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Gaining Competitive Differentiation from Business Intelligence and Analytics Solutions

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In 2008, the business intelligence (BI) tools software market grew 10.6% to reach \$7.8 billion in worldwide license and maintenance revenue. The healthy market growth rate was another sign that organizations of all sizes continue to adopt BI and analytics solutions at a rapid pace. The fundamental drivers of BI and analytics solution adoption have not changed. They include the need to access and evaluate key performance indicators (KPIs) to enable revenue growth, cost cutting and containment, product and service innovation, and risk management. Broader access to BI and analytics solutions continues to drive the need for self-service functionality that provides controlled empowerment of business end users through a robust BI and analytics technology platform.

The following questions were posed by SAP to Dan Vesset, program vice president of IDC's Business Analytics research, on behalf of SAP's customers.

Q. "Does IT matter?" was a controversial question raised by Nicholas Carr in his 2003 *Harvard Business Review* article. Can the same be asked about business intelligence and analytics solutions? Do they make a difference, and, if yes, how?

A. I do believe that technology in itself has little to do with creating competitive differentiation for organizations deploying it. But years of research into best practices have also shown that greater BI and analytics competency represents much more than simply deployment of technology.

Organizations that have successfully adopted BI and analytics solutions have also adopted a culture that values analytics and performance management methodology that links strategy to execution through the availability of role-specific and actionable KPIs. These organizations also place a strong emphasis on information governance and training of all employees on the meaning of the data and KPIs as well as the technology.

IDC research, such as our recently concluded study *Improving Organizational Performance Management Through Pervasive Business Intelligence*, shows increasing evidence that BI and analytics programs and enabling solutions can improve organizational competitiveness. The benefits affecting competitiveness are varied. BI and analytics solutions help identify cost-cutting opportunities, retain and attract customers, identify and mitigate risk factors, accelerate innovation, and otherwise optimize the usage of organizational assets and resources.

BI and analytics solutions do so by leveraging data — one of the most valuable existing assets of any organization — by turning it into insightful and actionable information that supports strategic, operational, and tactical decision-making processes.

Organizations that successfully deploy and use BI and analytics solutions tend to have a higher degree of analytical orientation, which among other things means that at these organizations the extent to which the output of the BI and analytics solution influences employees' actions is greater than at organizations that have not invested appropriately in similar solutions. As a result, the more analytically oriented organizations are able to make fact-based decisions regarding the best ways to allocate financial or human resources, save costs on procurement or logistics processes, increase revenue through product upselling or cross-selling, retain existing customers through better customer service, and improve internal operational efficiencies for processes ranging from closing monthly accounting books to managing financial risk.

Q. There is a well-known adage, "You can't manage what you can't measure." How can BI and analytics solutions ensure that decision makers in organizations have the necessary KPIs to positively affect business processes?

A. Just as investing in technology for its own sake is unlikely to provide a desired return, so is analysis for its own sake a waste of resources. The key is to tie analytics to actionable information. Successful BI and analytics programs and projects must be executed in the context of an overall organizational strategy that uses clearly defined and well-understood KPIs that link decisions to action.

The importance of identifying the right KPIs and metrics cannot be overstated. In an environment of rapid change, KPIs need to exist that provide a view of past performance, as well as a view of potential future events, for organizations to be able to rapidly respond to both internal and external events. Therefore, early on in their BI and analytics projects, organizations should place an emphasis on services that help in the following ways:

- Evaluation of organizational strategy and goals
- Identification of KPIs that enable measurement of performance to those goals
- Selection of technology that enables monitoring, analysis, and dissemination of KPIs
- Deployment of this technology to all relevant stakeholders inside and outside the organization — all of whom should be considered decision makers for the multitude of processes within which they operate

Q. Many different decision makers with varying skills exist at different organizational levels. What should be done to ensure that each decision maker has access to the right information, at the right time, and through the right tools?

A. A key to BI pervasiveness and competency is the broad diffusion of the various components of the BI and analytics solution. Relevant and actionable KPIs can benefit everyone, from C-level executives to operational employees. However, in a BI and analytics solution, we can't separate information, such as KPIs, from the software that displays it and enables further analysis of the information.

Increasingly, knowledge workers are demanding self-service BI and analytics tools that allow them to access and analyze data on demand without the need to rely on intermediaries. These tools enable a spectrum of BI and analytics functionality ranging from visual display of information on dashboards to sophisticated analytics using multidimensional analysis or data mining techniques.

It's important to keep in mind that BI and analytics is more than simply the distribution of reports to all employees. The specific functionality an organization provides to its end users

will depend on the needs and skill levels of various end-user groups. It's important to understand that a "one-size-fits-all" approach to BI and analytics does not work, and therefore organizations need to ensure that their BI and analytics technology portfolios include a range of tools for query, reporting, multidimensional analysis, visualization, and advanced analytics.

Q. How can organizations improve the quality — and therefore the impact — of their BI and analytics solutions and projects? What should companies consider when evaluating vendors of performance analytics solutions?

A. Organizations need to focus on flexibility and adaptability in both the BI and analytics methodology and the technology. A flexible methodology and systems design, for example, will enable rapid response to ongoing requests from decision makers in reaction to internal and external events. As the economy improves, those organizations that are able to respond to the new environment based on rapid, fact-based decision making will have an advantage over their competition.

Another possible strategy is to use external assistance for solution design and implementation. BI and analytics projects are often triggered by specific corporate events and business process improvement efforts. Therefore, organizations need to ensure that BI and analytics solutions are deployed in the context of business processes. This requires a combination of business analytics and business process transformation services.

If an organization decides to use an external provider to establish or evolve a BI and analytics solution, it's important not only to evaluate the technical capabilities of the solutions vendor but also to look at its broader service capabilities for process improvement and change management. This means that organizations should evaluate a solution provider's technology, professional services, and specific industry and business process "know-how."

Q. What does IDC advise organizations do right away to embark on such a strategy for competitive differentiation?

A. In today's economic environment, it is crucial to focus first on identifying and deploying KPIs that have the highest potential impact on a given business process. To do that, it is not necessary to immediately launch into an enterprisewide BI and analytics project. Best practices in BI and analytics solution deployment point clearly to the value of staged projects that are based on incremental value delivery in the context of a long-term BI and analytics strategy.

Therefore, we recommend that organizations create teams that include IT developers, information management staff, and line-of-business staff, as well as external partners. These cross-functional teams are better able to prioritize projects that will have the greatest short-term impact on the organization. An external partner can often play a critical role in such a process by helping to facilitate internal discussions, resolving discrepancies among competing requirements, and suggesting solutions based on best practices found in the industry.

Once priority projects have been established, KPIs need to be evaluated and/or created that will help tie strategy to operational execution. It's important to focus on "key" performance indicators and not simply any metric for which data is available or that perpetuates business as usual. Only then should the project team begin evaluating availability of data and software tools to enable the monitoring and dissemination of KPIs to all relevant decision makers.

ABOUT THIS ANALYST

Dan Vesset is program vice president of IDC's Business Analytics research. Mr. Vesset's research is currently focused on the business intelligence and analytic applications markets, which encompass multidimensional analysis, end-user query and reporting, data mining and other related business intelligence tools, and supply chain and operational analytic applications. Mr. Vesset has authored numerous research publications involving business intelligence, analytic applications, and data warehousing. In addition, Mr. Vesset has been published and quoted in numerous business and industry publications, including Forbes, Investors Business Daily, CFO, CIO, DM Review, and Intelligent Enterprise.

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