Book E-Business Intelligence

Turning Information into Knowledge into Profit

Bernard Liautaud and Mark Hammond
McGraw-Hill, 2001

Recommendation

Despite the stereotype of the great company run by a mercurial, charismatic dictator in the Steve Jobs mode, a number of cutting edge business thinkers argue that if you want your company to grow, you should introduce democracy into the management mix. One of those thinkers is author Bernard Liautaud, who, unlike most folks who theorize about business, actually owns a company, and a fairly significant one at that. His European software company, Business Objects, has annual revenues of more than $240 million. In his book, he explains why democracy is good for business. Companies that adopt his ideas, he says, will realize numerous advantages, including better communication between the company and the customer, more intelligent data about who buys products and why, and the discovery that you can sell data back to your customer. *BooksInShort* welcomes this fascinating report from the horse's mouth about the growth and evolution of the democratic, intelligent, e-organization.

Take-Aways

- E-business intelligence is mandatory in today's increasingly competitive economy.
- Hoarding information lessens its value and makes organizations less effective.
- A company that isn't open with its information will find it very difficult to meet the future demands of customers.
- Intelligence democracy makes a company faster and more profitable.
- A company can learn to sell its information back to its customers.
- Effective data mining provides better information about your customers.
- Intelligent embassies allow customers to access your data all of the time.
- If a company raises its intelligence, and subsequently its service, customers won't find leaving to be cost-effective.
- E-business is an expensive proposition and top management must support it.
- Bernard Liautaud, who conceived these theories, leads Business Objects, one of Europe's premier software firms, with revenues of more than $240 million dollars.

Summary

An Information Dilemma

Reaching for a way to symbolize the information dilemma facing today's companies, BT Research Chief Technologist Peter Cochrane posits, "Imagine a school with children who can read and write, but with teachers who cannot, and you have a metaphor for the Information Age in which we live." This is not a happy prospect, but it is not an inevitable one, either. The solution is a democratic, open approach to business information and intelligence.

> "Companies are evolving from information dictatorships to information democracies. This change in data philosophy is driven by the realization that each piece of information in a given corporation's information system has value."

Companies in the new era need to rethink their basic philosophy of organizational intelligence. A company has to become more intelligent to be more effective. The intelligent enterprise makes decisions faster and can outmaneuver its competitors. To thrive, each aspect of your company needs better intelligence. Customer relations needs intelligence to better serve and retain customers. Sales needs information intelligence to determine which products are selling to which customers and why. Marketing needs intelligence to determine why certain products are being bought so it can use that precedent to shape future marketing strategies.

> "Increasingly, being an intelligent business is a prerequisite not just to win, but to compete in the first place. Amid the hyperkinetic competition of the Internet economy, intelligence is fast emerging as a cross-departmental mandate for companies in virtually all industries."

Companies that lag in this new world of e-business intelligence will find themselves left in the dust. Customers, stockholders, employees and business partners pay a painful price when a company lacks freely shared information.

Four Models of Information Governance

In recent years, four models of information governance emerged at larger enterprises:

1. Information Dictatorship - Only a few can access data.
2. Information Anarchy - Everybody builds his or her own information system, resulting in data chaos.
3. Information Democracy - Information spreads freely, but in a managed way.
4. Information Embassies - This newly emerging model is pushing the democratization of information outside the organization. These embassies function like beachheads of data outside the company's four walls and are comprised of the company's customers, partners and suppliers.

The Great Information Democracy

Information democracy has two great benefits - increased value and better problem solving. As an organization's level of democratization and empowerment increase, so does its value. In other words, the more information you make available to your enterprise's general employees, the more effective your organization will be in handling and solving problems, and the higher its value will be.

> "As we enter the 21st century, we will see that a new model is emerging, one that is pushing democratization of information beyond the confines of a single organization."

The more democratic your culture is, the more likely your workers are to be able to work around organizational boundaries to problem solving. For example, Renault, the car manufacturer, deployed business intelligence technology at one of its companies and the plant became much more efficient at project management and funding allocations.

Building an Intelligent Organization

Begin by asking if your organization can cope with this increasing amount of information? Then, ask how. Many companies not only

cope with today's onslaught of data, but also excel in using it equitably and profitably. Here's how to begin:

- Start with the business - First, define your business' information requirements. Determine the costs and benefits of fulfilling those requirements. Be sure that your business managers drive your e-business intelligence. Don't ever let technology overwhelm your goal. Don't let engineers determine your business strategy. To be sure that your information innovations are implemented, ensure that you have the sponsorship of the most senior managers you can recruit. This kind of investment is impossible without the support of higher-ups.
- Define the data architecture - Intelligent information requires a synergy between information technology and the company's business managers.
- Develop a business intelligence strategy with the user in mind - Your online site should have an inviting graphical user interface or GUI that makes it easy to use. Be sure that your site provides flexibility for the users and insulates them from the complexity of backend systems.
- Build it to grow - Build your system with the anticipation and understanding that it will grow. Once users outside and inside the company work with it and see its advantages, use will increase. Plan for rapid growth from the outset.
- Think beyond your borders - Make sure that you open your data stores to the public. That is the future of consumer service.

Making Business Enterprise Intelligence Work

The only way to employ the rising tide of data within a company effectively is to implement an enterprise-wide business intelligence strategy. With such a strategy, business users at all levels of your enterprise can contribute to creating a system with many internal benefits, such as: cost reduction, revenue increases, improved customer satisfaction and improved cross-company dialogue. While there are certainly quantifiable benefits to enterprise intelligence, the most important advantages may be intangible. One such intangible reward is improved job satisfaction; another is enhanced customer intelligence and retention. Information about your customer has proven commercial value. As Patricia Seybold, CEO of the Patricia Seybold Group and author of the best-selling book, Customers.com, rightfully pointed out, the AOL-Time Warner merger positioned the value of each AOL customer at about twice the value of each Time Warner customer. The difference? Because of its frequent customer interaction, AOL has vast amounts of knowledge about its customers, whereas Time Warner knows very little about its customer base.

> "The most advanced companies are establishing information embassies, which function like beachheads of data outside of their four walls and are built to better communicate with their partners, suppliers, and customers."

If you can increase your enterprise's overall intelligence about customers, then your company can do a better job of retaining customers. Business intelligence creates three very important customer service advantages:

1. It allows you to know your customers better than your competition knows them.
2. It exploits that knowledge to create the best possible customer interaction.
3. It allows you to build switching costs into the customer relationship.

> "The companies pioneering e-business intelligence extranets, which number in the hundreds today, have started to take e-business intelligence beyond the corporate walls - to their customers, suppliers and partners."

The e-commerce part of your operation also will realize several specific benefits from sound business intelligence. These benefits include:

- Enhanced personalization - You will be able to provide precise content to your customers.
- Intelligent decision-making - You can quickly analyze trends and make better choices in the future.
- Cultivation of customer value - You can target your most profitable customers with more effective ads and one-to-one marketing campaigns.
- Improved customer service - A coordinated view of the customer - which means knowing the customer's past problems and concerns - enables your sales, customer support and call center representatives to speak intelligently and efficiently with the customer.
- Fine tune the Web site - By simply counting hits and figuring out where your visitors are staying, your company can determine which areas of your Web sites are working and which are not performing up to expectations.

"Today there is no such thing as an ubiquitous and instantaneous network. These ideas become a lot more feasible tomorrow when network connections not only exist, but go faster over the air than they go over the physical lines many of us use today."

When you use information to create an effective customer care extranet, you will garner new customers. This happens because the extranet allows you to share more information with your customers and creates a better relationship between your firm and your customers. Extranets increase customer loyalty, because extranet benefits are so great that it costs the customer extra time and money to switch to a competitor that lacks the same services. The business should also reduce its support costs and raise its competitive advantages, especially if it's a first mover in a market. The extranet customer benefits from receiving fast access to information. This includes the ability to monitor service level agreements and the tools to benchmark company performance. Your customer can watch you more closely, but you can also create a higher level of informed customer satisfaction.

"As radical transformations occur in the way data is stored and distributed throughout the organization, information and therefore intelligence will become ubiquitous. It will not be the privilege of the few, but the standard expectation of all."

Your company can make more money by becoming an information warehouse or broker. To accomplish this revenue enhancement, figure out a way to sell the information your company already owns. First, make individual data transactions secure and private. Then, make data selling easy and scalable. MasterCard International is already following this path. It uses its data to tell merchants what kinds of consumers are driving sales, what TV shows they're watching and what sort of consumer buys from its competitors.

Business Intelligence Misconceptions

If you find resistance in the ranks, you may have to deflate some incorrect, preconceived ideas about business intelligence. For example:

1. Sharing information means losing control - Many people and organizations think that hoarding information is the key to power. On the contrary, the company culture that encourages information sharing allows the entire organization to thrive. Companies need to open up their communications and flatten their hierarchies, or else.
2. Self service is a waste of time - Managers dislike shifting costs from IT users to end users, but self service means that users get exactly what they want and they get it when they want it.
3. IT can't understand the business - At most businesses, IT and business leaders are often at odds. In the future, effective companies will have cross-pollinated the resources of business and IT so they can answer competitive pressures. CIOs are now looked at as business leaders. At Schwab, for example, CIO Dawn Lepore led the company's online efforts to sell stock. Schwab is now the leader of online trading and Lepore has been promoted to vice chairman.
4. We don't need all that data anyway - Some companies fear that their managers will face a report and information deluge. But this can be nipped in the bud by building an efficient system of intelligence tools in the first place. Ideally, the stack of reports won't grow and only the most important information will be published.

"Would anyone want to work in that company, where all decisions were made by just a few and where the brains and talents of the staff were not utilized?"

The creation of business intelligence will introduce positive cultural changes in your company. Information will create more autonomous users and information democracy will lead to decentralization, more entrepreneurial culture and flatter hierarchies. Ultimately, if an organization wishes to be successful, it must not simply make decisions quickly, it must make the right decisions quickly. Winning organizations will be those that invest in a combination of information systems infrastructure and their own human resources.

About the Authors

Bernard Liautaud is president, co-founder and CEO of Business Objects, a provider of e-business intelligence solutions. Liautaud was named one of the "Hottest Entrepreneurs of the Year" by *BusinessWeek* in 1996. In fewer than 10 years, he built Business Objects into a global corporation with more than 10,000 customers and more than $240 million in annual revenue. Business Objects was the first European software company to go public on NASDAQ. It is also included in *Intelligent Enterprise* 's January 2000 list

of "12 Most Influential Companies in the Information Technology Industry." **Mark Hammond** is a freelance writer based in San Francisco. A lifelong journalist, Hammond covered the business intelligence, data warehousing and database industries for *PC Week* magazine after a dozen years as an award-winning reporter for daily newspapers in New York.