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Making hay while skies are gray

By Jill Dyché

The current recession and its accompanying budget cuts have caused IT managers to delay or cancel some high-profile, high-cost initiatives. But what about companies moving forward despite the downturn? As they bask in the glow of better decision-making and happier customers, some companies are making hay.

I've been thinking about two of my largest clients. One is a major manufacturer, the other is a global pharmaceutical firm, and each is the hands-down market leader in its niche. Despite the recent U.S. recession, these two companies have enjoyed sure-fire new product launches and relatively stable stock prices.

But that's where the similarity ends. For the manufacturer, continued earnings stability simply means business as usual. While the company boasts enviable sales and a worldwide brand name, it is far from an IT best practice. The lines of business are so



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Active data warehousing

It's how you win the game

By Richard D. Hackathorn, Ph.D.

Most companies are focusing on survival, especially in today's economy. But is that really all there is to doing business these days? What about growth? What about expansion? What about *knowing how to win the game*?

Traditional thinking states that if a business is "smart" about its environment and processes, then it will "survive" within its industry niche. It's true that business intelligence enables intelligent businesses, but why?

In general, being smart does not ensure survival, wealth or any other benefit. Bill Gates is smart, a very wealthy. I am equally as smart, but I am not wealthy. There is a critical (and mysterious) cause between intelligence and success. And it has to do



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disenfranchised that they have to reinvent the wheel each time they require new technical or business capabilities. Redundant applications are scattered across departments, resellers are begging for data, and the product—not the customer—is paramount. Executives seem loathe to rock the boat. Consequently, employee morale is abysmal, and the firm has such a negative buzz that even consultants—themselves hit hard by the economic downturn—consider the firm a “last-resort” client.

Why should any of this matter? After all, the company is meeting its financial objectives and its shareholders’ expectations. Even with a dicey business reputation, rampant internal politics and slapdash executive leadership, the manufacturer is making money.

Perhaps not for long. The company’s competitors are catching up, producing similar products and selling them at a lower cost—with more features and with higher customer ratings. The executives, complacent in the consistency of their revenues, long ago abandoned any sense of urgency and see their collective role as defining customer demand rather than predicting it. Not coincidentally, the company’s market share has begun to slip.

Then there’s my pharmaceutical client. This company sees the economic slump as an opportunity to shore up its IT infrastructure and nurture enterprise-wide improvements. Seeing some of its competitors’ revenues in decline, this multinational drug company has increased its margin of market leadership even further. How? By spending money.

The cost of capital is lower than it was 12 months ago. For an IT executive, this can mean more negotiation power with vendors. Indeed, software vendors are restructuring their prices and cutting deals, and hardware manufacturers may soon be borrowing the automobile industry practice of subsidizing leases. No published price is sacred. This negotiation power also extends to services firms, who are motivated to keep their staffs billable. Good consultants are cheaper than they were a year ago.

we transform intelligence into effective action.

For more than 20 years, the IT profession has been the Holy Grail of decision support (and executive systems, and then data warehousing and OLAP, a business intelligence). The idea is that employing technology and practicing the best methodology will miraculously improve the decision making of the client.

To a certain extent, this is true. But over those 20 years, we have not adequately challenged why. What does it improve decision-making, and what is the benefit?

Through trial and error, IT’s pursuit has proven successful. Today, a corporation would be ignorant or foolish not to invest heavily in data warehousing and related technologies. It’s like flying an airplane without an instrument panel. It’s smart.

So, what have we learned? Data warehousing generates benefits for the business when it transforms the information contained in the data into better decision making and effective action. Despite the latest technology and best practices, data warehouses are generally considered failures when usage rates are minimal, when the wrong people are informed of the wrong things and when analyses are interesting but not much else.

The solution is a shift from traditional data warehousing to active data warehousing (ADW). My vision of an active warehouse is one that transforms intelligence into effective action. In other words, ADW, along with the tools and infrastructure surrounding and enabling it, is an important component in performing the business of the corporation. It generates a tangible effect on the quality of day-to-day business transactions. It creates real differences in how customers, delivering products, manufacturing goods, and securing supplies—across the entire value chain.

Let’s take these thoughts down another layer. ADW is the “complete” BI process, which is defined in the following five stages:

- Observe—What is happening?
- Understand—Why has it happened?
- Predict—What will happen?
- React—What should we do now?
- Reorganize—How can we do it better?



In the midst of a dire travel market, Continental Airlines is nevertheless making significant growth investments. *The Wall Street Journal* recently reported that the airline was pushing ahead with major customer-focused initiatives, despite revenue shortfalls resulting from September 11 ("Flight of Fancy," February 4, 2002). Propelled by CEO Gordon Bethune, Continental's improvements include expanded self-service kiosks to terminal remodeling to better in-flight food. Continental's customers are thrilled. Not coincidentally, the article reported that Continental's post-September 11 losses were the lowest among the six largest U.S. carriers.

In the same vein, the pharmaceutical company recently announced a series of expensive and high-profile IT projects, including automating its supply chain, upgrading its ERP system, integrating data mining into its business intelligence repertory and deploying a corporate-wide customer dashboard.

Organizational changes are in the works: The company announced its own "university" to develop business and IT staff training, and the CEO just appointed a Chief Customer Officer.

I predict this client will succeed in not only widening the competitive gap between itself and its rivals, but also in increasing both customer satisfaction and shareholder value. By investing in automation and productivity, the firm streamlines its supply chain, improves demand forecasting and renders its business more efficient. These new-found efficiencies are equivalent to additional budget money, allowing the firm to rechannel funds into marketing and R&D.

Meanwhile, the manufacturer is suspicious of technology, tentative with vendors and terrified of anyone resembling a "change agent." Managers cling to their shrinking budgets as staff members cling to their jobs, simultaneously dreading and hoping for a layoff.

These five stages of BI flow together in a never-e

Traditional data warehousing often stops after the stages, which indicates a failure to deliver more tl basic benefits. This type of BI effort does not prov return on investment many businesses expect.

In contrast, ADW moves beyond into the fourth a stages. ADW enables us to react to the current bu demands, threats and opportunities based on our observations, understanding and predictions. And enables us to reorganize to meet future demands, and opportunities. In other words, businesses not survive but thrive.

Along with a host of other functions and features, employs the following mechanisms to generate ac

- Actionable reporting
- Actionable analysis
- Actionable alerting
- Activated processes

Actionable reporting is traditional periodic reporting with a twist. It implies a summary of observations that highlight exceptions, such as abnormal situations, and suggest actions to correct those abnormalities. Hence, actionable reporting involves more than the first stage. It requires understanding business dynamics and the prediction of future events. Instead of reams of paper, actionable reporting is the substance of a personalized workplace within enterprise portal.

110%	96%	Maxxoup
125%	101%	Mayde li
107%	82%	May/cral
140%	125%	May/iso
8%	4%	Mayn Co
29%	24%	Mayrekr
96%	81%	MaythCa
127%	95%	MCEF
36%	29%	MCES T
136%	105%	MCF
114%	65%	MCInt
16%	77%	MCN
114%	68%	MCNTra
127%	80%	MCP
108%	80%	MCPE
75%	64%	MDFSvc
20%	10%	MDTT
9%	71%	Meawo
123%	100%	Mebe

The second mechanism is traditional ad hoc analy similar twist. Actionable analysis implies a synthe

At a recent management meeting, one of the pharmaceutical company's executives echoed the often-quoted but less-practiced management maxim that when times are good, you deliver, and when times are slow, you build. The firm's leaders have succeeded in separating the lofty visions of improved customer and partner satisfaction, more nimble supply chains and more intelligent decision-making from the reality of the implementation. It's getting down to the hard work.

While the sun is not shining brightly on the global economy, smart managers are making hay with the knowledge that, just like the sun, the economy will also rise again. **T**

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diverse facts using complex algorithms, just in time business events require. It also highlights exceptions and suggests corrections. For example, a market-basket analysis of POS data would suggest relocating co-items within the store, along with who should perform and when.

Actionable alerting happens in a universal context of the continuous monitoring of business events, pre-empting situations that will become adverse and suggesting ways to avoid the undesirable. Also, actionable alerting identifies those who should perform the actions and choose how to communicate the alert (PDA, beeper, etc.). With a deep knowledge of the organization, actionable alerting provides a universal context for alerting anyone—anywhere—

The fourth mechanism requires embedding analytics directly into business processes with little or no human intervention. Activated processes incorporate the full intelligence of

ADW into the minute-by-minute activities of the enterprise. In other words, ADW activates business processes leveraging business intelligence. For example, We recommend products for which a customer's past behavior indicates a high probability of acceptance make use of activated processes.

ADW enables a complete BI process of observing, understanding, predicting, reacting and reorganizing with mechanisms for actionable reporting, actionable analysis, actionable alerting and activated processes. business can reap these benefits from ADW, it will do more than simply survive. **T**

Get the white paper!

Download Richard Hackathorn's "Value Proposition for the Active Warehouse" by going to www.teradatlibrary.com and clicking on "White Papers."



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