

IDC ANALYST CONNECTION



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The Road to BI Success

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In 2008, the business intelligence (BI) tools market reached \$7.8 billion in software license and maintenance revenue. The market growth of 10.6% in 2008 surpassed previous IDC projections, as spending by organizations of all sizes continued. Organizations are focusing on BI and analytics projects that help reduce costs or retain customers. There is growing evidence that more pervasive BI and analytics have a direct impact on competitiveness. Better decision making is more important when resources become restricted during a recession, so BI and analytics projects will still appeal to management. However, justifying large capital outlays for software will be challenging unless short-term benefits can be directly correlated with the investment. As more incremental projects are undertaken, it will be important to execute these projects within the long-term strategic plan of organizationwide decision management.

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

Q. What are the benefits of a business intelligence solution?

A. The value of better BI is often expressed in such intangible terms as, for example, the ability to make better decisions, where "better" is usually undefined. In practice, however, there is growing quantifiable evidence of the value of BI.

IDC's most recent study of over 1,000 organizations across 11 countries identified six indicators of BI competency and pervasiveness. These indicators had a direct correlation to the competitiveness of organizations within their respective industries. This positive impact on an organization's competitiveness is achieved by affecting business process improvements, productivity, and cost containment.

In a separate IDC study that identified the median ROI of BI and analytics projects to be 112%, the benefits accrued by organizations deploying BI technology and processes split as follows:

- 54% from business process improvements
- 42% from productivity gains
- 4% from technology cost savings

In other words, 96% of the benefits were in the productivity and business process enhancement categories. Both types of benefits are important. Yet there is a limit to the efficiency gains due to productivity in bringing information together. The data-gathering process can be streamlined only so far before diminishing returns set in.

But this is not the case with business process enhancement, including product development and service delivery innovations. The cycle of feedback and correction can be continually improved. Models can be made more accurate in predicting the impact of policy changes. Employees can improve their judgment as they learn to incorporate relevant feedback in making better decisions.

Q. What is the value of a BI strategy to a process that is composed of many incremental BI projects?

- A. Most BI projects address the information monitoring, reporting, analysis, and decision-making needs of specific groups of end users. The needs of these end users vary significantly according to their role in the organization. In addition, most users' BI needs evolve on an ongoing basis as internal and external conditions change. The iterative nature of BI projects makes the end-user requirements-gathering process difficult. A common characteristic of BI system design among leading organizations is the extensive use of rapid prototyping and the AGILE method of software development. This seems to be the only effective method to match IT development plans with frequently changing end-user requirements.

Yet a long-term BI strategy is needed to succeed in reaching the highest levels of BI competency and pervasiveness. Operational and tactical steps for improving BI competency and pervasiveness should be guided by a long-term organizationwide BI strategy. IDC has identified six key indicators of BI competency and pervasiveness. Although it's possible to reach a high level for any of these indicators without a BI strategy, doing so often leads to haphazard spending on resources and difficulty measuring overall success of initiatives or measuring progress toward business goals. This results in the inability to gain competitive advantage based on greater insight into customer behavior, operational processes, or financial performance.

Q. What are the factors to consider when creating a BI strategy?

- A. IDC encourages organizations to develop a long-term BI strategy that articulates responses to such questions as the following:

- What are our organization's goals, and how do we measure progress toward these goals?
- What metrics or KPIs exist to ensure that measurement of progress toward organizational goals is made possible?
- What are the types of decisions being made at different levels in our organization?
- What information access and analysis technology functionality is required to support the types of decisions and decision-making processes of various end-user groups, including executives, managers, business analysts, quantitative analysts, operational staff, customer-facing staff, and external stakeholders?
- What staffing needs and organizational structure are required to ensure that individuals or teams exist to address tasks such as data integration, data quality, data management, report or dashboard development, data analysis, and information access?
- What technology components exist or are needed to ensure that the decision support or automation needs of all decision makers are addressed?

It's also important to have a periodic assessment of the level of BI competency and pervasiveness in the organization that can be done based on industry-standard methodologies and that helps highlight areas for improvement.

Q. What are the steps companies should take to determine their current levels of BI need or effectiveness?

A. IDC has developed a methodology for evaluating an organization's BI competency and pervasiveness based on the following six indicators:

- **Degree of internal use of the BI solution by employees from different levels and departments of an organization.** As BI use becomes more pervasive, the number of employees using it will increase.
- **Degree of external use of the BI solution by stakeholders such as customers, suppliers, and government agencies.** As BI use becomes more pervasive, the number of external users will increase. Information sharing through a BI solution can strengthen relationships with clients based on codependence on a set of data and metrics that both parties incorporate into their respective decision-making processes.
- **Percentage of power users or employees who are very familiar with the functionality of the BI software, who use it regularly, and whose primary task is to analyze data and provide decision support to other staff members or management.** As BI becomes more pervasive, the number of power users within an organization grows up to a certain level, which does not seem to be significantly affected by organization size or industry.
- **Number of domains or subject areas within the primary data warehouse.** As BI becomes more entrenched within an organization, the organization will add additional domains to the data warehouse. An organization may start with just a few domains in one department and then expand the number of domains within and across departments. As the number of domains increases, so does the number of users.
- **Data update frequency** refers to the appropriateness of the data warehouse update frequency to support business decision-making needs. There is a need for the data to be fresh enough to be meaningful to power users and information consumers. Without accurate, timely data, there is no desire to use BI.
- **Analytical orientation** is an indicator that consists of responses to several questions dealing with information sharing, importance of and reliance on analytics for decision making, and the influence BI has on an employee's actions.

To map your organization's level of competency and pervasiveness across these six indicators, complete the registration and questions at <http://www.bicompetencynavigator.com/sap/>.

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Dan Vessel is program vice president of IDC's Business Analytics research. Mr. Vessel'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 as well as supply chain and operational analytic applications.

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