Know More Quickly, Act More Directly

Operational analysis is the key to acting on business events

White Paper

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Ventana Research
1900 South Norfolk Street, Suite 280
San Mateo, CA 94403
info@ventanaresearch.com
(650) 931-0880

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Becoming a Dynamic Business

Time is not on your side. Most companies face new competitive challenges almost daily, but the time in which to respond continues to shorten. With little notice, new global competitors may emerge at any time and undercut pricing or offer additional services. In this fast-paced market environment, senior executives need to remain vigilant to make sure that their departments are performing at peak levels. It's an environment in which being able to move beyond static snapshots of the business can make the difference between success and failure.

Many companies hoping to improve financial performance by fine-tuning operational methods discover that they can't provide the kind of information they need in a timely manner to those who need it most. To maintain and improve competitiveness, business executives must acquire information about trends in their business as early as possible so they can respond to changes.

Often, however, they run up against limitations in the existing processes and technologies that aggregate and deliver data. Unfortunately, in too many organizations the information technology infrastructure is not sufficiently aligned with the business, and the ways they select, configure and integrate enterprise application software such as enterprise resource planning (ERP) and customer relationship management (CRM), business intelligence (BI), integration technologies and application server technology do not enable the business to act quickly and effectively.

A dynamic business is one that has taken steps to upgrade its operational performance by improving its ability to respond quickly to actionable information. Improving responsiveness requires the ability to perform intelligent, automated analyses and correlations of business data to determine if they have important impacts on the business. It is vital to understand how operational improvement can be applied in specific business situations and to recognize the challenges involved in doing so.

Now, new analytic methodologies and technologies make it possible for any organization to acquire more timely operational intelligence, such as notifications about changes in front-line sales and customer-facing areas. It also is possible to receive that information in actionable form, eliminating the labor-intensive and time-consuming analytical processes that typically have been required to translate data into marching orders for the field. Using available technology, such analyses and business notifications can be automated, allowing both on-demand access and rapid e-mail dissemination to everyone who could benefit from them. As a result, decision-makers today can "know what they don't know" more quickly than ever before.

Current Challenges and Obstacles

There was a time when many companies suffered shortages of information, but increasingly the opposite is true. In the typical organization, data comes in from many different sources, feeding into many different levels of reports and requiring ever-increasing amounts of time and effort for individuals to analyze the results in search of trends that might require action. Volumes of raw report data double or triple each year, slowing down analysis with each uptick. Thus, the information needed to make a decision or take an action is probably on hand, but it is not readily accessible to those who need it the most.

Delayed response often is as bad as inaction. By the time some operational problems surface, it can be too late to do anything about them. In pharmaceuticals, for example, a serious drop-off may occur in the rate of prescriptions written for a particular drug by a seemingly random selection of doctors around the country. Relying on siloed legacy information systems that do not communicate with others and with data coming from thousands of insurance payers, health plans, sales representatives and others, it could take months before such activity was noticed in national roll-up reports.

During that time, the root causes of the sales drop-off would go uncorrected; sales representatives might continue to spend valuable promotional resources on free samples, or an underperforming sales representative would continue without corrective feedback. By the time such changes were noticed, the sales drop-off could have become so large that significant revenue was being lost. Changes in strategy at that point could be much costlier than if the key issues had come to light when they began appearing.

Similarly, suppose that a chain of supermarkets is running a long-term product promotion in which the manufacturer will reimburse some promotional funds if the stores meet sales targets. Yet perhaps as a result of managerial changes, some stores are not being assertive enough in their product displays, or even leave pallets of the product sitting idle in storerooms during the early days of the campaign, resulting in dramatic declines in sales at those locations. With current reporting methods in many organizations, such below-target sales numbers might not surface until much later, and the matching funds would be lost.

Surely it would be better to learn about the drop-offs as soon as a pattern emerges, so that the issues could be analyzed immediately and corrective action taken. Of course, if you're specifically looking for these types of performance change, they're not that hard to find, but if they aren't anticipated, busy managers may not even notice them.

Technology and analytic methodologies are available today that can scan automatically for such changes and trigger early warnings. The warnings do not have to be limited to reporting declines, either, but can also bring good news; for example, data could reveal unanticipated improvements in market penetration in certain areas. By getting that news quickly, corporate decision-makers could add more resources to build on that success and broaden it to other areas.

Organizational Opportunities and Benefits

Implementing a new operational improvement method yields immediate benefits and offers far-ranging opportunities. Increasing the timeliness of information on changing business trends can have an almost immediate effect on financial performance. Turnaround time for traditional reporting methods that require extensive analysis by staff may not necessarily be improved without additional staff hours, but automated analysis that delivers immediately actionable information will allow staff to focus their time on proactive solutions rather than working to draw conclusions from complex reports.

For example, in the pharmaceutical example above, sales managers would send by e-mail to their reps lists of physicians who are involved in a changing performance trend so they know specifically whom to call and what to say to improve sales. Or they could send the list of stores that are underperforming to the regional sales manager for immediate follow-up.

The process of implementing new business intelligence methods can also help guide management to focus (or refocus) resources appropriately at multiple levels of the organizational goals. In fact, deploying operational analytics can help ensure a more vigorous and responsive organization. If executives reinforce the value and importance of using current operational analytic information, staff quickly will become used to acting on detailed information on a daily basis. Involving staff at all levels is essential, though; by so doing, the entire company can become more nimble and responsive, promoting more of a team feeling between management and front-line staff.

Once a solution is implemented, examples of success showing how rapid identification of performance trends led to quick responses and dramatic revenue improvements should be disseminated widely. This will help staff become more aware of the ongoing need for vigilance and action.

The Time for Change Is Now

Ventana Research recommends a multistep process for implementing operational performance improvement. The first step in the process is to understand the goals and requirements of the organization. This examination will involve determining the users, information and capabilities needed for business processes. The goal of this step is to develop a detailed understanding of the actions that the organization can take based on data.

As in the examples provided, data could indicate declining prescribing behavior among doctors, patterns of below-target retail sales, customer churn for insurance or financial services products or other industry-specific cases. Of particular interest will be actionable events to which company personnel can respond, such as a list of trends in pharmaceutical sales, from which a sales rep can determine which prescribing physicians are contributing to a change and then contact them.

The next step is to explore and evaluate process changes and new technologies that can quickly and effectively translate available raw data into timely alerts. Some vendors have developed algorithms that find subtle changes and correlations in data, which then can be delivered to front-line staff via e-mail, highlighting key data on which to take action. Such timely information delivery is essential so that managers can take corrective action while it still can have an effect.

Another advantage to newer technologies in operational performance improvement is the ability to adjust automatically to changes in data as time passes. Traditional data mining methods can require users to have a statistical background in order to understand the reporting, and changes in data mining rules can be complicated to implement. Newer technologies are able to “learn” as data changes and can adjust automatically rather than requiring rules to be reset. As well, these new technologies are able to alert users immediately to focal points in data, such as specific increases and decreases in sales, rather than merely reacting when certain data thresholds are crossed, and without the need for separate rules for positive and negative changes.

Next, senior managers and informed stakeholders should evaluate and select a technology solution and then embark on a period of testing and analysis to make sure that they are collecting the right kinds of triggers. Operational managers will validate the insights and train all levels of staff on how to use the information and apply to their operational tasks and processes. Everyone who is in a position to take action must be identified in advance, so that all relevant alerts get to where they are needed.

With the right technology and training in place, measurable operational performance improvement can begin almost immediately. For example, a multibillion dollar consumer packaged goods company implemented such methods and promptly identified an unanticipated change in business performance that saved $4 million. Ventana Research believes that other organizations can improve performance in similar ways by delivering actionable information to front-line staff, in the process becoming more dynamic businesses.

About Ventana Research

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