

THE BUSINESS INTELLIGENCE VALUE CHAIN

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Photo by Bruce Erik Steffine

CREATING VALUE IS TAKING WHAT YOU KNOW AND TURNING IT INTO ACTION IN ORDER TO ACHIEVE A DESIRED OUTCOME. BUT IT DOESN'T HAPPEN BY CHANCE. VALUE CREATION IS THE RESULT OF PURPOSEFUL, WELL-THOUGHT-OUT DECISIONS MADE POSSIBLE BY A DECISION SUPPORT HIERARCHY I CALL THE BI VALUE CHAIN. THE BI VALUE CHAIN REPRESENTS A SERIES OF

BUSINESS PRINCIPLES THAT, WHEN PROPERLY LINKED, ENABLES AN ORGANIZATION'S KNOWLEDGE WORKERS TO HARNESS THE POWER OF INFORMATION IN ORDER TO CREATE AND MAXIMIZE VALUE.

senior executives at *Fortune* 1000 companies consistently rank BI as one of their top investment priorities.

They recognize the instrumental role information plays in decision support. These are the organizations which gain benefit from what marketing and strategic management professionals call the "first-mover advantage." It's the notion that speed-to-market provides a business with a competitive advantage over its rivals. It's the business world's equivalent to "the early bird gets the worm." First-mover types make fast, focused decisions that create value because they are empowered with timely access to information. But not just any information.

Principle #3 - Effective decision-making requires right information.

You've heard the analogy before: just as high-performance automobiles require high-performance fuels to power their engines, business leaders require the right information to power right decisions.

I don't know who originated it, but I like the analogy because it conveys an important truth to our "keep everything" business culture: not all data matters. Only well-informed leaders (not the ones drowning in data) have the ability to take their organizations beyond a simple capacity to survive to a place where they can thrive. It's this kind of "informed intelligence" that empowers leaders to confidently and consistently lead by making decisions--fast, focused decisions--that deliver value.

But how does it actually work? Well, every business operates as a collection of interlocking processes and support systems, and those that help to create and maximize value, like the ones that underpin the BI Value Chain, are especially important to the effectiveness of decision support. Their alignment determines how well an organization manages, optimizes, and innovates. The objective is to achieve closed-loop interaction between processes to plan and execute and processes to monitor and refine. The goal is to fuel decision-making that creates business value.



Principle #1 - Every organization exists to create value.

Now more than ever, business leaders face increasing pressure to drive innovation, differentiation, and performance. It's the result of growing complexity, mounting risk, and rising uncertainty around doing business in today's economy. According to a recent market study by Ernst & Young, successful companies are responding to demands for value creation by preparing themselves for the new economy. When business leaders talk value, they use action words like increase, reduce and strengthen; grow, shrink and improve; maximize, minimize and revitalize.

Creating value, says author and business advisor Jill Konrath, is all about movement. In "Lessons from Change: Findings From the Market," E&Y says that high-performance organizations share a common agenda when it comes to creating movement; of eight performance goals evaluated, "accelerating decision-making and execution" is their number two priority.

Principle #2 - Value creation is the result of effective decision-making.

Business leaders recognize that value creation depends on decision-making. For high-performance companies, it's both fast and focused. And its level of effectiveness is what ultimately separates the best from the rest.

As E&Y points out, using data insight and analysis for faster and smarter decision-making is one of the most significant differences between top performers and those who want to be. In fact, it's one of the primary reasons why nine in 10

This principle...	Is supported by...	Which entails...
Value creation is the result of effective decision-making	Processes to plan and execute	Establishing your organization's mission, strategies, objectives, and plans that drive business
Effective decision-making requires right information	Processes to monitor and refine	The use and support of performance measurement, reporting and analytics to evaluate the past, monitor the present, and predict the future
	Information assets to enable and empower	Defining your organization's local business model, building physical reporting structures, implementing information management practices, and identifying relevant source systems and corresponding data

Research by Accenture indicates that organizations with the ability to quickly convert data to information to business value--the BI Value Chain in action--enjoy a significant competitive advantage over those who can't. That's because BI empowers these information-savvy organizations to create movement by making smarter, timelier and faster business decisions than their competitors. *[continued on page 34]*

ENTREPRENEUR FOR LIFE (SCIENCES)

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TEQ: Where do you see the company heading over the next year?

RFV: We have worked very hard at ThermalTherapeutic Systems to meet our core milestones in the past 18 months. We have been cleared by the FDA, negotiated an agreement with a major hospital system and have product in the pipeline. Our immediate goal is to orchestrate a limited controlled launch in key evaluation sites through the end of the year, followed by a much more aggressive sales effort in the first quarter of 2011. In the meantime, we are actively pursuing strategic partners to help drive adoption and brand the company's VERATHERM™ Portable Hyperthermic Perfusion Device as a new standard of care.

TEQ: How has Pittsburgh's life sciences industry/medical device industry changed over the past decade?

RFV: The landscape itself is changing. We are beginning to see companies and life science professionals relocating to the city rather than moving away. That may have something to do with the fact that the number of startups – or at least those most willing to take the risk on start-up ventures – have been steadily increasing. We have always been a highly-competitive center for scientific research with more entrepreneurial spirit than capital and, as those numbers continue to grow, the potential to commercialize new technologies will increase proportionally.

TEQ: How can we get more people in the region starting companies, especially life sciences companies?

RFV: The simple answer is “collaboration” and “capital.” The more we encourage collaboration between entrepreneurs, investors, industry and academia, the more likely fundable opportunities will emerge. This certainly exists in the microcosm but, to create a sustainable culture of entrepreneurship, incentives need to be in place to accelerate and reward such collaboration.

I sometimes think that we have the business creation-cycle slightly backward - we evaluate hundreds of business plans, exercise due diligence on several, invest in one and hope that it's a winner. But there is another way for entrepreneurs and investors to collaborate - to proactively identify market opportunities, aggregate talent and capital around those niche market opportunities then fund a company to meet those specific objectives.

The less simple answer is that funding ideas is not the ultimate goal; it's creating an environment wherein talented people and promising companies are able to commercialize their ideas, while laying a solid economic foundation for the next generation of entrepreneurs and investors to build the synergistic and self-sustaining cluster of life sciences companies long-ago envisioned by many of our region's pioneers in biotechnology. ■

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Thing is, far too many companies still struggle to transform data into insight and insight into action that ultimately creates value. These are the organizations that work hard to survive instead of thrive, follow instead of lead. Their BI Value Chains are broken. In the next issue of TEQ Magazine, I'll explain why. ■

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PRACTICAL ADVICE ON THE IPO MARKET

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Preparing Projections

It will likely be hard for a company to retain its credibility if it misses its first revenue or profit projections, even by one or two cents per share. With that in mind, a company that is about to go public may need to create a more robust business planning and analysis function so that it can formalize the process and increase its chances of accuracy. Management should also create diligence files to make sure each assertion is justified and regularly update its Management Discussion & Analysis (MD&A) so that it accurately reflects ongoing operations.

Prepare When Markets are Weak

It may not seem intuitive, but one of the best times to begin preparing for an IPO is when the IPO market is relatively inactive. As the last year has shown, markets can be extremely volatile and a window of opportunity can appear or disappear within days. Companies that have been doing their IPO homework may have several advantages. First, they will be able to act when the window opens up. Second, they will be among the first in line to approach investors. There are only a finite number of investors, such as pension funds and other institutions, that are able to invest in IPOs and those investors have only limited resources allocated to IPOs. Being one of the first in line improves the chances that a newly public company will be approaching investors while their resources are relatively plentiful.

Look at the Competition

Other companies that are in the same industry, especially any that are direct competitors, provide valuable information for a company that is planning to go public. It is wise, for instance, to look at the IPO comment letter for competitors who recently went public. This may provide insight into the types of questions on which the SEC is currently focusing. Reviewing a competitor's financials may also reveal whether there is any discrepancy in how certain accounting issues are handled. If there are discrepancies, they will probably be raised by the SEC and an explanation will be required. Lastly, listening to a competitor's analyst calls can reveal what issues are of interest to the financial community; those same questions will likely be asked of the newly public company.

Conclusion

Companies seeking to go public need to spend a significant amount of time planning and executing their IPOs. While it is clear that legal and regulatory requirements must be met, adopting leading practices can make the process run more smoothly. Companies are advised to start early and consider planning even during a downturn. Their readiness assessment should include an analysis of their KPIs and they should implement infrastructure changes that will help them meet SOX and SEC filing requirements. Financial statements should meet public company standards before a planned filing, and analyzing a competitor's filing may help the process. These and other practices will help make the IPO process less disruptive and costly. ■

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