
The Business Information Illusion

Seeing through to the reality, and acting upon it

Dale Vile, Freeform Dynamics Ltd, October 2011

Executives receive well-presented summaries of business performance data that create an impression of solid and reliable information being used to manage the business. But how accurate, complete and consistent is the underlying data? And while significant effort is expended collating and smoothing numbers for senior managers, how much attention is paid to the broader information needs that exist across the business? The truth is that behind the illusion of all being well, a combination of changing requirements and information legacy has led to a set of significant challenges that can only be addressed with executive commitment and air cover.

Key Points

The pace of business today dictates devolved management and decision-making

Markets and businesses in today's technology-enabled environment move too quickly for the traditional centralised management approach to keep up. It is therefore no surprise that when 123 senior managers from large enterprises were interviewed in a recent research study, the majority confirmed a need for local empowerment and decision making. This is the only way in which most organisations can achieve the necessary level of responsiveness across the business.

Distributed information needs aggravate an existing information problem

Years of piecemeal investment in IT systems to automate different aspects of the business has led to huge amounts of data spread across a myriad of data stores. Extracting meaningful insights has always been a challenge, but the increasing need to support local and distributed decision-making has put even more pressure on information systems and processes. Issues with the completeness, accuracy and timeliness of business data are now widespread, creating tangible risks and costs.

Technology can help, but a prerequisite for improvement is measurement discipline

While technology has arguably been a part of the problem, it's also a key part of the solution. Modern information management and business intelligence technology has a lot to offer. However, measurement discipline is critical, as this provides focus and objectivity when it comes to how information is managed and exploited. One of the strongest correlations from our study, for example, was between organisational growth and the use of key performance indicators (KPIs).

But nothing much will change without senior management commitment and support

Most organisations will benefit from a more joined up approach to information management and exploitation, but the physical fragmentation of data is not actually the biggest challenge. The two most commonly cited impediments to moving forward are lack of information ownership and lack of process ownership. Third on the list is the challenge of disjoints and conflicts between business units. Senior management commitment and support is therefore critical, as without it, any improvement programme will get bogged down in funding and political issues. If executives see through the illusion and act on the reality, however, the organisation may be moved incrementally towards a corporate-wide information framework, providing significant long term gains without undermining short term goals.

The study upon which this report is based was independently designed and executed by Freeform Dynamics. Feedback was gathered via telephone interviews conducted with 123 senior business managers from large commercial organisations across France, Germany and the UK. The study was sponsored by Tata Consultancy Services.

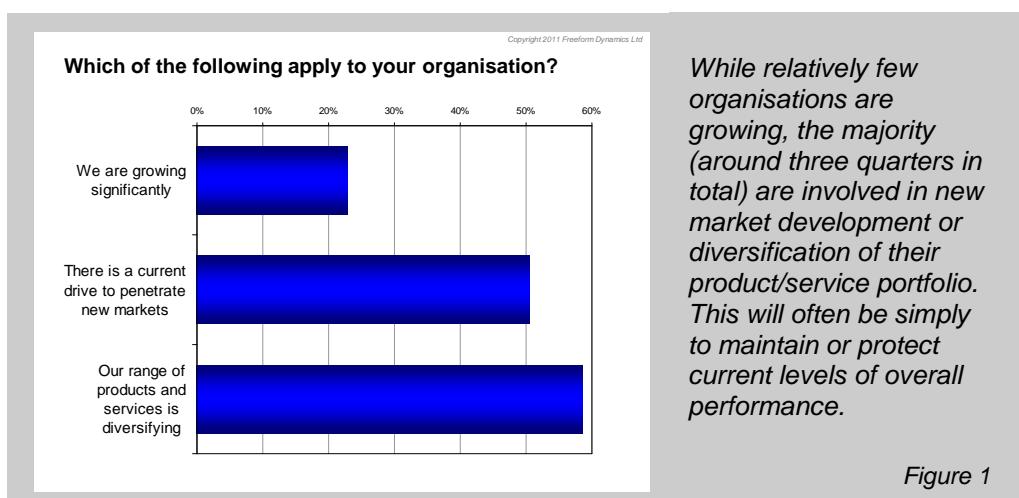


Increasing pace drives a need for better responsiveness

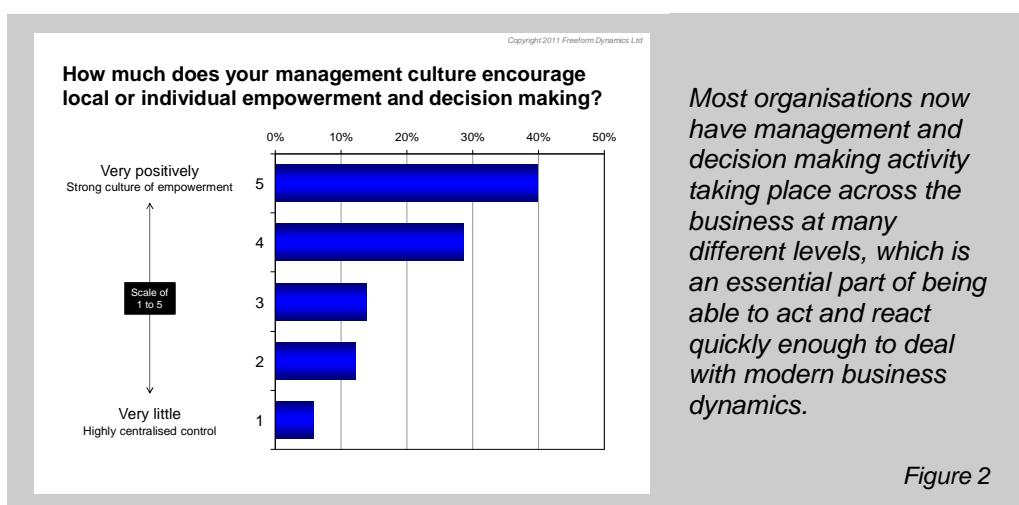
Advances in technology and communications have led to a relentless increase in the pace of business, which looks set to continue.

One aspect of this is the general speeding up of business operations. Across all industries, the same or similar transactions today take a fraction of the time they did in the past, reducing the time to think and act, and accelerating the impact of any event or decision. Make a mistake, and significant damage could occur very quickly. Take too long to act, and the opportunity has passed.

But it's not just the speed with which existing business is conducted; the rate of business change has also got quicker. This was reinforced by the results of a recent study based on feedback from 123 senior business managers (see Appendix A for details). The reality is that shorter times to market, lower barriers to market entry, and the frequent emergence of new business models, means business change and development are often necessary just to stand still (Figure 1).



Whether it's the speeding up of existing business activity, or the implementation of new initiatives, the upshot is a need for greater responsiveness, which in turn means monitoring and managing performance closer to the action (Figure 2).



Of course devolving responsibility brings with it certain obligations, such as providing those expected to manage business performance with the necessary information to work in an informed manner. Without this, the business ends up being driven by assumption and guesswork.

But how well are information needs being met?

A clear information gap exists

Significant shortfalls are evident in most areas to do with the completeness, accuracy and timeliness of information needed to support management and decision-making (Figure 3), leading to a range of frustrations that will be familiar to many (Figure 4).

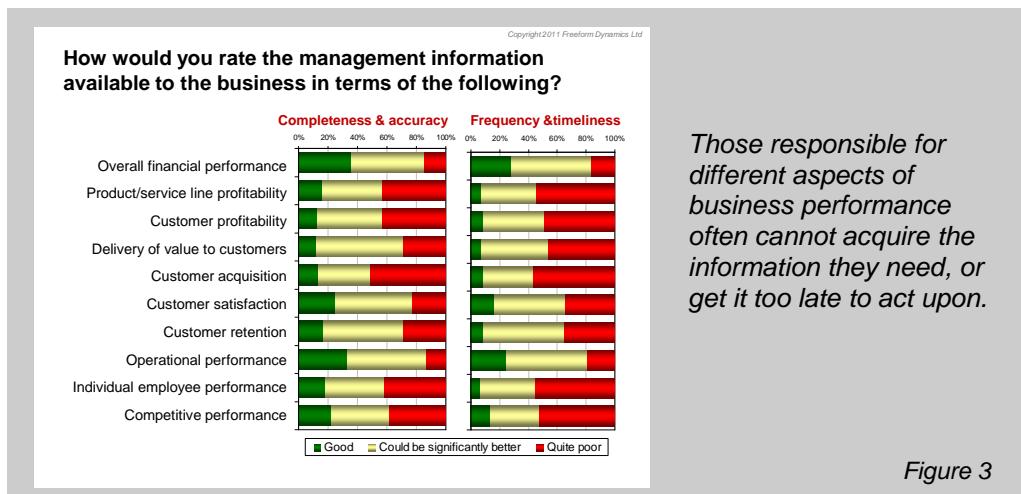


Figure 3

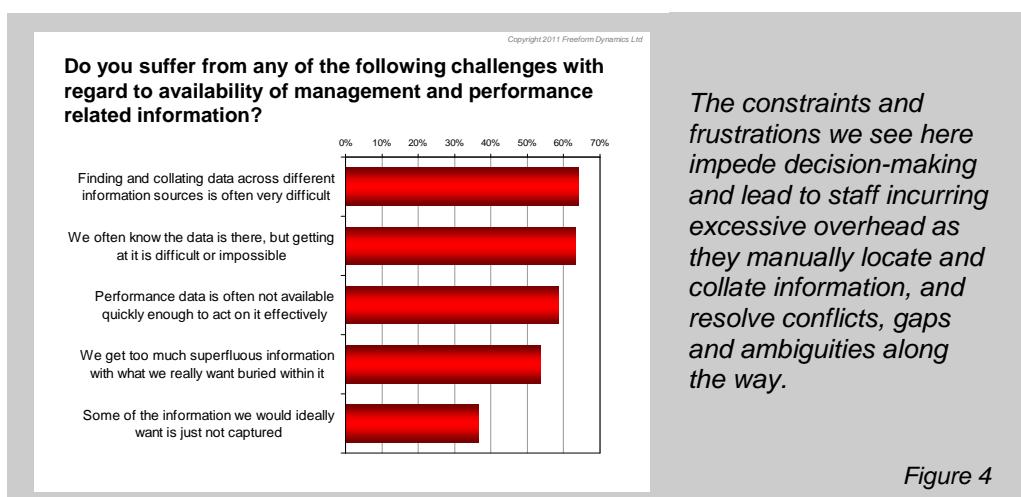


Figure 4

Indications are that IT success has historically been judged on the enablement of automation, but that progress here has simply shifted the problem (Figure 5).

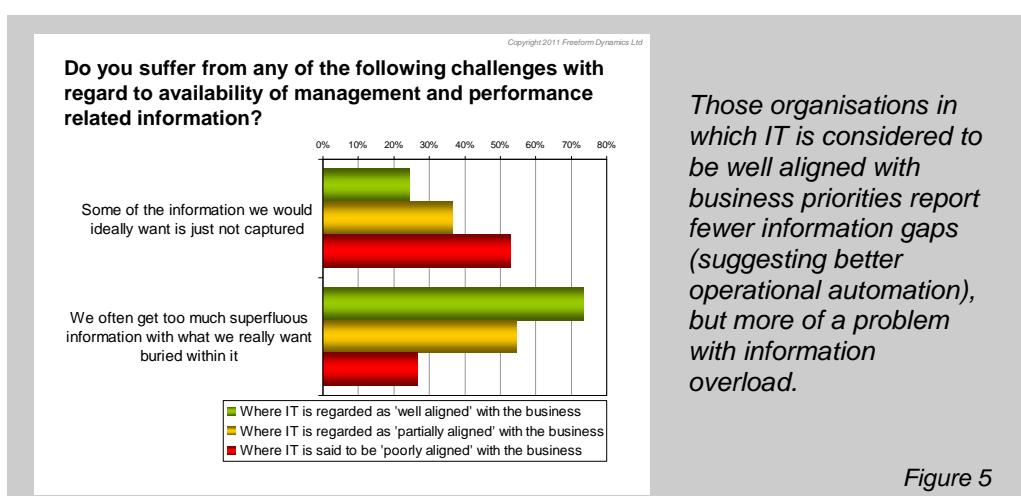


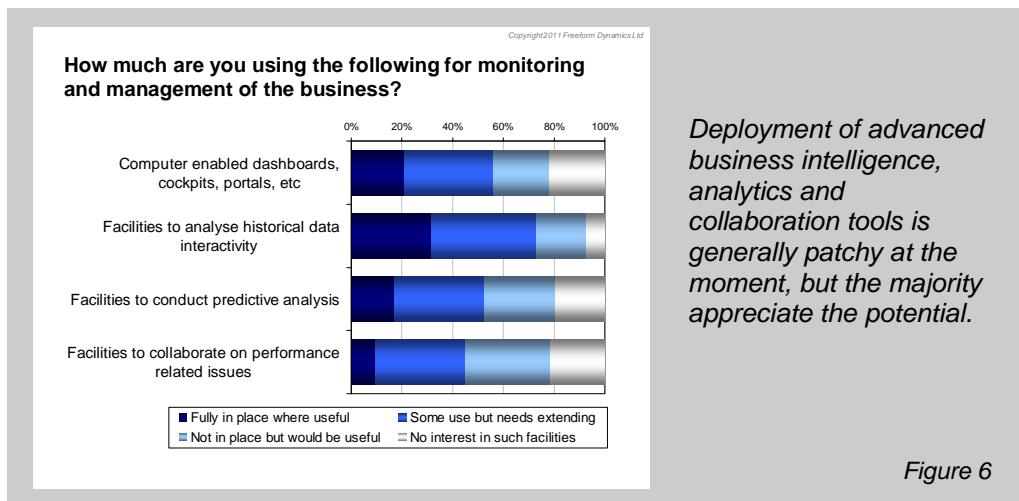
Figure 5

The picture we see here, with good alignment of IT being more frequently associated with transaction automation and data capture than higher-level information management, reinforces the often heard view that business execs need to re-prioritise. Right now, the evidence suggests that when it comes to IT governance, enabling business efficiency has a higher weighting than enabling effectiveness. Increasing the focus on the latter, however, means dealing with the information gap.

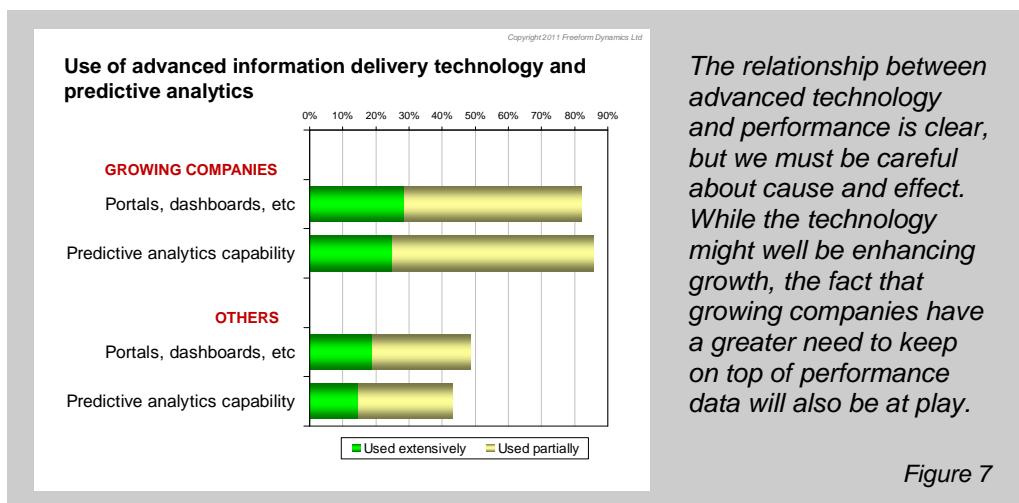
But how do we go about this?

Many technology options are available

The role of technology in key categories is broadly acknowledged, but adoption currently falls short of perceived needs (Figure 6).



Taking organisational growth as a general proxy for good performance, the study revealed that those ahead of the curve are more likely to have comprehensive technology in place. Two categories of solution particularly stood out in this respect – computer-enabled portals/dashboards, and predictive analytics tools (Figure 7).



Portals and dashboards are important in two ways as an enabler of business performance. They form the basis for providing decision makers with appropriately summarised information and exception alerting, often in a highly graphical manner with drill-down and other analysis capability, which clearly helps to make sense of high volumes of information.

If implemented as part of a broad information access infrastructure, portals and dashboards also allow business intelligence capability to be made more inclusive, catering for the needs of decision makers at all levels across the business. This kind of delivery infrastructure, however, is dependent

on the underlying data being well organised and managed. It is beyond the scope of this report to address the technology discussion in any depth here, but we shall be picking up on some business level considerations a little later.

Meanwhile, the other technology category highlighted - predictive analytics - deals with a traditional weakness of BI, i.e. that it is too often backwards looking. While the correlation illustrated above is specifically to do with growth, predictive analytics potentially has value for any organisation involved in significant change programmes or business development activity. 'What if' analysis helps to optimise plans and minimise reliance on costly and time-consuming trial and error activity.

While technology can help, however, its successful use depends not only on good quality data as we have already mentioned, but also on a sound understanding of how the business works.

Measurement discipline is critical to success

The old adage "you can't manage what you can't measure" is very apt in the context of BI and business performance management. The detailed mix of metrics needed for effective management varies from business to business, but when we look at some of the most frequently applicable measures, the formality with which key indicators are tracked also varies considerably (Figure 8).

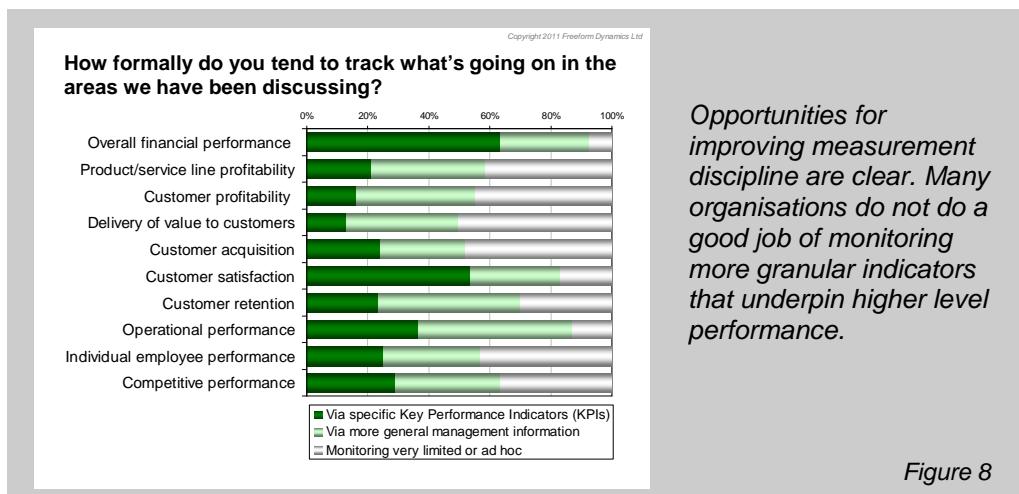


Figure 8

Similar to advance technology use, good measurement discipline goes hand-in-hand with better performance. Those claiming to have well-defined key performance indicators (KPIs) fully in place where they were considered to be useful, for example, were six times more likely to be growing than those not tracking the business through KPIs at all (Figure 9).

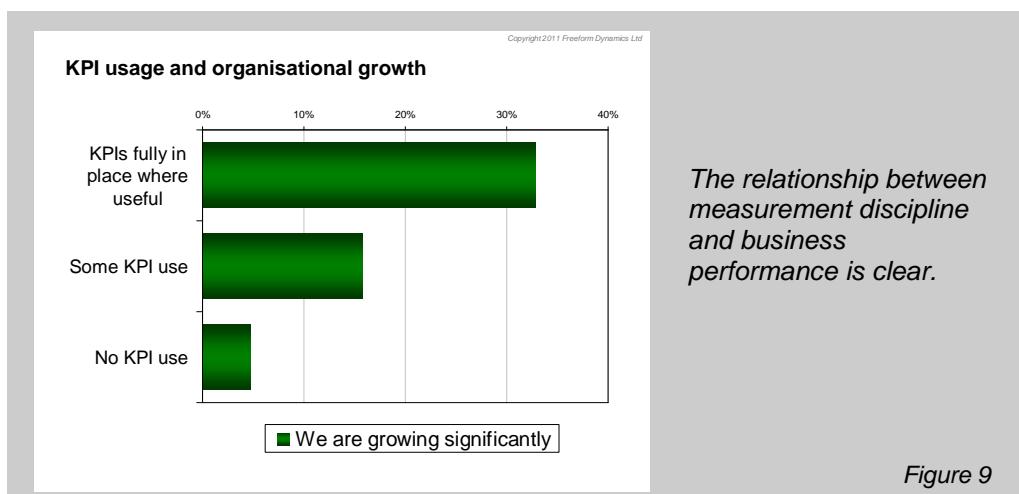
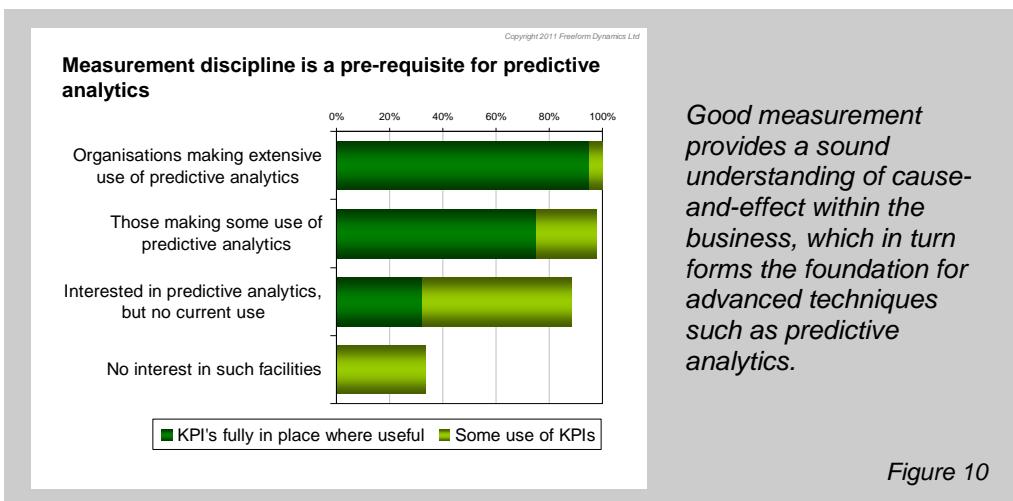


Figure 9

In practice, when working with KPIs, it's not just about identifying measures in isolation. The way in which the principle of 'cause and effect' works within the business can be captured as

dependencies between indicators, e.g. a decrease in customer satisfaction may lower customer retention and ultimately have a negative impact on profits. Given that such cause and effect dependencies underpin advanced analysis techniques, it is not surprising that we see a strong correlation between the use of KPIs and the adoption of predictive analytics (Figure 10).



Good measurement provides a sound understanding of cause-and-effect within the business, which in turn forms the foundation for advanced techniques such as predictive analytics.

Figure 10

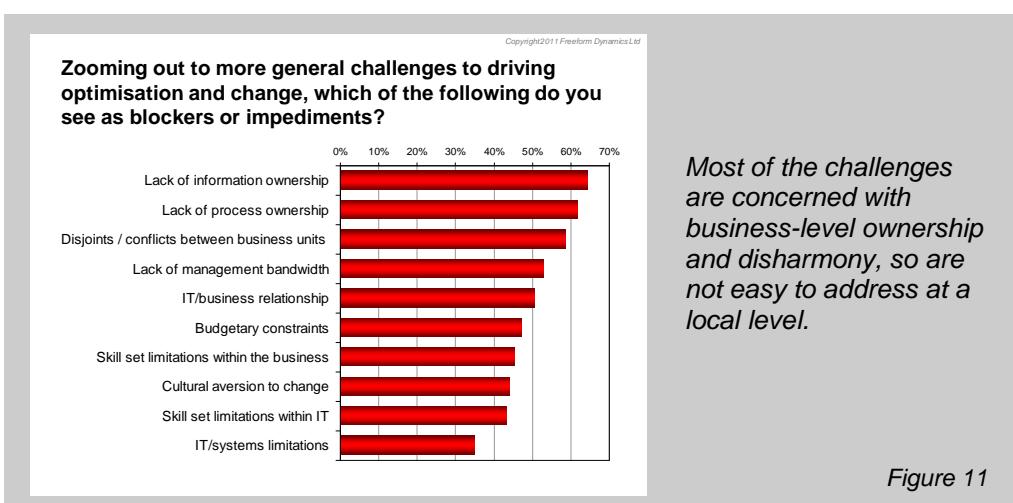
This picture provides further confirmation that technology is not in itself a magic bullet. It needs to be backed up by the necessary understanding, discipline, data and practices.

But pulling it all together can be hard against the challenging backdrop of corporate reality.

A joined up approach is required

While some organisations are doing better than others, many clearly have a lot of work to do in order to improve the way they manage information and business performance. Unfortunately, however, there are no easy solutions to some of the challenges discussed in this report. Indeed, it is often a history of 'quick-fixes' that is responsible for so many organisations ending up with fragmented and inconsistent data in the first place. New requirements have too often been dealt with by creating another isolated system with another disconnected database to collect and store the same or similar information in yet another format with yet another coding scheme.

Related to this, with business units and departments often acting unilaterally, ownership challenges, organisational disjoints, and the political issues that stem from these, are very evident (Figure 11).



Most of the challenges are concerned with business-level ownership and disharmony, so are not easy to address at a local level.

Figure 11

Some have attempted all-encompassing 'boil the ocean' initiatives to tackle this situation, but these have generally failed to deliver benefit quickly enough to maintain funding and support.

A better way forward is to think and plan in a joined up manner, but drive improvement one step at a time in a manageable way that delivers short term value.

The starting point is an effective information framework

The first imperative is to recognise and take hold of the problem, and a good early move is to form an information architecture group with a direct senior management mandate. The job of this group is to build and maintain a strategic understanding of the organisation's information needs, and to ensure that information assets are used and/or created efficiently and effectively as business and IT projects are undertaken.

The basic idea is to put some structure and process in place that looks across internal systems and departmental boundaries to drive incremental progress towards a more coherent information landscape over time. Short term needs are still met, but unlike the quick-fix/point solution approach, each investment fills out another part of the overall framework, rather than creating yet more redundancy, fragmentation and disjoint.

Information architecture then goes hand in hand with good measurement discipline. If this needs to be strengthened, a review of business goals and metrics is likely to be required. The aim is to ensure that important aspects of business performance are understood and that relevant KPIs (and the relationships between them) have been defined. This provides the basis for identifying and prioritising areas for improvement, as well as forming a solid foundation for advanced analytics.

In addition to these activities, a lot can be done at an IT and detailed information management level. Disciplines such as 'master data management' (MDM) for example can assist with rationalising and resolving differences between disparate information sources. Recent advances in desktop, portal, content management and collaboration solutions can help to get information out to where it's needed to better enable the devolved decision making we have seen.

Success depends on senior management commitment

Implementing the above is generally not easy. Staying power in the face of natural forces that encourage parochial thinking and action are the main enemy.

The first few projects, for example, are likely to cost more as each makes a contribution to the greater good. This may take the form of projects carrying the initial burden of technology or services investments that will deliver value beyond the immediate scope of work. It may also mean tackling practical requirements in a different way, e.g. putting extra effort into development work so the output can be reused down the line as well as meeting the immediate need.

The temptation will always be to revert back to the quick-fix/tactical solution approach in order to keep project costs and short term delivery times down in the early days. This is why the kind of structure, process, discipline and governance we have described above is important, along with ongoing senior management air cover so those charged with driving progress have a mandate to enforce policy and best practice where necessary.

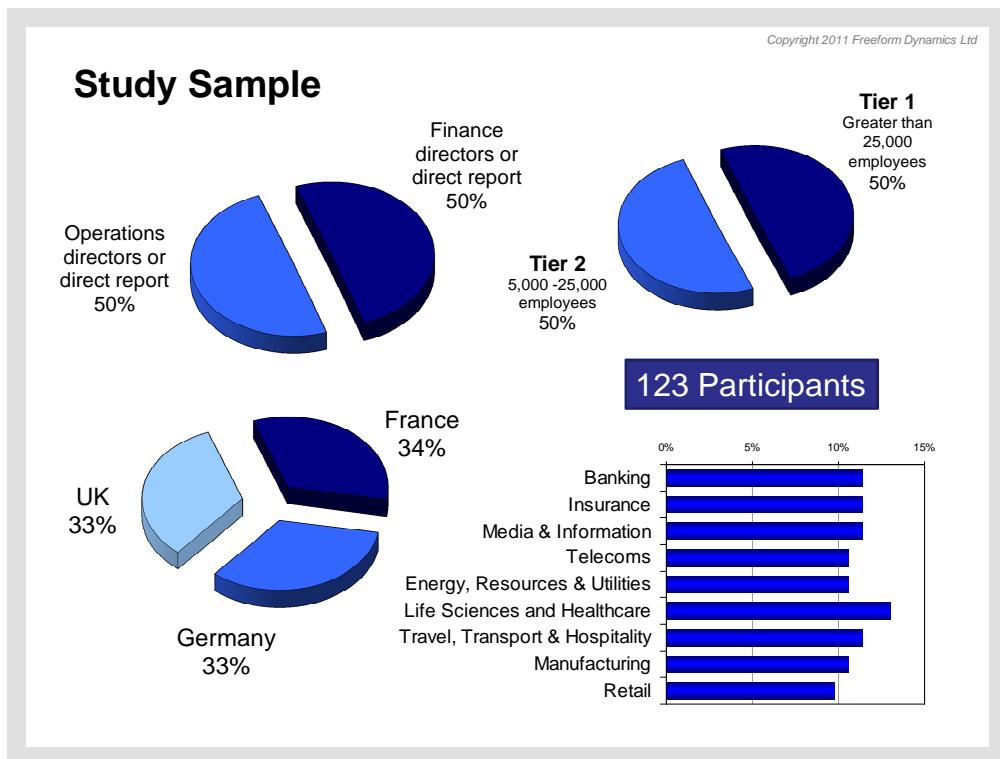
It's also important to set and manage expectations sensibly. Modern business dynamics mean that perfection is an unattainable goal as every aspect of the problem is constantly moving.

As the research has shown, however, if you zoom out from the day to day operational detail and look at the overall situation, the levels of risk and inefficiency are currently very high in most organisations. With ever more requirements and information being thrown into the mix, doing nothing is not a viable way forward.

The good news is that those who shake off the illusion that all is well and act before being forced to do so have the potential to reap rewards beyond cost control and risk mitigation. Better information means greater insights and more effective decisions, and the potential gains from this are clearly significant.

Appendix A: Study Sample

The study reported in this document was completed in May 2011, and was based on telephone interviews with 123 senior finance and operations managers. The composition of the sample was as follows:



Freeform Dynamics conducted all design, data collection, analysis and interpretation associated with this study on an independent basis, with sponsorship from Tata Consultancy Services.



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