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September 2009

Best Practices Report

The Power of a Common Business Language

A white paper that explains how companies create and standardize their common business language – terms, definitions, and related metrics – to prevent “metrics confusion”, accelerate deployment and maintenance of enterprise information systems, and increase focus on analyzing and decision making instead of collecting, debating, and reworking numbers. The result is improved quality of enterprise information systems and greater efficiencies in the deployment, maintenance, and consumption of information.

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Executive Summary

One of the most significant challenges business leaders face in deploying business intelligence and management reporting systems has little to do with the technology. Rather, it is the *common business language* – the terms, metrics, and definitions that must be made pervasive throughout an organization to realize the full value of an enterprise information system. Without a common business language across business units and functions, valuable time is wasted and decisions are impaired due to unclear metrics and delays in report analysis.

We know that report preparation and analysis is a time-consuming business activity and that getting accurate information is not always easy. Analysts and managers sift through large amounts of financial, operational and sales data looking for trends and statistics, then spend significant amounts of time reconciling the numbers in meetings with executives and business leaders across functions. Often the discussions reveal the use of the same language for different metrics—even words such as “customer”, “employee,” “overhead,” and “revenue” can mean different things to different

departments—and that leads to time wasted on clarifying and reconciling the metrics and associated data. The result of this confusion over business terms is increased costs and delayed and/or impaired decision making. Establishing a common business language across business functions avoids confusion by enabling transparency, accountability, concurrence, and collaboration.

This whitepaper presents the case for standardizing the language of your business and then demonstrates how organizations can deliberately plan the approach and process for that standardization using Balanced Insight Consensus®, a collaborative platform that automates key communication and decision-making steps to improve transparency and accountability.

The confusion over business language will likely be one of the primary reasons “more than 35% of the top 5,000 global companies will regularly fail to make insightful decisions about significant changes in their business and markets” over the coming 3 years.

Gartner, Predicts 2009: Business Intelligence and Performance Management Will Deliver Greater Business Value, December 18, 2008

The Need for a Common Business Language

Information needs challenge most organizations. The onslaught of cheap processing power and data storage has enabled a significant increase in the information available or stored within an organization. Unfortunately, in many cases that information cannot be called business intelligence (or knowledge) even when accessed because there is no clear understanding of the meaning of the information. Companies launch expensive and resource-intensive projects to catalog, organize, classify, and present information that will be useful to management for making decisions but these projects often miss their mark

because of a lack of common business language across business functions. Time-consuming and sometimes painful manual processes are put in place to reconcile the information and make it meaningful and accurate for decision makers on a regular basis. But what is the cost of adjusting to changing conditions through such manual efforts? And how quickly could your organization respond to unanticipated new changes? Would it require a “painful, stop-everything project” to clarify the metrics and identify how the metrics are being used in your company and by whom? If so, this decreased agility is adding costs to your organization and resulting in missed opportunities to profit.

A common business language enables companies to drive to consistent and well-understood metrics across the organization, reducing the time and budget required to analyze information and turn it into intelligence.

The Challenges of Not Having a Common Business Language

Example 1: What is an “employee”? Companies are challenged to determine and understand key descriptors within the business.

At one company, there was considerable confusion as to the meaning of “employee” and this confusion persisted year after year. Traditionally the company reviewed employee counts on a regular basis and made annual hiring practice decisions. Typically, the CFO called the VP of HR and requested the current headcount of the corporation.

The VP of HR then requested this number from his staff. He also called the controller to get the same information. Two days later conflicting reports were returned to the VP. Each report had a different total because it used a different meaning of the word “employee” (see sidebar). The VP of HR sifted through the different reports and made his own assumptions to arrive at a reasonable number, calling the controller and several others into a meeting to help. In the end, the process slid from one based on facts and numbers to one based on an approximate estimate. The result was a barrier to presenting accurate and consistent information.

The VP of HR and the controller met with the CFO to provide a working number and to explain why it was only an approximate estimate. After an hour or so, it became clear to the CFO that he was not going to get an exact number, just as he had not the year before, and

What is an “employee”?

Your CFO needs to know the current headcount (number of employees). The result depends on who you ask:

- From the benefits staff, a report by geographic region showing all employees who are eligible for benefits
- From the HR operations staff, a report listing employees by manager, including contract staff
- From the recruiting staff, a report of current employees plus open headcounts
- From the controller, a summary number used for financial reporting

he can no longer delay his decision regarding hiring. He decided to err on the side of caution, assumed the highest number, and placed a hiring freeze on the organization.

Placing a freeze on hiring when a company is understaffed is always risky to the revenue-generating capacity of an organization, to building a world-class staff, and to maintaining morale. Lack of a standard definition of “employee” not only cost this company money in terms of staff time involved in reconciling the numbers (approximately \$6000) but also potentially cost money in lost opportunity. The CFO knew time had been wasted in obtaining the numbers. He was also aware these discussions were far too frequent, not just about the term “employee” but a half dozen other terms as well. Each time, he would exhort his executive peers to find an owner for each metric and clean up the mess, but without a standardized process for moving to a common business language, the company continued to revisit the problem quarter after quarter, year after year. Moreover, the analysts who supported the management team were given numerous additional and costly tasks related to justifying and documenting the assumptions for each term or metric that produced a barrier to action.

Example 2: What is a “product shipment forecast”?

Companies are challenged to understand derived metric definitions.

At one company a process had been put in place to forecast product shipments for the entire enterprise on a monthly basis. Originally there had been some confusion resulting from the meaning of terms such as “fiscal month” and “product,” which led to inaccurate projections provided as a percent of totals over a fiscal month in the enterprise roll-up (see sidebar).

The resulting confusion necessitated a project to document the differences and educate management regarding the various nuances in the corporate forecast. Hours were spent discussing the merits of each forecast number and why certain business units demanded an exception. Eventually, an agreement was reached as to the corporate forecast solution and the language confusion was resolved at a cost of approximately \$33,000 in labor, not including C-level managers.

But the story does not end there. Although over the subsequent years the metrics and their definitions seemed to work fine, even if the process was inefficient, when another system came on line and the company wanted to

What is a “product shipment forecast”?

Business units use conflicting definitions of “fiscal month” and “product,” so the resulting shipping forecasts are inaccurate:

- One regional business unit forecasted shipment based on the 15th through the following month’s 14th day and included revenue-producing and promotional products.
- One newly acquired unit used the month starting on the 20th and ending on the 19th — how their forecasting system was still set up—and they included all products.
- All the remaining business units used the calendar month but half included promotional products and half did not.

produce a corporate forecast within the new system, the company found itself in a bind. The original corporate analysts involved in the earlier solution had moved on to other roles, as had most of the other key players, including the executives. The original discovery and assessment work had been articulated in a word processing document and stored on a hard drive, but no one could find it. Regional business units had also diverged again in some of their metrics. This required the current analyst team to redo the research and discovery work. In the end, the decisions made by the executive team were the same as earlier. Unfortunately the cost of not having the key terms documented and published was an additional \$30,000, nearly the same cost as what it took for the original team to define the metrics.

The Value of a Common Business Language

Costly challenges like those just cited result from the fact that the terms and metrics you use to evaluate and monitor your business have company-specific meanings, division-specific interpretations, country-level nuances, and department-driven variations. Larger companies with diverse business functions are more likely to suffer costly errors in operational monitoring and decision making as a result of variation in the meanings of terms and metrics. These challenges can be solved by the creation and implementation of a common business language, enabling everyone in an organization, across divisions and departments, to understand explicitly what “employee,” fiscal month,” or “net sales” means. But the value of a common business language is not limited to clear meaning of company metrics. Standardizing your business language also enables *transparency*, *accountability*, and *concurrency*. And the process of establishing a common business language helps promote best-practices in *collaboration* and fact-based decision making.

Transparency

Transparency is enabled when the terms and metrics used by management to evaluate and monitor their company are clearly defined and published. When a common business language is in place and made visible, each component of the company can understand its contribution to your business objectives and work toward the same defined goals. This means you gain not only improved management reporting but also improved individual and department performance plans, ensuring that the value of your metrics is realized by tying those metrics to strategic and tactical value-creating activities.

Accountability

Accountability in an information-driven business demands that employees know, understand, and agree to the metrics that management is using to evaluate and monitor the business. In order to monitor the business successfully, management must ensure that managers and employees understand how to gather and report their metrics accurately. In addition, accountability requires knowing who or what group is responsible for a particular metric. Sustainable accountability requires a well-defined governance process for handling

changes to the key metrics, their definition, and their ownership. A common business language with agreed-upon definitions is an often overlooked step in the design and delivery of accountability systems, such as performance management and business intelligence dashboards. The gap in understanding and meaning in these solutions greatly reduces their business value.

Concurrence

Concurrence is defined as agreement among multiple parties and groups. Concurrence in the area of management reporting is critical to informed decision-making. As companies grow to encompass multiple countries and multiple markets, they must drive concurrence among their various organizational groups about what metrics should be used to evaluate and monitor operations. Rarely does a single authority have the ability (authority, knowledge, and competence) to dictate to the entire organization the meaning of all the requisite business terms and metrics; concurrence is usually essential. Although achieving concurrence on business terms and their meaning can be difficult, agile companies understand that concurrence regarding the elements of reporting is an ongoing process and a “gold standard” for fact-based decision-making best practices.

Collaboration

With the pace of change in today’s business world, discussions that enable managers to continually adjust their tactics to meet their goals, thus driving business performance, are keys to success. But to be effective in the agile sharing of intelligence and knowledge, such discussions require a common business language. Although this requirement for a common business language is perhaps obvious, what might not be so obvious is that the very process of developing a common business language is an opportunity for knowledge-sharing and increasing business understanding. Discussions that focus on developing a common business language, especially if aided by the use of “a collaborative platform,” not only result in a framework that promotes transparency, accountability, and concurrence but also result in a team that has learned how to collaborate.

Creating and Establishing a Common Language

The ideal management reporting solution enables management to see key metrics for any time period at any time. Without a common business language, the management reporting solution is slow and ineffective — management cannot base decisions on the information presented without long discussions to interpret the meaning of the information and more times than not manual intervention is required.

A common business language is a powerful tool within any enterprise. But how do you get there without a major investment? The primary steps include:

1. **Creating the Common Business Language** - *creating the basis for your common language with a list of terms and their definitions.*

Companies use many approaches to creating the initial list, including facilitated work sessions with cross-functional resources assigned to the project, grass-roots wiki-like efforts, consensus-building efforts, and dictated terms from executives. To ensure adoption, collaboration is the optimal approach and best practice. Enthusiastic executive support and involvement, ability to drive cross-business activities and teams, and strong facilitation and negotiation skills are critical.

2. **Propagating and Supporting the Common Business Language** – *creating a standardized process for disseminating the common business language throughout the enterprise and supporting its ongoing usage and modification.*

Although a collaborative tool would be very helpful in the initial establishment of the key metrics and their definitions, a tool is absolutely essential to propagating the common business language and thereafter supporting ongoing, audited modifications within an historical context. Without a tool, the hard work of establishing a common business language may need to be repeated in a surprisingly short time, greatly reducing the value of the initial alignment effort.

Many companies have quickly recognized these essential steps, but after estimating the effort required to develop new manual processes to create, implement, and maintain a common business language, they cancel or postpone the initiative. Other companies have moved forward successfully only to find that after creating the initial list and gaining concurrence they are stymied by how to continue to maintain concurrence and changes.

Building an agreed-upon list can be deceptively simple, often requiring more effort than anticipated; establishing a process to standardize a company's business language can be deceptively complex, so much so as to stop companies in their tracks. Although potential resource and system costs can be substantial, there is a way to dramatically reduce those costs – a collaboration platform that will automate many of the steps involved.

Here is a checklist of minimum requirements for any platform that supports common business language creation, deployment, and sustainability:

The Common Business Language Process

- **CREATE:** *What are the terms, who defines them, who reviews them, and who manages them?*
- **IMPLEMENT:** *How will you propagate the common business language throughout the enterprise?*
- **SUSTAIN, GROW, AND MODIFY:** *How will you manage and support the common business language over time?*

- ☑ Ability to document terms and definitions in a non-proprietary format
- ☑ Ability to facilitate and demonstrate concurrence across silos
- ☑ Ability to publish agreed-upon terms to consumers in the enterprise
- ☑ Ability to facilitate a change management process for a term or definition
- ☑ Ability to retain history of discussion and decisions
- ☑ Ability to scale as the number of terms grows
- ☑ Ability to quickly search and retrieve terms, definitions and historical debates

Balanced Insight Consensus® and your Common Business Language

Balanced Insight Consensus is the ideal tool for enabling the deployment of a common business language throughout an enterprise. Using Consensus, company employees can:

- Collaborate on and determine a list of terms and their definitions
- Record responsible parties
- Show the history of collaboration, including all the various discussions and “votes”
- Publish the agreed-upon glossary items
- Manage changes to the glossary items
- Link to relevant development efforts
- Easily access the glossary and retrieve information.

Moreover, technical project teams are able to link directly to the business terms to ensure that business requirements are understood and that future development efforts will achieve the value anticipated. Technical teams will also be able to more easily support rapid development and more quickly create mock-ups of how metrics will appear in online and printed reports. Finally, business teams charged with recommending investments and writing business cases will find the time they spend tracking down information on metrics greatly reduced.

Balanced Insight Consensus is focused on enabling enterprises to reap the benefits of consistent business intelligence, performance management, and analytical reporting systems. A common business language is a key component of business intelligence and performance management systems — and Consensus is a robust tool that enables common business language efforts to succeed and endure, at greatly reduced cost.

Here’s how:

Excel or Balanced Insight Consensus?

Companies that try to produce a glossary in a static or flat documentation medium, such as Excel or Word, face some very real challenges:

- Difficulty including all necessary information for success, such as historical discussions and “ownership” of each term
- The greater facilitation skills and additional time that are required to complete the glossary
- Inability to scale and grow over time
- Difficulty retrieving and making use of unstructured data

- **Establish the Common Business Language** - Consensus provides an intuitive user interface to drive the capture and documentation of common business language debates. Structures and relationships are documented to show interactions between terms, including subsets or derived terms, parent-child relationships, subject area groupings, and roll-ups that are commonly used in the business. The user interface is designed for the business analyst and requires minimal training.
- **Publish the Common Business Language** - Consensus enables the direct export (in industry standard formats) of a variety of groupings of your common business language, including currently approved terms and definitions, pending definitions, terms and definitions under discussion or debate, and new terms and definitions. Customization of the groupings by the user is supported. A company may also enable a direct feed to a larger business glossary look-up tool that provides the most-recent definitions.
- **Embedding the Common Business Language** - Consensus provides functionality to enable direct interfacing to business intelligence platforms, report writing tools and other development technologies that provide information access to users. The clear link between the discussion and agreement of a term and its usage in a management report will aid adoption of an enterprise-wide common business language platform.
- **Managing Accountable Parties** - Consensus provides the ability to document the key decision makers and their agreement or disagreement with a particular term. This not only provides validity to the usage of a particular term but also lays the foundation for the change control process because users can determine who is accountable to the enterprise for a particular business term and definition.
- **Facilitating Change Control** - Consensus enables users to make proposed changes and then enables stakeholders to review the change and signal either their willingness to accept the change or their objections, all this in a documented and transparent manner. Stakeholders are able to evaluate the impact of the change by reviewing all historically relevant documentation.
- **Documenting the History of a Term** - Consensus enables users to easily document the discussions around each metric or term. This history is then stored and can be recalled at any time.

A Benefits Case for Balanced Insight Consensus®

Balanced Insight Consensus provides a compelling benefits case.

A large, Fortune 500, global apparel company was embarking on an initiative to standardize terms and definitions. A number of manual steps were devised to support the process of moving to a common business language, including multiple approval checkpoints (functional, regional and executive management reviewers). Once the common business language was created, the problem became maintenance and change control. *What process*

could ensure that the language remained current, accurate, and visible to the entire organization, or at least key players? Without a defined change control process, the analysts' memory became the repository for the history of terms and relationships between terms, with some help from business user workshop notes. Over time the organization found that conversations were being repeated, gaps in information frequently arose, and coordination of the input from all the global regions was extremely difficult and costly. Team members considered different tools to facilitate the process — a popular spreadsheet program, a more technical data-modeling metadata repository, and transcriptions of notes in documents. Each option fell short in that it added additional work to the alignment team without fulfilling the basic requirements as outlined in this whitepaper or were too burdensome for the business users.

A business case for a common business language initiative must justify the benefits of moving to a standardized process. This company had already determined that developing a common business language for business terms and metrics was essential to lowering G&A and operating costs and critical to improving its ability to make agile, informed decisions, so the team did not have to produce that justification. However, in addition to the cost-benefit analysis above, this paper has provided some specific areas for you to look at when developing your business case for a common business language initiative.

An evaluation of Balanced Insight Consensus indicated that it would be a good solution to their problem and would meet all their technical, process, and user requirements. Executives at the company requested a brief business case and a simple benefit analysis.

The team at the apparel company took this approach to their analysis:

- **Step 1: Estimate the labor costs without the use of Consensus.** Since the company had already completed the initial glossary, the team began with the estimation of internal labor costs for implementation and adoption of the common business language. Then they estimated the costs of maintaining the glossary, including the costs of monitoring the use of the terms in management reports, receiving request for changes, and securing approval for those changes. Finally, they estimated the costs of periodic (every three years), enterprise-wide validation of the glossary to ensure maintenance and change control was working and to provide opportunity for an overall review by management and key personnel. The labor costs were substantial.

In the first four years, the labor involved in implementing, maintaining, and reviewing the standardized language would cost the company \$829,800.

Labor Cost Estimate without Consensus®

The apparel company used a flat loaded rate of \$100 per hour for administrators, analysts, managers, and executives to establish a budget.

The team at the apparel company estimated that 30 people would need to be involved in the implementation and adoption of the newly established standardization process for creating the common business language. The derived estimate was 1200 hours and the one-time derived cost \$120,000.

The team estimated that 30 people would need to be involved in the maintenance and change control of the new common business language glossary. The derived estimate was 1764 hours annually, year after year, and the derived annual cost \$176,400.

The team recommended that the company perform enterprise-wide reviews of the common business language every three years to ensure its continued accuracy and use. They estimated that 40 people would need to be involved in the reviews. The derived estimate was 924 hours and derived cost \$92,400 every three years.

Not adopting Balanced Insight Consensus would cost the company a total of \$208,200 in labor the first year and \$176,400 every year thereafter, with an additional \$92,400 in labor costs every third year. *Thus in the first four years, the labor involved in implementing, maintaining, and reviewing the standardized language would cost the company \$829,800.*

- **Step 2: Estimate the labor costs with the use of Consensus.** With the current-state information in hand, the project team then estimated the impact on implementation, adoption, and maintenance labor costs if Consensus was used as the collaborative automation platform to drive the common business language. They estimated labor costs for all the same tasks that were used in the “without Consensus” scenario.

In the first four years, the labor involved in implementing, maintaining, and reviewing the standardized language would cost the company \$269,250.

Labor Cost Estimate with Consensus®

The apparel company used a flat loaded rate of \$100 per hour for administrators, analysts, managers, and executives to establish a budget.

The team estimated that 30 people would need to be involved in the implementation and adoption of the newly established standardization process for creating the common business language over the course of the first six months. The derived estimate was 645 hours and the one-time derived cost \$64,500.

The team estimated that 30 people would need to be involved in the maintenance and change control of the new glossary. The derived estimate was 588 hours annually (probably less in future years, though the company did not assume a reduction) and the derived annual cost \$58,500.

The team recommended that periodic reviews of the Consensus common business language glossary occur every five years (instead of every three years as in the earlier scenario without Consensus). They estimated that 40 people would need to be involved the reviews. The derived estimate was 585 hours and derived cost \$58,500 every five years.

Adopting Balanced Insight Consensus would cost the company a total of \$93,750 in labor in the first year and \$58,500 every year thereafter, with an additional \$58,500 in labor costs every fifth year. *Thus in the first four years, the labor involved in implementing, maintaining, and reviewing the standardized language would cost the company \$269,250.*

Benefit Analysis

Weighing the internal costs of not adopting Balanced Insight Consensus against those same costs if the company adopted use of the tool yielded a strong business case just on labor costs, which were reduced by 67% over 4 years. The benefit to the bottom line of this company was a savings of over \$560,000 over 4 years.

	Without Balanced Insight Consensus®				
	Year 1	Year 2	Year 3	Year 4	Totals
Implementation & Adoption	\$120,000	-	-	-	\$120,000
Maintenance & Change Control	\$88,200	\$176,400	\$176,400	\$176,400	\$617,400
Periodic Reviews	-	-	-	\$92,400	\$92,400
Totals	\$208,200	\$176,400	\$176,400	\$268,800	\$829,800

	With Balanced Insight Consensus®				
	Year 1	Year 2	Year 3	Year 4	Totals
Implementation & Adoption	\$64,500	-	-	-	\$64,500
Maintenance & Change Control	\$29,250	\$58,500	\$58,500	\$58,500	\$204,750
Periodic Reviews	-	-	-	-	-
Totals	\$93,750	\$58,500	\$58,500	\$58,500	\$269,250

It is important to remember, however, that this company had already completed the development of the initial glossary without the use of Consensus. The company recognized that if they had implemented Consensus from the beginning, the cost justification would have looked even stronger.

Since implementation of Consensus, the company has reduced the cycle time to agree on business terms and extend the common business language. Balanced Insight Consensus enables clarifying discussion to reach agreement on common business language swiftly, provides historical information without analyst intervention to the user community, and provides clear links to the development process for management reporting. These cost savings and the implementation of a robust, repeatable tool and method to support a common business language will be paying dividends for years to come.

Reaping the Rewards of Common Business Language

A common business language (terms, definitions, and metrics) is key to establishing and driving a performance-driven culture within any enterprise. Divisions and business units speaking the same language enables efficiencies in information system implementation costs and other business initiatives. Information can be lifted out of a unit and rolled up to the highest level of the corporation in a timely and efficient manner without the intervention of an army of analysts. Newly acquired divisions can quickly understand the management reporting metrics and move to align their metrics. Most importantly, enterprise strategy can be consistently deployed and measured throughout an organization.

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By implementing a common business language, companies can reduce misunderstandings and re-work, increase time spent on analysis instead of debating the assumptions, and foster meaningful conversations about company performance.

Although simple in concept, a common business language is difficult to create, implement, and maintain. Balanced Insight Consensus provides a robust tool that supports the creation and propagation of a common business language throughout the enterprise.

About Adam Giles

Adam Giles is a management consultant focused on business intelligence and data management. He has over 10 years consulting at Fortune 500 companies regarding the value of information and how companies should implement and build business intelligence systems. He recently led the implementation of a process to enable standard language at a multi-billion dollar global company. He can be reached at adambgiles@gmail.com.

About Balanced Insight

Balanced Insight, founded in 2003, serves the business intelligence (BI) market with its flagship product -- Balanced Insight Consensus®. Consensus enables businesses to dramatically reduce the cost of delivering and managing business intelligence solutions across market leading platforms, such as IBM Cognos, SAP Business Objects, Microsoft, Microstrategy, Oracle BI and Pentaho. In addition Consensus allows for greater re-use and integration across these platforms by offering stakeholders the ability to collaboratively define, review, and approve key business metrics and terminology. With Consensus, you will deliver a more broadly understood business intelligence solution reducing duplicate efforts and confusion.

For more information on Balanced Insight, visit www.balancedinsight.com.

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