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Business Intelligence: Not Just for Bosses Anymore

– Meredith Levinson, CIO

January 15, 2006

Jim Honerkamp, CIO of Hillman Group, is proud of his new business intelligence (BI) system. And why not? It's much better than what came before. In the bad old days, executives looking for sales information, for example, had to ask one of Honerkamp's programmers to make a manual database query to pull the numbers from the company's legacy systems. The lag time made the charts "stale the minute they came out," according to Honerkamp, whose company is a \$380 million manufacturer and distributor of engraving technologies and hardware such as keys and signs.

But with Hillman Group's new BI system, curious business executives can query the system themselves and get instant answers about such critical questions as the number of unfilled customer orders, which is tracked by the system in real-time.

There's just one problem.

The new system hasn't made the business better—at least not yet—only better informed.

That's generally the problem with BI, the umbrella term that refers to a variety of software applications used to analyze an organization's raw data (sales transactions, for example) and extract useful insights from it. Most CIOs still think of it as a reporting and decision support tool.

Though the tools haven't changed much recently, there is a small revolution going on in the ways BI tools are being deployed by some CIOs. Done right, BI projects can transform business processes—and the businesses that depend on those processes—into lean, mean machines. "Today, the big potential for BI is using it at the operational level to improve business processes," says Colin White, founder and president of consultancy BI Research.

For example, Steve Phillips, CIO at Avnet, a computer systems, component and embedded subsystems manufacturer, has used BI to improve the performance of the company's sales and customer service processes. At Quaker Chemical, CIO and VP Irving "Bubba" Tyler, has used BI to help transform the company from a regional operation to a unified global business.

Quantum Leap

But taking BI to the next level isn't easy. It requires a change in thinking about the value of information inside organizations from the CEO down, says White. Information is power, and some people don't like sharing it. But sharing is vital to this new vision of BI, because everyone involved in the process must have full access to information to be able to change the ways that they work.

Another problem is the BI tools themselves. Though the tools are more scalable and user friendly than they used to be, the core of BI is still reporting rather than process management, although that's slowly beginning to change, says White.

Finally, the other major impediment to using BI to transform business processes, according to White, is that most companies don't understand their business processes well enough to determine how to improve them. And companies need to be careful about the processes they choose. If the process does not have a direct impact on revenue or the business isn't behind standardizing the process across the company, the entire BI effort could disintegrate. White says companies need to understand all the

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activities that make up a particular business process, how information and data flow across various processes, how data is passed between business users, and how people use it to execute their particular part of the process. And they need to understand all this before they start a BI project, if they hope to improve how people do their jobs.

No Looking Back

Reaching beyond BI's traditional decision support mode is difficult, but CIOs can get there. They can use some of the recent improvements in BI tools—such as easy-to-read dashboards and guided workflows that help users understand how to act on information and how to incorporate it into their day-to-day activities—and use those improvements to sell the business on making the project more focused on business transformation.

To do that, CIOs are using the improved scalability of the tools to roll them out as widely as possible—not just to bosses, as in the old days. For example, 40 percent of Quaker Chemical's 1,200 employees are active, registered users, according to Tyler. "Our big program at Quaker Chemical has been to make these tools and capabilities available to as many people as possible and in as simple a way as possible so they feel comfortable incorporating it into their routine workflows," he says.

The new, greater scope of these BI projects gives CIOs a strong justification for working with the business to study processes and determine how these tools and the insights they provide can support and improve them.

Companies that use BI to uncover flawed business processes are in a much better position to successfully compete than those companies that use BI merely to monitor what's happening. Indeed, CIOs who don't use BI to transform business operations put their companies at a disadvantage. For CIOs who have carried out this difficult strategy successfully, there is no looking back.

FROM Reports TO Service: Avnet

Avnet took the new process-oriented BI strategy directly to the processes that matter most: selling and serving customers. The company has put together a system from three BI vendors—Informatica, Business Objects and InfoBurst—to generate reports on orders, shipment schedules and dates by which Avnet will no longer manufacture certain products. But reports were just the beginning. To transform the sales and customer service processes, Phillips rolled out the system to 2,000 salespeople so that they could actively incorporate that information into their day-to-day workflows and interactions with customers.

Employees use the information to modify their individual and team work practices, which leads to improved performance among the sales teams. When sales executives see a big difference in performance from one team to another, they work to bring the laggard teams up to the level of the leaders. "We try to identify [using our reporting tools] where best practices exist inside our work teams and then extend those best practices across the company," says Phillips.

One of those best practices is to alert customers if a product they have purchased in the past is about to be discontinued. Salespeople can ensure that customers have ordered enough for all of their future needs or identify a new component to replace the one that's being phased out. Those kinds of conversations boost sales and convince customers that Avnet's salespeople are looking out for their needs and interests.

It helps that Avnet's sales team is flexible and willing to adapt to the information. "Because our sales team is so flexible, they'll take this information [from BI reports] and [change] processes [when they see a benefit to it]," says Phillips. Sometimes, they don't even realize they are changing the ways they work—a kind of organic reengineering. Indeed, salespeople benefit so directly from better information and have such a big impact on revenue that they can be the best advocates for transformative BI in the company (see "Who Should Get BI Tools First?" above).

But this kind of effortless link between information and processes doesn't happen by magic. Phillips says his company has been able to use BI effectively because IT and business users have worked closely and steadily in the past four years (the project began in 2001) to build up the company's BI capability and determine how Avnet's business units could support their operational management processes (such as taking orders, fulfilling orders and following up on quotes) with information from the data warehouse. IT, along with businesspeople, did business process mapping exercises to understand and flesh out the informal and formal aspects of standard operating procedures. "We needed to know how things really happen day to day, over and above the documented processes so that we could anticipate some of the business's information needs as we built out the warehouse," says Phillips.

One particular activity that IT sought to understand and make easier for salespeople was their preparation for quarterly meetings with customers. When IT sat down with sales leaders to learn what went into the quarterly reviews, IT quickly realized that while the sales leaders traditionally created their reports individually, they all incorporated the same information (customer profitability, number of

orders booked and billed, percentage of on-time deliveries and so on). So IT wrote a program that automatically populates a standard PowerPoint template that all salespeople now use to prepare for those quarterly business reviews. Because they no longer have to build the review from scratch, salespeople can meet with more customers each quarter. And they no longer have to hunt down the information themselves.

Now that the BI system matches up with the way the company conducts its business, it makes improving those processes and sharing the improvements that much easier, as was the case with the PowerPoint template and the quarterly reviews.

"This is not just about reporting," says Phillips. "It's about using BI to make us smarter."

Access to All: Quaker Chemical

Quaker Chemical used its BI system to completely change the way it manages accounts receivable. In the past, the process of keeping track of whether customers paid their bills, and if they paid them on time, was primarily the purview of employees in the accounting department. Collection managers used the company's accounting system to identify which accounts were overdue, but they had limited information about the details of overdue balances. As a result, they had visibility only into glaring payment problems—customers who hadn't paid their bills at all in 60 days or more—and couldn't proactively identify which customers were at risk for not paying in full. Occasionally they'd ask a sales manager to get involved, but the whole process for identifying which customers weren't paying, why they weren't paying and putting salespeople on the case was ad hoc.

To improve accounts receivable, Quaker Chemical decided in early 2005 that salespeople needed to play a larger, more formal role in the collections process. After all, they were the ones who had the primary relationship with the customers and had opportunities to speak with them more often, more proactively and more sympathetically about their outstanding payments.

To get the salespeople involved, the IT department created a data mart that extracted accounts receivable information, historical payments and historical balances by customer and by transaction from transaction systems and loaded it into the data warehouse. By using its BI tools from SAS to analyze factors such as the amount of time it took Quaker Chemical to collect payment from a customer on a given invoice, and the number of times a customer paid part but not all of what he owed, the company was able to identify which customers were consistently paying late and which customers weren't paying at all. The IT department programmed the data warehouse to automatically run reports on which customers still owed money to Quaker Chemical. The system would then send those reports directly to the sales manager in charge of those accounts several times a month so that they could follow up with those customers. Collections managers no longer have to manually keep tabs on this information.

Quaker Chemical hopes that by transforming the accounts receivable process, it will improve cash flow by getting customers to pay up sooner. At the end of the third quarter 2005, however, accounts receivable were up from the same quarter a year ago, so the changes haven't quite taken root yet.

CIO Tyler says this business process change was successful in part because IT was careful to deliver only the most specific, relevant information in these reports to salespeople—things such as which customers were taking more time to pay their bills, which customers were paying portions of what they owed, and which customers had not remitted their payment in the allotted time frames—so that salespeople would know exactly what the problem was with each customer and how to follow up. "If you don't focus the information and deliver it intelligently, people won't understand how to incorporate it into their workflows," says Tyler.

This kind of dramatic change in process needs to be linked to the overall business strategy, according to Tyler. "Information doesn't necessarily change anything. You have to have a strategy [to drive any change]," he says. The scope and scale of change would not have succeeded if Quaker Chemical had not decided in 2000 to stop operating regionally and reorganize as a global company. Executives realized that to run their business globally, they needed to standardize specific business processes across the world, such as order to cash. To support the move, the company is in the process of replacing its 15 separate transaction systems with one ERP system. The single-instance strategy underscored the move to standardized processes—in fact, the new system demanded it. In the course of the project, IT met with business users to discuss their workflows and understand how transactions are processed inside the company. At that time, they also discussed how information from the company's BI systems could be incorporated into employees' workflows and business processes. The company's strategic transformation marked the beginning of the new era of BI at Quaker Chemical. "Because we changed organizationally, because we changed our business objectives, because the way our leadership was looking at the business changed, we were able to use BI to support our enterprisewide transformation," says Tyler.

Seize the New BI Opportunity

Avnet and Quaker Chemical demonstrate that BI is about more than decision support. Due to

improvements in the technology and the way CIOs are implementing it, BI now has the potential to transform organizations. CIOs like Avnet's Phillips and Quaker Chemical's Tyler who successfully use BI to improve business processes contribute to their organizations in more far-reaching ways than by implementing basic reporting tools. "Our BI system provides information that helps us seek out greater efficiency," says Avnet's Phillips.

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