

## Managers Need Real-Time Initiatives for Strategic Decisions

Alex Soejarto

The implementation of real-time capabilities is being approached pragmatically. Managers must justify the modification of processes and the minimization of latency in the use of information.

## ANALYSIS

---

Formal management methods are widely used for monitoring the business, monitoring changes in the environment and sustaining competitiveness. Balanced scorecards and key performance indicators (KPIs) are examples of standard decision-making methodologies. Under these methods, data is collected and archived using IT systems. Business intelligence tools and applications are used to present information. However, the latency between information collection and presentation can vary greatly. The latency in a logistics process, such as package shipments, can be small compared with the latency in a financial function, such as quarterly reporting. This results from process maturity and technological availability. With the technological maturity of transactional and management processes, financial data can be reported in real time as readily as logistics information. The benefits of reporting financial data in real time may vary from company to company, depending on which measuring systems and processes are used. Nonetheless, longer latency means management that is more reactive than proactive. It is important to ensure that investment in real-time reporting is focused on those areas that deliver results.

In an environment of economic unpredictability and increased competition, reducing latency between collection and presentation of information can increase the success of an enterprise. But real-time enterprise (RTE) endeavors involve high risks and high rewards. Implementation failure can be quite costly. The longer it takes managers to make decisions, the more slowly enterprises will react to changing forces. Consequently, managers need to consider how real-time information can contribute to the operation and strategy of the business.

Smart enterprises are using IT to accelerate the delivery of information to managers. Senior managers at the leading edge of technology are using real-time information on a daily basis as a health check on their enterprise. Monitoring a KPI, such as earnings per share (EPS) guidance vs. actual EPS performance, can help decision makers focus action efficiently.

The presentation of KPIs through a management dashboard is becoming a popular method for this purpose because it replaces manual reporting and paperwork. Conceptually, a dashboard puts appropriate information at the fingertips of key decision makers at the right time. Practically speaking, it's a display that summarizes and presents information in an actionable way — for example, comparing an enterprise's performance to benchmarks or forecasts. The key to meeting the conceptual goal is to determine the frequency with which to update each KPI. For some metrics, periodic updates will continue to be satisfactory. Other KPIs will help management response by transforming to real time.

### Select an RTE Strategy

Ideally, each supervisor, manager, and associate has a dashboard that monitors their particular area of responsibility. Additionally, decision makers need to understand how their actions directly affect other areas of the business. Evaluating each KPI in turn will smooth the transition to an RTE. Here, methodology is important. As described in "Knowledge Management and the Real-Time Enterprise," there are five stages in the transformation to RTE:

- Set a goal — Affirm established business goals and establish business objectives as appropriate.
- Design — Identify KPIs that directly relate to business goals and objectives.
- Construct — Establish the IT infrastructure to capture data and select business logic for KPIs

- Implement — Driven by KPIs, the system formats data and presents it as predefined.
- Manage — Repeat the steps in a feedback loop to improve RTE capabilities.

Of these five stages, two critical steps are construction and management. The experience of the enterprise and the way that information is managed is central to the integration of knowledge management (KM) with the RTE. When moving KPIs to real time, the goal is to improve the management process. Typically this will involve introducing real-time data capture, shortening batch cycles and integrating applications more directly.

As discussed by Kathy Harris in "Knowledge Management: RTE Processes and Technology," broad process interaction and coordination requirements must be considered when transitioning to an RTE. KM provides the tools to identify, access and retrieve relevant knowledge, to locate the right people with the right skills, and to collaborate with others to analyze an event and make decisions. By continually raising the quality of the knowledge base and the knowledge tools that support real-time processes, managers can be sure to base decisions on data rather than conjecture. The most critical success factor in applying RTE principles is to find KPIs that are worth monitoring in real time, and investing in those.

### **Pick an Approach to RTE**

Building a real-time enterprise is a long-term goal. Enterprises must review and re-engineer their processes, they must improve or replace major applications and they must use business intelligence to present information quickly to managers. Where to start?

The need for the enterprise to take a top-down, results-driven approach has been stressed elsewhere (see "Start Planning Now for the Real-Time Enterprise"), but an IS department does not need to wait for this process. IS can prepare the way by selectively implementing business activity monitoring (BAM) to introduce managers to the benefits of reduced latency and create a systems infrastructure that the RTE uses. The previous report, "How BAM Can Turn a Business Into a Real-Time Enterprise," discusses the business case for BAM and how to select the right metrics or KPIs.

BAM users are taking different approaches in their implementation of this capability. As Lewis Clark and Martin Lee point out in "Managers Begin to Apply Business Activity Monitoring," the emphasis in implementing BAM is on using basic analytic methods to understand the status of the business rather than more sophisticated tools to obtain alerts about possible system failures. This indicates that managers have yet to become comfortable with the real-time capabilities available to them.

An alternate, and often-complementary approach to RTE transformation is the use of portals. In "Using Portals as Gateways for the Real-Time Enterprise," Ray Valdes and Gene Phifer discuss how portals affect the five stages in the transformation to RTE. RTE initiatives are far-reaching, spanning the organization. Portals cross infrastructure, application and organizational boundaries. They can accelerate information throughput through automation of information retrieval or simplification of the information capture process. Successful portal deployments seed the organization with human resources and competencies necessary for executing an RTE strategy and architecture.

### **Gain Comfort With RTE**

There are multiple factors to achieving the appropriate comfort level with the use of real-time capabilities to run the business. Selecting a process that will benefit from real-time information is key to establishing measurable results. Just as importantly, managers must feel it is imperative to change their management approaches. Cultural issues within a company may be a stumbling block when redefining how decisions are made. Preserving trust in the measurement system is

critical to continued use of a KPI. These issues need to be addressed as part of a methodology designed to select KPIs for transformation to real time. In "Helping Executives Benefit From Real-Time Information," Frank Buytendijk deconstructs the issues managers must address when moving to an RTE. BAM is a goal appropriate to enhancing executive decision making.

## Features

"Knowledge Management: RTE Processes and Technology" — An examination of the process interactions, knowledge management requirements, and coordination considerations needed when making the transition to an RTE. **By Kathy Harris**

"Managers Begin to Apply Business Activity Monitoring" — Survey results reveal manager perceptions for the implementation of BAM. **By Lewis Clark and Martin Lee**

"Using Portals as Gateways for the Real-Time Enterprise" — A look at how portals affect infrastructure, application and organizational boundaries when transforming an enterprise to RTE. **By Ray Valdes and Gene Phifer**

"Helping Executives Benefit From Real-Time Information" — A discussion of the processes, attitudes and cultures in organizations that managers must consider as RTE transformation occurs. **By Frank Buytendijk**

This research is part of a set of related research pieces. See "It's Time for the Real-Time Enterprise" for an overview.

## REGIONAL HEADQUARTERS

---

Corporate Headquarters  
56 Top Gallant Road  
Stamford, CT 06902-7700  
U.S.A.  
+1 203 964 0096

European Headquarters  
Tamesis  
The Glanty  
Egham  
Surrey, TW20 9AW  
UNITED KINGDOM  
+44 1784 431611

Asia/Pacific Headquarters  
Level 7, 40 Miller Street  
North Sydney  
New South Wales 2060  
AUSTRALIA  
+61 2 9459 4600

Latin America Headquarters  
Av. das Nações Unidas 12.551  
9 andar—WTC  
04578-903 São Paulo SP  
BRAZIL  
+55 11 3443 1509