



PERFORMANCE AND TECHNOLOGY

Does your
business
intelligence
tell you the
whole story?

ADVISORY



AUDIT ■ TAX ■ ADVISORY

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Does your business have the right information to prepare for the future?

The execution of business strategy is often hampered by a lack of reliable information. In today's turbulent and unpredictable conditions, it's more important than ever to gain continuous market insight and have the agility to react quickly.

With the future promising further upheaval, businesses realise that they need to adapt to succeed: recent KPMG research (Fig. 1) indicates that half of organisations worldwide expect to adopt new business models soon. Business intelligence should be an integral part of this evolution, placing information at the heart of all decisions.

Huge investments in IT do not necessarily guarantee better information. What is more important is to fundamentally change the way data is gathered, processed and presented.

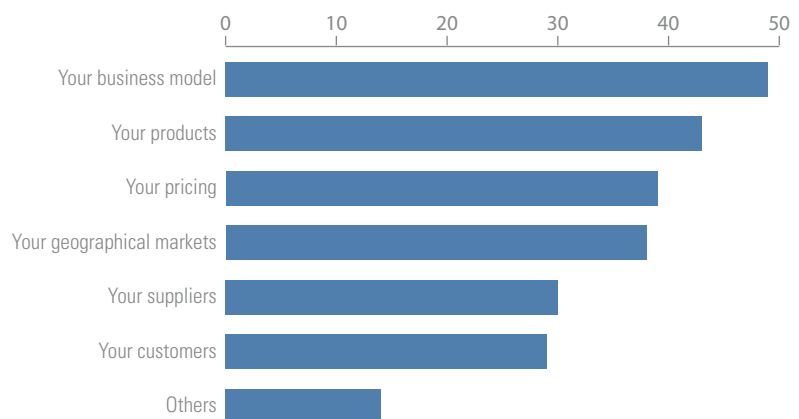
To discover whether businesses are ready for such a change, we commissioned Cambridge University to conduct an extensive review of business intelligence research. Our findings suggest that, despite an annual global outlay of around US\$60 billion⁽²⁾, many organisations are not seeing the expected benefits:

- Fewer than 10% of organisations have successfully used business intelligence to enhance their organisational and technological infrastructures⁽³⁾
- More than 50% of business intelligence projects fail to deliver the expected benefit⁽⁴⁾
- Two thirds of executives feel that the quality of and timely access to data is poor and inconsistent⁽⁵⁾
- Seven out of ten executives do not get the right information to make business decisions.⁽⁵⁾

In short, while huge amounts have been spent there is relatively little to show for the outlay and arguably much of the data produced is inaccurate, which actually makes decision making more, rather than less, risky.

Fig. 1

Half of survey respondents would change their business model when rethinking their company's long term strategy



Source: 'Never catch a falling knife' global business survey 2009, KPMG International



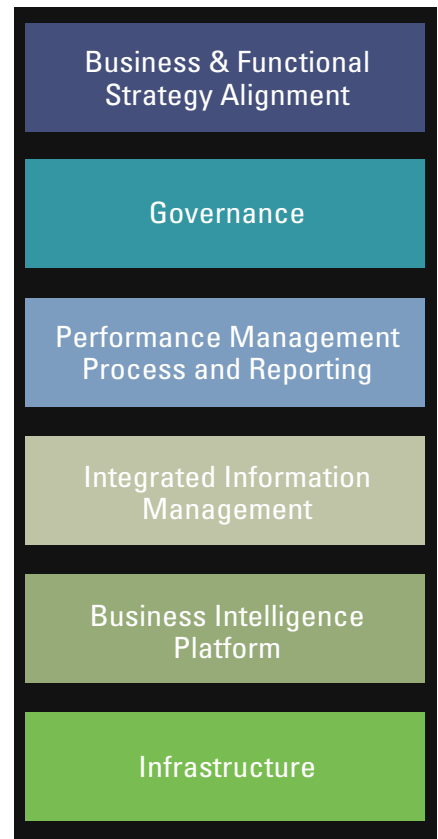
The good news is that those with effective business intelligence outperform the market by more than 5% in terms of return on equity⁽⁶⁾. The research is backed up by our own practical experience: success comes when businesses view information as their most valuable asset and create an information architecture that removes any barriers to its free and effective flow.

Those willing to embrace business intelligence are better able to deliver the right information, at the right time, to the right people. In the process, they will discover how information can give them real competitive advantage at both a strategic and a tactical level – while costing less to provide.

Building Business Intelligence into your organisation

There are a number of reasons why business intelligence projects fail. The most common is ownership of business intelligence being limited to specialists within an organisation instead of being embedded in processes. Individual departments produce reports from poor quality information (which includes duplication) leading to a lack of trust in the data. Also, business intelligence is not often linked to the performance management strategy, so KPIs are poorly defined and become irrelevant over time.

To break this cycle of failure, throwing out performance management processes and IT systems is not necessary. However, a more holistic view is required:



- **Change the focus** from technical implementation, concentrating instead on the needs of the users and owners of information;



Up to half of executive managers place no confidence in the numbers presented to them^{(7), (8)}

Business and functional strategy alignment

In many organisations there is no explicit linkage between the strategy and the information used to manage the business. Consequently many reports bear little or no relation to strategic objectives. It is vital for management to focus on providing information that supports all business decision-making.

Governance

For organisations to become trusted users of a single set of data requires:

- Clear ownership of data and information;
- Clear ownership and management of the processes and systems that generate information; and
- Clear understanding of who uses the information and for what purpose.

- **Change the process** of gathering, measuring and reporting information by creating an information architecture that delivers the right metrics; and
- **Change the funding**, prioritising data quality over technology.

The KPMG Business Intelligence framework is designed to help you get the right balance of expenditure between technical and organisational infrastructure, as you seek to improve the return on your investment in information. There are six “components” to the framework, which, although interdependent, can also be applied individually.

Business and functional strategy alignment



Information is only useful if it helps you make better decisions. By aligning information requirements with strategic needs you create a foundation for better performance measurement, competitive intelligence and effective decision making.

“The information age” has rarely delivered on its promises. One of the biggest business myths is that more data will automatically improve performance. Consequently organisations are spending millions on updating information systems that are fundamentally flawed. Executives are literally drowning in a sea of data when what they really need is greater insight.

The vast majority of reports end up in a black hole and make no contribution to important strategic or tactical decisions. Subjective assumptions are often made about the links between different measurements, leading to false conclusions. Duplication is rife, adding to the information overload and pushing up costs.

Those responsible for managing information flow should first gain a clear understanding of where the business creates real value. While financial information is generally reported effectively, it's often harder to highlight issues such as customer churn, the overall health of a project, and other intangibles. It is the management of these intangibles that frequently creates the most value.

By understanding the decision making process that drives these benefits, businesses can orient the entire information flow to support these key activities. And by cutting down the volume of reports, the organisation can significantly reduce the cost of IT implementation and other costs.

Business intelligence can improve the strategic competitiveness of organisations if they focus on how strategies and operations are connected⁽⁹⁾

95%

of a company's employees are unaware of, or do not understand, its strategy⁽¹⁰⁾



Case study: Aligning business and KPIs

Is it possible to be more effective and efficient at the same time? A global automotive supplier has learnt that a sharp focus on what matters can provide more incisive information at a significantly lower cost.

Rather than the classic systems approach of collecting masses of conflicting business requirements and then trying to reconcile this into a coherent set of requirements, this global supplier chose to start with the core information required to enable the business model. This involved a detailed analysis of the existing business model and the strategy. By re-defining the measures that reflect real value, we helped the company set new key performance indicators (KPIs), covering performance from a financial, operational and risk perspective. Reports were standardised and the number and size of documents were reduced, eliminating unnecessary information.

The result was a significant reduction in the number of reports and less duplication of redundant information. The client can now navigate the internal organisation and external market much more effectively, forecast quickly and produce information at a lower cost. The client is now aware that, to steer the business and to support its strategy, it needs more than just KPIs: it must harmonise its planning, forecasting and reporting, so that all link into the same information.



Case study: Reducing complexity

What do you do if your company has grown through multiple acquisitions – and investors want you to drive synergy benefits – but you can't get global or regional insight into key operational components? You need to focus.

A leading global brewer grew through more than twenty acquisitions; however each acquired company had different ways of defining channels, customers and products. This made internal benchmarking difficult, if not impossible. Having tried to standardise the information several times they realised that a different approach was required.

We helped the client become explicit about the requirements of each key stakeholder to execute the strategic plan. As a result, they were able to reduce the volume of information requirements significantly. This in turn led to the adoption of simplified processes, systems and data model to deliver the information required to make strategic decisions for their global operation.

Governance



Combined development of management and information infrastructures results in a 34% performance improvement⁽¹¹⁾

In order to create truly valuable business intelligence, organisations should clearly define who owns, uses and produces information and how it is presented. Such tight ownership and control should give consistent, accurate reports and allow fair, “like for like” comparisons of performance.

Many companies struggle to produce consistent reporting, with a mass of different data in multiple formats, making meaningful comparisons difficult or impossible. Something as apparently straightforward as a “sale” can have multiple definitions; e.g. has the transaction been completed and the invoice paid? Can the sale be attributed to one party? Is the unit size of a product in one country equal to that in another?

Far too often there are a wide range of individuals or groups responsible for generating and presenting data, and no common principles or standards.

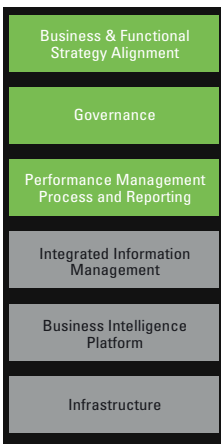
And it’s not just performance evaluation that suffers. Forecasting becomes less reliable as different approaches are used for sales, operations, finance and production. Once again, bringing in costly IT to update the process only perpetuates bad habits.

Effective governance means establishing clear ownership over information. For example, global marketing could own data on the top ten products; regional marketing own the remaining products; while country marketing teams own promotional packaging. Any changes to the way information is defined and used would need approval by these bodies.

Fewer than

10%

of organisations have made progress in simultaneously enhancing their organisation and technological structures⁽¹²⁾



Case study: A single version of the truth

Is it possible to achieve a coherent view of the truth in a cost-effective manner when your business has more than a hundred billion dollars of revenue, over 50,000 employees, global operations with hundreds of products and channels? For this global oil company the answer was an emphatic ‘yes’.

After many years of significant systems investments, our client still found they had inconsistent reporting methods – they were no closer to obtaining a ‘single version of the truth’. The proliferation of systems, data warehouses and reports seemed to be getting worse. It was clear that continuing with the same approach would not solve some of the fundamental issues. Different thinking was required.

By starting at the information requirements and governance levels, we helped this organisation segregate their governance model into three layers. The first was to identify who really owned and controlled the information, the second was to look at who used the information and the third was who produced it. By using advanced facilitation methods and tools, this organisation was able to define clear roles and responsibilities for ownership and used a shared service capability to deliver master-data management.

The outcome led to significant improvements in data quality and consistency, lower cost and faster decision making.

Less than

50%

of UK firms believe that their enterprise performance management systems deliver useful insight⁽⁸⁾

Performance management process and reporting



“60 – 80% of firms fail to execute their strategies, and fewer than 5% of employees are aware of, or understand, their firms’ strategies”^{(13),(14)}

Individual and group performance should be closely linked to the strategic priorities of the business. This can only be achieved by measuring and rewarding those activities that contribute to success.

The current financial crisis has led to harsh questions being asked about the way performance is evaluated and rewarded. Such concerns are not limited to the finance sector; most organisations measure a whole host of factors that have little or no influence on strategic goals.

The performance management cycle for most organisations consist, of the strategic planning process, portfolio allocation, capital planning, target setting, budgeting, forecasting and monitoring. Often these processes are not linked to one another which means output is likely to be flawed.

By choosing the right performance indicators, reporting with planning, and adopting greater automation, organisations have the potential to make considerable savings.

Leading companies realise that effective forecasting leads to better performance management – and helps them adapt more quickly to market changes. They focus on issues that create real value and involve front-line decision-makers.

Around

75%

of organisations see MS Excel as the prime way of supporting performance management⁽⁸⁾

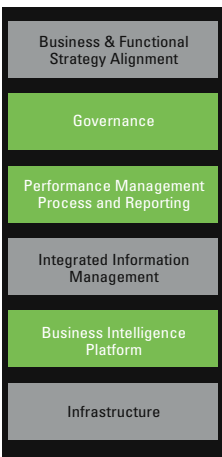


Case study: Improving cash flow through better information management

What do you do when you need to improve cash flow and don't know how?

We established frameworks for cash reporting and forecasting which reduced the financial close period from 25-11 days. By doing so we were able to release up to €20 million in cash.

After three weeks we helped diagnose the issues and began working on redefining the KPIs aligned to the strategic objectives to design a mock up board reporting pack. This created a transparent view of working capital and cash management which gave investors clarity on performance.



Case study: A renewed focus on performance

How do you identify performance issues when you are faced with hundreds of KPIs?

Our client was at a loss to explain sudden and unexpected volatility in key cost lines during the recent economic turbulence. Management had also often failed to notice poor performance of key indicators in time to make necessary decisions and changes.

We identified where poor information, governance and inadequate processes had significantly contributed to poor management decisions that 'cost' the organisation over £50 million.

We prioritised from hundreds of performance measures, to produce a manageable number such as: volume of customers; churn rate; revenue; margin. This helped us to create a simulation model which enabled the client to assess the outcome of changing variables such as price and customer service, and learn how various measures are interrelated.

As a result the business now has an understanding of how a change in price and speed of customer service responses affect their performance.

Integrated information management



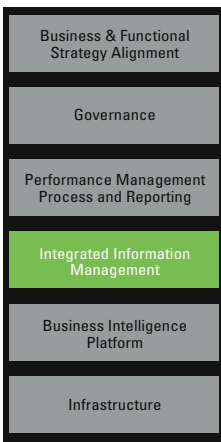
The sheer volume and types of data an organisation generates has grown enormously. Managing this data effectively and being able to rely on its accuracy is now even more critical to businesses.

Just as governance of data enables an organisation to manage its data assets through rules and policies, an integrated information management (IIM) approach fulfils the fundamental need for a common business language, set of definitions and agreed standards.

How the data is organised within an organisation is most effectively performed through the use of corporate data models which range from corporate to individual systems but they should adhere to a common set of standards.

The improvement of data quality is often seen as a quick tactical project. However it should form part of an integrated approach that includes both data governance and IIM, to provide completeness, accuracy, consistency and integrity of data.

Two thirds of executives feel that the quality of and timely access to data is poor and inconsistent⁽⁵⁾



Case study: Providing real insight to the Board

This global mining company found that a simplified data model was the answer to surviving in a turbulent market.

For even the most adept manager, having to manage commodity prices that fluctuate over 200% in one year is more than just a challenge. Fortunately, this global mining house was prepared. Through a timely examination of the drivers of value, they were able to identify which were the key to their business and what had to be reported to the board as the markets changed.

By using the insights gained from our value-driver analysis, the client was able to distil the key elements of the data model required for fast decision-making. A faster data collection process was established and a model was developed in Hyperion.

By using a common data model, with clearly agreed common definitions, the organisation was able to make immediate decisions about stopping, resuming and starting investments. They could clearly forecast the impact of the turbulent market place and had the ability to make critical operational decisions.

“Many companies have no coordinated data model for the business and hence no comparability across products, customers or geographies”

Business Intelligence platform



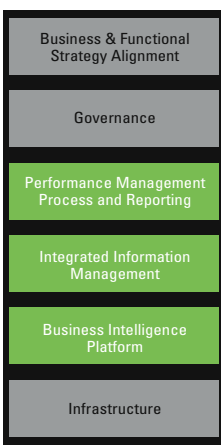
A Business Intelligence platform is not a standalone piece of software but forms part of an integrated information network, often composed of multiple software applications, extracting and cleansing data from numerous legacy systems. The Business Intelligence platform should provide a unified and trusted view of the business, empowering all employees with insight and aligning the organisation's strategy to execution. After all, technology is merely an enabler and is rarely the cause of failed Business Intelligence projects.

It's easy – and dangerous – to assume that a new set of applications will solve all your data issues. All too often you end up with the same information, and no improvement in data quality, but delivered faster and in a more attractive format. Therefore it is key that only when the organisation has agreed exactly what it needs to know, should it consider investing in technology. The selection of the correct software applications requires a controlled process, utilising software selection processes and ensuring effective stakeholder support and buy-in.

This is especially true when considering the appropriate reporting and analytical software. As organisations look to empower employees with better insight and make Business Intelligence a seamless part of the work environment, it is important to roll out a low cost, easy to use reporting application.

When considering the appropriate application to extract, avoid duplication and cleanse legacy data, it makes sense to both profile your data, to better understand its quality, and have an accurate idea about the volumes and frequency in which the data will be extracted.

But Business Intelligence implementations are not just about technology. It is always important to consider the changing role of the staff within an organisation. Be it designing effective processes to better manage and maintain data quality or set up new reporting teams, implementing a change management programme for individuals and teams is paramount to help ensure the successful implementation of a new Business Intelligence platform.



Case study: Transforming management of information

If you are using multiple information systems, how do you accurately measure financial performance across different areas of your organisation?

We helped a global automotive components subcontractor, to build a fully integrated management information system.

By examining all the various information needs across the business we consolidated a number of different systems. We helped in the design and testing of a new management information process, which incorporated planning, reporting and performance indicators on one data platform. This allowed for far greater automation by reducing the need for time consuming manual planning and consolidation process.

This meant that the client also has a common global finance platform delivering essential financial data to help them track performance both at a group and sub-group level in their global operations. Furthermore, the implementation of the new system resulted in a 20% reduction in costs.

70%

of Balanced Scorecard initiatives do not deliver value because many organisations do no more than repackage their existing measures⁽¹⁵⁾

Infrastructure



An effective technical infrastructure provides the framework to ensure accurate information is delivered at the right time. It should be flexible enough to adapt to changing needs and should be secure.

Most technical architectures are unnecessarily complex. This is primarily because technology is brought in – at great expense – to compensate for a lack of direction in the overall information strategy. However there are four key characteristics that all business intelligence architecture should possess to drive value from the IT investment:

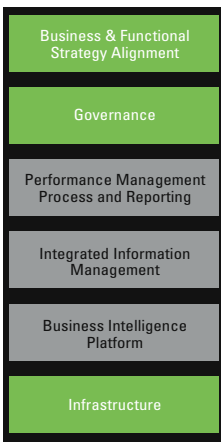
Scalability – the Business Intelligence application architecture should be flexible and balanced enough to meet current business requirements and the longer term business requirements in a cost effective manner. In many situations, what is cost effective in the short term will not be in the long term and vice versa.

Availability – the system availability requirements will impact the application architecture. For example, assuming current systems are not required to run 24 hours a day, if the business expands internationally the availability requirements may change to either increase production or provide services to customers in different time zones. Similarly consideration needs to be taken for the time the system may be unavailable e.g. due to overnight system backups.

Security – effective security ensures data access is monitored and controlled appropriately, addressing regulatory requirements around data privacy and retention where appropriate. The objective is to provide a tailored security solution which balances the requirement to share and publish information as widely as possible with the need to protect commercially sensitive information assets and ensure regulatory compliance.

Maintainability – the maintainability and more importantly, the cost of maintaining the environment defined by the application architecture, should also be considered. It should be easy to deploy and monitor, troubleshoot and fit with the existing backup and archiving processes.

“Most companies’ ability to deliver rapid and consolidated information for use in strategic performance measurement is limited by their IT systems”



Case study: Restoring direction to business reporting

A recent survey⁽¹⁶⁾ of 700 automotive distributors found that there are a number of operational practices that correlate positively to high performance. We helped an automotive distributor drive value from its business intelligence investments to gain a better performance.

In a major initiative, we established a complete new structure for controlling the financial reporting systems of this large US Automotive Distributor. The client lacked consensus on how to improve its reporting, and was suffering from an excess of manual work, a high level of errors and a variety of different approaches across the business. Recent technology investments had been perceived as misspent and conflicting.

Our review involved interviewing key executives and developing a business case for a new approach that could generate over US\$6 million in productivity savings and over US\$2 million in cost savings. We designed a new governance structure that clarified ownership of data processing and reporting, and brought improvements to the technology architecture, including a standardised approach across the business.

“There is a multitude of fragmented and geographically dispersed legacy computer systems, made worse by generations of mergers and acquisitions”

“Organisations have to simultaneously improve the management and information infrastructures if they are to unlock the value of Business Intelligence”



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KPMG in the UK

Herman Heyns

herman.heyns@kpmg.co.uk

+44 20 7311 4478

Stephen Gallagher

stephen.gallagher@kpmg.co.uk

+44 20 7311 3881

KPMG in Germany

Bernd Trautwein

btrautwein@kpmg.com

+49 89 9282 1825

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