



## **SIX MISTAKES COMPANIES ARE MAKING TODAY**

### AND HOW YOU CAN AVOID THEM

Look for additional opportunities to use business intelligence to uncover value and drive improvements. Consider advanced planning tools that can help close the gap between strategy and execution. Expand the use of sophisticated what-if analyses to model the operational and financial impact of multiple scenarios on revenue, costs, and cash flow.



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# EXECUTIVE SUMMARY

## OPPORTUNITIES FOR BUSINESS INTELLIGENCE

When the economy slows, many businesses react by retrenching and cutting costs in order to weather the downturn. While such cost reduction is important, companies often overlook equally critical strategic decisions – opportunities to use valuable business information to strengthen product and service offerings and emerge ahead of the competition.

“The reality is that you can derive added value from your existing information,” explains Don Tapscott, an internationally renowned author and authority on the strategic value and impact of information technology. “Once you can have sensible discussions about your data, you can leverage it to make better decisions and achieve sustainability and higher profits.”<sup>1</sup>

Organizations need technology that can unlock the value of information. Information can drive new insights to help transform and significantly improve

the business, especially critical in an uncertain economy. According to Gartner, “The economic crisis will reveal which enterprises have the information and tools to support management decisions and which do not.”<sup>2</sup>

This paper highlights common mistakes companies make in a down economy and discusses how organizations can use business intelligence to avoid them. Use the self-assessment questionnaire at the end of this paper to determine the level of business intelligence opportunity across your organization.

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1. Don Tapscott and Dr. Steve Elmore, *Managing Enterprise Information: Architecting for Survival and Positioning for Success in Tough Times*, pg. 2 (nGenera Corporation, March 2009).

2. Kurt Schlegel, Mark A. Beyer, Bill Hostmann, Rita L. Sallam, Bill Gassman, Nigel Rayner, Neil McMurchy, Neil Chandler, Matthew W. Cain, *Predicts 2009: Business Intelligence and Performance Management Will Deliver Greater Business Value*, pg. 4 (Gartner Inc., December 18, 2008).

# IS YOUR COMPANY MAKING THE SAME MISTAKES?

## TAKE THE TIME TO FIND OUT

### Mistake 1: Taking Existing Customers for Granted

When demand slows, the last thing you want to do is to take your customer base for granted by assuming existing customers will remain loyal through tough economic times. Instead, customers may be faced with their own financial difficulties or could be lured away by incentives from the competition. Staying in tune with the needs of your customers and reacting appropriately can help shore up loyalty and maintain sales.

You need a simple and effective way to identify top customers based on profitability, size, or potential. But if customer and sales data is located in multiple software applications, it could be difficult to access the information and build an overall picture needed for valuable insight into customer behaviors. According to a recent survey of CIOs and IT managers conducted by Information Age, business intelligence tools can help. Most of the 350 respondents believe business intelligence could significantly improve marketing analytics – that is, how you evaluate campaign, product, and customer performance. Additionally, respondents feel business intelligence is particularly well suited for robust profitability analysis, helping you identify the most profitable customers and product lines.<sup>3</sup>

You can use data integration and cleansing tools to bring together information from disparate sources. Dashboards and visualization tools help make data accessible, providing visibility into

customer trends. What can you do with business intelligence tools like these?

As an example, for each major customer or customer segment, you can analyze multiple scenarios to find an approach that builds on existing relationships and increases your share of each customer's wallet. You might decide to extend credit or develop creative payment plans for your most important customers. Or analyze customer satisfaction scores to identify areas where improvement is needed, such as product quality or customer service – ensuring that profitable customers stay happy and loyal.

### Mistake 2: Failing to Capitalize on Market Opportunities

Even with limited investment funds, you still have to make fact-based decisions about short- and long-term opportunities to grow top-line revenues – whether you're trying to expand into new markets or extend a successful product line. Many great brands were launched during recessionary times and yet able to capitalize on unique market opportunities. To invest in and seize market opportunities with confidence, you need a solution that helps you see trends and variances, analyze scenarios, and select

the right combination of initiatives to maximize your returns.

But if you're hampered by difficult-to-use analytic tools that limit your ability to perform in-depth market analysis, your company may be slow to recognize or react to opportunities. In fact, according to a recent Gartner report, "Through 2012, more than 35% of the top 5,000 global companies will fail to make insightful decisions about significant changes in their business and markets due to underinvestment in their information infrastructure and business user tools."<sup>4</sup> Don't let this happen to you.

To inform the right decisions, you need simple, intuitive ad hoc reporting and analysis. A business intelligence solution should support interactive exploration across multiple dimensions of your business and let you create queries using business-friendly language. What-if analysis allows you to model the operational and financial impact of multiple scenarios on revenue, costs, and cash flow – to understand the results of each market opportunity before you act on it. Layer on risk assessment to determine the range of potential outcomes for each opportunity and add

A complete business intelligence solution supports the entire range of enterprise reporting – periodic, highly detailed reports that give insight into overall business performance and provide increased reporting transparency for all stakeholders. The result is increased trust and stronger collaboration at all levels, inside and outside the business.

3. "Intelligent response," *Research Analysis 344, Information Age Research Report*, January 16, 2009.

4. Kurt Schlegel, Mark A. Beyer, Bill Hostmann, Rita L. Sallam, Bill Gassman, Nigel Rayner, Neil McMurchy, Neil Chandler, Matthew W. Cain, *Predicts 2009: Business Intelligence and Performance Management Will Deliver Greater Business Value*, pg. 3 (Gartner Inc., December 18, 2008).



Organizations need technology that can unlock the value of information. Information can drive new insights to help transform and significantly improve the business, especially critical in an uncertain economy.

economic analysis to select and prioritize promising scenarios. The result? You have the hard facts to back up the investment decisions that drive sales, cash flow, and operational efficiency.

### **Mistake 3: Allowing Operational Inefficiencies to Persist**

To keep the cost of delivering goods and services in line, you must continually find ways to reduce waste and eliminate inefficiencies. If operational wastefulness persists, you can lose control of your cost structures – and that puts pressure on your gross margins. Economic woes and restricted cash flows are forcing companies to analyze cost structures by delving deeper into the information already at their fingertips. Because of this, analysts point to a rising interest in business intelligence software.

An integrated business intelligence solution that generates timely and accurate data puts you in a position to identify – and quickly address – inefficiencies. Dashboards can deliver

immediate feedback on administrative waste and unnecessary overtime. Use analytics to monitor manufacturing defects, maintenance costs, and inventory levels; then track progress to minimize rework and rationalize SKUs.

According to David Thomson, author of the best-selling book *Blueprint to a Billion: 7 Essentials to Achieve Exponential Growth*, you may need to perform a competitive analysis to determine how your gross margins compare to industry averages. “If you find that your product costs are too high, you’ll need the ability to further investigate costs throughout the supply chain and seek areas to optimize systems and processes,” notes Thomson.<sup>5</sup>

Even if your gross margins are better than average, expenses may be high. For example, Thomson found that leading companies carefully manage expenses in sales and marketing and R & D to deliver a consistent cash flow–positive business across all types of market cycles. The best-run public companies that generated the highest market values,

as they grew from US\$30 million to a billion in revenue, typically exceeded 10% earnings-before-interest-and-depreciation (EBITDA) margin. Take a lesson from the highest-growth companies: sell value to maximize gross margins, contain expenses to deliver a cash flow–positive business, and reinvest to fuel growth.<sup>6</sup>

### **Mistake 4: Letting Problems Go Undiagnosed and Uncorrected**

In today’s business environment, an organization needs to address all outstanding issues – but you must first identify and prioritize existing problems, then focus your time and energy on the most crucial. No organization wants to wait until a product is drastically behind schedule or a department significantly over budget before taking action. However, if you manually track project or program status, you risk not only wasting time and money on an ineffective approach but also delaying your ability to identify and then correct problems. As Thomson notes, “Leaders of exponential growth companies utilize a systematic approach to problem solving.” During down market cycles, these companies identified and eliminated problems and then worked to optimize their business. For example, these companies found ways to streamline processes, reduce headcount in selective areas, and invest in systems and IT infrastructure to improve customer management or market intelligence.<sup>7</sup>

5. David Thomson, *Blueprint to a Billion: 7 Essentials to Achieve Exponential Growth* (John Wiley & Sons Inc. 2006).

6. Ibid.

7. Ibid.

By generating timely and accurate data about your business, business intelligence solutions help identify issues that fall outside the norm – and signal potential problems. For example, if your days sales outstanding (DSO) is increasing, business intelligence can help pinpoint whether the cause is a pervasive quality problem, a one-time delivery issue, or an administrative glitch such as a wrong address on an invoice. Once the root cause of a problem has been identified, you can take corrective action. Business intelligence solutions can help monitor and track results and alert you if problems recur – such as a process, product, or action falling outside acceptable ranges.



### Mistake 5: Driving the Wrong Behavior in the Organization

If your corporate goals aren't clearly defined, communicated, and measured, you're missing out on an opportunity to encourage beneficial behaviors. You may improve performance in one department or division at the expense of overall company performance. Gartner suggests that organizations "show how performance management efforts will benefit the enterprise if metrics and reporting align to corporate goals."<sup>8</sup>

You need a solution that supports greater alignment, accountability, and performance at both the individual and

the corporate level. Integrated and transparent software solutions make it more likely that employees will trust the data and understand how daily actions affect business goals. But companies often find their strategic initiatives disconnected from daily operational goals, leaving employees confused about individual priorities. By clearly assigning accountability for goals and timelines, you can communicate explicit performance expectations throughout the company and develop incentives that drive needed cultural and behavioral changes.

For example, dashboards – integrated with software, such as Microsoft Office,

that you use every day – help you communicate metrics, track progress, and reward success. Dashboards give immediate performance feedback; you get the information you need to take quick and decisive actions to correct behaviors, rather than having to wait for quarterly reports to decipher trends. Visualization tools help your employees and you focus quickly on high-impact issues – such as improving customer service or reducing product defects. Your entire team can see where data comes from and how results are calculated, and can interact with reports – instilling confidence in the numbers and encouraging individual and collaborative

8. Kurt Schlegel, Mark A. Beyer, Bill Hostmann, Rita L. Sallam, Bill Gassman, Nigel Rayner, Neil McMurphy, Neil Chandler, Matthew W. Cain, *Predicts 2009: Business Intelligence and Performance Management*, pg. 4 (Gartner Inc., December 18, 2008).

actions that benefit the company.

### **Mistake 6: Failing to Offer Transparency for Stakeholders**

The global economic crisis is leading business stakeholders and governments to demand greater transparency into company finances, operations, decisions, and core performance metrics. However, many organizations find that overly complex reporting hampers their ability to demonstrate compliance or fiscal health. According to Gartner analyst Bill Hostmann, “Most organizations find they do not have the information, processes, and tools needed by their managers to make informed, responsive decisions. Too many enterprises underinvest in their information infrastructure and business users tools.”<sup>9</sup>

Investors demand that you use complete

information to detect changes, make timely decisions, and communicate those changes in strategies. Simply put, external stakeholders need confidence in the soundness of your business strategy and the accuracy of your financial records. Ask yourself: Could my enterprise supply my management team with information regarding a major business or market change without a painful, stop-everything project? Can my company anticipate which customers will cut back their business and then adjust its approach to minimize loss? These kinds of decisions require a wide range of internal and external information and analysis to support rapid risk analysis and contingency planning.

Business intelligence solutions make it easy to share critical business information across internal business functions

and with external stakeholders such as customers, suppliers, partners, and investors. A complete business intelligence solution supports the entire range of enterprise reporting – periodic, highly detailed reports that give insight into overall business performance and provide increased reporting transparency for all stakeholders. The result is increased trust and stronger collaboration at all levels, inside and outside the business.

### **Conclusion**

Tough economic conditions require companies to go beyond slashing costs. “Now is the time to build efficient, high-performance organizations based on a coherent foundation of information,” concludes Tapscott. “Organizations must take a global view of critical information if they wish to move from just reacting to economic challenges and instead position themselves for future competitive advantage.”<sup>10</sup>

Are you making the most of your business information? Use this quick self-assessment to determine whether a business intelligence solution can improve your organization’s decision making and, ultimately, its performance.

To inform the right decisions, you need simple, intuitive ad hoc reporting and analysis. A business intelligence solution should support interactive exploration across multiple dimensions of your business and let you create queries using business-friendly language.

9. Kurt Schlegel, Mark A. Beyer, Bill Hostmann, Rita L. Sallam, Bill Gassman, Nigel Rayner, Neil McMurchy, Neil Chandler, Matthew W. Cain, *Predicts 2009: Business Intelligence and Performance Management*, pg. 4 (Gartner Inc., December 18, 2008).

10. Don Tapscott and Dr. Steve Elmore, *Managing Enterprise Information: Architecting for Survival and Positioning for Success in Tough Times*, pg. 1 (nGenera Corporation, March 2009).



# BUSINESS INTELLIGENCE SELF-ASSESSMENT

## IMPROVE YOUR ORGANIZATION'S DECISION MAKING AND PERFORMANCE

**1. How quickly can your organization identify top customers based on size, profitability, and potential for growth?**

- A We can access this information at any time for any customer. We can easily produce a list of top customers across multiple criteria – for example, by region or product line.
- B We can pull customer information into a spreadsheet and analyze it across basic dimensions.
- C Even basic customer information is hard to access – and even harder to analyze.

**2. A senior marketing manager comes to your CEO with a proposal to introduce a new product line. How does your organization determine whether the plan is feasible?**

- A We would run a scenario analysis and project costs, revenues, risks, and return outcomes across a range of economic assumptions.
- B We would analyze the proposal, but it would take some effort to pull together the needed data and perform the appropriate analysis.
- C We are more apt to move forward based on gut instinct.

**3. Your company's overtime has increased by 17% in the last month. How quickly and easily can your organization pinpoint the cause and address the problem?**

- A My company can identify affected employees and departments immediately and go to work solving the problem within a few days.
- B We can gather information, but it would take a while to compile and sort the data.
- C We wouldn't know where to begin.

**4. Days sales outstanding has increased by five days in the last two months. Can your organization determine the root cause?**

- A Yes; within a few days my company could analyze operational and administrative components that might be contributing to the increase.
- B Maybe; we could gather information from separate applications for customer, financial, and operational data, but it would require some effort to analyze the data and identify root causes.
- C Doubtful; this would be a difficult undertaking for my company.

**5. Customer satisfaction scores have dropped – specific to your call center. Your COO wants to review the metrics in place for call center reps. Can this information be readily provided?**

- A Yes; we have a dashboard that tracks call center employee activity, including length on call, call resolution, and other metrics.
- B A summary of key metrics is posted in a common area where each employee can see it; however, we don't track metrics on an individual or departmental basis.
- C Unfortunately, we have yet to define and implement metrics in this area.

**6. Investors want to see the ROI of your three largest investments from last year. How quickly can your organization give them an accurate response?**

- A In about four hours we could provide a complete report with clear, attractive visuals that would make it easy for investors to compare projects on several levels.
- B Each project has its own spreadsheet; within a few days we could create a comparison report.
- C One of our financial analysts would have to go through our financials line by line to pull out the pertinent information and create a spreadsheet to calculate ROI for each investment.

Layer on risk assessment to determine the range of potential outcomes for each opportunity and add economic analysis to select and prioritize promising scenarios. The result? You have the hard facts to back up the investment decisions that drive sales, cash flow, and operational efficiency.

**Add up your score:**

- 0 points for each "A" answer
- 1 point for each "B" answer
- 2 points for each "C" answer

**Rank your organization:**

**0–3: Information is a strategic asset.**

Your organization is using business intelligence to optimize decision making in key areas. Look for additional opportunities to use business intelligence to uncover value and drive improvements. Consider advanced planning tools that can help close the gap between strategy and execution. Expand the use of sophisticated what-if analyses to model the operational and financial impact of multiple scenarios on revenue, costs, and cash flow.

**4–8: Take it further.** Apply business intelligence in more areas to address untapped opportunities to improve decision making and performance. Seek out opportunities to use analytics and visualization tools to develop clear insights into specific areas of your business. Using these insights, inform the right decisions to drive operational efficiencies or grow revenues.

**9–12: Information-challenged.** Your organization could experience significant top-line growth and bottom-line benefits from using business intelligence. Begin with solutions designed to integrate and cleanse data. Use this single source of accurate data to create enterprise reports and fuel ad hoc reporting and analysis.

SAP® BusinessObjects™ business intelligence solutions help simplify the way businesses use information, allowing users to access, format, analyze, navigate, and share information across the organization.

The solutions enable enterprise reporting, query and analysis, data visualization, data integration, and data management. As a result, organizations gain better business insight – improving decision making and enterprise performance.

To learn more about SAP BusinessObjects business intelligence solutions, visit [www.sap.com/solutions/sapbusinessobjects](http://www.sap.com/solutions/sapbusinessobjects).



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