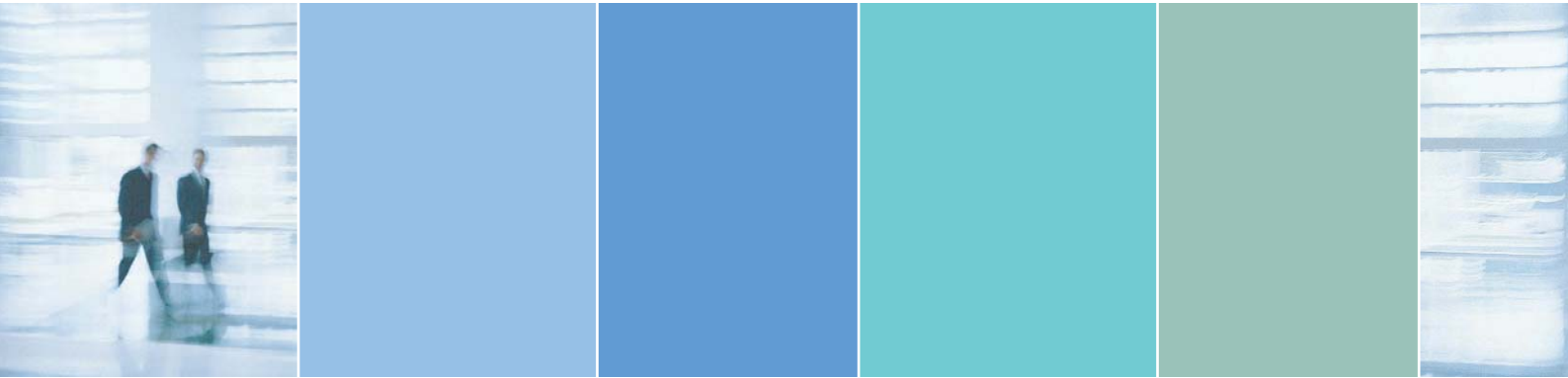


Using Business Intelligence to navigate in stormy times: an SME's Guide



A White Paper by Pegasus Software



■ Understanding the challenge

According to the Office of National Statistics (ONS), the UK is officially in recession for the first time since 1991. Gross domestic product fell by 1.5% in the last three months of 2008 after a 0.6% drop in the previous quarter.

That means that the widely accepted definition of a recession – two consecutive quarters of falling economic growth – has been met. It represents the biggest quarter-on-quarter decline since 1980, and a 1.8% fall on the same quarter a year ago.

Small to Medium Enterprises (SMEs)¹ are particularly vulnerable in such times and while the Government's £350 million investment in skills training for SMEs is a hugely positive step, it is not in itself enough to safeguard against the impact of a slowing economy.

Research² from Pegasus Software highlights that even in a thriving economy, Financial Directors working within SMEs are fighting a growing number of pressures. Performing too many job roles, ensuring compliance and driving innovation in the business are all taking their toll, so in a period of slowdown, how can SME Financial Directors mitigate against these mounting pressures, offset the effects of economic decline and ensure profitability against the odds?

This is the third in a series of white papers which examine the pressures facing SME Financial Directors and explore the opportunities, specific skills and resources they need in order to drive growth, increase profitability and boost their contribution to the economy.

One area in particular which can provide significant competitive advantage during an economic downturn is Business Intelligence. Business Intelligence refers to skills, knowledge, technologies, applications and practices used to help a business acquire a better understanding of its market's behaviour and business context.

This paper will focus on how Business Intelligence can help SMEs to operate more profitably; how it can stem the shortfall a slowing economy is likely to induce; how to select the right solution, and how to avoid common pitfalls.

■ Why is Business Intelligence important?

Maximising performance across a business requires employees to make decisions quickly, efficiently and appropriately. However, according to research house Cindi Howson, in most organisations 75% of employees do not have access to the information they need to perform well.

Business Intelligence continues to be one of the top investment priorities for Chief Information Officers according to research house Quocirca. The Business Intelligence market grew by 12.5% in 2007 according to major analyst house Gartner, and it is expected to continue to grow, albeit at single digit rates, over the next few years.

Information has always been the lifeblood of any business. Yet organisations are experiencing unprecedented levels of growth in data, making information increasingly difficult to manage. Not only is the volume of data growing exponentially, but traditional forms of data contained in ERP and finance systems are being combined with formats such as text, images, voice and video to create a more and more diverse mix. Growing regulatory requirements add to this challenge, as much of this information now has to be stored for a certain period of time in order to ensure compliance.

¹ An SME is an enterprise which employs fewer than 250 people, has an annual turnover of less than €50m and has no more than 25% of its capital or voting rights owned by a larger form or public body (European Commission).

² Research was commissioned by Pegasus Software and polled 450 SMEs in May 2008.

In parallel with these pressures, the pace of business means that decision cycles are becoming shorter. Decisions often have to be made on the spot and there simply isn't time to trawl through paper-based reports, wait for a number of different databases to load and search through disparate systems to provide the necessary insight for a decision. These quicker decision cycles demand immediate insight into business performance and variables, and not just for tier one management but for all operational employees.

As markets become tougher, gaining a competitive edge is critical and organisations cannot afford to let this web of data lie dormant. Competitive advantage is derived through effective analysis, speed and accessibility to the right information, which enables companies to become increasingly agile and more responsive to market dynamics.

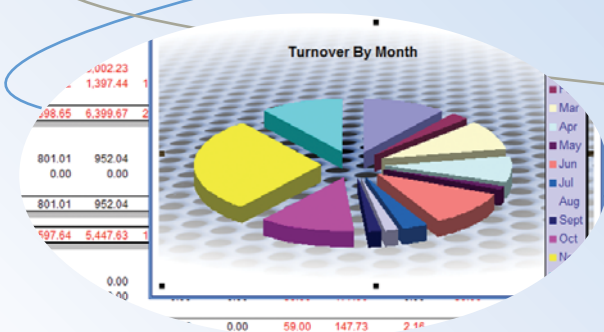
Greater data manipulation and graphical and in-depth data analysis helps to run the business from an operational standpoint as well as shape business strategy.

■ What are the challenges to implementing Business Intelligence?

According to Gartner, up until 2012, 35% of the top 5000 global companies will regularly fail to make insightful decisions about significant changes in their business and markets. Yet Gartner also predicts that 2009 will see more sophisticated Business Intelligence in the form of collaborative decision making, an approach which combines social networking software with traditional Business Intelligence platform capabilities.

While most organisations possess a wealth of information which holds the potential to add huge value, for the majority of organisations this information resides in silos, individual databases or disparate systems. And even for those organisations which have dipped their toes into Business Intelligence waters, often solutions are deployed on a tactical, departmental basis. Departmental Business Intelligence tools alone achieve only part of the challenge, because information can be studied only in isolation and/or retrospect.

Important questions remain unanswered, such as: how is the market environment changing? Is there an easy way managers can track business and market developments? What effect will new legislation have on business strategy?



Companies are used to receiving reports that tell them *what* happened, but fail to reveal the *why*. The omission of this context is critical. Managers need to know what activities took place to produce certain results. From that, the activities required to facilitate medium and long term strategies can be planned and executed. Being successful in the past is no guarantee of success in the future, but knowing why you were successful is a good place to start.

In today's climate, companies demand real-time quality information, which is efficient, easy to use, and cost-effective. Where Business Intelligence investments fail to deliver ROI or satisfy expectations around improved decision making and performance, this is largely because expectations are set wrongly, processes not changed or the tools are too complex.

■ How can Business Intelligence benefit SMEs?

Research from the Chartered Institute of Personnel and Development (CIPD) highlights that management deficiencies account for 10-15% of the productivity gap within UK SMEs, indicating that there is a real demand for processes and tools which facilitate better management.

For SMEs, one of the problems is that Business Intelligence has always been considered to be the preserve of large organisations. This, however, is changing. Gartner expects to see more mid-market companies increasing their adoption of Business Intelligence, as vendors offer more targeted products which are tailored for organisations with fewer IT resources and smaller budgets.

Gartner predicts that business units, as opposed to IT departments, will control 40% of an organisation's Business Intelligence budget by 2012.

But traditional approaches which centre around complex tools designed to be used by only a few superusers are now being ousted in favour of more flexible, affordable and accessible tools which can be easily used by a much larger audience. This shift has opened the door to Business Intelligence being more accessible for the SME market.

In encouraging employees to use the information available to them it is fundamental for systems to be easy to use. Dashboards are effective in providing a graphical representation of key business information in real time, enabling business executives to access the right information in the right format at the right time to make better informed decisions. Accessed through an internet browser, to allow remote access, the dashboard can drill down into as much detail as is required, such as a chart depicting company expenditure, or down to an individual document image, such as a specific invoice.



■ Conclusion

Spending hours sifting through paperwork to source the relevant information is simply unfeasible in today's SME, particularly when there are tools available which can source the relevant piece of information, in the appropriate format, at the click of a mouse.

Running a business without easy access to the information which forms its lifeblood is simply not an option as markets get tougher. Business Intelligence which facilitates faster, more accurate, better business decisions and growth is imperative in weathering the economic storms which lie ahead.

By implementing a Business Intelligence system, organisations can ensure better decision-making and the ability to react quickly to change, increasing the likelihood of achieving strategic goals. Any company looking to expand its business must balance short, medium and long term plans continuously against the goals actually achieved, in order not to waste investment capital, and to secure future performance expectations.

HOW TO SELECT THE RIGHT SOLUTION

The right Business Intelligence solution, used in the right way, can result in a myriad of benefits but it is important to get it right. The following questions should form the basis of a checklist when reviewing providers of Business Intelligence solutions.

- Do you provide an end-to-end solution?
- Is your Business Intelligence solution easy to use by all managers, not just a few 'superusers'?
- What is your after-sales support like?
- What return on investment can I expect to achieve?
- Are you UK-based?
- Do you have an established customer base?
- Do you have customer reference sites we can visit?
- What is the product roadmap for your Business Intelligence solution?
- How long will it take to implement the solution?
- Is it designed specifically for the needs of SMEs?



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