

Five Steps Required for a Successful BI Service Project

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Gartner research and ongoing discussions with end users indicate that business intelligence (BI) service projects are most likely to succeed when buyers make a substantial, upfront investment in getting the following things right:

- Planning — Align strategy with delivery
- Resourcing — What skills are needed?
- Selection — Multiple items to consider
- Relationships — More important than you might think
- Delivery — Time and budget

This research note discusses what's required to "get it right" in each area.

Key Findings

- Project success is varied on BI initiatives, and while some are successful with minimum disruption, some are still failing.
- Because of time and personnel constraints, many important stages of the sourcing process are not properly addressed. These five elements are the most crucial.
- The process of selecting a service provider to work with on a BI project needs to involve much more than simply the choice of the provider itself.

Recommendations

- By investing some time and resources upfront in the five different areas outlined here, organizations gain a much better chance for success in their BI projects.
- Make a business case for the BI initiative, clearly outlining what the objectives are and what your desired end result will be, because that will give clear guidelines to your chosen service provider. Do not deviate from this plan unless absolutely necessary.
- Use a vendor evaluation model (VEM) to ensure a consistent, structured and repeatable methodology for IT services provider evaluation and selection, which will enable more-objective and correct results.

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1.0 The Five Key Elements

The five key elements outlined in this research aim to give more structure to the primary areas organizations should focus on as they consider the use of a BI service provider, select a provider and work with a provider. These elements are planning, resourcing, selection, relationships and delivery. We discuss each element separately.

1.1 Planning — Align Strategy With Delivery

BI projects are becoming more strategic and complex. Multiple departments are involved, and business strategy is being linked with operational results. This is a marked change from a few years ago, when BI projects were often simpler point solutions or just technology-focused. However, the time allocated to planning for a BI project hasn't changed, and it is often not sufficient to accurately and thoroughly arrive at the right place so the project can proceed in the right direction. In general, Gartner notes that the most-successful BI service projects require an average of two to six weeks of upfront planning.

The activities that must be completed in the planning phase include the following:

- Defining project sponsorship and governance — For any strategic BI service project, Gartner recommends that the business must always be the sponsor and the project owner.
- Setting a baseline for project goals — Failing to do this can mean a BI project being perceived as a failure, even though it is progressing fully on track, because the starting line was not set. In these cases, the organizations have moved along and found that the business case loses relevance because stakeholders cannot remember the starting point and therefore cannot accurately make assessments based on a return on investment or any other value measurements.
- Creating a business plan that clearly states the business value to be delivered against the associated costs — A formal business case defines bottom-line business benefits associated with IT investments. Costs for items such as software, hardware, skills development, data governance and data quality need to be measured against the value.

For additional information on the area of linking business value and IT, see "The Business Value of Services in Sourcing Initiatives" and "Business and Sourcing: Collaborating for More-Effective and Successful Services."

1.2 Resourcing — What Skills Are Needed?

BI initiatives require different sets of skills, and while some of these might be available in-house, most organizations will likely need to go to the services marketplace to complement these skills. For complex BI service engagements, Gartner routinely sees the following skill requirements:

- Deep, specialized process expertise, either horizontal or industry-focused, depending on the project scope.
- Deep, specialized technical skills to support technology implementation and integration. Skills in database management, data mining and information architecture development are also helpful.

- Change management skills. Not every BI service engagement will involve dramatic business change, but many do.

Creating the optimum blend of resources is the end goal. Also important is understanding an individual organization's needs compared with what is available in the market. Buyers should be able to answer these five questions affirmatively before going out for bid:

1. Is the organization ready to use an external service provider?
2. Does an initial market scan indicate there are providers available that can do what you are looking for?
3. Can the external provider demonstrate levels of skills and experience that are superior to in-house staff?
4. Can the external provider carry out the work at a more-competitive rate than using in-house staff?
5. Does the capability exist in-house to manage the external provider?

If the answer to any of these questions is no, then the organization is not immediately ready to use a service provider and will need to evaluate other options before progressing.

1.3 Selection — Multiple Items to Consider

Best practice is to create an overall, standard approach when evaluating and selecting a BI service provider. When a consistent methodology is in place, it greatly reduces the risk of an ineffective choice of service provider for a particular project.

In principle, the guidance for evaluating and selecting a BI service provider is the same as for any other type of service providers. We outline this guidance, with specific recommendations for BI services.

1.3.1 RFI and/or RFP Process

The RFI serves as an initial scan of the market to create an understanding of the availability and interest of providers in the space. The RFP is the next step and should be much more detailed than an RFI; it is basically used to formalize a business transaction. For further information, see "Guidelines of an RFP Process for Standardized IT Service Provider Selections."

Where BI services are concerned, the RFI process is likely to yield a broad and diverse array of potential providers, including service providers with broad scope and scale, boutique consulting firms, independent software vendors (ISVs), offshore providers, and local generalist or specialist providers. No provider business model is inherently superior to another, so the key is to understand the strengths of each model and determine which are the best fit for your project. For example, the ISVs know their software, have access to the code and have a vested interest in making it work. However, their experience is typically narrower than an external service provider's (ESP's) and is confined to the software — not necessarily the wide-ranging business problem — and an ESP can point to other vendors if there is a problem. On the ESP side, you will find more consulting experience in a range of process and industry capabilities, but adding them to the project can also add complexity and cost.

1.3.2 Vendor Evaluation Model

There is no single set of generic evaluation criteria that apply universally to the selection of all BI service vendors, but Gartner's VEM can be used to ensure a more-effective and clearer

evaluation process. For additional information, see "How to Use a Vendor Evaluation Model to Standardize IT Services Provider Selections."

The VEM needs to be the result of discussions of stakeholders in the organization. Organizations choose different evaluation criteria based on their individual business and their objectives and then weight these depending on their relative importance. Figure 1 shows an example of a VEM.

Figure 1. Sample VEM

Custom Criteria	Provider A	Provider B	Provider C	Industrial Criteria	Provider A	Provider B	Provider C
Relationship				Process			
Industry Know-How				Technology			
My Business Know-How				Business Model			
Vendor Viability				Global Delivery			
Rates				Price			
Cultural Fit				Solution Repetition			
References							
Overall	Challenging	Caution	Positive	Positive	Challenging	Promising	Challenging



Source: Gartner (June 2009)

1.3.3 Reference Checking

Reference checking is a critical but frequently underemphasized part of the evaluation and selection process. Gartner recommends that you concentrate on investing the time needed in preparing the right questions as well as establishing who will be responsible for gathering and evaluating this information. Also ensure that you align the reference-gathering process with the VEM to ensure you have the same objectives. Reference checking will help you understand how well the provider fits your needs and what its track record has been and also enable you to prepare better for managing risk. Consider asking your references how efficient a provider's tools, accelerators and frameworks are in implementing these solutions effectively because that can make a difference in terms of your project's time and budget.

1.3.4 Oral Presentations/Site Visits

Understanding how the provider's operational activity is performed and who is part of the team that will work on the project is an important part of the process. Ensure that in your initial meetings and presentations, you ask questions about the team that will be involved; will it be the same team you are meeting, or will it be different? Involve relevant stakeholders in these presentations or visits; BI initiatives span across departments, and you want to ensure the right

people are able to provide input and ask questions. IT also needs to be involved, as do representatives from the business units, because they have different perspectives on BI and what is needed.

1.3.5 Identify Finalists

If you start with an extended list, make the decision on the final providers you will be evaluating.

1.3.6 Complete Due Diligence and Final Pricing

The pricing would likely have been discussed earlier in the process, but this is the stage to make final decisions on pricing models and rates.

1.3.7 Select Provider

Based on the previous steps, make your final decision on which provider you will work with on your project.

1.4 Relationships — More Important Than You Might Think

Based on our research, managing the relationship with a service provider is the most-important factor to get right to succeed with the BI project. The relationship includes not only the details of the contract and the pricing, but also the softer aspects of working effectively with your chosen provider. It is crucial to ensure the deal is beneficial to both sides to achieve the most-successful outcome.

The softer elements can be decisive: Based on conversations with many clients who are using service providers for their BI engagements, Gartner observed that most problems occur when the parties are not working or communicating effectively together or not understanding each other. Very seldom is the reason for the problem any technical or methodology aspects of the deal.

Recently, a client — who was increasingly dissatisfied with using a global service provider to develop and maintain the internal enterprise data warehouse — contacted Gartner. The majority of the services were provided by an offshore location and some from the provider's onshore facilities, while a minimum presence was kept in-house by the client. Most of the client's problems turned out to be related to the lack of effective communication between the client and the provider, due to a failure to set up the right roles and responsibilities as well as channels of communication from the beginning. No problems were traced to the actual technical capability of the provider or the work it had carried out.

This is not an unusual situation: Clients frequently encounter situations in which the core reason for a failed project is simply ineffective communication between the provider and buyer. Communication failures are more acute in BI projects because these projects often involve process and organizational change and changes in internal roles, which mean clients often need more help and involvement from BI service providers to achieve a successful BI implementation. Further, these engagements can be fairly complex, which further highlights the need for a balance between both sides and for processes that will ensure a smooth working relationship.

We recommend the following actions to facilitate communications on BI engagements:

- From the beginning, involve a team from the organization that will work with the provider's team.
- Establish roles and responsibilities within the BI initiative, on both the provider side and the client side, to ensure clarity and avoid misunderstandings.

- For certain key roles, such as project manager, ensure that somebody manages these roles in both locations when using "nearshore" or offshore services on your business operations improvement project.
- Continue to have regular debriefing meetings as the project progresses so that any issues can be raised and dealt with before they become problems.
- Choose a provider that you can trust and that you believe will make decisions in your best interest. If your staff view a provider as "an outsider," this perception can cause reduced communication; internal staff and the service provider could potentially start to score points off each other instead of working as partners.

1.4.1 Working With One or Many Providers

Depending on the needs of each individual organization, as well as sourcing experience and maturity, it will make sense to build your sourcing strategy either around a single vendor or around multiple, integrated suppliers.

Many of the BI service providers in the market are large and have the geographic and service coverage necessary to be used as one-stop shops in many cases. Choose this option if you can manage a single, complex contract but do not have the capability to manage and integrate multiple suppliers.

Choose a prime contractor role if you have more experience in how to manage a relationship but still wish to obtain the support from key providers without needing the resources to manage multivendor integration.

Organizations that seek top performance — and that have strong supplier management and integration capabilities — can choose the multiple-supplier or best-of-breed approach. Complex skills are needed in terms of supplier management and integration capacity, but these skills can produce top performance from the selected suppliers.

1.4.2 The Contract Type

Don't place too much emphasis on selecting a particular type of contract, even though this is a decision you need to make. Most important is to ensure that the focus on the business value, outcomes and metrics is there from the start by initiating the discussion between the provider and client.

When selecting the right contract, it can be useful to know what other clients decided to use in their deals. Based on a survey Gartner conducted in 2008, about 55% of BI projects were signed on a time and materials basis; about 32% were signed on fixed price; and about 6% were signed on a combination of the two. (The survey was of 278 references provided by service providers being evaluated for Gartner's BI and PM MarketScope and Magic Quadrant research and was divided equally between North America and Western Europe in March 2008.)

The survey results give a picture of what other clients are choosing in their BI projects, but the decision on pricing should always be made with considerations of individual circumstances with regard to factors such as risk, service needs and the client's sourcing management experience.

Fixed pricing provides the buyer with exact cost estimations upfront and also enables providers to more accurately estimate incoming revenue. In a difficult economic environment, it enables the organization to share the risk with the provider; fixed pricing will become more requested in the near future. For more information, see "Pricing Model Definitions, Benefits and Risks for IT Services and Outsourcing Contracts."

Gain-sharing contracts can create a win-win situation, in which the provider finds it beneficial to keep improving services to the client. What is difficult is to create a contract in which both sides reap equal benefits from the deal as it progresses.

Gain-sharing deals will also become more interesting to clients in the next year because they represent value to the business through partnerships with providers; it can be imperative to take advantage of such partnerships in these difficult economic times. However, oftentimes clients are inhibited from following through after initial discussions for two reasons. They have difficulty defining some acceptable business outcome and metric for which the provider can fairly be held accountable, and they resist having the provider share in the gains of the deal.

The economic crisis impacting most organizations and providers means new considerations have to be made in terms of funding, cost and timing of BI consulting and system integration (C&SI) projects from both sides, and therefore there will be an increase in innovative pricing structures.

1.5 Delivery — Time and Budget

Be aware of which factors can affect the time and budget aspects of the BI project. Organizations will ensure higher levels of success when using BI C&SI service providers for their implementation if they take into account and plan for these factors. Many of the problems and failures clients experience could have been avoided had they spent more time upfront to correctly estimate their needs and objectives. Most importantly, they should do the following:

- Ensure the enterprise objectives are clear for the BI project, what is needed from the provider to reach those objectives and what it will realistically take to get to the desired end result. Discuss this openly with the provider to ensure you agree on what is possible and what is not.
- Pay particular attention to the resource management capability of the provider because its capability to effectively make the right resources available to a project without delay can affect the results.
- Project management or governance of a project highly impacts the time within which it is delivered, so focus on this and ensure you do not run into unexpected delays due to the complexity of the project or multiple, interconnected projects running alongside one another.
- Ensure the optimum usage of global delivery models on the project. Consider which piece of your BI project could potentially be delivered from a nearshore or offshore location.
- Providers are becoming increasingly skilled at employing reusable frameworks, tools, accelerators and templates. These all serve to help in the process of effectively delivering BI services — especially those that are somewhat repeatable in nature — to clients, so do make use of these, and ensure your provider has good methodologies in this area.

RECOMMENDED READING

"MarketScope for Business Intelligence and Performance Management Services, Western Europe, 2008"

"Gartner's Business Intelligence and Performance Management Framework"

"Magic Quadrant for Business Intelligence and Performance Management Services, North America"

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