

Keynote Address: Breakthrough Reporting, Analysis and Planning for Midsize Companies

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Ben Plummer: Hello everyone and welcome to the IBM Cognos Midsize Business Analytics Virtual Summit. Today we are going to be focusing our time and attention on really understanding what it takes to drive performance cultures in midsize enterprises.

My name is Ben Plummer. And I am actually the Business Unit Director for the midmarket products here at IBM. And what we have spent our time on over the last several years is trying to understand the requirements of midsize companies in trying to build technologies and solutions that drive specifically to this market. Joining me today will be Howard Dresner who I will introduce a little later. Howard's time and attention over a long period of time has really been focused on trying to understand performance cultures and what makes them successful within organizations and the technology that empower them.

As a matter of fact, in enterprise performance management Howard has really defined what these types of systems are supposed to do. In essence what they are really designed to do is eliminate static environments. Review and eliminate spreadsheet-based technologies, and provide a much more flexible and scalable set of tools that operate in a dynamic fashion and interact and work with transaction systems across the organization to allow companies regardless of size really. And the word enterprise is sometimes misleading in this area. But enterprises, regardless of their size, to gain a much more clear understanding of their operational environments and drive a better financial and operational performance culture.

Howard outlines all of these things in his book, "The Performance Management Revolution: Business Results Through Insight and Action." And the quotes that you see in front of you right now are specifically drawn from that book and provide that type of insight. But what does this really mean when you put it into action? There is a lot of information here. In its purest and simplest form, it really looks something like this.

It really means you take information in your organization, you centralize it, you centralize it, you organize it, you really find a way to make this available regardless of where you sit in an organization by removing it from stove pipe types of technologies and evaluate that information through analysis, reports that are provided across the organization, that gives you some type of insight into how your businesses are actually operating today.

From this type of insight, you begin to start to outline specific steps that are going to drive action and change to either enhance a very successful operation today or to maybe drive costs out of your organization. And you do this through plans and budgets and the ability to actually gauge the success of your organization.

Obviously these actions then lead to additional information and you begin this complete cycle of information driving insight and action and you continue to perform into you business. When Howard outlines that type of culture or that type of environment, this is really what he is talking about.

Now the technologies that put this into action really have to integrate all those types of technical capabilities into a single cohesive, comprehensive platform. And that is what we have done here at IBM Cognos with the release of our IBM Cognos Express product. We really have what we feel is the only midmarket product that delivers this fully integrated cycle that we have just outlined. And we have taken the tact of really driving this to be purpose built for midsize companies.

Now what does that really mean? Where are the values that are different in a midsize company versus a very large enterprise? Well, Howard actually did a very nice job of outlining those types of areas as well in his recent book where he really talks about companies in the midmarket not having the IT resources that they expect, or for that matter, the business intelligence or performance management expertise that they are looking for.

He also outlines a second problem which is the limited budget that most of these organizations work with. Now we have worked very hard with the release of IBM Cognos Express to try to simplify the technology platform, make the product priced right, but one of the other areas that is very important is this cannot disrupt the current business operations inside of an organization. And why is that?

Well, most of these organizations have a certain culture that they operate in. They operate within a very strict budgetary set of constraints. So you have to get the culture right. And you have to get the understanding of how these technologies are going to work, sort of ingrained in your organization, for them really to have the impact and change the business.

And in today's presentation, that is precisely what we are going to focus our time and attention on with Howard. His recent work has been really focused on changing this performance culture in enterprises of all size and specifically will be focused on midsize organizations today.

Howard right now is operating as the President and Founder of Dresner Advisory Services. He has a very long lineage in this type of business. I have had the pleasure of working with Howard a number of times professionally and I would really like to welcome him here and turn this over to Howard now. So with that, Howard, welcome, and we look forward to your presentation.

Howard Dresner: Thank you for that introduction and welcome everybody today. I'm here to talk about a topic that is near and dear to my heart and it is actually a departure from presentations you may have heard or seen me give in the past when I would talk about technology. And in fact through my research I began to realize in talking to many organizations that they were struggling with business intelligence and performance management because of culture. And culture is one of those things that we often don't like to talk about very much. It is sort of uncomfortable. You hear terms like "sacred cows" and "Oh, we can't do that because that is not our custom; we don't do it that way," or, "We have always done it this way."

And very often, these things that we don't want to talk about turn out to be some of the greatest impediments to the success of business intelligence and enterprise performance management. So that is what I am going to talk about today.

I'm going to talk about this notion of culture. And specifically what I would call a performance-directed culture. So let me offer you a definition for performance-directed culture so you know what I am talking about. And so you can start to gauge whether or not or where you are in the process in becoming a performance-directed culture.

Performance-directed culture is sort of like a fine symphony orchestra. Those of you that have ever gone to the symphony, when you observe you see first of all this very strong leadership in the form of the conductor. And everybody is well-aligned. Everybody knows what their role is within that organization. They know how they roll up to the mission of that organization. There is complete transparency. If somebody makes a mistake it is very obvious and it is also accountability. And that is how our organizations should behave. And if we all have this notion of a performance-directed culture, it creates a context for business intelligence and for enterprise performance management.

Now unfortunately most organizations don't behave that way. Even though it is something that we should strive for. We are all probably somewhere in the middle of becoming a performance-directed culture. There are a rare few that have achieved it and I will be sharing some case studies with you during the presentation of some midsized organizations that have achieved a performance-directed culture.

But before I get at the meat of the presentation, I do want to tell you that becoming performance-directed does require change. And, yes, change does come from within. So let me share some observations of the status quo and see if these are things that you can relate to or things that you observed within your own organization which suggest that maybe there is work to be done.

The first one is are there parts of the organization that are "out of synch" with the strategy. The second one, is there a combative atmosphere? Do people fight quite a bit between functions? Next, do folks resist sharing information with others within the organization? This next one is one of my favorites, do conflicts seemingly, or are they seemingly impossible to resolve? So you go into a meeting, you think you have resolved an issue, and it comes back to haunt you time and again.

And then the last one is have your business intelligence and/or performance management initiatives stalled? Or, have they even done worse than that? Well, if you answered yes to any of those, you are not quite a performance-directed culture quite yet and there is work to be done. And here is the primary reason, at least in my estimation for this. It is culture, but it is because that we as humans tend to be tribal in nature. We like to work in small groups, individuals that are likeminded in nature. And this is something that we see throughout history. So if you study anthropology you know that for tens of thousands of years this is how humans have behaved. And in small groups that works well. We have a city/state sort of view of the world and that works well. We have a small organization that is just getting started or maybe under 10 or 50 people, and that may work well because that in fact is the dominant culture. When organizations grow, they tend to outpace that culture. And that is when you start seeing these tribes emerge within the organization.

So you have the finance tribe. You have the sales tribe. You might have the research and development tribe. And on it goes. And even though it functions, it functions in a very sub-optimal fashion. And it creates what I consider or what I call organizational frailty. You are always very concerned about breaking things and therefore we choose the path of least resistance. We try to layer things on top of this existing organization to get it to work without making fundamental changes to it. So we never really realize our true potential and we certainly don't become a performance-directed culture.

So I decided to focus a lot of energy on the subject and research and wrote a book about performance-directed culture and I went looking for some extraordinary organizations with the mindset that I would probably only find them in mid-sized organizations. I did happen to find one very large organization, but for most of them, the vast majority were mid-sized organizations because it is within their grasp to become performance-directed far more so than a very large organization. So I found four organizations that were willing to work with me, sort of a no-holds-barred approach and revealed to me not only the before and the after but also all of the things, the travail, the difficulty they went through, in becoming performance-directed.

Now to do this I had to come up with a model. And I'm going to share the model with you now and all its gory detail because it really is, I think, instructive. It helps us understand what is performance-directed and how we become it. And I actually use this model as both a filter for the case studies and also as a lens to examine them.

So, to get started there are six dimensions of a performance-directed culture and I break them up into strategic dimensions, operational dimensions and then technical dimensions. At the top, the strategic dimensions, two fold, alignment with the mission and transparency and accountability. Now the reason they are strategic is those are best affected by the most senior levels of management. Next, the operational ones, everyone has a role here. So if you have an operational role anywhere within the organization you have an impact on these two things – specifically action on insights, what do we do with the information when we know something, and next, conflict resolution – how do we resolve conflict within the organization.

And then the last one, the technical ones are common trust in data, do we actually trust the data that is available to us, and then how available and current is that information. Does it match the rhythm of the business. So those are the six dimensions, but remember those three categories – those are quite important as well.

And then, we have four levels of achievement. And I am going to show you the model in just a moment in all of its glory. But the four levels start at the bottom. The lowest level of achievement is what I call "Chaos Reigns." Those are not fun companies to work for. Next, this is where most organizations are and get stuck in departmental optimization, that is that tribal behavior. And if you get beyond that and transcend departmental optimization you sort of cross the threshold or the point of no return. You become performance-directed in earnest. You start off as emerging and then work your way up to a performance-directed culture realized.

Now, I haven't encountered any organizations that score a perfect score. And yes, I do score the organizations on a 4.0 scale, sort of like a grade point average. So you can imagine down in the bottom that would be a 1.0 and up at the top would be a 4.0. And you will see some of these scores in just a moment. So we have our, sort of our matrix here, our six by four matrix of the performance-directed culture.

So, now I will let you see what it actually looks like. This is the tool that I use when I spend time in those four organizations. I did lots and lots of interviews and I use this as sort of a discussion piece to get people sort of aligned with my thinking. And you can see down on the bottom there is Chaos Reigns working all the way up to performance-directed culture realized. And I am going to step you through each one of the dimensions in a little more detail so you can sort of get a sense for what I am talking about.

So, here you see on the left, this is the alignment with mission. And down at the bottom, well, we don't have much of a mission at all. It may not be an actionable mission or it may not be communicated or understood. Going all the way up to the top where it is not only an actionable mission, it is well communicated downward but it is actually a complete cycle, so it is actually the strategy and the mission get informed from down below as well. And then of course you have the various layers in the middle.

The next one, transparency and accountability, and this is a funny one because everybody says they want transparency and accountability but really what they mean is they want everybody else to be transparent and held accountable and they would prefer not to be. So down at the bottom you have what I would call "Opacity" where everybody is pretty closed and things are very arbitrary all the way up to the top where transparency and accountability is a cultural norm. everyone is transparent. Everybody holds themselves and everyone else accountable as well.

So the next one, and these are the operational ones, is action on insight. What do we do when we actually develop or learn some nugget of insight? Well, down on the bottom, well, we don't do much of anything. We don't even care about insight all of that much. As we move up we become more departmentally optimized, where we sort of hold on to it for our own parochial benefit or that of our department, all the way up to the top where we actually have a complete system for not only identifying opportunities and problems but we actually act upon them in concert. And we do it in a very systematic way.

Next, we have conflict resolution which is, as I mentioned, is one of my all-time favorites. Every organization has conflict, you can't help it. If you get two people in a room together you are going to have some conflict. But it is how we deal with it that makes the difference between being a performance-directed culture or not. Down at the bottom there may be conflict but we really don't try to resolve it. As we move up we find passive-aggressive behavior, et cetera, until we get all the way to the top where actually expressing and airing conflict is considered a very healthy thing to do. And we actually incorporate that conflict into solutions to our problems. So we actually do resolve those issues instead of them festering and coming back to haunt us time and again.

And then the last two have to do with data because data is actually quite important. And this one, the common trust in data is critical. People really have to feel comfortable and they have to believe in the data and not argue about it. Of course down at the bottom we don't trust what data is available at all, all the way up to the top where it is the truth. We know it is the truth and we don't even argue about the data anymore.

Most organizations, they go into meetings, lots of arguments about the data. And we waste a great deal of time because everybody has different numbers and they are trying to promote their own particular cause using their data.

And then the last one, availability and currency of information. That is simply having all of the information that we need to bring to bear on the business and making sure that that information and those insights actually match the rhythm of the business based on what we are trying to do and what we are trying to achieve.

So that is some insight into the model. The next thing I want to do is I want to share some statistics with you just very quickly. And this comes out of a study that I conducted with the Palladium Group last year. And we surveyed their community and asked them about where they are as it relates to being a performance-directed culture. And you can see those six different dimensions and where those organizations are. And now these are a group of over-achievers. And they were able to achieve a 2.8 on that 4.0 scale that I talked about earlier today. Which is pretty good, by the way, but once again these are our over-achievers, but yet they weren't quite at the performance-directed culture emerging which would be a 3.0.

Now, I took a look at that data again, and I segmented it into very large organizations and anything below very large organizations, so I arbitrarily chose more than 5,000 employees and less than 5,000 employees. And you can see that on that scale they both, they all did pretty much the same, slightly below that notion of performance-directed culture emerging.

Now why is this significant? Well, I told you earlier that the case studies that I focused on were midmarket organizations and that is because I believe that midsized organizations have the greatest opportunity and the highest likelihood of being able to become performance-directed in nature because of span of control. Large organizations, they may be able to do it at a departmental level, but at an enterprise level really quite difficult. So there is an opportunity that is before you.

I want to share two case studies with you right now that are great midsized organizations that have become performance-directed. And these two are actually driven from different parts of the organization. This first one that I want to share with you is the Denihan Hospitality Group. And by the way I would encourage you to get a copy of the book because I go into a great more detail of these case studies in the book. So I will only be able to go over it in a very cursory fashion today. But Denihan Hospitality Group is a hotelier. They are based in New York City. And their initiatives around performance-directed culture and business intelligence were driven by IT. But when you are dealing with a midsized organization, as you know IT is very well aligned with the business. And they went through some difficult times, especially around the 9/11 terrorist attacks which really amplified their investment in business intelligence and actually delivered some great dividends because as you know the hotels had extremely low occupancy right after those attacks. But by using business intelligence they were able to figure out what sorts of people were still coming to the city and go into their customer files and start actively promoting their products and services to them. And they were able to get their occupancy well above the average or back up to normal rates in a relatively short order. So that was a real saving grace for them and management started to get religion around that as a result. And now they are truly a performance-directed culture.

Now there is a lot more that happened along the way in terms of management consolidation and some real cultural transformation. But it did in fact happen and it continues to be an improving picture. At the time that I wrote the book they scored a 3.22. I am pretty certain today if we were to go back in they would score even higher than that.

Another great case study, also a great midsized company is Mueller Manufacturing, based in West Texas. They manufacturer steel buildings. And they are a performance-directed culture as well. This was driven by the CEO who is also the owner. It is privately held. And he has been driving the

organization for the last 25 years. So he also drove their performance-directed culture. It wasn't always a smooth road; it was pretty bumpy along the way. But he has had a very consistent vision and as a result they have a very high score, one of the highest scores at 3.7.

Now I want to step you through their model in a little more detail so you can kind of see how it worked over time. And here is the model that I showed you just before. Let me place some dates on it as it relates to Mueller. You can see back in the day where they started measuring this thing around 2000, so about 10 years ago, you can see they were right in the midst of departmental optimization. And their CEO at the time realized that to succeed they had to change their ways. And they were going to use not only information technology, but they were going to transform the way they ran the business and the processes associated with it.

So they decided to implement an ERP system right around 2002. And you can see that they lost a lot of ground as a result of that. In the words of the CEO, it was "a lost year," maybe even two. So in 2002 they lost significant ground – that was a great setback for them, specifically in the area of the common trust in data, availability, transparency and accountability and conflict resolution. But they persevered. They had a vision around what they wanted to do and you can see they started to make gradual improvements. So by 2004 things are starting to look better. Not everything is back to where it was in 2000, things like common trust in data, not quite there yet. Transparency and accountability, not quite there yet, but certainly some great strides.

And then as we start to move into 2006, while we have exceeded everything, all of those different dimensions from where we had been originally, and even where we had been in 2004 and 2002, some great strides. And then when we actually did the research for the book in 2009, you can see that they had prevailed rather nicely and most of the indicators here, most of the mentions were in fact in the performance-directed culture realized categories. A couple of them were still in the emerging categories, but that is quite typical. You find that most organizations are all over the map as it relates to the various dimensions. In fact, some cases, even some of our better case studies, they still had some of their dimensions hovering around the departmental optimization category.

And when you look at Mueller specifically on this slide, you can see that as it relates to conflict resolution, that is the smallest one. That is just over the line of performance-directed culture emerging. There is nobody or at least none of the case studies I have looked at where any of the those organizations have achieved a perfect 4.0 score. So it is more of a journey than a destination. You should certainly set the target as high as possible. Why? To become performance-directed culture realized, realizing that you may fall short.

And it is also worth noting that many of these organizations, it took them an average of 8 years from the time they started to becoming truly performance-directed.

On the next slide I have some statistics from the study that we did with the Palladium Group and here we asked folks whether or not they had been successful with business intelligence and how that affected their ability to be a performance-directed culture. And you see here that those organizations that were successful with business intelligence actually had a much higher score on the performance-directed culture model. Here you can see that they had a 3.13, which is well above the average of the 2.8.

If we take a look at the next diagram, you can see that those that said that they had been less successful with business intelligence, their scores around a performance-directed culture are substantially below the average. So once again, success with business intelligence and performance-directed culture do seem to go hand in hand.

So next I want to share with you a couple of thoughts about how you can become performance-directed within your own organization. And in the book I identify what I call my four essential forces that need to be in place. Not in any particular order, but they do need to be in place in order to become performance-directed. First one is what I call Business Advocacy. And this is where the business starts to get together and try to figure out themselves how to work better. How to collaborate and share information. Down below the levels of senior management within the organization. In one of the case studies I conducted, it was a healthcare organization, it was medical operations and finance that got together to try and work things out and be better aligned.

The next one is what I call Data Literacy. Very often we do this when we have a data warehousing initiative or a business intelligence initiative, very often driven by IT. But it is the intent to educate the users in how to use the data to make them more fluent in the data. So if you have a data warehousing or a business intelligence initiative, this certainly could become a data literacy program.

Next, Visionary Leadership. And this is where the most senior levels of management really have religion around performance-directed culture and see it as crucial to their own success. And then the last one, Organizational Activism. And this can be in any part of the organization where you have people that are committed and passionate and relentless in their pursuit of this notion of a performance-directed

culture. So you have to have all four of those elements in order to become performance-directed, and that doesn't mean that you shouldn't get started. You should. And the model that I have provided gives you a sense of how you can take a look at your own organization and assess strengths and weaknesses and find some starting points.

So why is this so important? Well, this next slide actually comes from a study that I conducted earlier this year called the Wisdom of Crowds Bi Market Study. And you can see here that the greatest growth in business intelligence implementations is actually coming from the midmarket. So you folks in the midmarket are deploying business intelligence faster than anyone else on the planet basically. So why is that important?

Well, it is important for you to get it right. So if we know that culture is either an accelerant or an impediment to business intelligence, well you probably want to try and get the culture right so that you can be as successful as possible with your business intelligence and performance management initiatives.

Now let me share with you another model here, this is a scenario analysis that I did. And this is why it is doubly important. Now if you look on the bottom you see that we take a look at the economy as one dimension. And then I really look at change as the other dimension. And that change could be competition, regulation, innovation, and we are in the midst right now of still a recession, even though the government insists that we are coming out of it. It is a recessionary period. Not a lot of free money to be spent. But we are also in the midst of intense change. And my concern is that if we focus on business intelligence and performance management as something that is just urgent, something we just "have to do" then chances are we will do it in a very tactical and non-strategic way. So we won't look at making some of the tough changes and really trying to impact the culture.

Where I would like to see us be is in that upper right where it is not only urgent, so there is a real motivation to do it, but it is also important. So we want to make sure that we do it right. And that is where we start really trying to affect the culture as well as implanting technology. So they must go hand in hand.

So very quickly just some obstacles and enablers from my observation and things that are in the book. Technology is important, no question. But it has to have a context. And the culture is the right context. It is an enabler, not a driver. Things like wake up calls and transitions, I mentioned a couple. They could be management changes. In the case of Mueller, they had some transitions as well there in the

marketplace. In the case of Denihan Hospitality it was the unfortunate 9/11 attacks that was a wakeup call for them. Things like bottom up efforts – they can turn into something that is strategic. Lots of examples of that in the book, if the right conditions exist. Things like setbacks – I mentioned the ERP situation at Mueller. That was a setback for them. But they recognized it as temporary and transitional and they moved beyond it.

And then finally sponsorship is important certainly, but it does not replace visionary leadership. It may be a means to an end. So you may want to have some sponsorship with some projects, but it is insufficient. It is not enough.

So how do you use this model that I suggested for you and the book? It is a way to have a conversation with management. And it is a way to sort of set the stage, allows you to establish a benchmark, figure out where you are, index yourself. And then continue to assess your progress over time, looking at areas of strength, areas of weaknesses, so you know where to start and you know what the roadmap is going to be long term so that you have that foundation for change.

And I do have a website that I set up where you can go in there and fill out a survey and we can always get back to you with your, at least a cursory preliminary score at Performance-culture.com.

So just in conclusion, before I turn things back over to our host, culture is one of the biggest reasons that business intelligence and performance management initiatives don't measure up, don't achieve what we expect them to achieve. And you really want to take a hard look at your own culture. You want to assess it. There are always going to be areas of great strengths as well as areas of weaknesses. You start with strengths and then you find ways to compensate or mitigate against the weaknesses. And with the benefit of this perspective you will be able to make some strides towards becoming a performance-directed culture.

It is a journey. I haven't seen anyone that has scored a perfect score yet, but it is certainly something that you should strive for in your own organization in an effort to become more performance-directed and get the most out of your business intelligence and your performance management initiatives. So I thank you for your time and attention today. And now I will turn it back over to Ben.

Ben Plummer: Howard, thank you very much for that insight, for providing us the understanding of how enterprises, specifically mid-sized enterprises can benefit from really evaluating their culture and understanding what it takes to embrace and proliferate technologies like IBM Cognos Express.

Now what we typically get at this point in time are questions about how do I really get started with a technology like this. We have already looked at the fact that we have small IT staffs. We have a cultural change. It just seems like a daunting task.

Well we have taken the tact of making IBM Cognos Express modular. And everybody has specific areas that they know they can get some immediate impact and gain some buy-in for technologies like this. So our advice to you is very simple. Think Big. Think about the whole problem. Think about the whole solution. Look beyond just simply reporting or basic analysis into the budgeting and planning. Think about how to begin to weave all of that together but pick an area you can have impact. Start Small. Decide if you want to do just simple analysis, reporting, maybe the whole action to insight scenario in a specific area. But Think Big and Start Small.

We're here at IBM Cognos have made sure that no matter where you start, you are going to be able to grow with our product by adding modules, or moving up to the enterprise category if that makes sense to you. So we are going to be there for you regardless of the approach or the area that you start to deliver in.

And that is really what the IBM Cognos Express product was built to do. It is a fully integrated business intelligence planning and budgeting technology platform that we have gone to great pains to ensure that we can meet those requirements, meet those issues that small and mid-sized companies like yourselves are dealing with. This product is easy to get started with. Very simple to install, oftentimes done in just several hours. It is very easy to use. We have tried to embrace technologies that are currently in place like Excel and make those able to reach into that centralized set of information. We have made our interfaces easy to deliver via the web so it is easy to get the people up and running in an environment that they are comfortable in. And we really try to make it easy to buy, partnering with companies all over the globe, we are able to bring not just our technology but expertise from these people to help get started and make the product price right. Really, that is now one of the areas that people really focus their time and attention on in these days.

So we encourage you to take a look at the product. We have trial downloads available. We also have a new hosted trial that you can go up and take a look at. And we encourage you to do this. There are also

a number of special incentives specifically going on right now around the globe to help you very quickly bring this product in at a price point that makes sense to you and get started. Remember, Think Big, Start Small, and Deliver a lot of impact to your organization by changing that culture.

So with that, I would like to thank each and every one of you for taking the time out in your, what I know are, very busy schedules. We believe we have a technology set here that can have major impact in your organizations and we look forward to working with you in the future. Thank you very much.