

Top 10 trends in business intelligence for 2007



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At the start of every year, Knightsbridge looks at the top 10 trends that will shape organizations' business intelligence (BI) priorities over the next 12 months. We developed this list of trends based on the most pressing BI issues currently facing the Global 2000 companies we work and interact with every day. This paper offers you a glimpse into the BI challenges and priorities of other organizations and can help you bring your own BI plans into focus for 2007.

A number of the trends in this year's installment are new, including BI governance, C-level involvement in BI, and data visualization. Some trends continue from 2006, albeit with a slightly different perspective. Companies continue to investigate the benefits of service-oriented architecture for BI, and now some early adopters have learned lessons about what it takes to be successful. Master data management is another area of continued interest and investment, although technology and organizational challenges are causing some organizations to reevaluate their approaches. Overall, organizations will continue to advance their level of BI maturity in 2007 while adapting to shifting vendor and technology market forces.

## Trend #1. BI governance: ensuring the effectiveness of programs and investments

Data governance was a hot topic last year and continues to be an area of investment for many enterprises. This year, however, more organizations are expanding their governance efforts to encompass their BI investments and programs as a whole. A successful BI governance function ties business and information technology together to help enterprises manage and integrate ongoing investments in BI, allocate BI resources, prioritize projects, and minimize the risk associated with BI implementations. The move towards BI governance reflects organizations' desire to manage their investment in and use of BI. Governance helps enterprises answer some of their most pressing BI questions: How do we make sure the dollars we're spending on BI are being used effectively? How do we decide between centralized and federated BI? How do we develop and deliver shared BI services? How do we reconcile conflicting answers we get from different BI applications?

BI governance is a new frontier for many enterprises. BI efforts have often been siloed as business units and functional areas have made investments to meet their own information needs with no coordination at an enterprise level. Taking a strategic approach to managing BI across business domains is a new undertaking—one that can get bogged down in overly academic discussions or political struggles about how the governance function should be structured. Despite the challenges of establishing BI governance, there are models for success that companies can follow to create the best governance function for their organizations. Whatever governance model an organization chooses, it must include strong executive sponsorship, organizational accountability, and representation of both business and IT stakeholders.

## Trend #2. BI strategy: stepping back to plan the way forward

Knightsbridge is seeing a tremendous demand among clients for BI strategy development. These strategy efforts range from developing a high-level business case and vision for an enterprise BI environment to creating a roadmap that defines specific BI projects over a multi-year timeframe—and on to assessing the BI challenges and pain points that are preventing companies from achieving the full potential of their BI programs. Some organizations are just getting started with BI and want to plan the way forward, while others are looking at their existing BI environment and determining how to make it better. Whatever stage a company is at with BI, a common theme in 2007 will be the desire to take a step back and put together a strategy for proactively moving forward.

A common concern for enterprises as they undertake a BI strategy initiative is ensuring that tactical information needs are being met while the organization is moving towards a more strategic approach to BI. A good strategy incorporates an iterative approach, defining seemingly discrete projects that can be easily prioritized and socialized with the appropriate constituents. This approach helps long-term BI initiatives to sustain momentum by getting stakeholder buy-in and meeting tactical needs, while keeping the enterprise's long-term BI strategy in mind. In addition, this approach permits organizational change to spread throughout the enterprise in a controlled manner that fosters the development of knowledge and skills related to the BI solution.

### Trend #3. C-level involvement: senior executives recognize the importance of BI

A 2006 Knightsbridge survey of 359 senior executives found a high degree of C-level involvement in BI initiatives. More than half of the respondents named the CEO as a top decision-maker, while almost 40 percent said the same about the CFO. C-level involvement in BI initiatives is a sign that enterprises recognize the business value of BI and are serious about aligning BI with their most important business objectives. It also reflects the growing belief that data is a corporate asset that must be safeguarded and managed.

CFOs in particular are becoming more involved as sponsors of BI—not only because of the finance function’s traditional role as a major consumer of information, but also because of the CFO’s growing responsibility for managing corporate performance. Increased regulatory scrutiny of financial data has also played a role in driving CFO involvement in BI, with Sarbanes-Oxley and other compliance efforts making financial data more accessible for decision-making and analysis purposes. In the Knightsbridge survey, respondents named finance as the business function most likely to own BI. We increasingly see CFOs at the top of organizational charts for BI and information management centers of excellence. CFOs bring needed business clout to BI initiatives, along with a more rigorous approach to measuring the value of BI investments. They are also the driving force behind Trend #1, BI governance.

### Trend #4. Performance management: striving to be more strategic

CFOs and other executives are driving investments in performance management. However, many organizations struggle to take their performance management implementations beyond just putting scorecards and dashboards in the hands of a few executives or implementing a new budgeting application. Companies face a number of challenges in making performance management more strategic and driving its application throughout the enterprise. These challenges include defining key performance indicators (KPIs) that align with business objectives; extending usage of those KPIs throughout a wide range of levels and functional areas within the organization; and integrating data so that executives can truly understand the impact of operational activities on financial outcomes and on the strategic goals and objectives of the organization. Advances in modeling and data integration technologies will help companies overcome these barriers to more strategic use of performance management, but organizational factors will be just as important to success.

### Trend #5. Service-oriented architecture: information management is critical to success

The buzz surrounding service-oriented architecture (SOA) continues, with some organizations viewing SOA as the solution to a wide range of business and technology problems—from improving enterprise agility to deriving more value from legacy systems. In the BI arena, SOA has great potential for delivering enhanced capabilities to users. An SOA-enabled BI infrastructure could provide seamless access to both batch and real-time data integrated across operational and analytical sources. SOA also presents opportunities for innovation in areas such as real-time data collection and real-time analytic services.

However, companies that approach SOA without a strong information management methodology will have difficulty achieving the benefits they seek. When implementing SOA on a large scale, companies will face the same barriers as those they confront in large BI integration projects. For example, some early adopters of SOA have found that semantic incompatibilities in the data between disparate systems are a significant impediment to SOA adoption. These organizations are discovering that master data management and data governance efforts must precede SOA adoption to provide a “common language” that supports integration. SOA has the potential to deliver benefits in BI and many other areas, but not without a solid foundation in information management.

### Trend #6. Master data management: moving from hype to reality

Enterprises continue to be interested in implementing master data management (MDM), recognizing that it is a key to improving the quality of their information and reaping the full benefits of investments in ERP, CRM, and other enterprise applications. However, last year’s high levels of enthusiasm for MDM have been tempered somewhat by the organizational and technology challenges companies faced in their MDM efforts in 2006. Some enterprises struggled with overcoming the organizational barriers to prioritizing subject areas and reaching common data definitions. Technology limitations proved to be another obstacle for some organizations. The confusion created by the many vendors claiming to offer MDM capabilities—along with the lack of a good, all-purpose MDM solution available on the market—has led some companies to reassess their approach to MDM.

This doesn’t mean that organizations have given up, or should give up, on MDM—far from it. Many are reviewing the lessons learned from early MDM implementation efforts and have come to view MDM as a true competency. These leading-edge organizations are moving from dipping their toes in the MDM water to diving into the deep end. Other companies that are just getting started with MDM are focusing on one “flavor” of master data and are starting with a customer data integration or product information management implementation with an eye towards broader MDM goals for the future. Some are also looking at regional implementations of MDM, which include multiple subject areas but are focused on specific geographies.

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### Trend #7. Global delivery for BI: helping enterprises handle growth and cost pressures

The use of global delivery to support BI development has matured—particularly in industries such as financial services and communications that are already aggressive adopters of global delivery methods. The decision to move BI work offshore is driven not only by cost pressures, but also by the scarcity of BI talent, the need to support enterprise growth, and the need to meet aggressive deadlines. In order to reap the full benefits of global delivery, organizations need to be aware of special considerations that can make BI more difficult to perform offsite than other technology disciplines. For example, BI implementations demand a significant amount of business-process knowledge that offsite resources may lack. This challenge can be met by allowing onsite resources to focus on high-value roles and projects that address business knowledge while allowing offsite resources to focus on development and maintenance activities. Another challenge lies in the potential sensitivity of data involved in BI projects. Organizations must make sure that appropriate security and privacy controls are in place when data is being shared offsite.

### Trend #8. Influence of large vendors: market consolidation expected in 2007

Speculation abounded in 2006 regarding potential acquisitions of pure-play vendors in the BI space. Business Objects, Cognos, and Informatica were seen as potential acquisition targets, with likely acquirers being enterprise software and infrastructure vendors such as IBM, Microsoft®, Oracle®, and SAP. Large vendors have moved aggressively into the BI space, building their capabilities through both acquisitions and internal development (as evidenced by HP's recent acquisition of Knightsbridge and Oracle's recent acquisition of Hyperion).

An acquisition of a major pure-play BI vendor is likely in 2007, and once one acquisition occurs, other large vendors are likely to hasten their own efforts to buy BI pure-plays. Apart from acquisitions, large vendors will continue to improve their BI capabilities and market penetration. For example, Microsoft plans to release its new PerformancePoint Server in 2007, building on the dominance of Excel as a BI and performance management tool.

### Trend #9. Data visualization: the next wave of innovation in information delivery

While adoption of advanced data visualization technologies has remained limited, vendors in the space have the potential to make BI accessible to more users than ever by enabling them to quickly glean useful information from large volumes of data. Some industries are already using advanced data visualization to support operational activities. For example, companies in the energy industry use geographic visualization to map the physical locations of assets and then monitor and drill down to the operational data tied to each asset. As organizations generate and collect vast amounts of data, data visualization is an excellent technique to derive meaning and insight. By and large, the growing adoption of data visualization is a longer-term trend, but it's where much of the innovation in information delivery will take place in 2007 and over the next several years.

### Trend #10. Challenges of "shadow BI": pervasive use of BI can have a downside

Use of BI continues to spread throughout all levels of the enterprise, which is generally a positive development as companies strive to get BI in the hands of employees who need it. However, in their enthusiasm for BI and thirst to obtain information, users can create silos of "shadow BI" that aren't managed or even noticed at a cross-domain level. Shadow BI can take the form of "spreadmarts" (a spreadsheet improperly used to house large amounts of important data) built to meet a specific analytical need, or small deployments of analytical applications purchased to serve one department. All forms of shadow BI increase BI costs, duplicate BI efforts, and thwart attempts to achieve a single version of the truth across the organization.

Shadow BI is not a new problem, but a couple of factors stand to worsen the situation in the next several years. First, BI vendors have introduced tools that make the ability to link into spreadsheet data much easier. This encourages continued spreadsheet use and can even give users a false sense of confidence in the quality of the information they're using. Second, as noted in Trend #8, enterprise application vendors are increasing their BI footprint and offering analytical capabilities embedded in enterprise resource planning (ERP), customer relationship management (CRM), and other types of applications. This embedded functionality is another way in which shadow BI can infiltrate the enterprise. Getting more serious about BI governance (see Trend #1) in 2007 can help organizations mitigate the negative effects of shadow BI while also making sure users have access to the information they need.

## Conclusion

One commonality that emerges across most of our BI trends for 2007 is the need for increased attention to the organizational factors that play into BI success. Even those disciplines that are often assumed to belong mostly to the technology domain (e.g., SOA and MDM) have a strong organizational component. Whether it's making progress towards establishing a BI governance function, securing high-level executive sponsorship for your BI efforts, or getting a handle on shadow BI in your enterprise, investing in the organizational side of BI will reap rewards in 2007.

## Sources for this paper

Knightsbridge and BusinessWeek Research Services: "Getting Smart About BI: Best Practices Deliver Real Value," September 2006.

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