

Turning Data into Action: Business Intelligence for the Public Sector

SAGE NONPROFIT SOLUTIONS



“Over the last several years, Business Intelligence has emerged as one of the top priorities for organizations of all sizes.”

Brian McDonough and Dan Vesset

IDC White Paper, *“Intuitive Business Intelligence: Strategy Companion Responds with Analyzer 2007,”*
April 2007

Introduction

Today’s softening economic market has created a ripple effect across all types of businesses that are keeping a closer eye on budgets and cash outflow. Due to funding uncertainties, many nonprofit organizations and government agencies have become more hesitant about expenditures. They are under growing pressure to do more with fewer resources, and provide more transparency and accountability to members, donors, and the people they serve. In addition to following increasingly complex accounting rules, they also have more competition for grants and contribution dollars.

To meet these challenges and work effectively, each department within an organization has systems in place to store information. Typically, key staff members in each department enter, manage, and report on this data. To help relieve these demands, many organizations are turning to Business Intelligence tools to retrieve, organize, and share knowledge for analysis and guided decision-making.

What is Business Intelligence?

Business Intelligence (BI) uses technology to access and monitor information within a department or across an organization, enabling you to analyze data effectively, and make timely, informed decisions. Essentially, BI empowers users to find answers to a variety of questions with direct, easy access to information. With precise, up-to-date information, staff can then develop effective responses that help meet organizational goals.

The three primary goals of Business Intelligence:

1. Convert the data acquired into useful information that enables users to identify trends.
BI converts data into visual, graphic representations—essentially converting data into a language that everyone can easily understand and value.
2. Improve the speed and quality of decision-making by providing readily available, real-time information about key performance metrics.
3. Provide information that enables management to take a logical approach to decision-making and problem solving. With BI, recommendations to management, the Board, or donors can be supported with facts.

Using dashboards and other BI tools, executives and program managers can easily visualize and drill down, up, across, and into specific trends and events at any time in order to:

- gain insight into organizational performance;
- effortlessly monitor budgets and stay abreast of spending trends;
- conduct up-to-the-minute analysis;
- utilize fast-access critical decision tools; and
- share complex data in visual, graphic representations.

Without question, BI tools improve the quality of decisions and provide value to staff throughout the organization. Additionally, they improve the communication between departments so that the organization becomes more agile.

With BI, executive directors can see a tighter picture of how their organizations are performing and anticipate potential opportunities or pitfalls. CFOs can measure cost effectiveness and better maintain budgetary control. And, fundraising staff can improve relationships and increase donations with improved communication to constituents.

Turning Data into Action with Business Intelligence

Your organization provides tremendous value to the community you serve. As you know, demonstrating this value to your donors and constituents is critical. The success of your organization depends upon effectively utilizing information in order to deliver on your mission, show accountability, and win the competition for tightening grant and contribution dollars.

Here are four ways you can strengthen your organization's stewardship with Business Intelligence:

1. Leverage the wealth of data in your organization

You've heard it before, but information truly is power. Business Intelligence makes it possible for executives, financial managers, and fundraisers to make informed decisions based on the data your organization has collected. By providing direct, easy access to information, staff can develop effective responses to events, such as the loss of a grant or initiating a new program.

Business Intelligence also empowers key members of your organization to fully understand the financial picture and be able to predict future trends. With current data available to analyze right away, you can quickly put a stop to overspending, effectively budget and allocate funds, and view cash flow details daily, if needed.

2. Monitor your organization's health by tracking Key Performance Indicators (KPIs)

KPIs gather the most critical metrics for your organization and enable you to monitor them visually, in real-time. Management can use KPIs to quickly check the financial health of the organization, or any of its programs, on a daily basis.

KPIs enable the executive director and key management to monitor how each program is performing to budget, and make accurate predictions about incoming funds and outgoing expenditures. KPIs provide quick insight into financial ratios, such as an organization's debt ratio, accounts receivable ratio, and invoice turns. By analyzing trends year-over-year, or quarter-over-quarter, it's possible for the finance director to see budgeting patterns that can identify future potential problems. This allows management to adjust plans accordingly and avoid repeating mistakes. The benefits of BI extend down throughout the organization. Even the bookkeeper can quickly access a top-line graph of available funds without needing to run a report.

Key Performance Indicators for Nonprofit and Government Accountability

- Variance vs. budget
- Variance vs. forecast
- % Variance
- Incoming funds vs. invoices
- Accounts receivable ratio
- Debt ratio
- Invoice turns

3. Improve Communication

As we've discussed, BI empowers departments and segments of an organization to retrieve timely data so executives can get a complete view of operations. With BI, users can do all this through simple dashboard tools and visuals, eliminating report backlog and delays.

The ability to present information through visual aids simplifies the traditional balance sheet approach to reporting and analysis. BI tools make it possible to pull charts and graphs instantly for presentations so you can demonstrate the source of funds at a moment's notice. Development directors can use this information when creating grant requests or annual reports. Executive directors employ the visual aids to provide factual support for recommendations to the board, and for other presentations.

“Business Intelligence could do much to assist in improving federal procurement by enabling the government to be a more effective and efficient purchaser of goods and services.”

Dr. Ramon C. Barquin

*On Government Procurement
and Business Intelligence
September 11, 2007
www.b-eye-network.com*

4. Identify wasted resources and hidden costs

You can use BI to quickly identify the hidden costs of organizational programs and gain a clear understanding of where funds are coming from and where and when they are spent. Based on the results, you can allocate resources to strengthen core programs or eliminate activities that no longer benefit your constituents.

5. Increase Agility and Productivity

From program elimination to delays in grant funding, most organizations cannot respond quickly enough to changes. BI gives staff the means to detect these change immediately, make better decisions about how to proceed, and ultimately become smarter about what they do. Dashboard technology provides the ability to visualize data instantly, rather than conducting lengthy searches for information. And the convenience of drilling down, up, across, and into your data provides a way to immediately perform deeper analysis.

One important feature of BI for agile organizations is the ability to quickly produce one-off reports. Executives and managers do not have to request reports from subordinates, wait for them to be returned, then find out that more detail is needed, requiring another report to be created. Not only does the ability to produce one-off reports free your staff from interruptions and increase their productivity, but it also enables you to dig deeper into the data and explore new ideas as you have them.

Business Intelligence: A Key to Success

In the quest to do more with less, your organization can benefit from a simple but powerful way to collect and analyze organizational data. Business Intelligence tools offer a visual, interactive dashboard interface that enables non-technical users to query data, make more sophisticated analysis, and disseminate knowledge throughout the entire organization. With deeper insight, nonprofit and government professionals can strengthen stewardship, improve agility, and ultimately secure the success of their organization.

About Sage Software

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