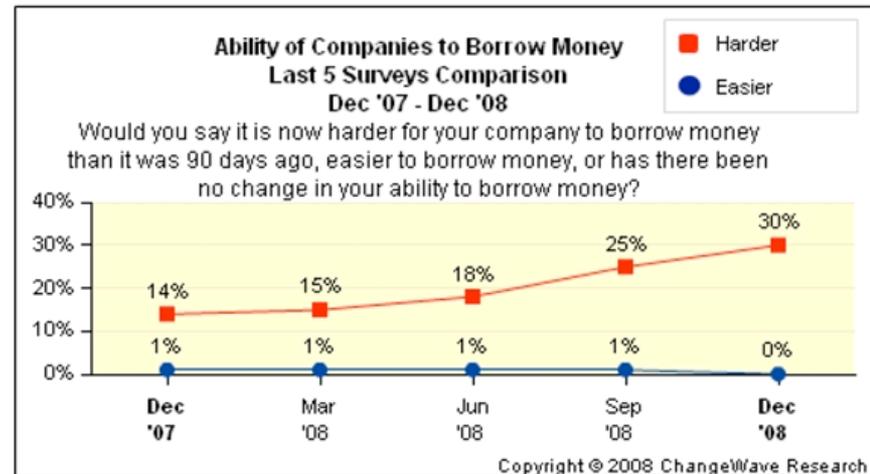
% change on year ago

	Gross domestic product				Industrial production latest
	latest	qtr*	2008†	2009†	
United States	+0.7 Q3	-0.5	+1.3	-1.0	-5.5 Nov
Japan	-0.5 Q3	-1.8	+0.3	-0.9	-16.2 Nov
China	+9.0 Q3	na	+9.6	+7.5	+5.4 Nov
Britain	+0.3 Q3	-2.0	+0.8	-1.4	-5.2 Oct
Canada	+0.5 Q3	+1.3	+0.6	+0.1	-3.7 Sep
Euro area	+0.7 Q3	-0.8	+0.9	-0.9	-5.3 Oct

* Percent change on previous quarter, annualized

Sources: National statistics offices and central banks;

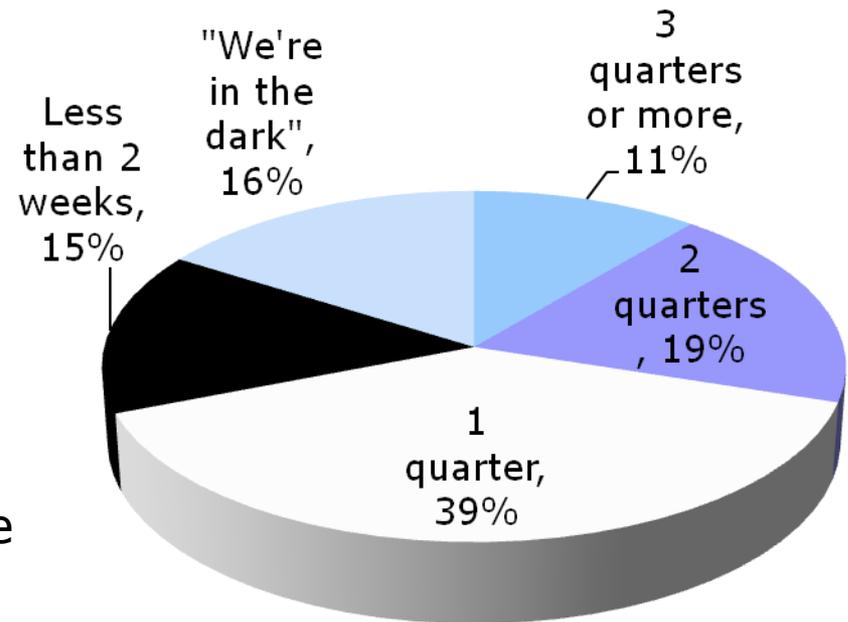
† The Economist 12/30/2008



Strategic Drivers

- Execution is more critical and focused in tougher times
- Pull back from non-core activities
- Re-focused and re-prioritized strategic initiatives
- "Oversight horizon" has shrunk to near term focus ("firefighting not foundation building")
- Change in customer landscape requires actionable market and sales information
- Organizations are looking for deeper insight into sales and operations plus greater scrutiny over initiatives*

Ability to forecast revenues



- Over 70% of companies cannot forecast revenues beyond 3 months
- One in seven organizations have no ability to forecast revenues

Source: CFO Magazine

Governance At The Forefront

- Greater oversight required in the mass market
- Increased regulatory pressure in certain industries (e.g., financial services)
- Front line reporting rolls up to mid-levels and top-level
- Business integration and disaggregation under greater scrutiny, including net savings
- Control and monitoring required at all leadership levels
- *Autonomy is diminishing and accountability is increasing, driving reporting and monitoring needs*

Board Level Trends

- Shareholder votes on compensation
- Board candidates must receive 50%+ of votes
- Annual elections
- Compensation tied to long term measures
- Report outs on risk

*CEOs and Market Woes, Knowledge@Wharton
12/10/2008*

- Smaller boards (dozens to 10-12)
 - Two tiers or additional non-exec directors
 - Separation of CEO / Chairman duties
- Effective Corporate Governance, Vindel Kerr*

Sales and Marketing Focus

- Sales plans are being missed, driving operating and capital budget cuts
- Sales are contracting forcing examination of pipelines
- Marketing budget cuts bring greater focus on high return programs



How important to your company are these measures of ROI for media campaigns?
Rate on a scale of 1 to 5, where 1=Very important and 5=Unimportant
(% respondents)



Source: Economist Intelligence Unit and Google, "Future Tense: The Global CMO Report"

- Benchmarks and comparative measures become more relevant
- Identifying customer behavior and intention is critical because underlying patterns are in flux

Optimizing sales revenue is a key strategic focal point

Operational Scrutiny

- ▲ Cost pressures bring focus to operations and client facing activities
- ▲ Shorter “oversight horizon” involves more leadership scrutiny in day-to-day operations
- ▲ Perceptions (in control vs. out of control) drive confidence
- ▲ Many processes remain opaque and unmeasured, even with automated systems, obscuring effort and costs
- ▲ *Operational leaders must monitor, control, improve and report on key business processes*

Top Business Priorities

1. Improve business processes
2. Deliver better service to customers
3. Cut costs

Source: CIO Insight

Technology Pressures

- ▲ Long delivery cycles are not acceptable where horizons are receding
- ▲ Direct alignment to business results will drive funding with pure technology projects put on hold
- ▲ Cost pressures become more acute
- ▲ *Agile approaches are becoming imperative*

In 41% of Fortune 500 companies examined, the business and technology were not aligned.

- Processes fractured and not integrated
- Structure of organizations not well defined, unclear roles, limited collaboration
- Data and metrics in silos and unshared, inconsistent information
- Limited automation of tasks

Source: Baseline

- IT Projects will be cut or postponed
- Strongest impact on project-based IT services as IT budget scrutiny increases

Source: IDC

Constraints

Process

Data

Technology and IT

Process Constraints

- ▲ Operational metrics are often not strategic
- ▲ Lack of visibility into key metrics
- ▲ Focus on available metrics that are not meaningful
- ▲ Variance producing differing signals
- ▲ Long cycle times (e.g., closing the books) can hinder timely analysis
- ▲ Ad-hoc or non-repeatable processes are not measured
- ▲ *Meaningful measures are not always available*

Data Constraints

- ▶ Growing disaggregation
 - ▶ Data in different systems
 - ▶ Across organizational silos
 - ▶ In different data marts
 - ▶ Up the supply chain and into the value chain
- ▶ Semantic differences can cloud interpretation
- ▶ Lags in reporting / rollup
- ▶ Lack of access or extract mechanisms
- ▶ *Constraints hinder the ability to plan and execute*

Corporate digital data volumes will grow 30% per year

Source: Forrester Research

Semantic Examples:

- Does revenue include returns from previously sold items?
- When are foreign exchange rates applied?
- Does profitability include allocated overhead?
- Are sales to a US branch of a multinational domestic revenue?

Technology and IT Constraints

- ▲ Large project (e.g., data warehouse) funding hurdles
- ▲ Long cycle times in development
- ▲ Small project triage barriers
- ▲ Decreased project budgets
- ▲ Requirements rigidity limiting data discovery capabilities
- ▲ Waterfall methodologies prevent discover, learn, explore cycles
- ▲ Architecture and standards dictate databases, approaches and tools
- ▲ Cost cutting in operations diverts resources supporting initiatives

- 43% of companies are cutting IT operating costs
- 41% of organizations hope to spend more on new IT investments, down from 69% last year

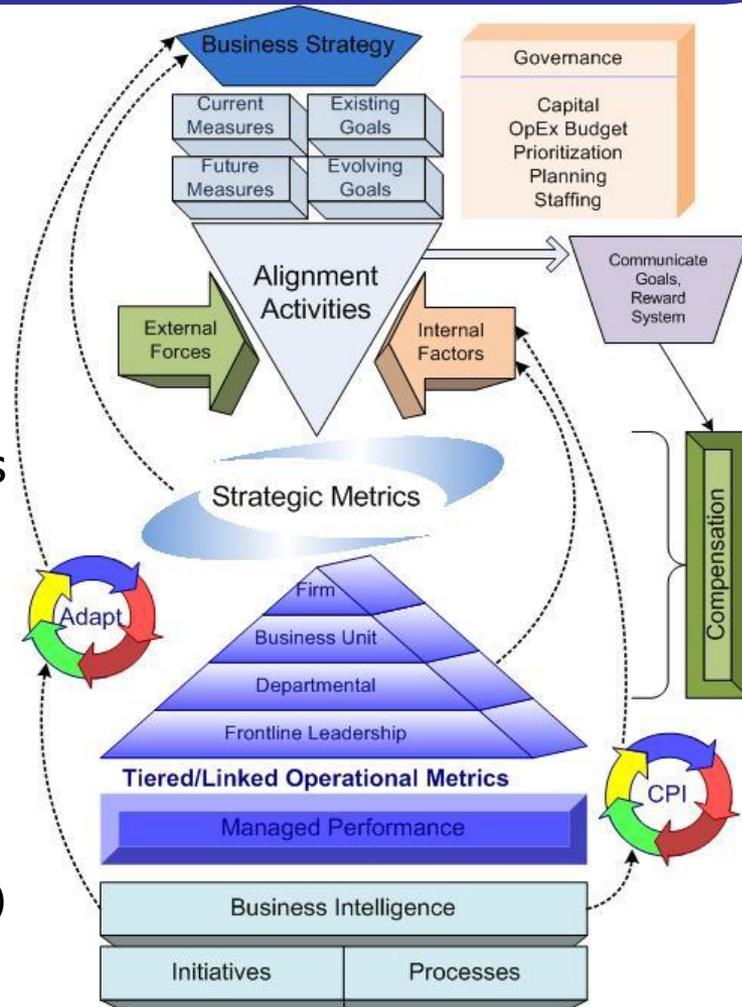
Source: McKinsey

Responses and Approaches

Alignment
Performance Management
Strategic Oversight
Agility

Business Intelligence Framework

- Essential elements
 - ▶ Strategy
 - ▶ Alignment
 - ▶ Metrics
 - ▶ Business Intelligence
 - ▶ Defined processes
- Metrics employed at all levels and linked
 - ▶ Few key metrics
 - ▶ Manages performance
 - ▶ Drives reward system
- Agile execution
 - ▶ Collaborative + Iterative
 - ▶ Adaptive (initiatives and ops)
 - ▶ Tested (data driven)



Alignment

- ▲ Tiered system of metrics driven by strategic objectives
- ▲ Operational measures defined by desired results
- ▲ Actionable metrics to enable business management rather than casual observation
- ▲ Technology initiatives tied to the business
- ▲ Clearly communicated goals and objectives
- ▲ Compensation linked to measured performance
- ▲ *Fosters data-driven planning and execution*

Top IT Management Priorities

1. Improve alignment with business objectives
2. Improve IT planning processes
3. Reduce IT costs
4. Improve ROI
5. Improve project management

Source: CIO Insight

Performance Management

- ▲ Locate and capitalize on incremental opportunities
- ▲ Maximize effectiveness of existing opportunities
- ▲ Prioritize and efficiently allocate capital and operating expenses
- ▲ Increase operational efficiency
- ▲ Optimize supply chain and cost structure
- ▲ Decide if changes in measures are outliers or emerging trends
- ▲ Measure results and constituent drivers; examine WIP later unless it is a bottleneck
- ▲ Adaptive and more frequent planning
- ▲ *Focuses organizations on key measures*

Strategic Oversight

- ▲ Increase top level scrutiny of sales, operations and initiatives
- ▲ Drive down scrutiny into front line leadership and require report-ups
- ▲ Gather additional actionable data
- ▲ Scrutinize more meaningful measures
- ▲ Pull back planning horizons
- ▲ Increase contingency planning
- ▲ *Increases visibility but requires data and tools*

41% of senior finance executives have strengthened scenario planning procedures (CFO Magazine)

Agility

- ▲ Gathering intelligence and identifying new data sources
 - ▶ External: Markets, customers, competitors, regulators
 - ▶ Internal: Sales, operations, processes, initiatives, projects
- ▲ Direct linkage to stakeholders via alignment
- ▲ Iterative delivery of results with progress measured
- ▲ Stakeholder collaboration using actionable information
- ▲ Adaptive execution based on and market signals
- ▲ Test-driven approach using back data where possible
- ▲ *The ability to quickly identify threats and opportunities and respond swiftly is paramount*

Survival Is Not Enough (Seth Godin)

“Once a company understands the need to zoom (learn to adapt and evolve constantly) it can start to build tools that increase its ability to adapt to a changing environment.”

Conclusion

- ▲ Strategies for achieving alignment
 - ▶ Tiered operating metrics driven by strategy
 - ▶ Initiatives measured and managed tightly
- ▲ Business performance impact
 - ▶ Align, act with agility, provide visibility, adapt
- ▲ Approach to enable strategic views of information
 - ▶ Interlinked metrics defined by business measures
 - ▶ Pragmatic use of technologies with agile execution
- ▲ Tactics to accelerate delivery of technology solutions
 - ▶ Define desired outcomes and then apply technology
 - ▶ Layer technology on existing data sources
- ▲ Ideas for enabling business process monitoring
 - ▶ Identify ways to easily monitor and analyze
 - ▶ Optimize efficiency as a cornerstone of competitive advantage