

The Business Continuum

Business Questions - A continuum exists along which business questions relate to the business. That continuum ranges from the extreme operational end to the extreme strategic end. See Figure 1 for a visual representation of the continuum.

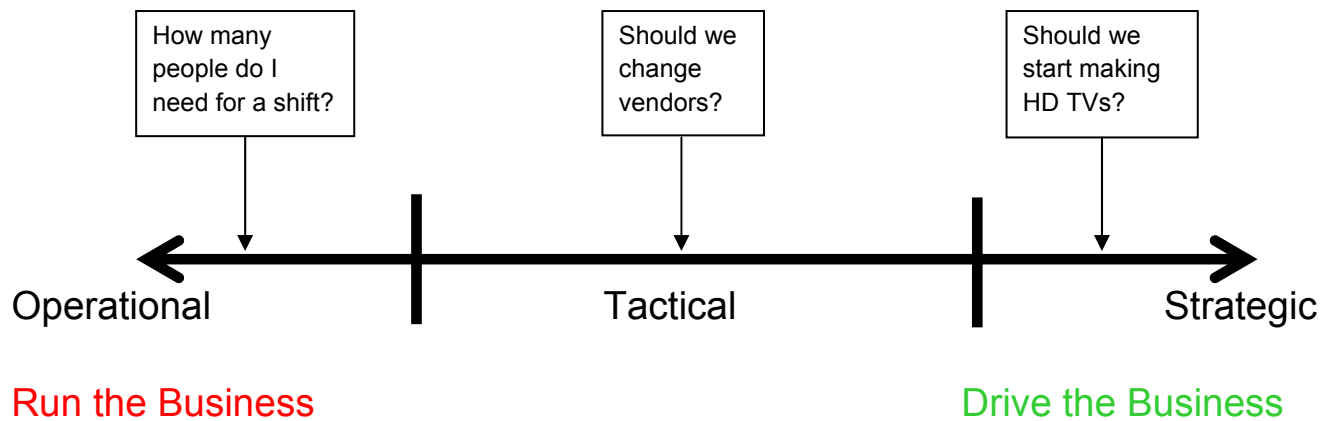


Figure 1 – The Business Continuum

Just as managers ask questions all along the business continuum, BI is responsible for answering those questions along the business continuum. Reports, queries, and analyses can all answer operational, tactical, or strategic questions. An operational report may simply list customer names and addresses and answer the operational question, “Who are our customers?”

If you ask a more tactical question, “Who are our best customers?” you introduce an element into the question that moves from simply listing existing customers to needing some kind of definition as to how a customer is evaluated as being “the best.” If by “our best customers” we mean “biggest volume” then we might list one set of customers. However, if we mean “most profitable” we might get a different list.

As we move from asking simple operational questions to more tactical and strategic questions, we move from being able to answer questions completely with data tracked in the database to needing more and more external data.

External data, here, is defined as data added as input to the transactional data we track as part of our business. External data can be data generated internally, such as a budget, or it can consist of data gathered external to the business, such as census data, weather data, or data about the competition.

To gauge how a group is doing against its budget, a manager would be engaging in tactical analysis, using the budgetary numbers as the domain against which to analyze performance.

The difference between operational, tactical, and strategic concerns is relative and will change from organization to organization. To a large multi-national, a strategic question might concern the acquisition of a multi-billion dollar company, whereas for a university, a strategic decision might be the decision to implement a campus-wide computer system.

It is up to the organization to determine the points at which decisions move from operational to tactical and from tactical to strategic. This is often carried out through standard operating procedures. If a manager is empowered (part of a decentralized organizational structure), his or her responsibility will stretch further to the right on the continuum. Thus, what is an operational question to one organization may be a tactical or even strategic question to another.

For a group like Wal-Mart, selecting vendors is an everyday occurrence. Selecting a vendor is an ongoing task a manager performs many times throughout the day. However, a steel plant may have had the same source for its raw materials for years. That business' operation may be so entrenched in its relationship to that specific supplier that the question of looking at a new vendor might be quite strategic indeed.

Therefore, when you are looking into meeting the information needs of a business, defining the points at which different decision makers need information to support their decision making is vital. It is those points around which BI will be delivered. It is identifying those points that helps the organization understand the return they should receive from investing in that decision making process. The less capable humans are of handling the data an organization deals with, the more BI can be helpful.

Humans can be less capable of handling data based on two major views of the data – its complexity and its volume. If a business sells multi-million dollar yachts and it sells five of them per year, chances are a human could handle that amount of data. Knowing the twenty or one hundred potential customers who would be interested in buying a yacht can be handled by a human and possibly a Rolodex.

However, a Wal-Mart manager trying to determine whether to agree to start stocking shelves across the country with a new widget would need to evaluate that proposition with many pieces of data in front of him or her. How would distribution work? How would marketing work? How would training store managers work? Where would it sell best? Are there parts of the country it should not be sold? Are there any regulatory limitations to selling it? Etc., etc. While that manager may interview a sales rep from the widget company and think the product has potential, he or she simply does not have the capability to understand by gut instinct whether the product will be successful for Wal-Mart or not. If Wal-Mart does not have the sales information upfront to determine a product's potential success, they can buy the widget, stock their stores with it, and then gauge its success by sales volume on the back end. However, unless managers can measure that performance, they are shooting in the dark.

BI managers need to support decision making all along the business continuum. While it is interesting to know whether a report supports an operational need or a strategic one, BI managers must understand the nature of the information to create applications that support the business problem being analyzed. While operational information may need to be up-to-the-second accurate, requiring a report to run against a live OLTP system, a strategic sales report can likely be inaccurate to as of two weeks ago. The nature of strategic planning is often such that managers only need numbers that are in the ball park. Therefore, the main reason for identifying whether a business question is operational, tactical, or strategic is so that a manager can apply an action to solve the business problem.

It is a BI manager's job to work with the functional leads of the business to deliver solutions that help all along the business continuum, and there are generally five reasons to deliver such solutions:

- Increase Revenue
- Increase Profit
- Reduce Cost
- Gain Market Share
- Gain a Competitive Advantage

When a BI manager identifies the drivers for the analytics he or she is charged with delivering, including their location on the Business Continuum, the reasons for providing them to the business, and the audiences for the different views of the data, that BI manager will be successful.

Author: Chris Ford, CBIG Consulting

For more information, call CBIG at (800) 334-2078 or visit our Web site at www.cbigconsulting.com.