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The Secret Recipe for Unbeatable Competitive Advantage

by Jeff Buck / QuantiSense

Quantitative measurements and weekly performance meetings dictate the operational processes at many successful organizations, but to what end? In the recent past, the data we have collected has been scrutinized more closely, and the question has become, "What can this information do to make my business more successful?" Thus, business intelligence (BI) was born. Still, many of today's companies across all industries are drowning in data and don't have the right processes or technology implemented to make the data truly work for the business.

So what is the secret recipe for turning your data into actions that will improve your business? How do you increase operational efficiency and get more timely and detailed feedback on what's working and what's not? In this article, I will closely examine what is required of an organization to gain the maximum competitive advantage from its BI, reporting and dashboarding. We'll look at why it is so crucial that organizations put this technology in the critical path of their day-to-day processes, what features a dashboard must include to be most effective to its users, and why your organization only needs to look as far as Monday Night Football for the next big thing in BI.

While these guidelines and principles will hold true across all markets, this discussion will focus on a space that is familiar to just about everyone in some capacity - the retail industry. The retail business model is relatively straightforward, but it becomes incredibly complex when you drill down to the level of individual transactions and data elements that are guided by the largely unpredictable factor of human behavior.

Put Technology in the Critical Path of Your Business Processes

First and foremost, your organization must embrace the fact that having standardized, quantitative performance measuring is highly beneficial to your overall operational efficiency. If your business processes are woven into all your applications and consolidated in a single data warehouse, BI will take this data and provide the common language to talk about the business and how to improve it. Keep in mind that each company's data speaks to the unique and ever-changing conversation it has with its customers. (Thus, what you do with it cannot be replicated by any other company, ever!) Recognizing the role of that conversation and the incredible value it can provide for your organization is essential for leveraging BI for competitive advantage - if you don't, you're passing up one of the best-kept secrets your company has right in its back pocket.

In retail, storing all transactional data in a data warehouse is critical for understanding problems and leveraging opportunities. Every Monday morning, a typical retailer reviews hundreds of pages of reports to identify actions that need to be taken based on the performance of the previous week. This process requires dozens of hours of labor that could be spent on more productive or analytical activities, and many retailers bring employees in on Sundays to manually create all the reports. With critical data buried in thick reports, it's difficult to pinpoint the right information, much less use it to gain an advantage.

It is possible to change, however. One multibillion-dollar retailer has completely transformed its Monday morning process by basing its meetings on the standardized reports provided by its retail-focused BI application. Out went Excel, and in came standardized performance measurement that has allowed the company to be far more efficient by removing the laborious and unproductive processes of manual report creation.

Clearly, weaving this kind of technology into your day-to-day business processes has become a necessity for staying on the competitive edge in today's retail environment. Retail analyst Janet Suleski notes that BI applications featuring visual, business process-based workflows that include built-in suggestions for addressing next steps in resolving exceptions have become a keen interest for many retailers.¹ This focus on process-centric, exception-based technology is the future of BI. There's not a conference room in the world big enough to get all the stakeholders together to debate over what actions need to be taken - so having the technology to create a common language for discussing performance in all areas of the business is critical.

Key Dashboard Tools

1. Operating summary.
2. Trends.
3. Opportunities and problems.
4. Scorecard.
5. Top/bottom performers.

What's on Your Dashboard?

You may have a stable BI infrastructure that collects data from all your systems and applications, but taking the next step involves coming to an agreement for exactly how you will measure your business. The dashboard is where users will come to view the information and decide how to take action. The content on the dashboard will vary from industry to industry, but a well-designed dashboard should deliver the big-picture view of the business while presenting role-based analytical workflows.

The dashboard enables users to view how the business is performing at a high level and guides them toward the appropriate actions within their role, with the confidence that others are viewing standardized performance measurement consistently across the organization. This type of invaluable consistency can only be achieved with a common reporting system that everyone uses, driven by a role-based dashboard.

Key dashboard tools should include:

- **Operating summary:** "What's going on?" This is the performance summary based on the specific user's area of responsibility. For example, a retail BI user will likely want to see the sales for the week compared to last year, plan, gross margin and other metrics. The user can then take this at-a-glance information and drill down to supporting details.
- **Trends:** "Where are we headed?" A visual representation of trends over time is a valuable dashboard tool. The user should be able to quickly drill down on the trend graph to see the numbers. Retailers often include their sales plans and last year's sales on the trend graph as well.
- **Opportunities and problems:** "Where should we be working?" In any environment, a quick highlight of the biggest trouble spots and best opportunities, based on the user's area of responsibility, is a critical feature of a dashboard. A retailer could use this part of the dashboard to discover where their stores have imminent stock outs so they can rush shipments and avoid lost sales.
- **Scorecard:** "How do we stand?" Dashboards should include a scorecard that puts the operating results in context. In our retail example, a scorecard could show how your store stands in relation to other stores, to history and to the sales plan. A scorecard can be an

excellent motivational tool that summarizes the most relevant comparative data for each user.

- **Top/bottom:** “What’s driving our business?” This segment identifies your “market movers.” In retail, this shows the actual products or stores that are performing particularly well or poorly.

A good dashboard must take into account the responsibilities of each management role and tailor the dashboard to the needs of the specific role. The goal is to get to a place where your business performance review provides highly standardized feedback and keeps everyone on the same page. To avoid losing the forest for the trees, strategic elements of the business’s overarching goals should be woven into the dashboard. But don’t forget about the trees, either - the dashboard should clearly highlight individual exceptions so each user can view opportunities or problems that need immediate attention and action. This is where the concept of playbooks comes in.

Have Your Own Playbook

In football, a playbook describes the intricately synchronized moves of 11 players on the field in an effort to accomplish very specific objectives. Every season, each player is given a thick playbook covering many of the situations they should expect to encounter during a game. As the season progresses, the coach discards plays that didn’t work well and constantly looks to improve upon ones that do. The most successful teams have great playbooks that their players execute consistently - that’s why they win.

In retail and many other industries, executives are faced with the same dilemma. Every quarter, a group of professionals, each with a highly focused role, must be synchronized in order to be successful as a whole. Each team member must know “when to run” (or when to buy or mark down) and the degree to which their colleagues must be in sync with them. Like football teams, the most successful retailers - the ones with the competitive advantage - have their own sets of playbooks that act as processes unique to their business and identify recurring scenarios so users can correct or capitalize on them. A playbook is an essential tool for optimizing your operational efficiency with BI because it forces every analytic investigation you undertake to drive toward a specific action. Playbooks are also the key to becoming unbeatable by consistently making decisions that improve your business.

Whatever your industry, your BI and dashboarding goals should always focus on promoting knowledge, process and action-based analysis. Making insightful decisions for your business involves a lot of pressure - the right actions can make you a lot of money, and the wrong actions can lose even more. The entire goal of BI is to have the ability to look at historical data in relation to trends, predictions, and internal and external factors so you can take definite action to improve those results now and in the future.

Playbooks integrated into your BI technology will encourage a repeatable, purposeful methodology and spur action based on insight. The key to a successful playbook is that it identifies a “signature” of data that indicates a recurring problem or opportunity in the business. Once it highlights this problem or opportunity, the playbook will then guide the user to additional insight so he or she can take action.

The Secret Recipe

Being successful means knowing what works and having the data to back it up, not “guessing” what you think or hope will work based on your gut instinct. The better you get at solving recurring problems and capitalizing on opportunities, the more efficient and successful you will be.

Remember these main points:

- Your organization must realize the value of standardizing performance measurement and having a common language to discuss and improve the business, which involves collecting data at the right level from all key systems in your enterprise.
- Once you are collecting this data, a role-based dashboard must provide an efficient and user-friendly way to manage it.

- Playbooks provide a method for recognizing recurring trends within your company's unique data, then suggest clear actions to take for minimizing the problem or leveraging the opportunity.

Finally, technology in general – and especially BI – requires strong leadership in the business to truly benefit. Leaders should challenge the technology to deliver what their organization needs. BI is a boardroom proposition, and all organizations should invest in the vital knowledge of their own unique operations. Knowledge that is unbeatable and uncopyable is truly the key to competitive advantage.

Reference:

1. Janet Suleski. "Alert Article: Retail Notes for February 8, 2007." AMR Research, February 8, 2007.

Jeff Buck is CEO and co-founder of QuantiSense, a provider of business intelligence and data warehousing solutions specifically for retailers. Prior to starting QuantiSense, Buck founded dotVantage, a company focused on creating analytical applications that enabled e-commerce companies and other technology providers to understand customer behavior on the Web. Buck's background also includes extensive experience in building business intelligence applications for retail companies such as American Stores, Disney and J. Crew.