

China Executive Insight

The importance of delivering an effective and accurate Business Intelligence platform

ADVISORY

Organisations spend huge amounts of money on IT and information sources, but often with a questionable return on investment. Individual departments within an organisation may produce reports from poor quality or conflicting information, leading to erosion of credibility and trust in management.

In China, many businesses have expanded rapidly and decision making structures may not have evolved to the same level of sophistication. They may be confronting a growing number of stakeholders who require transparent information and understanding of strategy, or they may be operating in a sector where rapid consolidation is occurring and where it is critical to monitor activity among competitors and other key players.

Business Intelligence (BI) strategies can help to empower management to meet these challenges, while controlling costs and ensuring alignment of strategy throughout a growing organisation. Additionally, many Chinese companies have made huge investments on ERP and other business systems to support their operations. However, only a minimal portion is invested in BI or enterprise data warehouse, which can facilitate more effective business decision making.

One of the industries taking advantage of the BI technologies to improve their competitiveness is banking. The five major domestic commercial banks have invested in developing greater capabilities to support senior management decision-making processes and obtain more in-depth analysis in areas such as credit assessment. Small and mid-size banks are also seeing the need to develop their own BI capabilities. As such, BI applications should continue their rapid development in the financial industry.

Many executives will freely admit there is plenty of room for improvement. According to a 2009 Economist Intelligence Unit global survey of more than 200 executives in worldwide organisations, only three percent believed their companies used BI effectively in decision making. Furthermore, only 27 percent believed they made better decisions than their competitors.

Business Intelligence is integrally linked to performance

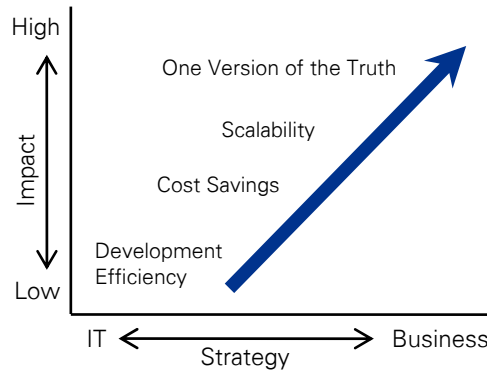
BI is about having the right information at the right time provided to the right people. There are different stages to BI implementation that yield different benefits to an organisation (refer to figure 1):

- **Development efficiency:** At this point, a system is IT driven where everyone is trained using the same tool
- **Cost savings:** Improved maintenance and ownership can help in reducing costs



- **Scalability:** Excess storage is reduced because everyone uses the same definition and data
- **A single version of the truth:** This goal, where everyone uses one version of information, can increase accountability, trust, and performance.

Figure 1



Recently, a China state-owned airline tackled this specific issue by implementing a BI solution. The business was unable to make sense of their volumes of data since their business information was held in different systems with different formats. Information sharing was extremely challenging and reports often contained of conflicting information. Since the BI implementation, management now has “one version of the truth.”, enabling the airline to reveal market opportunities such as identifying profitability of a flight or region, pinpointing problem areas, and reducing operational risks.

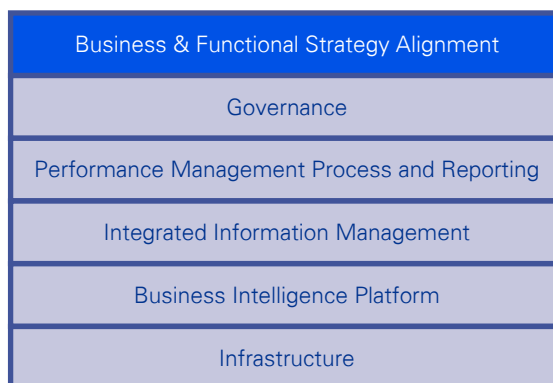
The framework for success

To reform BI systems, existing management processes and IT infrastructure do not necessarily need to be eliminated. However, management will need to refocus on key areas which include:

- Understanding the information needs for the user
- Creating an information system that gives the right functions to improve the process of gathering, processing, and reporting information
- Reallocating funding by prioritising data quality over technology.
- A BI framework can help improve the return on investment in information for all aspects including technology and other resources. There are six components that can be applied to restructuring Business Intelligence (see figure 2).

Figure 2

Business Intelligence Framework



Source: “Does your business intelligence tell you the whole story?” KPMG International 2009

Business and functional strategy alignment

Most organisations do not have direct linkage between strategy and information used to manage the business rendering the information useless and unproductive. The problem is that companies generally have more information than needed, which makes narrowing the useful and important data a difficult process. This is the equivalent to saying more data does not improve performance. What executives need is relevant information and a greater insight to make advantageous decisions for the organisation. However, the decision makers are drowning in a sea of information.

Therefore, it is vital to provide information that is effective in the decision making process for the users of information. To employ this tactic, those who manage information flow should gain a clear understanding of the organisation's values and benefits. By aligning information requirements with the business's strategic needs would further enhance the organisation's benefits and reduce complexity of data. Subsequently, the volume of information would be cut down, which would also reduce the costs of IT resources.

Recently, a major Chinese utility implemented a BI solution to obtain a holistic view of the organisation's operations to align to their business strategy. In the past, each department maintained their own systems to support their own operations, which were held in disparate systems. To obtain a coherent view of their operations, the utility company were manually consolidating data from the different systems, which was a time consuming task and hindered decision-making. With the BI solution implemented, management developed 65 KPIs to align with their business objectives. Each of these KPIs contains detailed reports so management could monitor the real-time status of each of these KPIs and make the necessary business decisions to correct any areas, which were deviating from their goals.

Governance

Governance refers to instituting clear ownership over data, policies of managing data, and processes that generate information. For instance, there are too many departments, groups, and individuals generating information and data. Moreover, there are no common standards of who owns and uses the information in database.

To improve governance in BI, there should be a clear understanding of the users of information and their purposes. This can be managed by a governance team comprising all different levels from senior executives to end users from all involved departments. This creates a reliable set of data employed by trusted users.

Orderliness can also be established by using governance to facilitate the ownership of the producers and users of data. Governance provides the right tools to align people and resources to the right documentation and projects. By having the right alignment, the projects would have the right initiation and execution. Furthermore, appropriate governance creates consistency in the management of data, which enables comparisons of performance in the aspects of relevance and clear visibility.

Performance management process and reporting

In most cases, organisations are unable to get the right information to the right people, even though there is a vast amount of information. This means that individuals are being rewarded for work that does not help achieve business goals. To fix this, decision makers in the business should be up to date with performance; in return, individuals would be rewarded on the criteria of relevant activities that contribute to success. The right evaluation of performance is important because it helps focus on the objectives of the organisation and furthers the success.

Integrated information management

Due to the rapid expansion of Chinese companies through acquisitions or organic growth, these companies are now faced with the daunting task of standardisation. Large companies typically have dozens if not hundreds of systems with different data dictionary and approaches in managing information. With the sheer amount of existing information and continued data replication, it is a challenge for every company.

Integrated Information Management (IIM) effectively handles the data by implementing and enforcing a common language, set of definitions, and standards. Organisation of data yields higher performance by adhering to a common set of standards.

For example, redundant storage can be reduced if everyone is using the same definition and data. Integrated information management works side by side with governance. Governance reinforce policies and guidelines; whereas, IIM manages format standards. This results in an improvement of data quality in providing completeness and reliability of information.

Business Intelligence platform

A BI platform is an integrated information network compiled of numerous software applications. It is rare that technology is the cause of BI failures. Often, investments on software applications would only generate faster and more attractive reports, and does not improve the quality of information. The platform is not all about technology; implementing a data management team could help maintain quality of information and improve the process of extracting information. A successful platform provides a unified and reliable view of information by allowing the effective removal and cleansing of data. This process allows employees a better view of the organisation's goals and strategy.

A national Chinese telecommunication company recently implemented their corporate information platform comprising three main systems: management support system for back office activities; business support system for their customers; and an operational supporting system to support their supply chain. The integration of these systems now enables management to obtain information more quickly and accurately.

Infrastructure

IT infrastructure is more costly than needed; based on an explorative study by Professor Robert Chenhall, it is estimated that 40 percent of the spending can be saved¹. The reason for the extra costs is due to overload of information, lack of clear vision of organisational structures, and additional ineffective applications. Consequently, the costs of IT infrastructure can be reduced through smarter BI development.

There are four key focus areas to provide value in IT investments. Scalability states the infrastructure should meet both the short-term and long-term business requirements through flexibility, while being cost effective. The system should also be available and accessible considering the assumptions such as time differences and customer needs. Furthermore, the system should have capable security to monitor information access so that information could be shared widely as possible, while still protecting confidentiality. Finally, it is important for the system to be easily maintained at a reasonable cost.

¹ Oracle White Paper: "BI Optimization: Building a Better Business Case for Business Intelligence" – October 2009

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Conclusion

Developing an effective BI strategy is critical in managing information and data accurately and efficiently. The six aspects detailed in this BI framework are considerations that need to be given equally close attention.

A BI platform requires ongoing improvements in management and infrastructure to help drive performance. By implementing the right platform, the organisation can be better positioned to understand the market in which it is operating and respond promptly and suitably to new challenges and opportunities.

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