

No *Barriers to Good Decisions*



*Report into the foundations of
decision making*

June 2007

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Acknowledgements

This report was prepared by Information Builders based on the survey that was conducted by independent research firm Vanson Bourne. The research involved 660 management level respondents from organisations in Australia, the UK, and across Europe. The respondents were manager level or above in organisations ranging from not-for-profit to over 5 billion euro in revenues. It also involved respondents from a number of different industries including business and professional services, chemicals, pharmaceuticals, financial services, healthcare, manufacturing, retail, distribution and logistics, technology, telecoms and utilities. In addition, the survey looked at line of business/departments covering respondents in finance, sales/business development, marketing, production/design/R&D, logistics/supply chain, HR, facilities, management and strategy, customer/field service and IT.

Our sincere thanks go to the survey participants for sharing their insights in this topic.

More information on the specific details of the report can be requested from Information Builders.

Foreword

Everyday people at all levels and departments within an organisation are making decisions. How good are those decisions and how have they come about? What has enabled that individual, group or board to reach that decision and has that decision been based on factual information.

The ability to make good decisions is paramount to the success of any organisation as is the speed in which a good decision can be made. In today's fast moving, global economy, organisations and their employees must make good decisions quickly in order to be successful.

However, we have found in discussions with customers and prospects that employees are struggling to make good decisions due to a lack of information. We were interested by this because if employees are hindered in making decisions because of the quality, access, and use of information then organisations are probably not performing as well as they could be.

Our focus is entirely on enabling organisations to access all their information and deliver it in an easy use format to all employees and third parties such as customers, partners, and suppliers. By doing this, we can assist enterprises around the world overcome the barriers to good decision making.

Gerry Cohen
CEO, Information Builders
June 2007

Introduction to decision making today

Employees at all levels within an organisation are becoming increasingly exposed to all kinds of data. This varies from simple lists showing detailed data about their work to highly advanced search engines that help them find the best deal when looking to purchase a commodity. The exposure to increasing volumes of information – Research from IDC has warned that businesses will face a data explosion over the next three years as the number of digital images, email inboxes and broadband connections doubles by 2010.

However, providing vast amounts of data to an individual does not necessarily mean they are receiving accurate or useful information. Indeed, it must have context in order to be meaningful. This makes the situation even more complex. The circumstances that an individual is in and the decisions that person has to take determines the type and timeliness of information. As this process can be unstructured it becomes difficult to present data in such a way that it becomes meaningful information for users.

Organisations have taken different approaches in delivering information to their work-force. They have deployed ERP, CRM and SCM systems for finance, sales, marketing and logistics respectively. While many of these systems provide information relevant to those specific departments and individuals, senior executives who are creating business strategy require a more holistic and integrated view of the business which resulted in the initial demand for business intelligence software. However, as business has become more complex and fast moving, it has become imperative for employees to have an enterprise-wide view and access of data from multiple sources in order to make accurate, fact-based decisions. This requirement is now fuelling the second wave of business intelligence – operational business intelligence whereby organisations are extending the solution across the enterprise to enable staff to make better, faster and more informed decisions based on all the available data.

This research-based report was conducted to gain insight in how the change in the business world has affected managers at all levels within organisations and the impact it has had on the information available to make decisions.

What are the barriers to making good decisions?

- Is information delivered in a format that is easy to use and make decisions from?
- How important is information in the decision making process?
- And fundamentally, what is the cost of poor information access on businesses?

The results of the study are very interesting and provide insightful answers to the questions above. We have identified some of the biggest barriers to good decision making, but more importantly, provided solutions to overcoming them. Managing the information growth is one challenge, but using business intelligence to make sense of it will be highly beneficial to organisations.

Survey results

Poor decision making systems are costing business millions of Dollars

The study found that a lack of decision making systems within organisations across Australia and Europe is costing millions of dollars a year in lost productivity and hindering competitiveness. A typical Australian employee wastes an average of 67 minutes every day looking for company information, equivalent to 15.9% of the working time per day or \$7,950 of a \$50,000 annual salary (based on a 35 hour week). In other words, for an organisation with a 1,000 staff at this pay level, nearly \$8 million a year is spent on them looking for company information out of existing systems.

The amount of time being wasted by employees every day just looking for information means that organisations are spending a huge proportion of salaries on staff simply searching for data. Improving information access and availability would reduce this time significantly and enable every employee to spend more time on their job – improving efficiency, effectiveness and productivity levels.

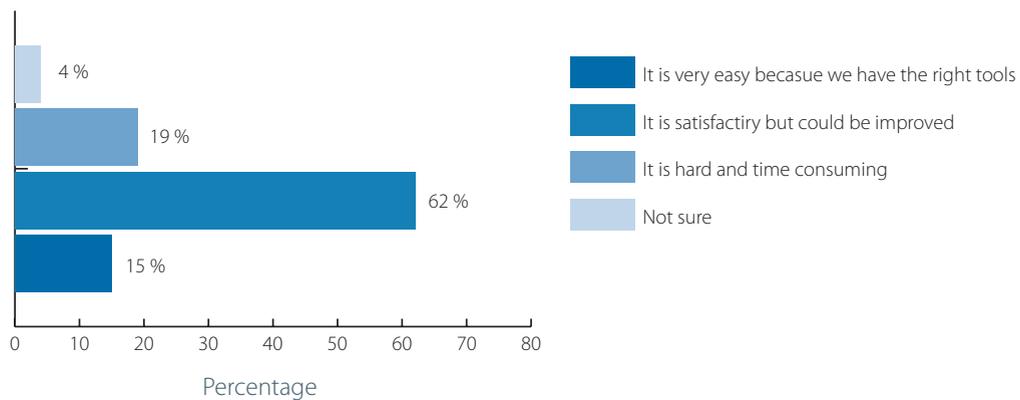
COTY Dave Berry, Global CIO and SVP, Coty Inc.

“The first step in enabling our business to make faster and better decisions was to integrate the disparate systems we had from our recent acquisitions. We are now taking the next step by deploying an enterprise-wide reporting solution that will deliver this consolidated information into the hands of all our staff. The combination of integration and business intelligence technologies from Information Builders means we can deliver real-time information for improved decisions making.”

Managers frustrated by poor access to accurate data

Across Australia, almost 50% of employees find the greatest obstacle to how they make decisions at work is the lack of accurate, consistent and complete information. If you combine this with the fact that 32% claimed they did not have the right tools in place to help find information to make decisions then it is little wonder that managers across Australia are growing frustrated by enterprise information management systems and processes.

How easy is it to find information in your organisation to make a decision?



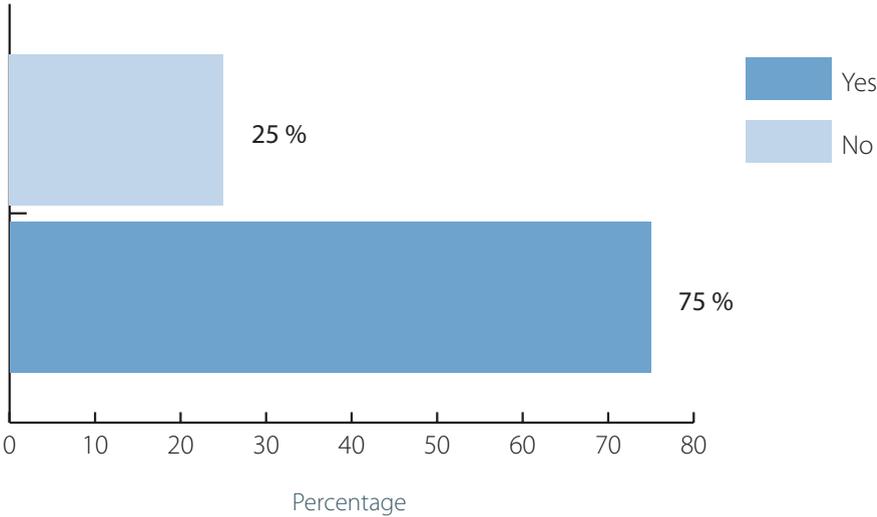
Given the huge investments that have been made in streamlining the operational processes by implementing ERP systems, the decision making processes have not had the attention required. Consequently, this highlights the growing value in joining ERP and other data sources together via an operational business intelligence solution.

Moreover, over three quarters (78%) believe that if information was delivered in an instantaneous and easy to use format it would enable them to work more efficiently. Given the amount of time spent, this finding highlights the need for organisations to look at this barrier to better decision making and productivity levels quickly. In addition, by overcoming this challenge, organisations will reduce the frustration felt by many employees across the continent regarding data access resulting in improvements of staff morale, motivation and productivity

Slow decision making impacting organisations

Speed of decision making is also a critical element in the success of organisations according to the survey. 77% of the managers across Australia and Europe believe that companies that make decisions quickly are always more successful. However, the majority (86%) believe that their organisations could make faster decisions today and the solution according to 72% of respondents is accessibility to accurate data.

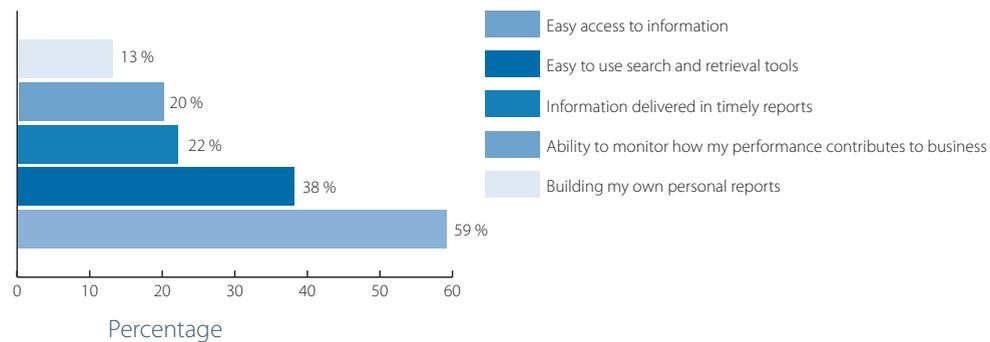
Do you believe that it would be possible to make decisions faster in your organisation than is typical today?



Reliance on experience due to lack of good information

The study found that Australian and European business managers believe that the foundation of a good decision is good, timely data. This is not surprising, however what the research revealed was that because organisations are failing to deliver accurate, consistent and timely information, staff are relying too much on their personal experience to make decisions. While experience is critical in making decisions, it needs to be in combination with accurate data and context to support the decision.

What would help you do your job better and be more productive?



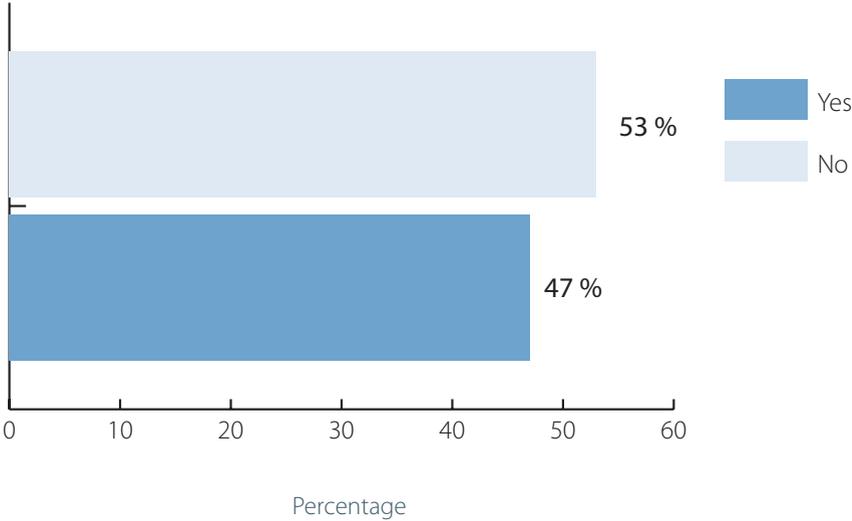
Indeed, 75% said experience was the most important factor in making a decision, while only 13% claiming business data and market information. Yet, if this is considered with the earlier findings about the need for information to make decisions, it is clear that staff have little trust in company data. Highlighting this is the fact that easy access to information (59%), easy to use search and retrieval tools such as enterprise search (38%) and information delivered in timely reports (22%) were all cited as tools to help staff increase efficiency and productivity in their day to day roles.

The fact that easy access, easy search and retrieval, and information delivered in timely reports all score quite high is a sign that there is a gap between availability of data and the information that can be derived from it. In the business intelligence world there has always been and still is a heavy accent on the data side. The process side has always failed to be enlightened. With the delegation of decision making to more levels within the organisation, the relationship between operational process and decision making data is becoming more integrated. Data has to be viewed more in the context of the decisions that are needed to manage the operational processes, in that way helping the manager to transform data into information and consequently into profit.

Slow decision making everywhere

The research revealed consistent trends across Australia and throughout Europe, indeed findings also revealed consistency across industry as well as business department levels. This means that whether it is in Australia the UK or France, financial services or retail, human resources or sales the barriers to good decision making seem to be consistent.

Industry perspective - Do you believe it would be possible to make decisions faster in your organisation than is typical today?



The challenge facing organisations is therefore finding ways to extract information from disparate systems across the enterprise and present it in a single and simple to use system, which enables all departments within the organisation to make decisions based on accurate, consistent and timely information.

The research shows that there is still a barrier to pulling data from several systems despite the investments in ERP, CRM and SCM technologies that were meant to provide the information. If all departments still struggle with getting consistent, accurate and timely data, the business driver has not yet been turned into business benefits. Adding business intelligence capabilities to the existing systems and other data sources is therefore still an area with the business where huge benefits can be realised for many enterprises.

tyco

Healthcare

Gavin Sorbie, Information Manager, Tyco Healthcare UK Ltd

“Over the years WebFOCUS has enabled the UK Tyco Healthcare business to provide consistent reporting across our commercial business. The tools available within the WebFOCUS system have enabled us to deliver relevant information to a large number of users very efficiently. We use the automated reporting and bursting facilities very extensively to deliver key routine information via email, tailored for the needs of the individual. More flexible detailed reporting is then made available via on-line “Intranet” based tools. Finally our analysts support the business by conducting more complex analyses from the available data using the flexible WebFOCUS reporting tools.”

Marketing needs come last

While there was a general trend in the findings across the departments, it became apparent that the marketing function who rely on date the most, as they are selling their business offerings externally struggle the most within organisations to get access to data. 47% said that timeliness of the decision was the most important factor in a good decision (compares to the departmental average of 30%), with speed 32% (average was 12%).

As a result, only 5% of marketers claimed that they always make good decisions. This is due to the fact that 58% rely on departmental systems to access data not enterprise wide solutions, and a third cited retrieving data as difficult and time-consuming. In fact, while the average Australian and European employee wastes 67 minutes searching for company information, marketers spend on average 83 minutes every day. Unsurprisingly, 84% of marketers felt they would do a much better job if information such as financials, customer data, sales updates and performance metrics were delivered in an instantaneous and easy to use format.

In the past there has been a lot of attention paid to CRM. Companies wanted to serve their customers better, so they implemented CRM systems in order to maintain a consistent and timely view of the customer. Unfortunately, this was only done on an operational level, so businesses knew exactly what a customer was doing with them. To effectively serve customers better, they should understand customer behaviour and patterns from the past, present and future. For this they would need to analyse the customer base. This is indeed practiced by many organisations, however to link the analytical results back to the operational elements that the business sees from a customer still remains very difficult due to the difference in operational CRM systems compared to analytical CRM systems. The research shows that by combining operational CRM and analytical CRM significant business benefits can be obtained.

Board level decision makers no better off

While all staff need to make accurate and fast decisions to ensure they are able to fulfil their roles and objectives, it would be expected that senior managers would have all the relevant information in which to make strategic decisions about the organisations they run and manage.

However, the study found that many senior managers are no better off than those at a departmental level. Indeed, while more senior management than departmental managers claim to have access to all relevant information they need, two thirds of business managers and strategists do not. This is a very worrying finding that Australian and European business leaders and strategists do not have access to all the relevant information in which to make good decisions. Delivering timely reports would help them improve and speed up the decision making process and 73% claimed this would help them do their job better.

This shows that the barrier for senior management has still not been removed. The use of business intelligence tools is too difficult and therefore too time consuming to really help senior management. Companies invested heavily in business intelligence tools to supply senior management with all data they could possibly need. Strategic and tactical decisions are by nature unstructured, and therefore difficult to automate.

Giving senior management unlimited access to data appears to be the answer. The complexity and data centric nature of business intelligence tools only partly resolved the problem. By making the data easier to understand and adjusting the format it is being presented in to senior management means they will be better supported in the decisions they have to make. Once again, this is an area where business benefits have yet to be fully realised.

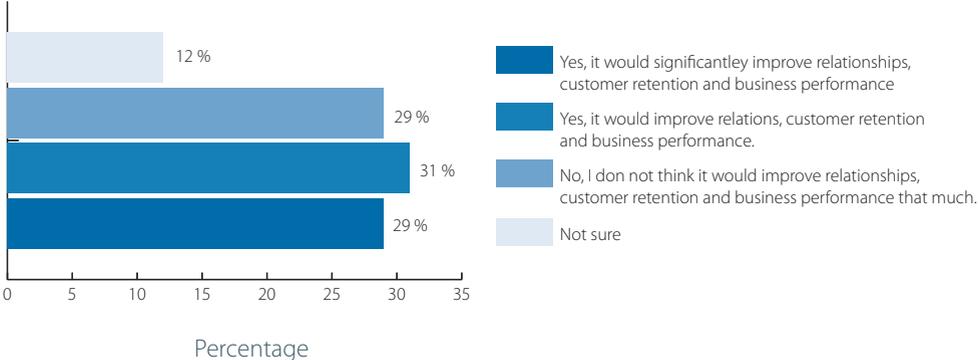
Decision making for compliance undermined by poor data systems

Interestingly, despite the focus and efforts made by organisations to improve regulatory compliance many business managers do not believe that the information provided by existing systems allows the best possible decisions to be made in relation to regulatory compliance. Given the risk of damage to organisational and personal reputations, legal and financial implications, it appears that many do not have the system in place to make good decisions relating to compliance with 35% of Australian and European organisations feeling most exposed to poor compliance decision making.

Extending information outside the business

Increasingly organisations are breaking down the cultural barriers to collaborative working and sharing information and systems with third parties such as customers, partners and suppliers. 60% of respondents believe it would improve customer retention, relationships and business performance if information was extended outside their organisation.

Do you think that if an information system was extended to external parties it would improve relationships, customer retention and business performance for all parties?



Focus delivering information to mobile workers overlooks fundamental issue of poor data issues

While organisations have sought ways to provide mobile workforces with information through remote access to systems and delivering reports to mobile devices, many of these efforts are flawed due to the fact many organisations have focused on getting information to the workers and not on the accuracy and consistency of the data itself. 51% of Australian businesses already deliver information to mobile workers via reports and remote system access, and a further 17% plan to in the future, however unless the data is accurate, consistent and timely it is of little use. This further highlights the earlier findings about the need for better access and quality of information in order to make good decisions.

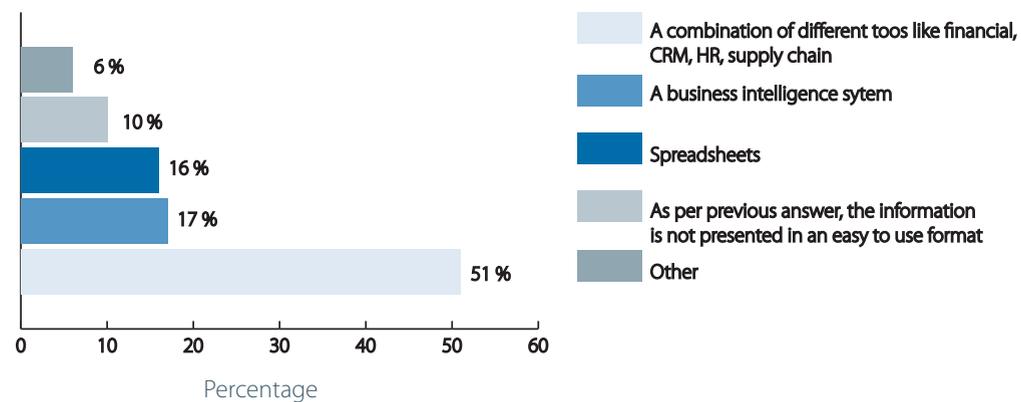
Basically there are no differences, other than technical, for transforming data into information. Therefore the same barriers and problems exist as shown earlier in this report. One extra barrier is a cultural one. Do companies have enough trust in their employees to have them do their jobs with a lot less control mechanisms in place? Business intelligence tools cannot solve a cultural problem, they can however empower users with all possibilities to make informed decisions. When utilised as best practice this could also work as a good motivator for their employees saving time and money.

Fragmented systems holding back business

One clear reason why employees and third parties are struggling to make good decisions is because they have to use multiple systems, as well as departmental applications rather than enterprise-wide tools. Only 48% of respondents said the tools they use to make decisions were enterprise-wide. While still high, it should be higher. The fact organisations are relying on departmental systems highlights the challenges of making good regulatory, customer and business decisions earlier.

Unsurprisingly, many businesses are failing to use business intelligence tools to help provide data to all staff in a simple to use format. Only 17% claimed to use business intelligence, despite its proven ability to provide information to all users quickly, accurately and easily for improved better decisions.

What technology is used to present this information in an easy to use format?



Furthermore, while spreadsheets are an easy to use tool, they are not easy to keep updated and a risk for organisations because crucial information can be changed by individuals. If organisations could reduce the reliance in keeping their critical data on spreadsheets and move it into a business intelligence solution then the current barriers would be overcome. The benefit of this approach would be that organisations would have a single source of the truth, enabling staff to request a report with the most accurate data and it be quickly delivered in any desired format.

It is interesting to see that the use of business intelligence systems is significantly less than the tools provided with CEM, CRP solutions and the like. This shows that most decision information comes from operational systems and highlights that companies have invested much more in making the operational processes more efficient than in business intelligence software. Again huge business benefits can be gained by intelligent integration of the operational and decision making processes.

Conclusion

Companies have invested heavily in making their operational processes more efficient by implementing various systems such as ERP and CRM. This was done to gain short term benefits due to the bad economic climate of the 1990s and early 2000s. While these tools have helped streamline business processes in many organisations and to some degree provided more transparency into the operations of the business, many organisations have failed to deliver meaningful information in a timely manner to all levels of the organisations.

The decision making processes and systems of a decade ago have supported businesses at one level. However, with the globalisation of business and increasing focus on competitiveness the research reveals that these systems are no longer able to meet the requirements of fact based decision making today.

Business leaders have invested millions in IT, but our research found that managers do not believe they have the tools in place to make good, accurate and fast decisions today. Indeed, with many respondents reporting the need to make decisions quickly in order to remain successful, therefore if current systems are unable to provide the accurate, consistent and timely information required then the business leaders of today may become the followers of tomorrow. Those that overcome the barriers will succeed and become the business leaders of tomorrow.

By seeking ways to improve their data, and find new ways to access and deliver information to all levels of the organisation to improve decision making we will see a transformation in their business performance. The research shows that organisations must move quickly to allow staff to access and utilise information, and not rely on experience, to make good decisions. This will also give staff insight into how their contribution influences the business – raising motivation and productivity levels to the benefit of employees and the organisation alike.

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