

The Fact Gap: The Disconnect Between Data and Decisions

A Study of Executives in the United States and Europe

Commissioned by Business Objects and conducted by BusinessWeek Research Services



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AUDIENCE: Senior business and IT managers, directors, and executives

RESEARCH: Survey conducted by BusinessWeek Research Services, a division of the BusinessWeek marketing department

Executive Summary



Purpose

The study was designed to assess the state of information access and decision making among business professionals within organizations throughout the United States and Europe. Business Objects commissioned the study to quantify decision-making processes and to identify obstacles that impede critical business decisions.

Summary

The two parallel trends identified in the survey—sub-par information access and greater pressure to make sound decisions—have conspired to undermine the confidence that executives have in the ability of their companies to perform at optimal levels. The majority of survey participants (77%) know of bad business decisions made within their organization because of insufficient information; nearly all recognize that inefficient information access significantly impacts productivity.

The culprits behind this regrettable state of affairs are the glut of incompatible applications and databases found within most global organizations. Despite investments in data management systems, organizations worldwide continue to grapple with simply making these systems work together. As a result, a majority of executives make well over half of their decisions based not on empirical information, but on simple gut feel.

Methodology

BusinessWeek Research Services conducted the in-depth study on behalf of Business Objects in late 2003. Results were based on a 36-question survey of 675 executives and managers in the United States and Europe. The respondents (360 in the United States and 315 in Europe) are members of the BusinessWeek Market Advisory Board, a 10,000-member worldwide panel of BusinessWeek subscribers and online registrants. The respondents represent a broad range of vertical industries and company sizes, with more than 50% from organizations with 1,000 or more employees. The analysis of the survey results were done jointly by Business Objects and BusinessWeek Research Services.

Introduction



You've seen the visionary examples of information-driven organizations that operate in real time. In many of these companies, executives and managers collaborate in sync with employees, customers, and suppliers across an extended global enterprise.

Managers at these companies have complete and precise data for proactive decision making at their fingertips. They make informed decisions based on fact and their companies prosper.

Yet there you sit, frustrated because you just wasted the morning hunting down a piece of information as basic as your top 10 customers, your lowest cost suppliers, or last year's revenue by region. And when you do find the data, guess what? It's two months old. It contradicts the information in a colleague's report. And it wasn't exactly accurate in the first place.

Sound familiar? Take heart—you're not alone.

Despite the visions of finely tuned information systems and the real-time enterprise, an alarmingly large percentage of executives and managers continue to be handicapped by these liabilities:

- ▶ Inaccurate and incomplete information
- ▶ Too much data to sift through—or not enough
- ▶ Difficulty locating necessary information
- ▶ Inability to analyze data for details and root causes

Decisions Not on Fact—But on Gut Feel



The result: a majority of decision makers make their choices based on gut feel and experience, rather than sound and verifiable information. At the same time, these decision makers find themselves faced with new challenges that significantly raise the stakes for ready access to accurate information:

- ▶ More critical business decisions required today versus two years ago
- ▶ Less time in which to make decisions
- ▶ Greater difficulty in making those decisions
- ▶ Compliance with new regulatory initiatives

“Information is sometimes fragmentary, confusing, and even contradictory. One gets a sense rather than a definitive feel for what is happening and how to most appropriately react.”

*Vice President
U.S. Financial Services Company
(1000+ employees)*

Such are the findings of the in-depth study of executives and managers in the United States and Europe conducted by BusinessWeek Research Services on behalf of Business Objects.

The Executive Survey



A note on numbers—charts and graphs in the main report contain totals from the U.S. and Europe. For a breakdown of responses between the U.S. and Europe, please see the Appendix.

Ready Access to Accurate Data Remains an Elusive Goal

It's no wonder that so many business professionals end up making decisions based on gut feel. More than half find it difficult or very difficult to simply locate the information they need to make informed decisions.

In doing so, they find themselves questioning whether the data is accurate, manually downloading and merging files, phoning and email colleagues—and wasting time that would be better spent on analyzing cash flow, the customer base, or next quarter's marketing plans.

1. How difficult is it to get the relevant company data you need to make accurate decisions?

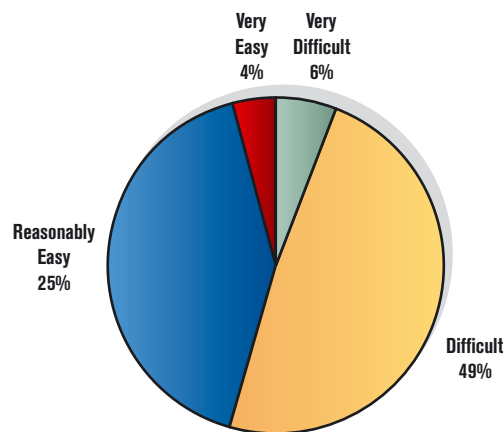


Figure 1

The top culprits behind this difficulty are the inability to determine if the information is accurate, length of time required, and technological limitations.



2. What key issues do you face in accessing internal information?

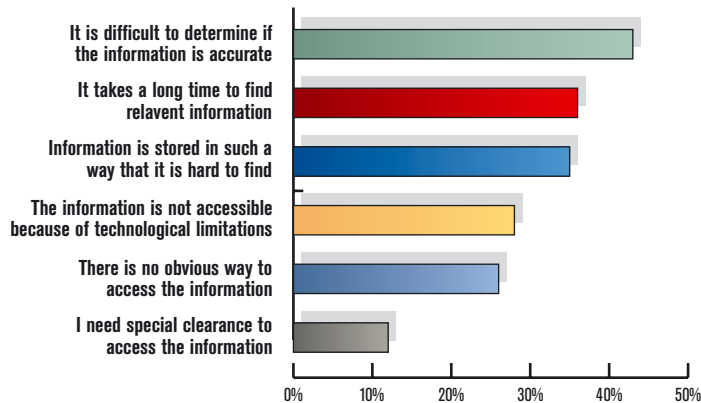


Figure 2

Despite the Web, Access to Good External Data Is Rare

The problem is even more pronounced when looking for information from outside one’s own company. More than 90% find it extremely to fairly challenging to locate external and/or competitive information to support decision making.

Business and IT professionals may view this result with chagrin, if not alarm, given the prevalence of the internet, customer/supplier extranets, collaborative e-business systems, and third-party providers of market data such as Acxiom, Experian, Dun & Bradstreet, and Hoover’s.

3. How challenging is it to locate relevant external/competitive information needed to make decisions?

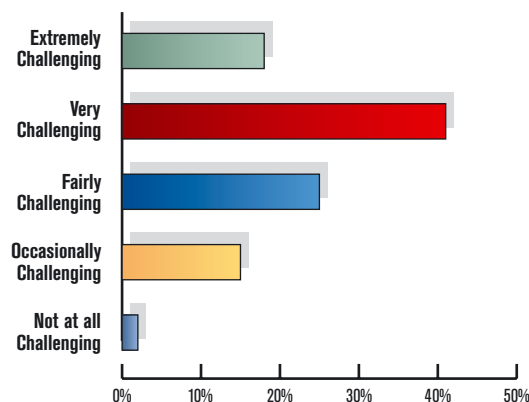


Figure 3



No Shortage of Culprits in Hindering Data Access

When invited to explain in their own words the difficulties faced in accessing internal information, respondents pinpointed a number of other issues that conspired to stymie access. From the high number of text responses and level of detail provided, it is clear that the majority of business managers face formidable barriers to getting the information they want and need. Respondents blamed:

- ▶ Limitations of incompatible software/hardware systems
- ▶ Inadequate IT staffing and high turnover
- ▶ Confusing file-name conventions and definitions
- ▶ Information scattered across large, decentralized organizations

“High turnover or lack of computer/physical space makes it hard to keep data available for extended periods of time. If there is no paper trail, it can be almost impossible to locate.”

*Senior Vice President
U.S. Wholesaler
(1000+ employees)*

- ▶ Lack of data storage capacity
- ▶ Inflexible UNIX-based information with limited reporting
- ▶ Data owners too protective of information

Information Is Rarely Just Right

When it comes to information quantity, just right is an ideal seldom realized. The majority of managers find themselves confronted by too much information—or wishing for more.

4. Describe the amount of information available to make important business decisions.

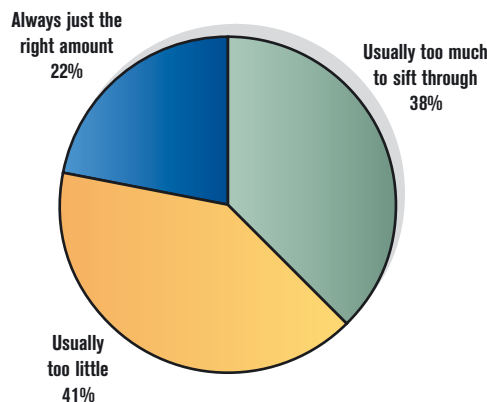


Figure 4



Similarly, many managers take a skeptical view of the quality of the information they do have. Just over 10% are satisfied with the accuracy and completeness of the data they have at their disposal.

Do-It-Yourself Remains the Exception, Not the Rule

Despite the conventional wisdom of information self-service, 60% of managers rely on business analysts, departmental colleagues, and IT staffers to supply required data.

Needless to say, such processes result in significant lag time, misinterpretations between request and result, and a considerable amount of back and forth—each of which hurts productivity and the quality of decisions. The reality of information access is a long way from the ideal scenario of assessing up-to-the-minute information at the point of decision or transaction.

5. How do you usually get access to internal facts and figures?

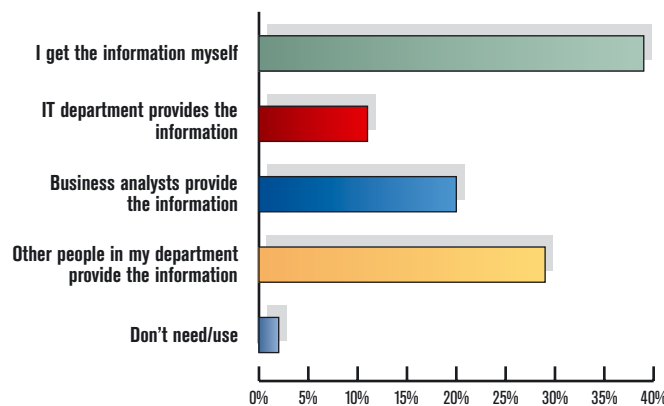


Figure 5

As for information format, more than three-quarters access information as electronic reports via email or a web site (also identified as the most useful formats). Yet a significant percentage continues to rely on uncustomized paper reports or sifting through computerized lists of data.



6. How does the information you get from other people typically arrive?

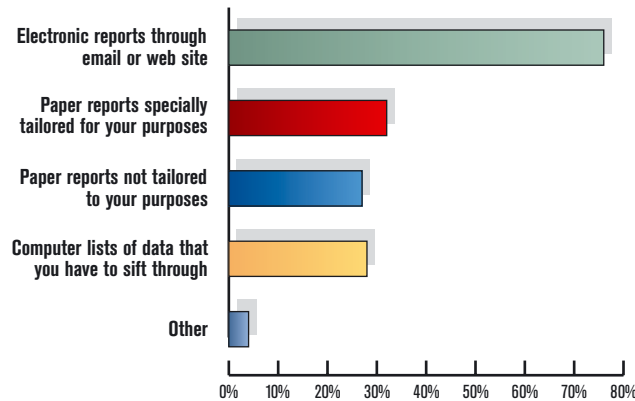


Figure 6

“Database is not structured for the information I need. Query is cumbersome. Timeliness is poor. Having others do the data retrieval for me suffers for communication and interpretation errors.”

CEO
U.S. Manufacturer
(100 employees or less)

Drilling into Data: Insufficient Arrows in the Quiver

Once the information is available, only a quarter of executives and managers enjoy a relatively easy means of analyzing, querying, and reporting on information. This clearly poses a significant limitation, as respondents rarely regard information as complete and accurate.

As many decision makers know, it is very often advantageous to drill into data to identify root causes of business issues or to sort information to determine the characteristics of top customers.

On the supply chain side, purchasing managers often want to compare suppliers by such criteria as cost, product quality, and logistical efficiency. Product and sales managers would profit from ability to analyze information for product profit margins, top-selling areas and other data to optimize pricing, marketing strategy, and distribution channels.

Notably, more than 70% of respondents find it difficult, have no capability for query and reporting, or do not believe such capabilities to be necessary.



7. Do you ever carry out your own analysis into your company databases using a business intelligence (BI) tool or other reporting software?

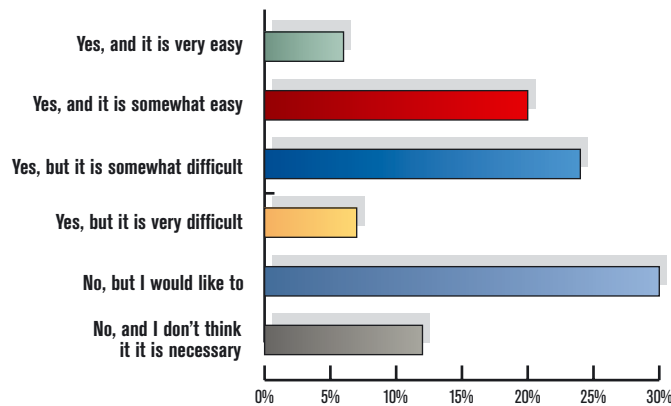


Figure 7

The Digital Dashboard: A Platform for Informed and Proactive Decisions

"I would like there to be a central repository of information that can be accessed by those who need it in the format they need. I would like to stop this information is power stuff that allows managers to withhold information, which seems to be permitted in some departments."

*General Manager
U.S. Publishing/Media/
Information Services Firm
(1000+ employees)*

In the past several years, some companies have turned to the digital dashboard to equip their executives and managers with timely and accurate information. These dashboards, which are offered by various data management software vendors, have these common characteristics:

- ▶ Key business metrics and performance indicators prominently displayed
 - ▶ Information sourced from disparate systems (i.e., sales, operations, marketing, supply chain)
 - ▶ Data updated on daily, hourly, or instantaneous basis
 - ▶ Ability to drill through and interrogate the data for greater insight
- ▶ Alerts via email or phone of anomalous conditions demanding priority attention
 - ▶ Tools for collaboration with colleagues

In the survey, more than half of respondents said they believed a digital dashboard would be useful to their work. Another 40% indicated that they believed such a system could be useful.



8. Would it be useful to have a dashboard system that would alert you to key information about your business?

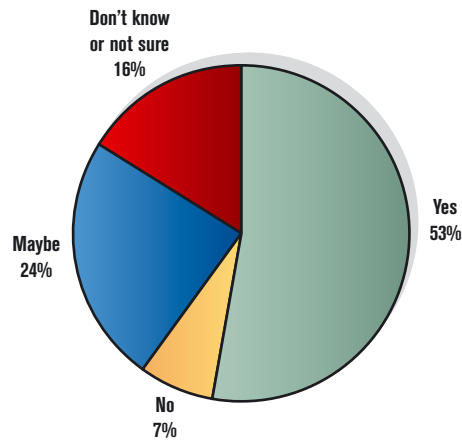


Figure 8

The Victims: Productivity, Decision Quality, and the Fortunes of Business

“We have lots of data, but turning it into valuable information can be very time consuming as the data has to be manipulated to make it worthwhile.”

*General Manager
U.S. Publishing/Media/
Information Services Firm
(1000+ employees)*

Difficulty accessing and analyzing key business information on an as-needed basis is more than just an annoyance—it has a material impact on productivity, decision quality, and the overall fortunes of the business, in the view of the majority of survey respondents.

More and more, businesses place an emphasis on productivity—basically, doing more with less. The imperative to become more productive continues to be driven by acceleration and intensification of business processes, the expanded global reach of many organizations, and reductions in the size of many workforces.

Yet as productivity becomes more important, inefficient information systems are making it more difficult to achieve. The BusinessWeek respondents clearly recognize the correlation between efficient data retrieval and overall productivity.



9. In your opinion, how much of an impact does quick and efficient data retrieval have on overall productivity at work?

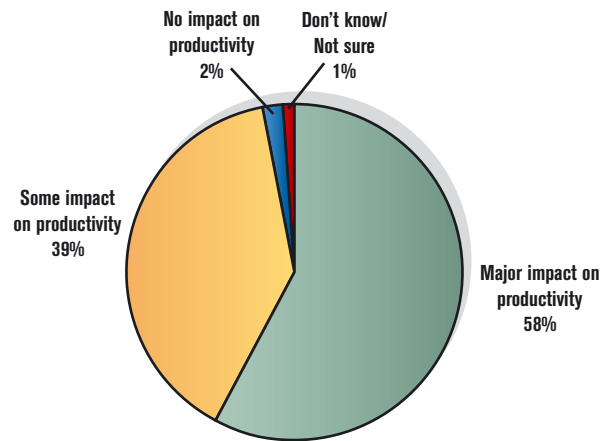


Figure 9

Bad Decisions from Bad Data

Besides productivity, sub-par information can often lead executives and managers to make bad decisions. These bad decisions may involve millions of dollars and compromise a company's competitive position. Moreover, decisions made on inaccurate or incomplete information are apt to be repeated until the problem data is corrected.

In technology terms, this is an issue of data quality—a pervasive and insidious problem that afflicts the majority of businesses worldwide. In the U.S. alone, The Data Warehousing Institute has estimated that data quality problems cost organizations more than \$600 billion a year—while most executives remain oblivious to the problem.

Only a handful of respondents were not aware of instances in which bad data led to bad decisions.

10. Are you aware of any situations where business managers have made bad business decisions because they did not have sufficient information?

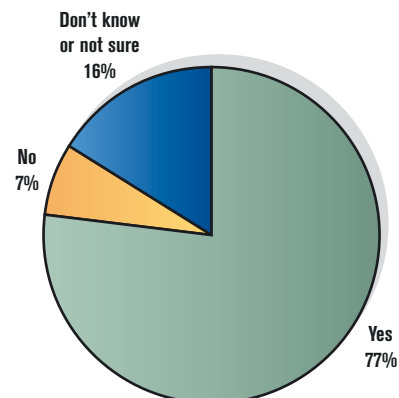


Figure 10



A majority of decision makers make their choices based on gut feel and experience, rather than sound and verifiable information. And while many are not uncomfortable with the approach—40% are very confident in their gut-feel decisions—they would also welcome better and more timely information.

Notably, a large number of respondents blamed insufficient time to locate data as forcing them into gut-feel decisions.

11. How often do you have to make important business decisions based on gut feel and experience as opposed to hard facts?

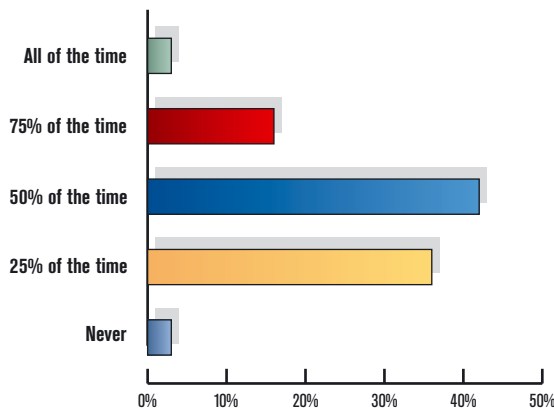


Figure 11

“Time is lacking for gathering and analyzing hard facts. Speedy flow of business events compels us to use prior estimates and fuzzy logic.”

*Director
European Manufacturer
(500–999 employees)*

The Chasm Between Low-Level Tactics and High-Value Strategy

Given the limitations of many organization’s information systems, it’s no surprise that many executives and managers spend the majority of their time making day-to-day, low-level tactical decisions just to keep the business operating. They spend far less time on broader, strategic decisions—those that they believe have the greatest impact on the success of their companies.

There is a marked misalignment between time invested in tactical, day-to-day decisions and higher-value strategic decisions and direction-setting.



	Which level of decision making do you spend the most time on?	Which level of decision making has the great impact on your business success?
Routine, day-to-day, tactical decisions	47%	13%
Small spend decisions	7%	3%
Critical spend decisions	9%	17%
Cross-functional decisions	23%	26%
Broad, strategic decisions affecting overall business	15%	41%

Figure 12

“More formal exploration of options, better analysis of options, more thorough collection of and analysis of relevant data, better knowledge of decision-making models, capturing of business plans in electronic form making it easier to track actual results compared to plan.”

CEO
U.S. Financial Services Firm
(1000+ employees)

At the same time, nearly two-thirds of respondents feel that the number of critical business decisions they must make has increased in the past two years—and more than half feel that making those decisions has become more difficult.

13. In today’s business climate, there are more critical business decisions that need to be made compared to two years ago.

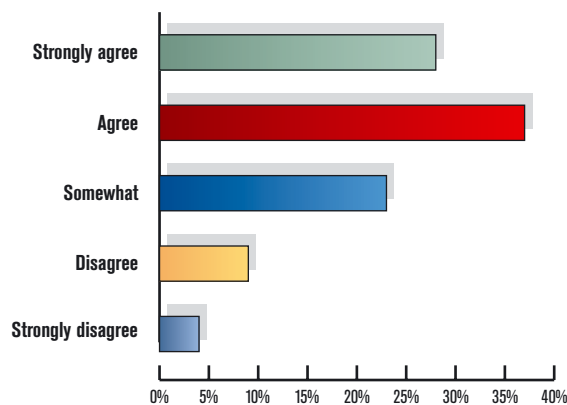


Figure 13



14. In today's business climate, it is more difficult to make important business decisions than two years ago?

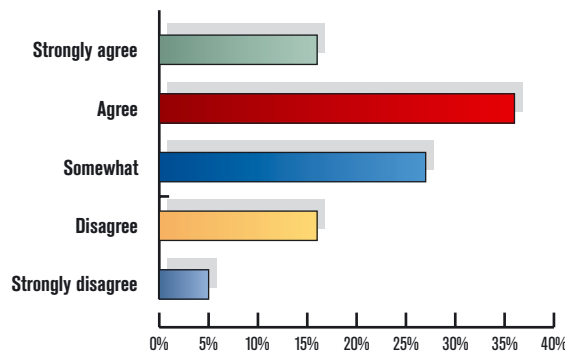


Figure 14

New Accountability Mandates up the Ante for Data Visibility

Another challenge faced by many decision makers is compliance with new regulatory and corporate governance initiatives. Abiding by the strict and data-intensive requirements of Sarbanes-Oxley, the U.S. Health Insurance Portability and Accountability Act (HIPAA) and Basel II banking regulations are making it mandatory that organizations achieve visibility into their precise financial positions—a daunting proposition for businesses with fragmented information systems.

15. I am facing new business pains (related to information accuracy, visibility, and accountability) brought on by recent corporate governance initiatives.

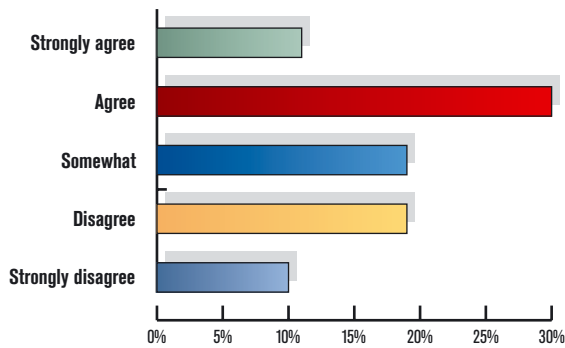


Figure 15



Collaboration: An Avenue to Improved Decision Making

In the view of a more than three-quarters of respondents, improved collaboration among colleagues, departments, and geographically dispersed units would improve the company's chances of success.

16. How satisfied are you with your organization's ability to make collaborative decisions quickly and accurately?

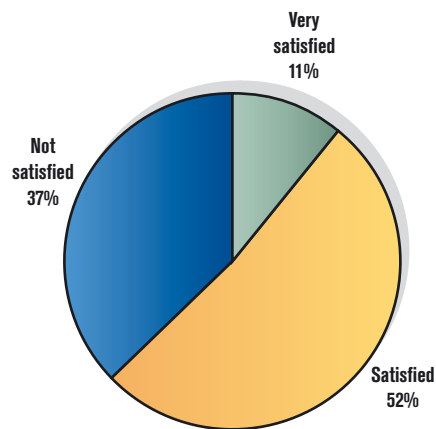


Figure 16

When invited to articulate changes they would like to see in the way their organizations make decisions, respondents had no shortage of ideas. Commonly cited were:

- ▶ Faster access to more accurate data
- ▶ Real-time data personalized to individual needs
- ▶ More time for data assessment and consideration
- ▶ Behavioral and political changes on the part of superiors/subordinates
- ▶ Greater collaboration both internally and with customers, suppliers, and partners
- ▶ Clearly defined processes, authority, and responsibilities

Conclusion



The high number of detailed responses to the last question, on changes in decision processes, suggests a group of managerial professionals that finds itself considerably frustrated with their information and decision-making environments.

You can take for granted that decisions will be made. What should not be taken for granted is that the best decisions will be made, given the limitations of prevailing information systems. Rather than simply accepting this as a reality of business, organizations will do well to self-critique their own information and decision systems.

Today's market for BI platforms will reveal powerful yet easy-to-use tools that can put timely information and metrics, as well as analytic drill-through and real-time alerting, in the hands of your executives and managers.

“Effective business intelligence routines, more sharp analysis of data, more sharing of information between projects, and collaborative decision making with customers, suppliers, and partners.”

*Director
European Manufacturer
(1000+ employees)*

The IT analyst firm Forrester Research believes that organizations can benefit from a BI platform that offers access to unified data across the enterprise. “Instead of multiple tools making independent connections to data in different combinations of source systems, BI platforms provide a common metadata layer that unifies data access, creating a ‘virtual warehouse’ view of enterprise data ... so that all users, regardless of their department or analytical prowess, have access to the same values, field names, and sources.”

As Forrester notes, these BI platforms provide “one-stop enterprise intelligence,”¹ usually in the form of a digital dashboard personalized to the user’s needs. By minimizing instances when gut-feel decisions are necessary, BI platforms can help organizations meet two objectives:

- ▶ The imperative for better information access and analysis to meet increasing competitive pressures
- ▶ The opportunity to capitalize on data for competitive advantage over laggard rivals

A BI platform is not by itself a panacea for decision-making ills. Collaboration among business and IT managers and staff is necessary to ensure that the platform is implemented in a manner that best meets the needs of business.

¹ “BI Platform Shootout,” Nate L. Root, *Forrester Research*, May 2003.



Leading BI platforms leverage both open standards and well over a decade's worth of software engineering experience. They are designed not to add to the preponderance of disparate data systems, but rather unify them. As such, they provide a robust foundation for visibility into information—and an incisive navigational toolkit to get from data to decision.

Appendix



In this Appendix, a breakdown of U.S. vs. European responses to 19 questions in the BusinessWeek research survey is presented.

A-1. How difficult is it to get the relevant company data you need to make accurate decisions?

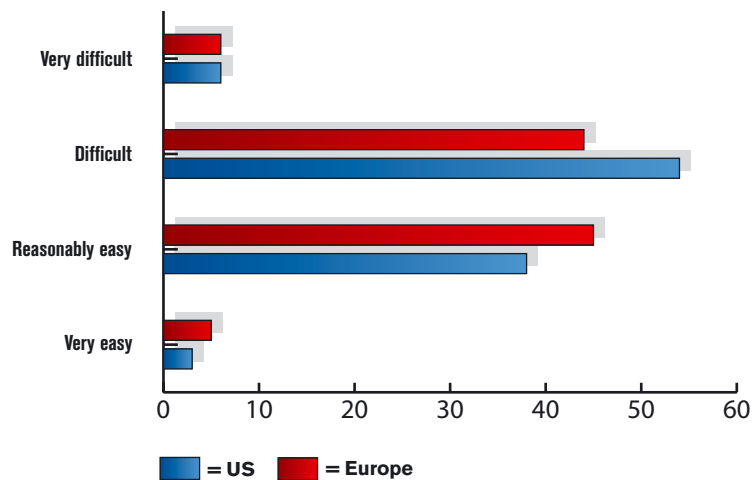


Figure A-1

A-2. What key issues do you face in accessing internal information?

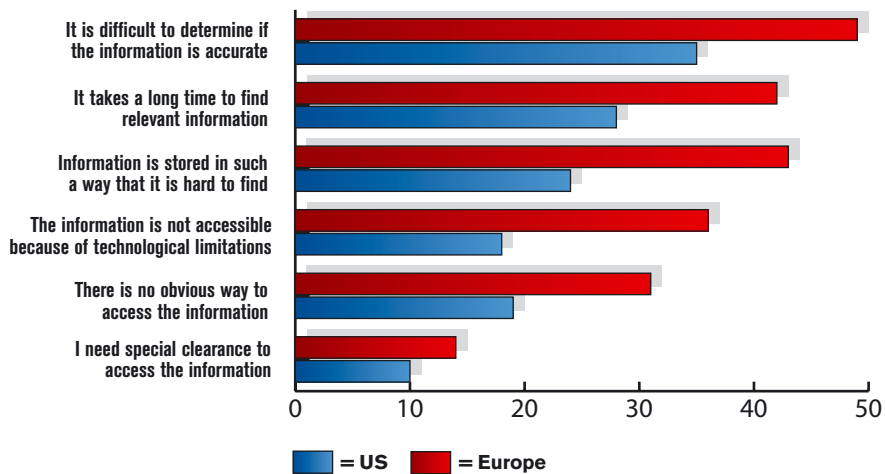


Figure A-2



A-3. How challenging is it to locate relevant external/competitive information needed to make decisions?

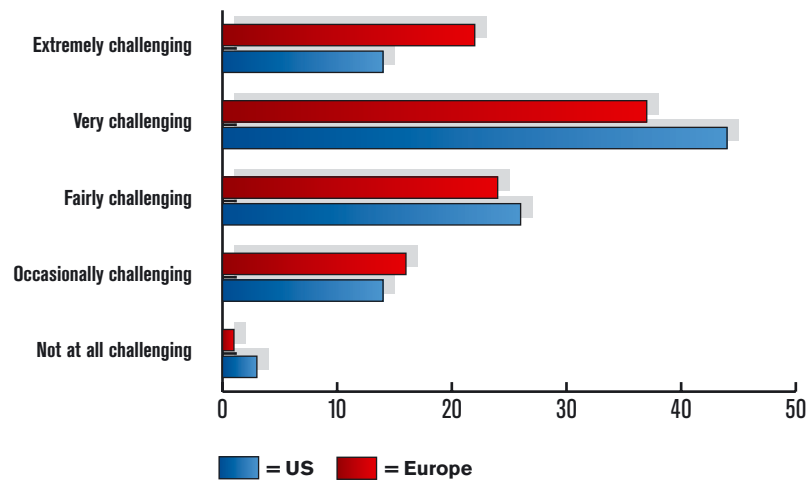


Figure A-3

A-4. Describe the amount of information available to make important business decisions.

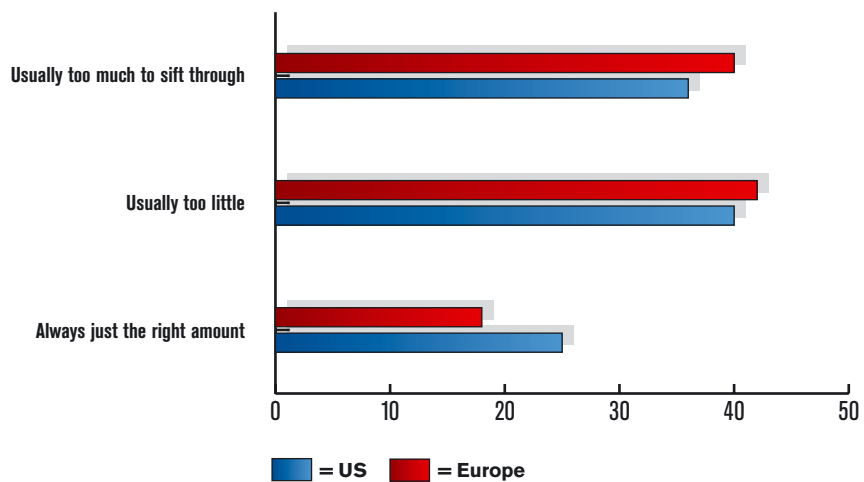


Figure A-4



A-5. How do you usually get access to internal facts and figures?

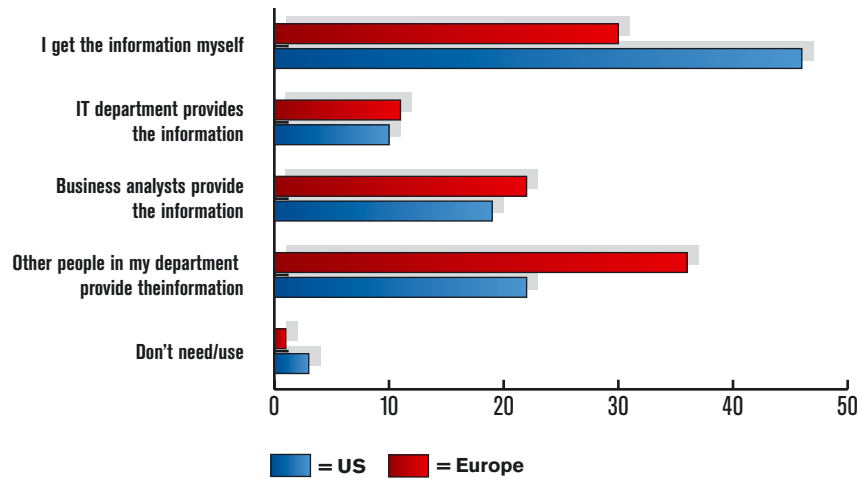


Figure A-5

A-6. How does the information you get from other people typically arrive?

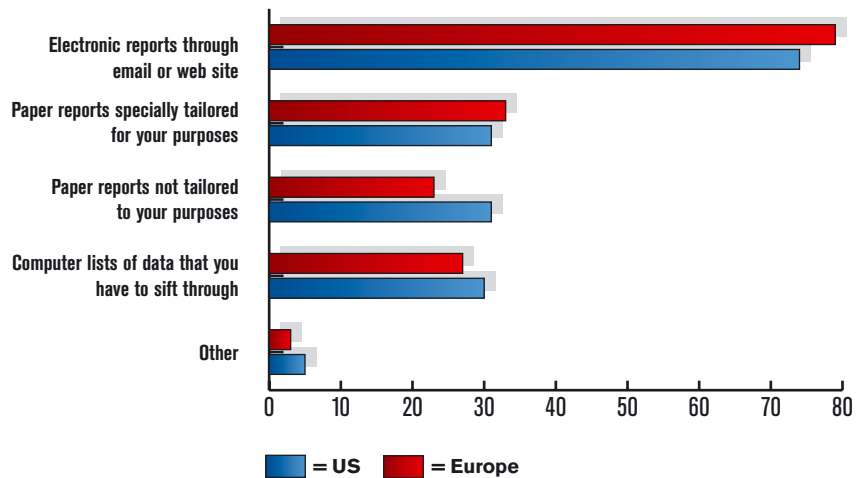


Figure A-6



A-7. Do you ever carry out your own ad hoc searches into your company databases using a business intelligence tool or other reporting software?

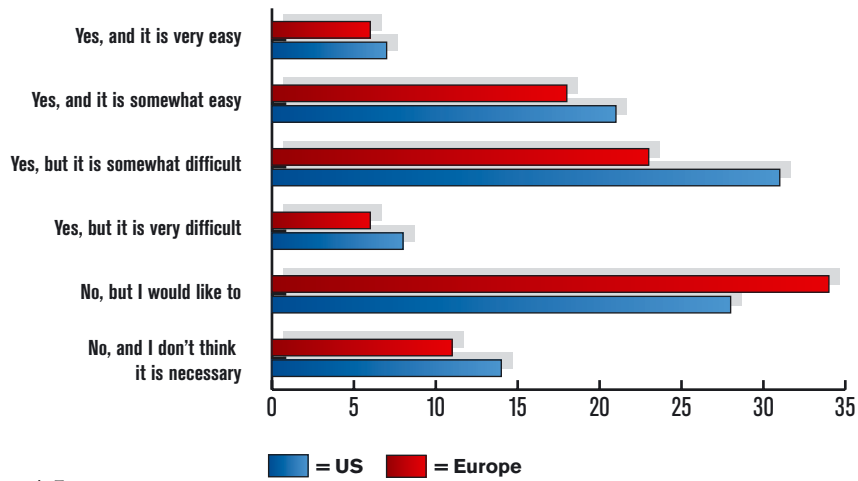


Figure A-7

A-8. Would it be useful to have a dashboard system that would alert you to key information about your business?

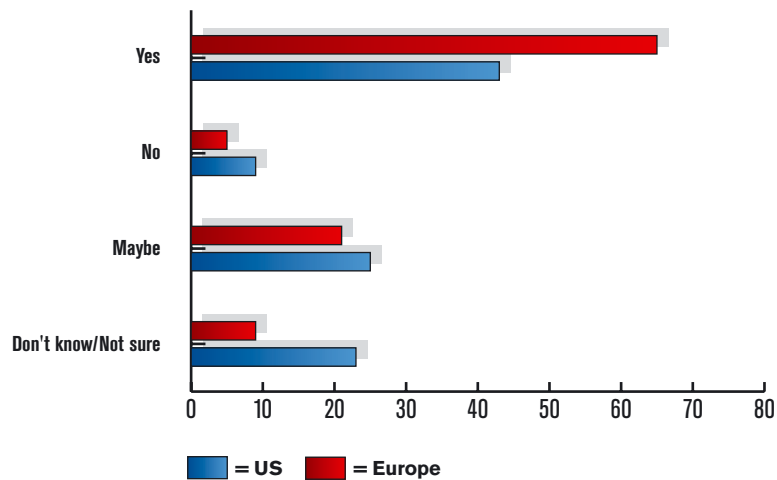


Figure A-8



A-9. In your opinion, how much of an impact does quick and efficient data retrieval have on overall productivity at work?

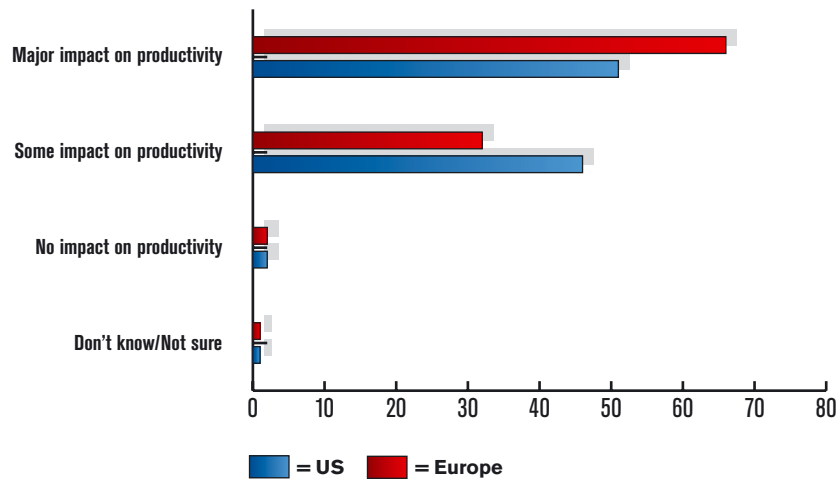


Figure A-9

A-10. Are you aware of any situations where business managers have made bad business decisions because they did not have sufficient information?

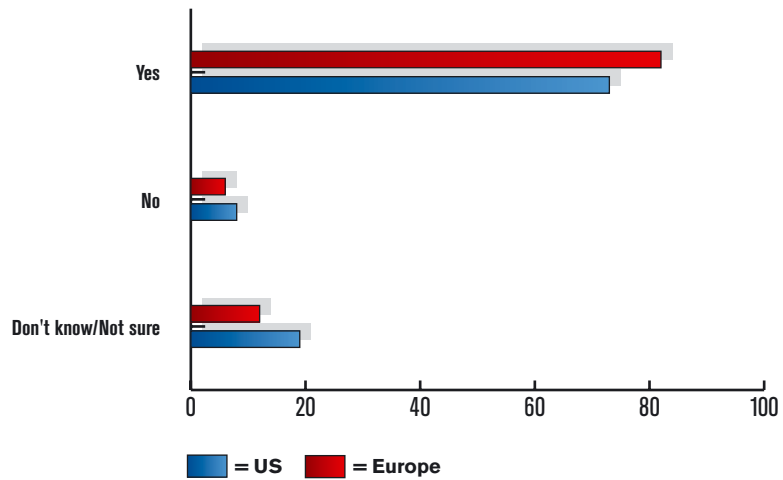


Figure A-10



A-11. How often do you have to make important business decisions based on gut feel and experience as opposed to hard facts?

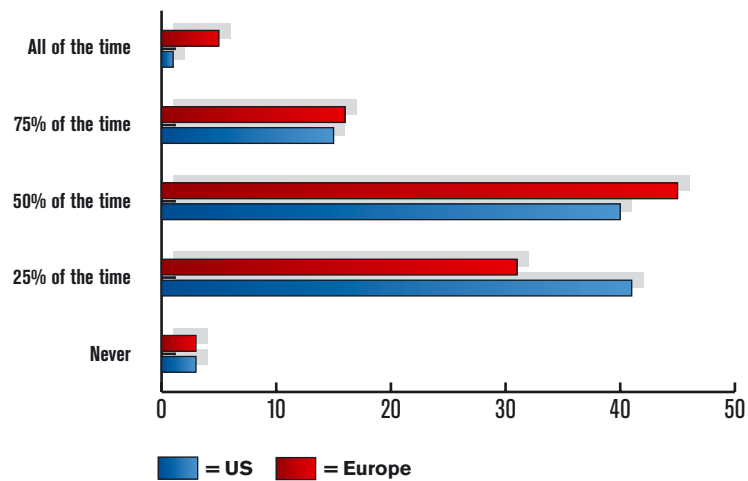


Figure A-11

	Which level of decision making do you spend the most time on?		Which level of decision making has the great impact on your business success?	
	U.S.	Europe	U.S.	Europe
Routine, day-to-day, tactical decisions	52%	42%	18%	7%
Small spend decisions	9%	4%	3%	3%
Critical spend decisions	8%	10%	18%	16%
Cross-functional decisions	21%	25%	27%	26%
Broad, strategic decisions affecting overall business	11%	19%	34%	49%

Figure A-12



A-13. In today's business climate, there are more critical business decisions that need to be made compared to two years ago.

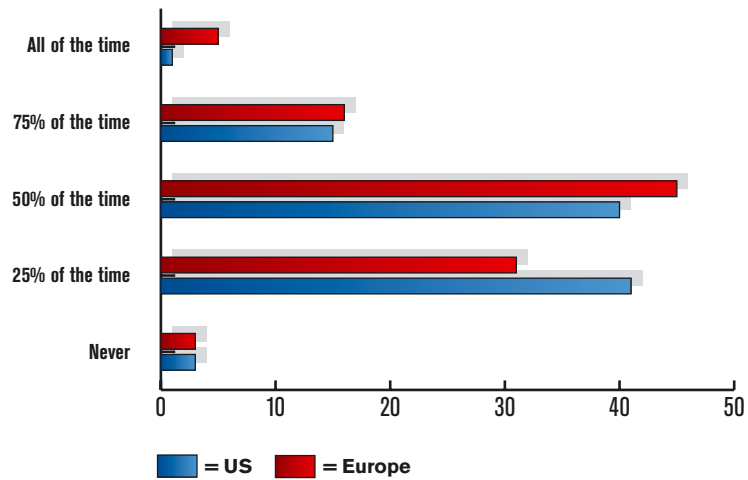


Figure A-13

A-14. In today's business climate, it is more difficult to make important business decisions than two years ago?

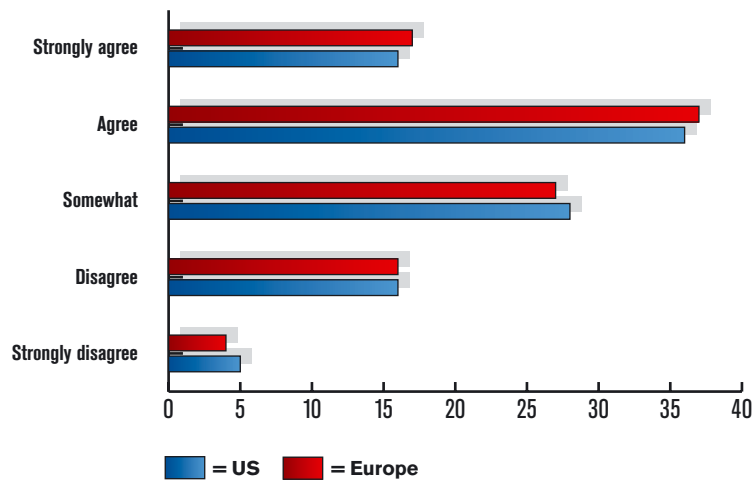


Figure A-14



A-15. I am facing new business pains (related to information accuracy, visibility, and accountability) brought on by recent corporate governance initiatives.

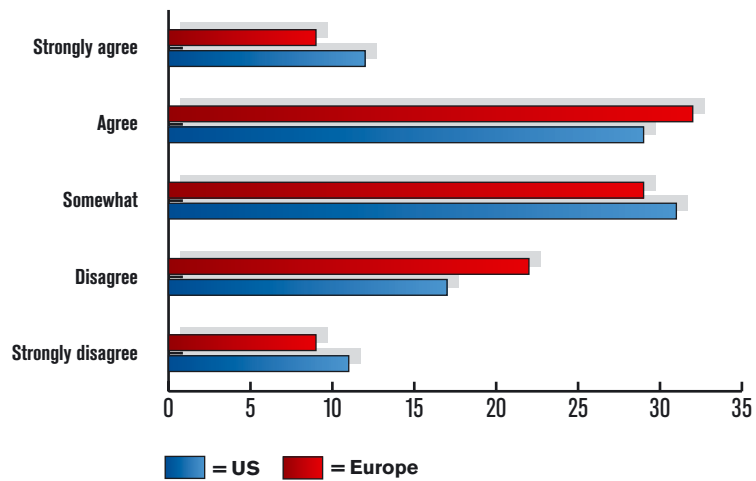


Figure A-15

A-16. How satisfied are you with your organization's ability to make collaborative decisions quickly and accurately?

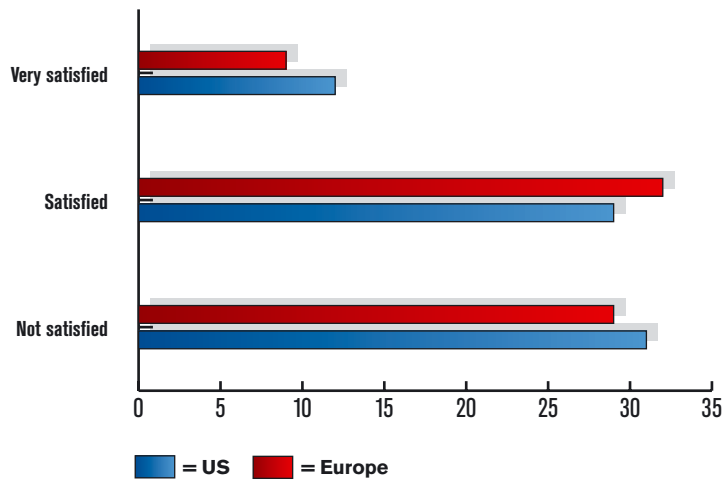


Figure A-16

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