

Sage ERP | White Paper

Driving SMB Efficiency With Business Intelligence



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## Executive Summary

In the coming year, many organizations will shift their focus to business growth. However, continued economic volatility means that they will also need to keep costs in check to maintain healthy margins. Since many businesses have already slashed many costs and economic uncertainty will limit opportunities for price increases, businesses will need to cut costs by improving efficiency. Many small-to-midsized businesses (SMBs) are investing in business intelligence solutions to assist with this effort.

This white paper describes what tools are necessary to provide business intelligence (BI) and how a suite of BI tools can help small-to-midsized organizations improve efficiency by:

- Simplifying reporting and data analysis.
- Deploying human resources more efficiently by enabling organizations to focus resources on problems and exceptions.
- Improving efficiency of processes by allowing businesses to measure the effectiveness of these processes and monitoring the impact of changes and improvements.
- Enhancing IT efficiency by providing self-service business analysis solutions and by simplifying the IT infrastructure.

## Improving Operational Efficiency With BI Is A High Priority

Cost-cutting measures that most companies implemented during the Great Recession created cash surpluses that stabilized the bottom line during the economic uncertainty of the past year. In 2011, Gartner predicts that businesses will look to invest in growth while continuing to maintain healthy cash surpluses as a hedge against the business volatility that aftershocks from the financial crisis continue to generate. Since costs have already been slashed to the bone and customer thrift will prevent many businesses from raising prices, Gartner says that businesses will need to improve efficiency by reengineering business processes.<sup>1</sup>

Business intelligence is an important technology for improving business process efficiency. Not only does it eliminate manual data consolidation and reporting processes, it also helps businesses detect inefficiencies in order to drive them out of their operations.

As a result, many organizations are implementing BI to improve operational efficiency. When IBM recently asked CIOs<sup>2</sup> from midsized organizations around the world to identify their visionary plans for enhancing their organization's competitiveness, the vast majority (83%) named BI and analytics as their top priority. And a recent Aberdeen survey found that the top pressure (named by 42% of respondents) driving midsized companies to implement business intelligence is improving operational efficiency.<sup>3</sup>

## Why BI Is Important

BI makes it fast and easy for people throughout a small-to-midsized organization to use existing transactional data to answer critical business questions. These questions can be:

- Historical—"What were the results from this sales promotion?"
- Strategic—"Should we expand our operations?"
- Ad hoc—"How will a rise in the price of gas increase overall transportation costs?"

<sup>1</sup> "Your CEO's 2011 Agenda: What CIOs Need to Know," by Thomas Wailgum, *CIO Magazine*, November 4, 2010.

<sup>2</sup> <http://www-935.ibm.com/services/us/cio/ciostudy/pdf/midsize.pdf>

<sup>3</sup> "BI for the SMB 2009: How to Slash Cost and Empower the Business User," by Michael Lock, Aberdeen Research, July 31, 2009.

## BI Incorporates Multiple Applications

BI is not a single product. An optimal BI solution for midsized organizations incorporates numerous tools. Core functions include query, reporting, and analysis. Dashboards and other visualization techniques help users quickly understand analysis results. All of these capabilities require integrated business data from across the organization. Specifically, BI capabilities include:

### Data Consolidation and Integration

A BI solution that is integrated with an enterprise resource planning (ERP) system can access consolidated data from across the organization in real time. The solution should also integrate with other software applications within the organization to allow users to access data from multiple sources, including structured, text-based, or Microsoft Excel<sup>®</sup> spreadsheets.

### Production Reporting

Production reporting creates high-volume, regularly run reports, such as monthly sales reports. Controlled access to reports means each user sees only appropriate information. These reports save time and improve accuracy by eliminating redundant data entry through direct integration with the ERP database. A library of report templates allows users to start running reports immediately. Users can easily create new reports by modifying existing templates or design new reports using included design tools. Users can schedule when the reports will run and distribute them through email for timely delivery regardless of the location of the user.

### Ad Hoc Queries

Ad hoc query tools allow business users to create queries without IT support. Users can employ these queries to understand trends and root causes. These tools can provide powerful sorting, grouping, filtering, and charting capabilities as well as drill down and drill around. Grid interfaces permit users to see multiple data elements in one view.

### Advanced Analytics with Drill Downs

Advanced analytics allows users to view data across multiple classifications or dimensions (such as product, location, time period, and/or salesperson) and slice and dice the data to look at various combinations, such as the sales in December. Advanced analytics also permits organizations to define hierarchies that enable a user to, for example, view sales for each region and then drill down to view sales in each state, each store within that state, each salesperson, and each product.

### What-if Analysis

“What if” analysis allows people to use past data to see how different potential changes would affect their business. For example, what would happen to sales if prices are raised by 10%?

### Dashboards

Dashboards provide business users with a summary of information critical to their everyday decision making and can proactively alert them to problems. A dashboard often contains key performance indicators (KPIs), easy-to-read graphs, tables, or calendars that provide a real-time view of the business in one place. Users can drill down to underlying financial or other reports to get further insight about the information.

### Portals

Portals allow each user to create a personalized view that tracks the indicators most pertinent to their job in real time. For example, a CEO might want to see graphs displaying revenue over the past year, month, or week. Portals are protected by role-based security and accessible over the web.

## Scorecards and KPIs

Scorecards and KPIs help monitor important business metrics, such as customer satisfaction, profitability, and sales per employee. By tracking KPIs, organizations can align individual and department metrics with the organization's strategic goals.

## Exception Handling and Alerts

Automated alerting and notifications use the organization's email system to notify users when specific events occur. This allows businesses to automate processes while devoting their resources to handling exceptions.

## How BI Improves Efficiency

BI improves efficiency by improving decision making to make it faster and easier, helping organizations deploy their workforces more efficiently, as well as enabling organizations to analyze and improve their business processes and enhancing IT efficiency.

### Improve Decision-Making Efficiency

Today, when managers and employees make business decisions, they are often unable to locate important information. While the organization may track the information, it's often trapped in different silos, and its accuracy can be suspect because information is entered differently into different systems. Reconciling data from different systems is difficult. Thus, business users either spend considerable time hunting down information in different systems, or they need to ask a programmer to make a manual database query from the company's legacy systems. The lag time means reports can be out of date as soon as they are complete.

BI systems consolidate data from across the organization and provide tools that business users can employ to analyze the data to better understand business operations and make better decisions. Implementing BI helps organizations generate reports and analysis within hours that may have previously taken weeks. They can also receive regular, automated reports in a format of their choice delivered to their desktops.

With BI, organizations can leverage existing data to optimize daily, hourly, and minute-to-minute or even up-to-the-second actions. According to a recent Aberdeen report<sup>4</sup>, 63% of best-in-class companies that implemented BI experienced improvement in time-to-decision over the past 12 months. Thus, with BI, companies can arrive at key insights more quickly, deliver critical information to the right people at the right time, and produce analysis required for rapid decisions and actions. BI can also improve visibility across the organization, improving collaboration across teams for better, faster decision making.

### Deploy the Workforce More Efficiently

Using ERP systems, businesses can automate activities and processes and then use dashboards, alerts, and management by exception to monitor relevant indicators for business activity in real time so they can concentrate their efforts on addressing any anomalies that arise. For example, if an organization sees that a particular SKU has a low profit margin, employees can focus on finding the reason for the problem without wading through unnecessary information. They simply click on a given indicator to zoom in on detailed information or the original document that explains the result in order to make a well-informed decision.

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<sup>4</sup> <http://www.hitachiconsulting.com/files/pdfRepository/6082-RA-ERPBIConnect-CJDH-07-NSP.PDF>

## Enhance Business Processes

Businesses are putting their operations under the microscope as they look to improve efficiency. Sixty-five percent of IT leaders polled recently<sup>5</sup> by *CIO magazine* say business intelligence and analytics have spurred a process change in the last year.

To improve efficiency, organizations need a transparent view of their functional teams and the ability to measure how these teams are performing against key functional metrics. BI dashboards/portals that display KPIs allow organizations to track their performance against important metrics in real time. As teams make proactive changes, BI dashboards and KPIs allow them to measure their progress.

For example, say a team was concerned about improving cash flow. They could set up a KPI for days sales outstanding (DSO), measure their existing DSO, then institute process changes—such as emailing invoices rather than putting them in the mail. Using the KPIs, they could then track the results of this effort.

## Increase IT Efficiency

Midmarket BI solutions include a number of capabilities that improve IT efficiency. Large ERP systems typically require IT to go through the complex process of building a data repository to gain a consolidated view of data; midmarket solutions take advantage of integrated data within the ERP and interface to third-party systems to provide data consolidation. Ad hoc queries and report templates eliminate the need for IT to create custom reports for end users, reducing IT bottlenecks and enabling end users to make queries with the click of a mouse. If a solution does not require additional hardware (beyond that used by the ERP), IT can save the time and cost of hardware acquisition and installation. Using a BI solution from the organization's ERP vendor and leveraging existing software investments such as Microsoft Excel simplify acquisition and support.

## Conclusion

Small-to-midsized organizations are constantly looking to improve their operational efficiency. By providing a wide range of automated and customizable reporting, query, and analysis capabilities, BI solutions are enabling SMBs to improve efficiency throughout their organizations. With BI, organizations have the data and analysis capabilities where and when they need it to make rapid and effective business decisions. They can improve efficiency of their workforce by allowing them to concentrate on problems and exceptions to business processes. They can look critically at their business processes to find ways to improve them and then measure the results. At the same time, self-service and other tools designed specifically for midmarket organizations improve IT efficiency.

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<sup>5</sup> [http://www.cio.com/article/597059/Business\\_Intelligence\\_Meets\\_BPM\\_Using\\_Data\\_to\\_Change\\_Business\\_Processes\\_on\\_the\\_Fly](http://www.cio.com/article/597059/Business_Intelligence_Meets_BPM_Using_Data_to_Change_Business_Processes_on_the_Fly)

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## Sage ERP

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