In this excerpt from Chapter 5 of *The Profit Impact of Business Intelligence*, Nancy Williams and Steve Williams show you how company managers can leverage Business Intelligence (BI) to ensure organizational integration and, in turn, generate maximum value from their BI program.

**Leading and Managing a BI-Driven Profit Improvement Program**

“Strategic Planning, Benchmarking, Pay-for-Performance, Outsourcing, Customer Segmentation, Reengineering, Balanced Scorecard, and Total Quality Management are among the many management tools that companies have experimented with in recent years. Do companies using these tools do better than the ones who don't? There is no equivalent of the Consumer Reports for management to use in evaluating the tools available to them.”


As suggested by the above quote, a wide variety of management tools are available, “sometimes costing firms tens of millions of dollars to implement.” (Rigby, 2001) Though it’s not typical for BI to cost that much, BI-driven profit improvement sometimes does require that magnitude of investment. Thus, we would argue that it requires the same level of top management thinking and attention as any of the other tools that have proven successful.

Recent trends suggest that BI is making headway in this regard. For example, Harvard Business School recently held an executive symposium titled “Competing On Analytics – How Fact-Based Decisions and Business Intelligence Drive Performance.” One of the key points of the symposium was that the ability to use BI for competitive advantage “starts with the CEO’s commitment and involves building the necessary enterprise-wide infrastructure, analytical skills, and culture. When done successfully, competing on analytics creates value and strategic advantage.” (Davenport, 2006)

Another recent example of how BI is drawing both top management attention and coverage in the mainstream business press is found in a *BusinessWeek* article titled “Giving the Boss the Big Picture.” (Ante, 2006) While the article does not delve into the
substantial BI and DW challenges associated with delivering accurate, relevant information, its discussion of dashboards – a visual way of presenting high-level BI – as “killer apps” for executives is on the mark in emphasizing that modern BI tools can present timely, relevant business information to improve business decisions that affect profits. The article points out that 40% of the 2000 largest companies use dashboards. It quotes Ivan Seidenberg, CEO of telecommunications giant Verizon Communications, as saying that the “dashboard puts me and more and more of our executives in real-time touch with the business. The more eyes that see the results we’re obtaining every day, the higher the quality of the decisions we can make.” These examples indicate that BI is moving into mainstream business thinking.

A Leadership Perspective on BI-Driven Profit Improvement

From a leadership perspective, BI-driven profit improvement is largely about vision and cultural change, whether at the enterprise level, the business unit level or the functional (departmental) level. Leaders must articulate a compelling and specific vision for how their organizations will use information to improve profits and business performance. Further, these leaders must also guide the process of cultural change so that the use of business information, business analytics, and fact-based decision-making becomes ingrained in the way the business operates.

The cultural changes that leaders must drive to realize the value of investments in BI include:

- Redefining the role that information plays in the organization.
- Changing the way that information requirements are defined.
- Changing behaviors in using information.

Based on our consulting experience and on what we hear from participants in classes we teach, we believe it is fair to assert that business use of information is in the early stages of maturity in many companies. To change that, business leaders must drive the evolution of their companies along the path to greater BI maturity.

The pace of evolution in BI maturity and the degree of success possible in your company depend partly on your company’s ability to learn, develop, and implement effective BI and DW competencies. We see this as a general management challenge. The pace and degree of success also depend on your company’s ability to change.

When we teach our BI Pathway course, class participants relate intuitively to BI maturity. Because many of these people are IT people, they do not feel they have the responsibility or the power to lead their companies along the maturity path. We agree. Only business leaders can change the behavior of people in the business units of the company. To fully leverage BI, those business leaders must change the culture around information use and fact-based decision-making. The good news is that at well-known companies in many different industries, effective leaders have succeeded in doing just that.
A General Management Perspective on BI-Driven Profit Improvement

From a general management perspective, BI-driven profit improvement is largely about strategic alignment, risk management, business process reengineering, program and project management, IT infrastructure, and IT operations. In that sense, except for the IT component, it’s no different from any other strategic initiative launched in hopes of improving companies’ business results. At the same time, the IT component is critical to success, and successful BI initiatives require different methods than traditional application development projects or enterprise-level packaged software implementations. Accordingly, the general management focus for BI-driven profit improvement must balance considerations of business strategy, BI strategy, business infrastructure and processes, and BI infrastructure and processes.

Leveraging BI is supported by six integration and alignment points. These are: (1) functional integration between business strategy and BI strategy; (2) strategic alignment between business strategy, business infrastructure and business processes; (3) strategic alignment between BI strategy, BI infrastructure, and BI processes; (4) alignment between BI strategy, business infrastructure and business processes; (5) alignment between business strategy, BI infrastructure, and BI processes; and (6) functional integration between business infrastructure, business processes, BI infrastructure, and BI processes. By focusing general management attention on these integration and alignment points, we can explicitly assess and manage strategic alignment, risk management, business process reengineering, program and project management, IT infrastructure, and IT operations.

A vehicle for doing so is the BI Pathway’s Architecture Phase, the results of which can be used to create a roadmap or program plan for managing your company’s BI-driven profit improvement program. The Architecture Phase goals are highlighted below.

1. **Functional integration between business strategy and BI strategy**
   
   The Architecture Phase includes analysis of the business strategic context, BI opportunities, and BI requirements so that the BI strategy – including scope, competencies, and governance – can be integrated with the business strategy.

2. **Strategic alignment between business strategy, business infrastructure, and business processes**
   
   The Architecture Phase analyzes this alignment in order to understand these relationships for purposes of identifying BI-driven profit improvement opportunities.

3. **Strategic alignment between BI strategy, BI infrastructure, and BI processes**
   
   The Architecture Phase assesses the BI architectural context, which includes the BI governance architecture, the BI data architecture, the BI technical architecture, the BI operational architecture, and BI/DW technical readiness. Any gaps or misalignments can be identified and addressed.
4. Alignment between BI strategy, business infrastructure, and business processes

The Architecture Phase analyzes BI strategy – including scope and types, competencies, and governance – in relation to business architecture, BI readiness, and core business processes. Any gaps or misalignments can be identified and addressed.

5. Alignment between business strategy, BI infrastructure, and BI processes

The Architecture Phase includes analysis of the business strategic context, BI opportunities, and BI requirements so that the BI infrastructure and BI processes can be integrated with the business strategy.


The Architecture Phase analyzes business architecture, core business processes, BI readiness, BI architectural context, and BI architecture, so that BI infrastructure and processes can be integrated with business infrastructure and processes.

From a general management perspective, business and IT executives and managers can use the Architecture Phase analyses to focus their attention on general and company-specific business and technical challenges associated with leveraging BI to create improved profits. A very useful tool for that purpose is a BI roadmap, or BI program plan.

BI-Driven Profit Improvement is a General Management Responsibility

One of the most common challenges we have encountered – and one we hear about all the time when we teach BI courses – is the challenge of getting top management to engage on the subject of BI. We believe this is symptomatic of a broader problem faced by IT generally. For example, a McKinsey & Company study of IT use in manufacturing companies found that:

“Information management must receive the attention of top management. On average, the top managers at IT stars together spend about 45 hours per month on IT, compared with 20 hours for laggards.... Not surprisingly, top managers at low-performing companies, who spend an average of just 4.5 hours on IT per months, tend to have vague and unrealistic expectations.... At IT stars, by contrast, top managers devote time and energy to developing an IT strategy, and get actively involved in the introduction of new systems. In particular, they play a critical role in defining projects and agreeing upon measurable goals in specific business processes and technologies [emphasis added].... Without the intimate involvement of top management in critical IT issues, information management rarely performs well.” (Kempis and Ringbeck, 1998)
While the survey population for this study was small manufacturers, the findings are very representative of what has come to be regarded as a universal truth in IT: that top managers don’t get as involved as they should. This idea was echoed very succinctly in a conversation we had with the CIO of a well-known consumer packaged goods manufacturer. When told about the findings from the McKinsey study cited above, he said, “I doubt that our CEO has spent 4.5 hours on IT in his life, let alone in a single month.”

If we consider the business and technical challenges outlined above in our discussion of BI-driven profit improvement programs, it’s clear that:

• Many of the challenges are cross-functional between the business and IT.

• IT does not have the power to force the business to engage or to change business processes to leverage BI.

The implications for shareholders are unfortunate, because BI-driven profit improvement is a proven management tool that will become increasingly important over the next five to ten years. Absent top management involvement, it is unlikely that BI will have as much profit impact as it could.

We believe that the time is right for top management to embrace its potential and step up to the leadership and general management challenges of a BI-driven profit improvement initiative.

About DecisionPath Consulting
DecisionPath Consulting helps government agencies and major corporations make better management decisions using information. We provide strategy, business process, technology and program management services in the specialized fields of Business Intelligence (BI) and Data Warehousing (DW). Through a defined process that aligns enterprise mission and strategy with technical architecture, DecisionPath designs and delivers successful BI/DW programs where others fail. DecisionPath’s consultants are noted thought leaders and educators in the fields of business intelligence and data warehousing and we combine those skills with our hands-on experience to ensure that our customers’ BI/DW initiatives are deployed on time and within budget. To learn more about DecisionPath Consulting, visit us on the Web at www.decisionpath.com.

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