

BUSINESS INTELLIGENCE

The New Value Proposition

Broader and smarter deployments of BI lead to dramatic revenue and net income gains.

Business intelligence tools, once aimed at a small handful of high-level executives and expert users for narrow purposes, are sweeping across the corporate landscape. Hewlett-Packard, for instance, plans to put BI tools in the hands of 50,000 employees—nearly a third of its workforce.

“That really changes the nature of what business intelligence is,” says Ben Barnes, vice president and general manager of business intelligence at Hewlett-Packard Software in Palo Alto, Calif. “It moves business intelligence into the operational structure.”

HP is not alone in seeing the benefits of spreading BI widely through the rank-and-file. Looking to align strategy throughout the organization, some BI deployments have topped 100,000 users. These companies want to leverage a better understanding of their data to take costs out of supply chains, improve manufacturing processes and help call-center operators put the best offer in front of a customer. Overall, active BI users in corporations will double in the next three years, resulting in a whopping 39 percent of licensed BI users employing the tools at least once a week, according to a recent study by The Data Warehousing Institute (TDWI).

Smarter, Broader BI

This new generation of BI deployments isn't just broader; it's smarter. With improvements on both the front end and the back end, BI technology is tackling more sophisticated purposes—like complex analytic models that predict ideal price points for products—while the tools themselves have become easier to use.



With these advantages, companies on the leading edge of business intelligence are spending 45 percent less on business analysis process costs than their competitors while enjoying 2.4 times the return on equity, according to a new study of 200 large companies by The Hackett Group. Cutting-edge BI practitioners also have far lower year-to-year operating profit volatility. Hackett's Chief Research Officer, Richard T. Roth, says the reason for these BI-fueled advantages is “complexity reduction” in both processes and technology.

Complexity Reduction

“Complexity reduction” is a good catch phrase for the new direction of BI. Smart companies are consolidating numerous analytic silos into an enterprise data-warehousing environment, providing executives and employees with a consistent view of information.

In years past, for instance, LexisNexis, the global provider of legal information, sent out 10 million direct-mail pieces for its 1,000 annual marketing campaigns. Pulling information from a wide range of internal and external sources, LexisNexis would sometimes send the same solicitation more than once to the same person at a law firm.

Using cutting-edge data quality technology, LexisNexis eliminated the inconsistencies of disparate databases. “That alone saved \$1 million in mailing costs,” says Bill Welch, marketing systems manager at the Dayton, Ohio-based company. And because LexisNexis now has a better grasp on its data—and better data quality—more targeted campaigns can be executed more quickly. LexisNexis can instantly see, for example, that a law firm that bought information on asbestos litigation is an immediate candidate for related products.

As HP's Barnes notes, “There's a strong trend to really go after

RENSELAER ADDS \$1.2 MILLION TO BOTTOM LINE WITH HYPERION

Rensselaer Polytechnic Institute, founded in 1824, is the nation's oldest technological university. The university offers bachelors, masters and doctoral degrees in engineering, the sciences, information technology, architecture, management, and the humanities and social sciences. Just like corporations, Rensselaer needs timely and accurate information from which to make solid decisions. In the late 1990s, Rensselaer

successfully implemented the Banner Student Information System, but reporting was limited.

Rensselaer selected an Oracle data warehouse and Hyperion as the business intelligence solution. Users across the university now have access to dashboards and reports to aid in decision-making. This solution delivers an estimated \$1.2 million annually to the bottom line and has given Rensselaer a

competitive advantage. Payback was approximately two and a half years. The organization now makes accurate, data-driven decisions and relies on a single source of information. Rensselaer's culture has shifted from “my data” to “our information,” which improves both data quality and decision-making.

For more information, go to: http://www.hyperion.com/customers/stories/us_rpi_en.pdf

the Holy Grail—really understand the customer. Having more information about customers makes targeted selling, pricing and services more likely to succeed.”

Gaining the full advantages of BI requires companies to focus on their enterprise architecture. “Right now, it’s not unusual for individual departments to select their own BI tools, making it difficult to link up processes,” says Rob Rose, chief strategy officer at Cognos Inc. “Going forward, companies are using a broad foundation platform for business intelligence rather than disparate silos.”

On the front end, companies are trying to consolidate the number of query, reporting and analysis tools they use “to save money, simplify end-user navigation and training, respond more quickly to ad hoc queries and provide a standard set of information throughout the enterprise,” notes Wayne W. Eckerson, director of research and services at TDWI.

TDWI studies indicate that, within three years, most companies plan to standardize on one tool per functional BI category—down from an average of 3.2 BI tools, three online analytical processing (OLAP) and production reporting tools, two dashboard/scorecard tools and 1.5 data-mining tools.

The increased reliability and scalability of BI tools and data warehouses have turned them into enterprise tools, creating

BI RESOURCES	
Cognos Inc.	http://www.cognos.com
Hyperion Solutions Corp.	http://www.hyperion.com
The Data Warehousing Institute	http://www.tdwi.org

more value through broader distribution of BI. Ironically, broader distribution is resulting in more targeted information.

“Most people think of business intelligence as a sea of data, which they have to reach into to find something they can use,” says Cognos’ Rose. “The next shift will focus business intelligence around the role of the individual, using sophisticated models to bring information to the user that he doesn’t even realize he needs.”

Customizing Tools for Users

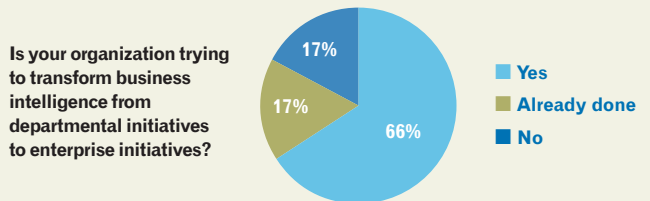
This shift has resulted in BI tools that provide access to data in more familiar ways. The new generation of tools is fast, intuitive and customized to the role of the user in the organization.

“We realize the industry has inverted the importance of business intelligence,” says John Kopcke, chief technology officer at Hyperion Solutions Corp. “At first, it was aimed at senior executives and people doing heavy-duty analytics. The hot button of business intelligence today is how to deliver actionable information to knowledge workers at the bottom levels of the organizations.”

Many BI tools now use common interfaces, like search or Microsoft Office, allowing technology neophytes to employ

advanced business intelligence capabilities in their normal pattern of work. Holt Cat, a \$1 billion distributor of Caterpillar equipment based in San Antonio, Texas, has developed a BI-based budgeting system that reflects many of the attributes top companies now demand from business intelligence: It’s forward-looking instead of just rehashing historical data; it uses rolling

BI Going Enterprisewide



Source: TDWI survey of 594 companies

plans instead of quarterly budgeting; and it focuses on speed and performance enhancements. And, of course, the system emphasizes ease of use. “We want our system to have the flexibility of a spreadsheet,” says Gretchen Stepke, business systems manager at the company. “The system has to be as easy to use as Excel.”

The recent study of 200 large companies by The Hackett Group found that leading practitioners of BI tend to enable Web-based reports viewing to provide more real-time information exchange, moving decision-making from a linear to a collaborative process.

Where is this all heading? Applying BI to transactional areas is one thing. After all, diagramming the way orders are processed and looking for better efficiencies is a straightforward, albeit complex, exercise. “The challenge will be in explaining and defining how people make decisions in other areas that are not as well defined,” Hyperion’s Kopcke says. “We have to be more rigorous and embed business intelligence into the process.”

All these advances will help move BI from a rearview mirror of historical data to a forward-looking tool that helps companies take immediate actions to seize opportunities and avert threats. “When thinking about the next wave of implementations, there’s a lot of discussion about predictive analytics,” says Greg Todd, a Tampa, Fla.-based senior executive at Accenture Information Management Services. “That technology is getting more real these days, and it can provide a huge advantage against competition by helping to optimize pricing strategies.” ■

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