

Applying Business Intelligence Throughout The Organisation: Utilising Reputable Techniques to Improve Business Performance

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Vice-President and Managing Director

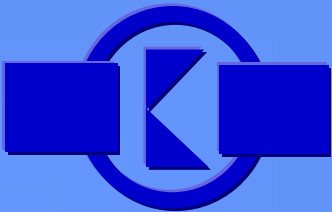
Kline Europe SA

Business Intelligence Forum, London

19th April, 2001

Agenda

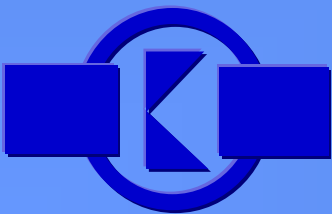
- The changing landscape
 - ⚡ Doing things differently
- BI throughout the organisation
 - ⚡ 3 techniques
- Conclusions for BI



➤ The business landscape is changing fast

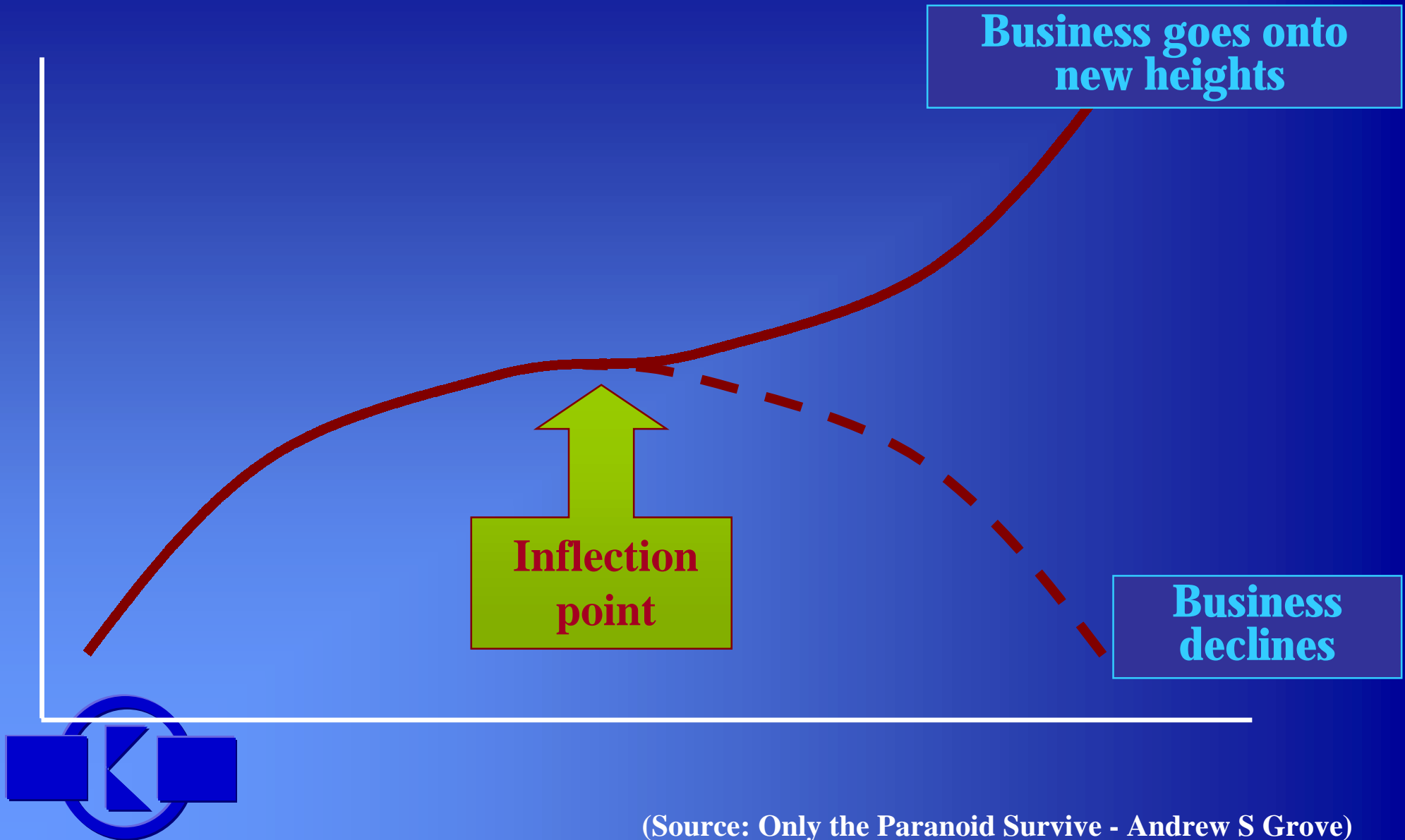
➤ Survey of CEO's

- ★ 68% agree that marketing as a driving force for growth is at the top of their corporate agenda
- ★ 72% agree that growth strategies of major competitors have become more alike
- ★ 74% agree an important part of an iterative growth strategy is to redefine the rules of competition



Source: 1999 Executive Survey sponsored by the Association for Corporate Growth

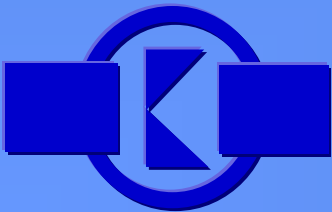
Strategic inflection point...



(Source: Only the Paranoid Survive - Andrew S Grove)

Strategic Inflection Points

- “A strategic inflection point is a time in the life of a business when its fundamentals are about to change. That change can mean an opportunity to rise to new heights. But it may just as likely signal the beginning of the end”
- “... a strategic inflection point can be deadly when unattended to ...it creates opportunity for players who are adept at operating in the new way”
- “... an inflection point occurs when the old strategic picture dissolves and gives way to the new, allowing the business to ascend to new heights... if you don't navigate your way through an inflection point.. The business declines”



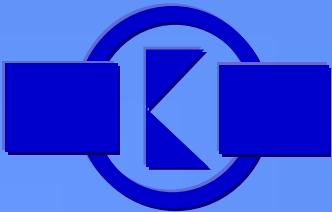
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Strategic Inflection Points

-Continued-

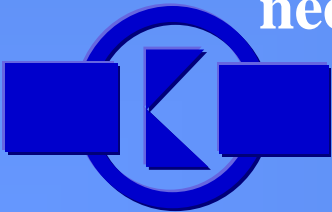
“... a strategic inflection point is when the balance of forces shifts from the old structure, from the old ways of doing business and the old ways of competing, to the new...”

“... the strategic inflection point is the time to wake up and listen”



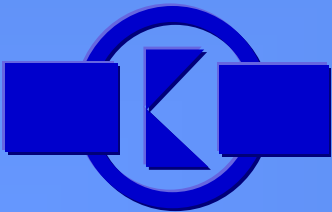
Can you create a new model for your business?

- Change offering from products (which are abundant) to solutions (which are difficult to create and more highly valued by customers)
- Solution- mode fosters change from passive to pro-active
- “Performance” focus lessens pressure on price margins
 - ⇒ users reluctant to switch from product which is “specified in”
- Add value to the customer
- Understand the customers’ economic business model
- Understand their often unarticulated/ often unknown needs



Can you create a new model for your business? *-Continued-*

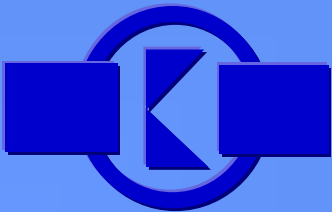
- **Innovative customer selection**
 - Define and Focus on most profitable (easier said than done)
- **Look for “future defining” customers**
 - To better position yourself for future
- **Understand what customers’ priorities will be tomorrow**
- **“Fortunes migrate to those companies who get what the priorities are, build the next business design and away from those who don’t”**



(Source: The Profit Zone)

Some quotes

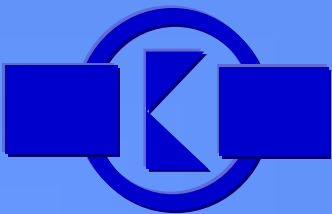
- “When customers move, the profit zone moves. You must reinvent your business design to move with them.”
- “Managing in a downturn is hard, but managing high growth is much harder. You’re tempted to overbuild capacity, add infrastructure, headcount, lots of fixed costs. Then when the growth waters recede, you’re stuck in a no profit zone, with lots of resources and lots of red ink”



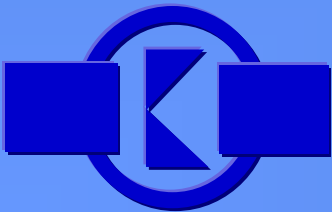
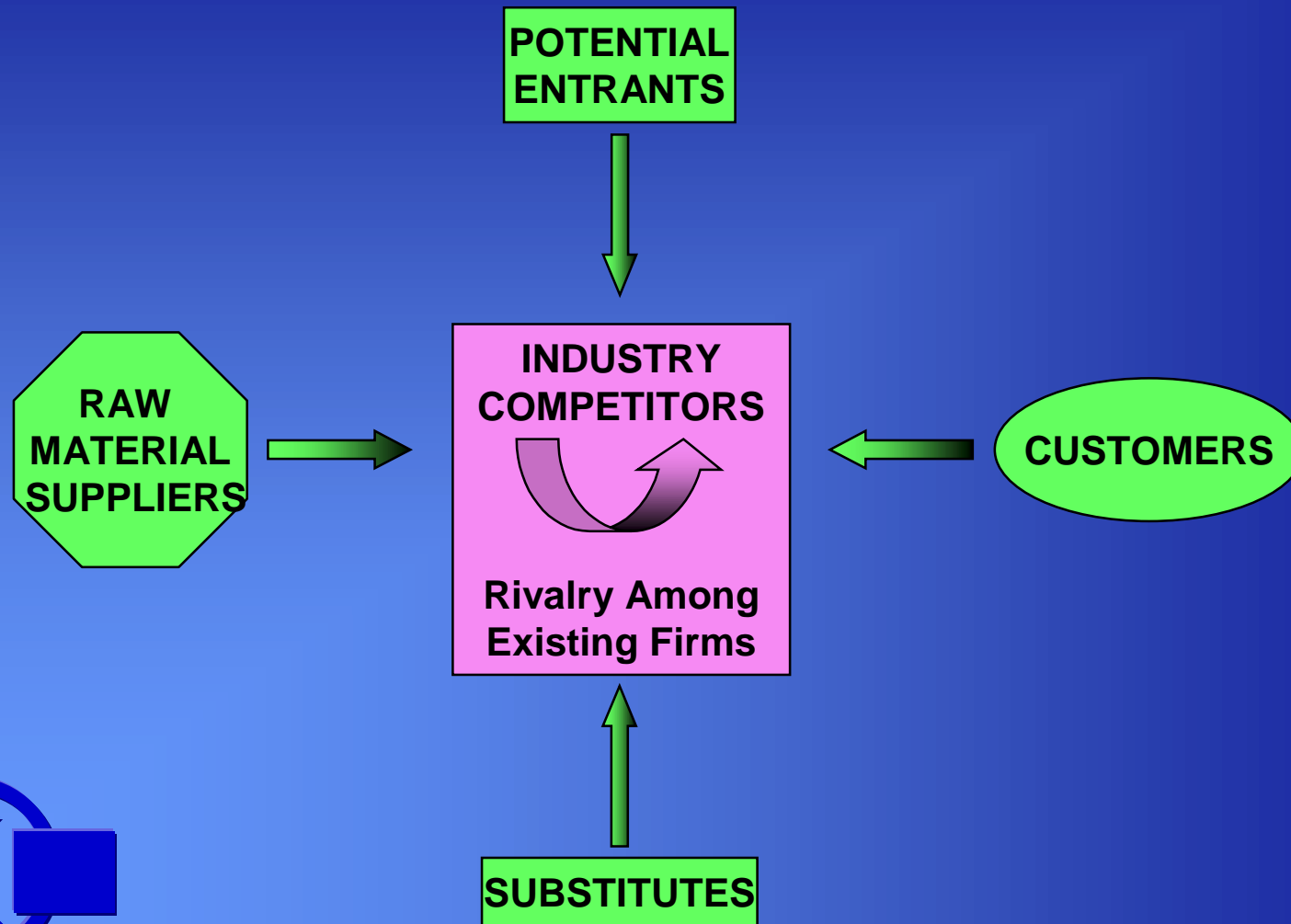
Some quotes

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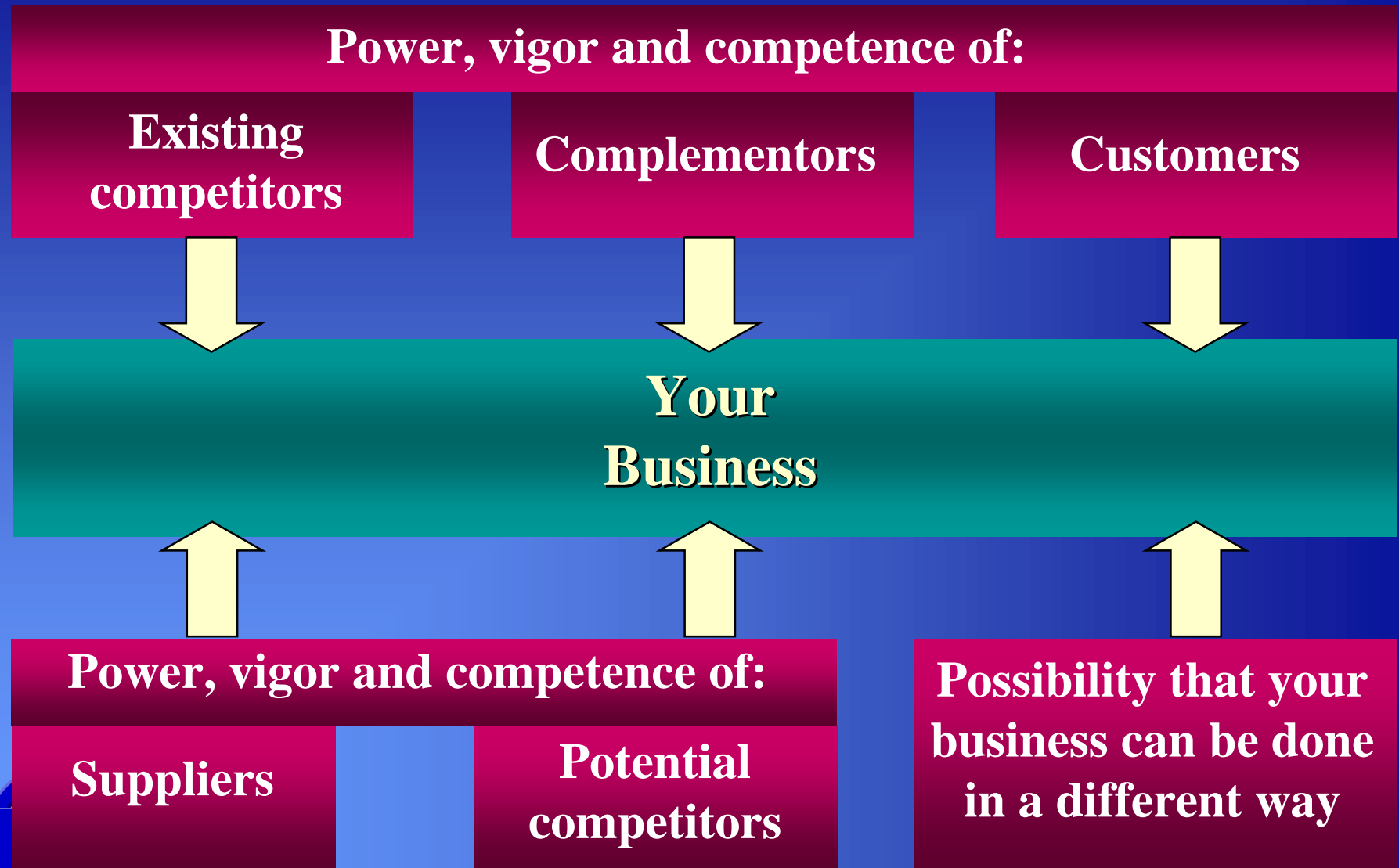
- “In the stampede to gain size and critical mass companies managing for volume growth or value growth?
- The vigorous pursuit of market share and the rise in customer power have driven the profit from many activities and products, and even from entire industries. More and more no profit zones have been created. Still many companies continue to pursue a market share and volume growth strategy, trying to get a bigger piece of a pie that is losing all its value” -a



Porter Model



Six forces diagram



(Source: Porter, Grove)

Possibility that your product or service can be built or delivered in a different way...

E-commerce

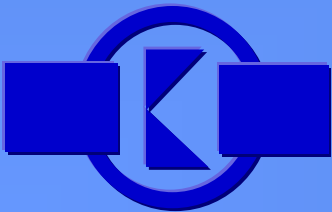
Substitution

New technologies

New attitudes

Customer-centric approach

Solutions oriented

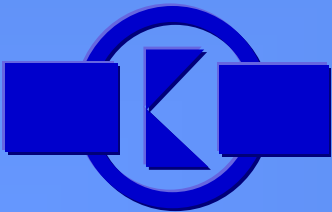


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graph LR; A[Research and Development] --> B[Manufacturing]; B --> C[Marketing Sales];
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Research and
Development

Manufacturing

Marketing
Sales





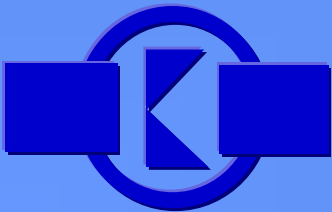
Focused R&D
Benchmarking



Competitive
Manufacturing
Costs Analysis



Customer -
Based
Intelligence





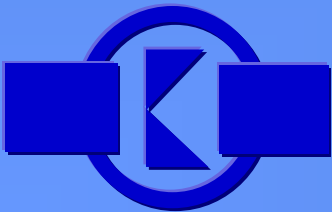
Focused R&D
Benchmarking



Competitive
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Customer -
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Intelligence



Benchmarking is a tool through which to . . .

- Examine practices and performance, in an absolute sense
- Compare examined companies against one another
- Identify and understand superior practices
- Determine cause/effect relationships (what works, what doesn't, and why)
- Develop real-world evidence (quantitative and qualitative) to support client decision making
- Monitor performance over time



We have found that . . .

- Many Baldrige-based quality programs give scant attention to R&D and commercialization
- These functions are rarely chosen for B-I-C benchmarking
- Analyzing these functions is different than analyzing more tangible activities; qualitatatives are very important
- R&D must not be analyzed in a vacuum
- Many factors for success are common across industries, but the “set points” can differ dramatically



CHOOSE THE RIGHT ANALYSIS TOOL FOR THE JOB

Your competitors



All companies

Maximum specificity

COMPETITIVE BENCHMARKING

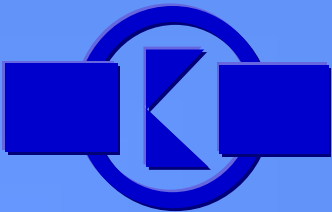
B-I-C BENCHMARKING

Maximum generality

All businesses

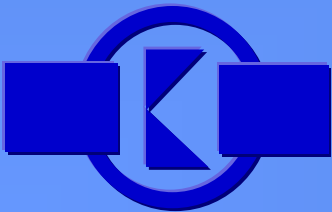


Your business



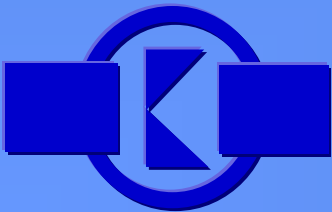
Best-in-class benchmarking realities include:

- Requires more time and resource than you think
- Essential to keep a tight leash on the scope
- Limit to adaptability/adoptability of “best” practices across industries
- By definition, no competitive intelligence is developed



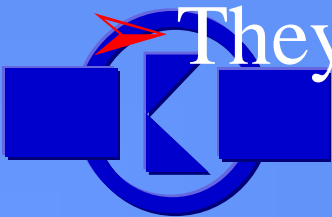
Competitive benchmarking realities include:

- Third-party assistance is mandatory (objectivity, credibility, feasibility, anonymity)
- All field research in person and one-on-one
- Both technical and business leaders are interviewed
- Sponsor company also examined



Interviewee companies participate because . . .

- Decision-maker interviewees recognize importance of issues
- They usually set security policy (they can self-authorize and self-censor)
- Focus is on structure and practices, not on trade secrets
- They are grappling with the same issues
- They will receive an executive summary



These are win-win exercises.

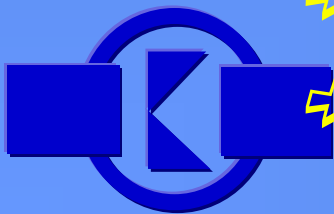
Example Key Issues

➤ Structural factors

- Organizational structure
- Geographic relationships
- Funding levels/allocation of resources

➤ Procedural issues

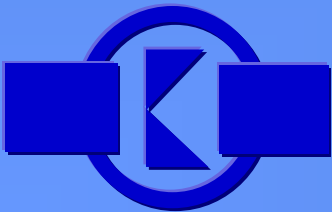
- Formal and informal communications
- Internal budgeting/funding sources
- Idea capture and processing
- Project evaluation, selection, and review
- Effectiveness metrics; perceived strengths and shortcomings



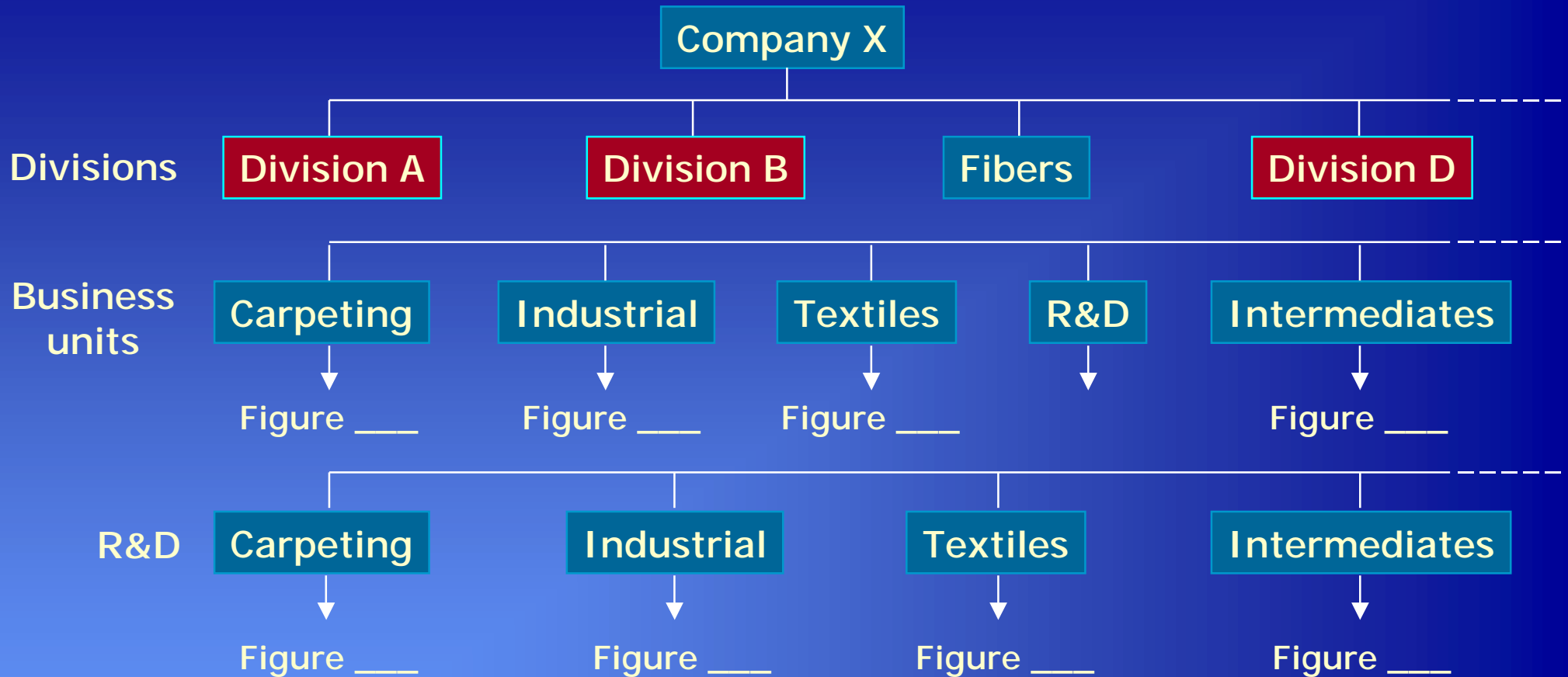
We interviewed . . .

- All significant manufacturers (including the client)
- The largest fiber processing companies

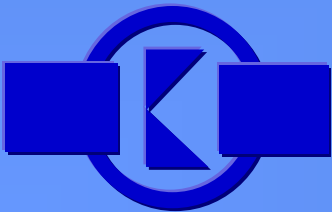
We also targeted leading manufacturers of alternative products as a fallback, but they were not needed.



Organizational Structure

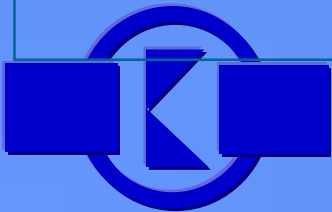


- Structure
- Reporting relationships
- Staffing
- Objectives/mission
- Cultural environment
- Role of technical service



Idea Generation, Selection And Prioritization

Company	Idea source			Method of screening new ideas	Method of selecting and prioritizing new ideas
	A	B	C		
Company L	X	X	X	Project screening is not a formalized system but the company is attempting to define a more formalized "target selection process"	Selection and prioritization is based on the ability of a project to deliver on a pragmatic valuation basis; use of multi-disciplinary teams is being considered
Company M	X	X	X	Initial screening and dissemination is performed through the project team leaders; selected projects are then presented to multi-functional performance teams for consideration	Selection by the performance teams is based on the somewhat formalized new product concept system; prioritization is conducted by the performance teams through a very formal rating system
Company N	X	X	X	Initial screening and prioritization is conducted by the business unit teams; the shortened list is considered at the leadership team level	The formalized selection and prioritization process is conducted by the leadership team
Company O	-	X	-	Project screening occurs formally at the management team review sessions held annually; presentation to the team is by a "sponsor"	Prioritization and selection is conducted by the management team and is based on the formalized review board system
<p>A- R&D. B- Business unit. C- Tech service/other.</p>					



ANNUAL R&D EXPENDITURES PER STAFF MEMBER, \$ THOUSAND

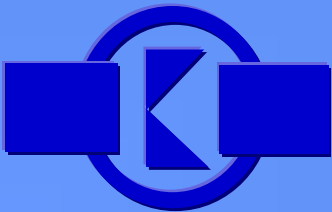
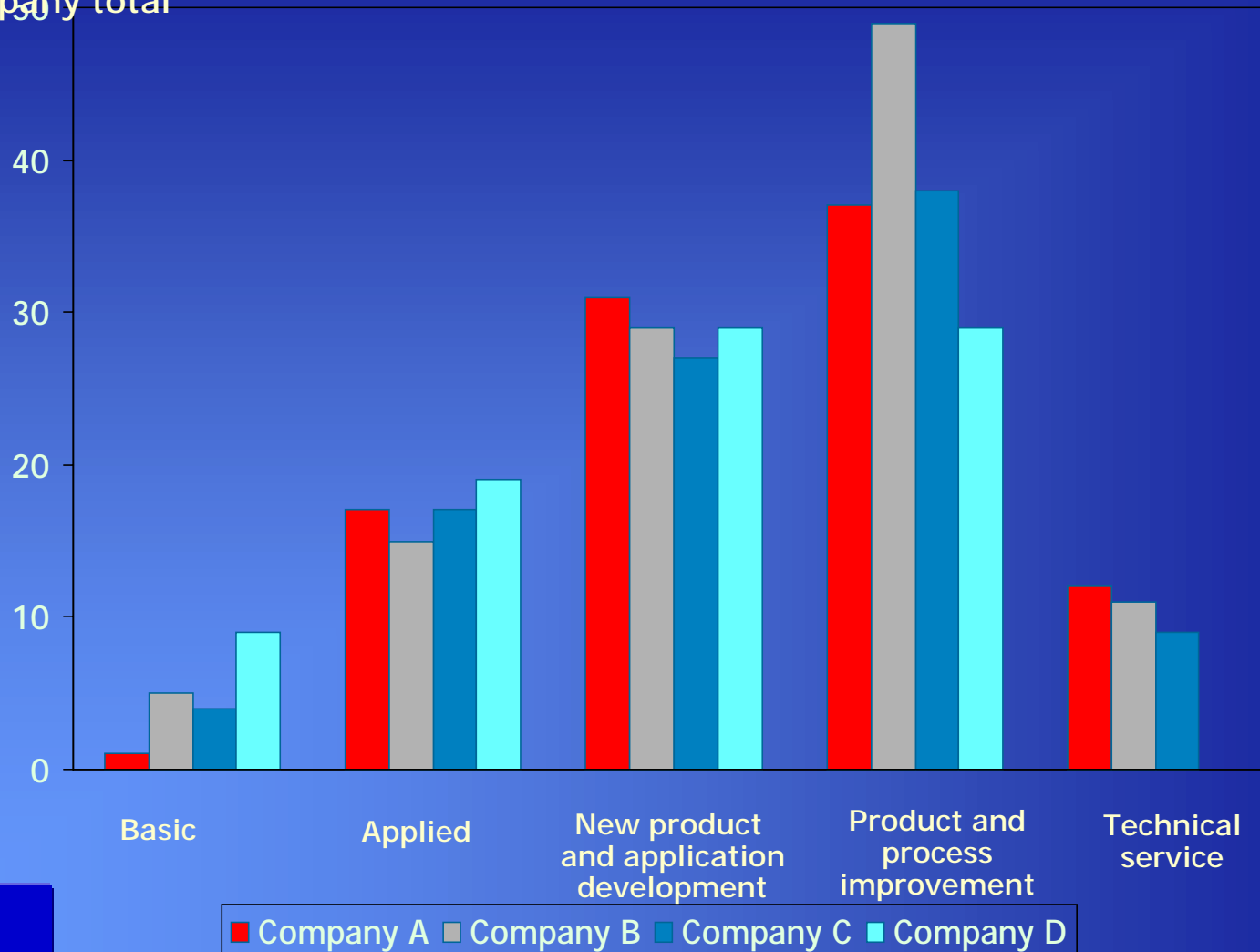


- a- Spread over 110 technical employees (exempt & non-exempt).
- b- Total of 125 technical employees. Excludes corporate R&D; some trial costs; technical service.
- c- 400 Technical employees. Excludes equipment purchases; some trial costs; applications testing; corporate R&D; most technical service.
- d- Includes 115 technical employees. Excludes all technical service and corporate R&D.

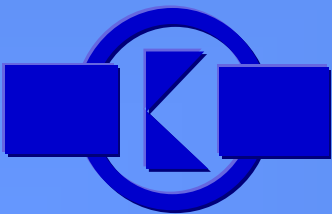
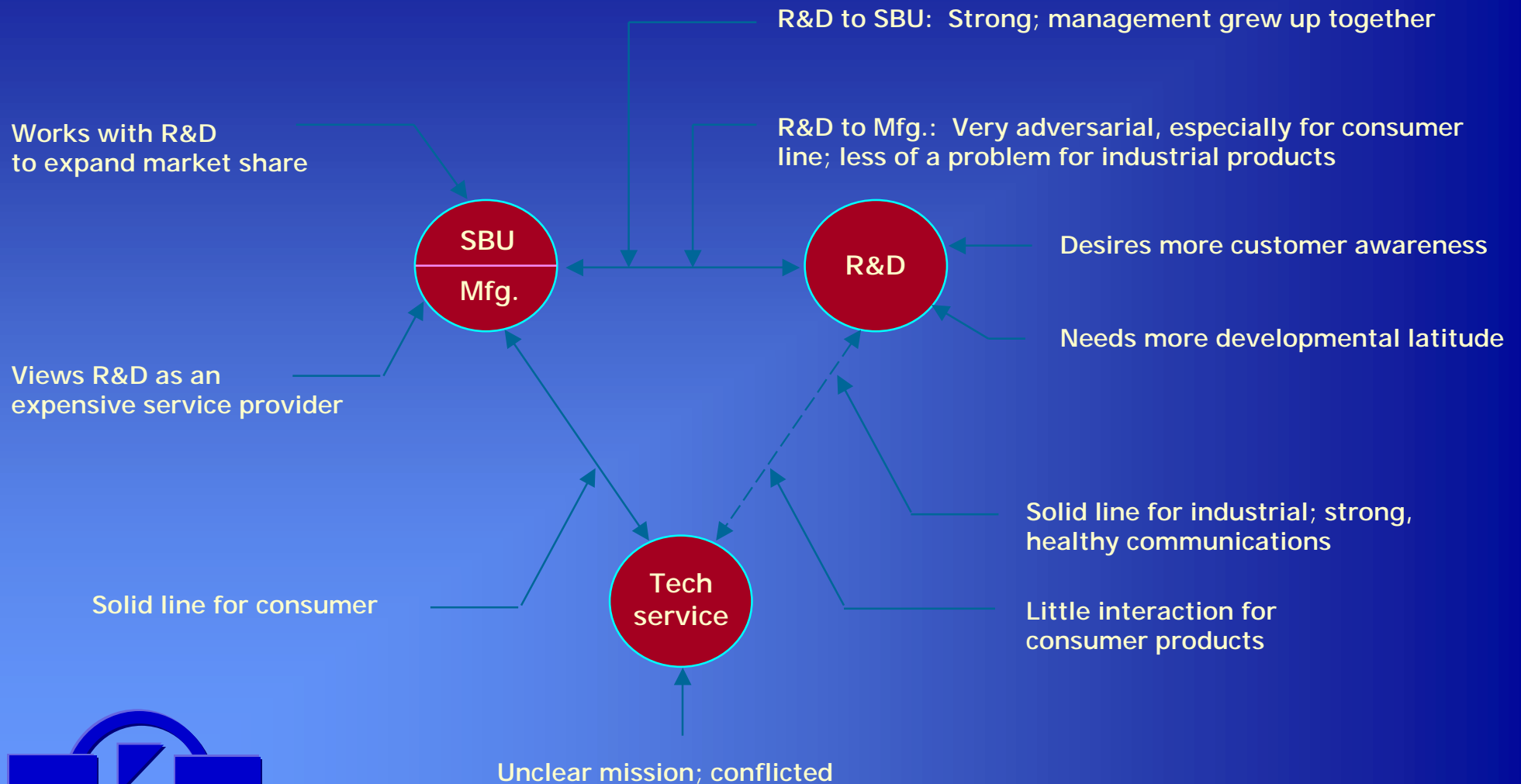


Research And Development Allocation

% Of company total

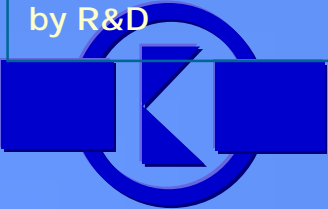


Communications Between Functional Units - Company H



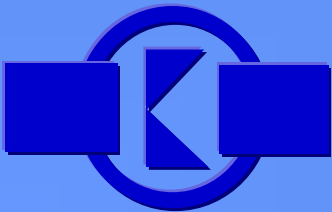
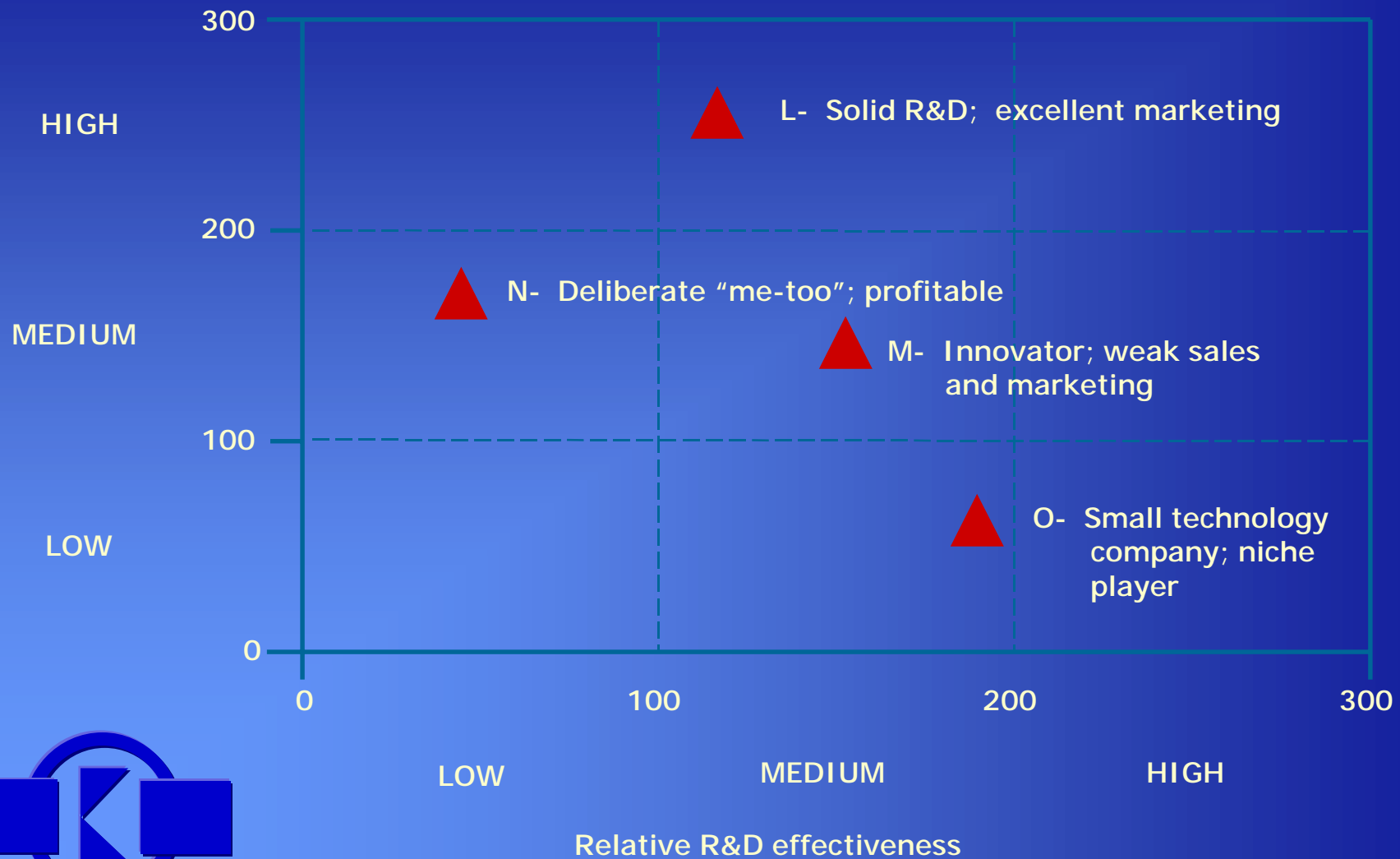
Measures Of R&D Effectiveness In Current Use

Metric	Company A	Company B	Company C	Company D
Percent of revenue from new products introduced over the past three years	X	-	X	-
Return on capital	X	-	X	-
Cycle time	X	-	X	-
Attainment of specific project goals - timeliness timing of completion, budget control, resources, etc.,	X	X	X	-
Ability to meet annual R&D budgets	X	X	X	X
Customer satisfaction - pace of work performed, communications, focus on customer requirement internal customer satisfaction, number of customer complaints, on-time deliveries, quality rating	X	-	-	X
Ratio of sales dollars of new products to technical expenditures	X	-	X	-
Effective utilization of selected laboratory equipment	-	X	-	-
Number of new product or process ideas generated by R&D	-	-	X	-



Relative Company Position

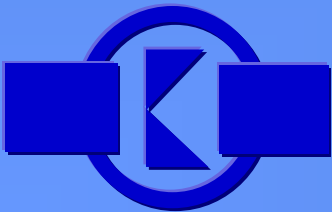
Relative marketing effectiveness



Example Positioning Variables

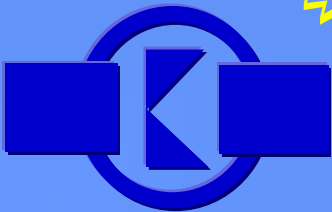
➤ R&D effectiveness (the X-axis)

- Revenue from the new products
- Sales versus R&D funding
- Development-through-introduction cycle time
- First-to-market track record
- New product success rate
- Reputation as an innovator and/or source of expertise



Example Positioning Variables - *continuous*

- Commercial effectiveness (the Y-axis)
 - Market share (in each important end-use market)
 - Market share growth/loss over last five years
 - Estimated profitability
 - Prices charged versus market average
 - Customer perceptions of supplier quality



Clients utilize the real-world findings from these analyses to:

- Accurately reorganize their R&D, technical service, and business operations
- Substantiate the business plans presented to senior management
- Institute better internal cooperation and collaboration
- Reevaluate product portfolio and pricing policies
- Simplify the annual budgeting process
- More accurately understand the competition
- Develop a more productive positioning strategy





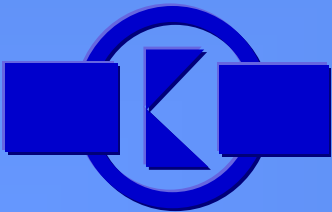
Focused R&D
Benchmarking



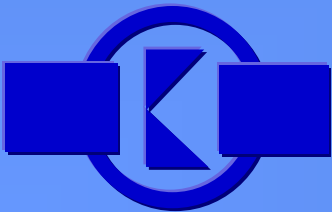
Competitive
Manufacturing
Costs Analysis



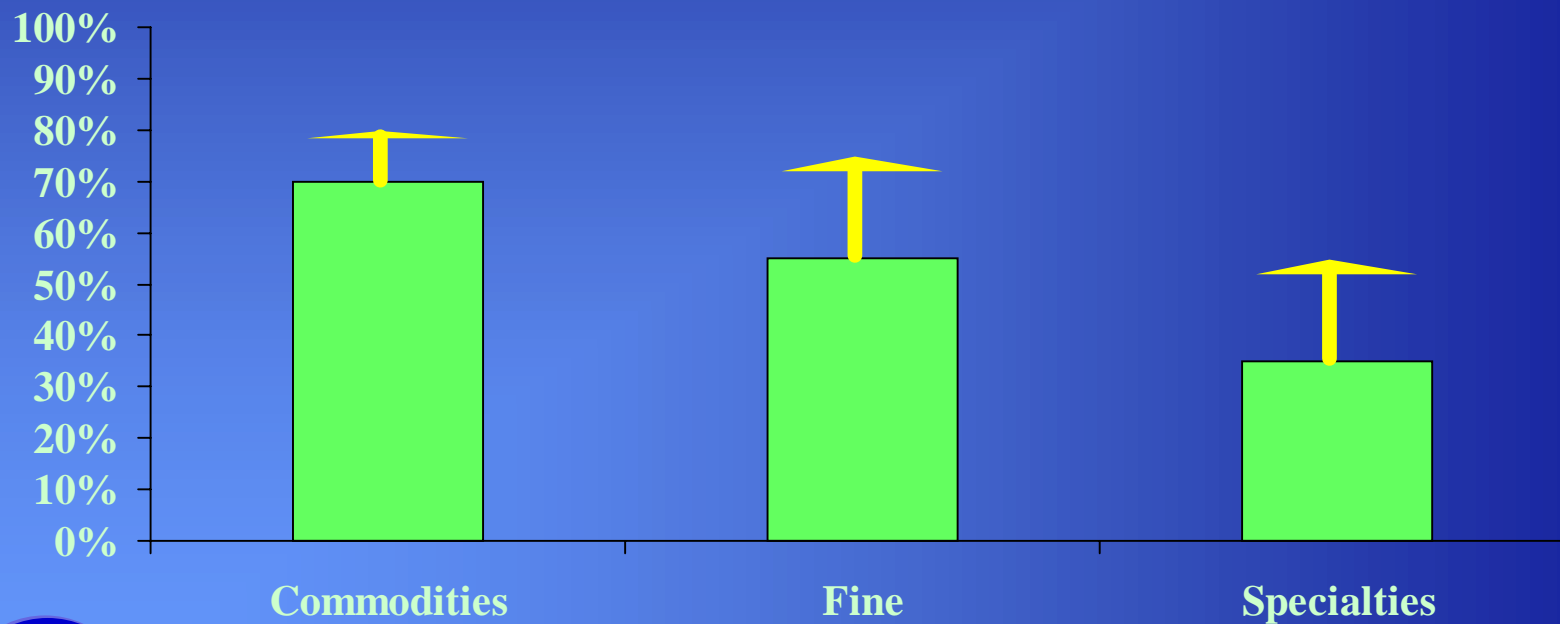
Customer -
Based
Intelligence



- Globalization
- Maturing Business
- Cost of Environmental Compliance/
Legislation
- Increased raw materials costs
- Slowing economics



The Costs Associated With Manufacturing Is A Significant Portion Of A Product's Selling Price ...

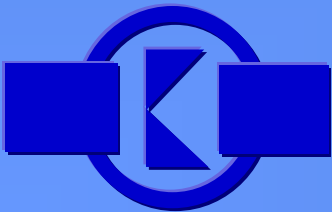


Commodities

Fine

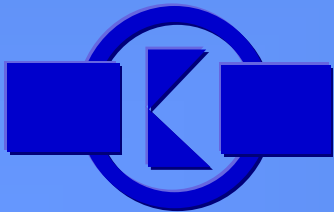
Specialties

Traditional cost base (early 70's) T Result of maturing

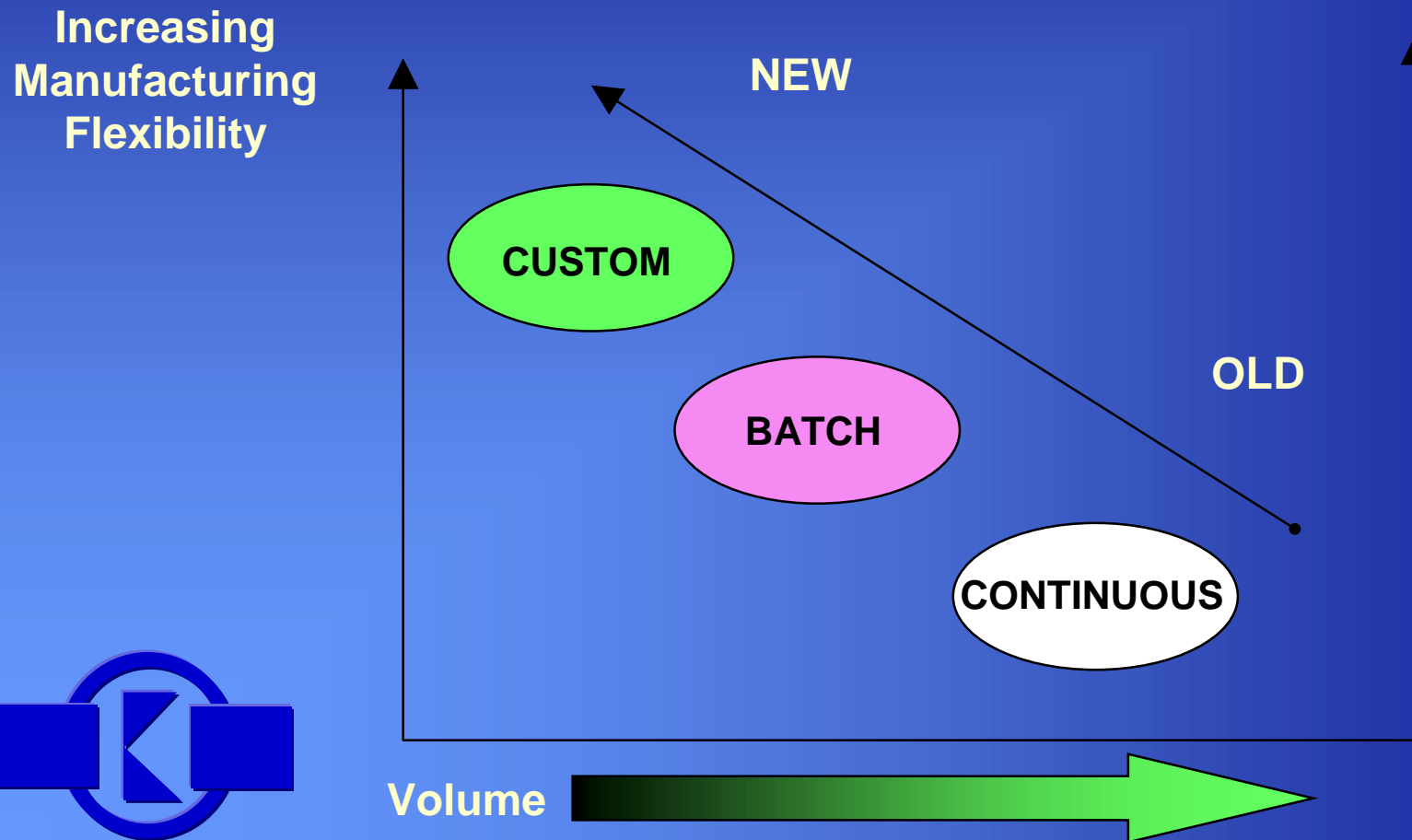


CRITERIA PLACED ON MANUFACTURING PERFORMANCE

Criteria	Traditional Business	New Business
Efficiency	High volume Narrow product line	Low volume Custom products
Dependability	Delivery important	Specification accuracy important
Quality	Standardised product	High service, especially designed product
Flexibility	Long runs, few trade offs necessary	Many short runs, continual adjustments to new specifications and volumes



INCREASED MANUFACTURING FLEXIBILITY IS ASSOCIATED WITH AN INCREASE IN PER UNIT COST ...



Define

➤ The objectives

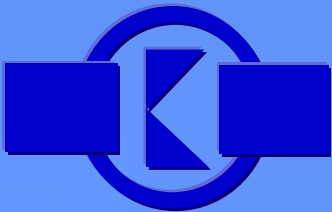
Understand what critical business decisions have to be made

➤ The focus

Target industry participants which will provide the benchmark data

➤ The components

What items within your/ your competitors' manufacturing activity will provide the intelligence to run the program



- What has to be done to make our manufacturing operation more competitive?
- How much new capacity should we add?
- Which competitor is most vulnerable to closure?
- What is an appropriate pricing strategy for our existing market?
- What is the cost structure of our key raw materials suppliers?
- What is our competitor's supply chain?
- What is the cost structure of our key competitor(s)?



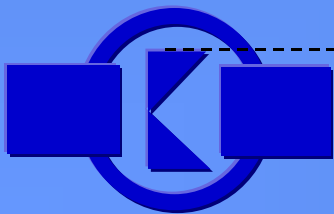
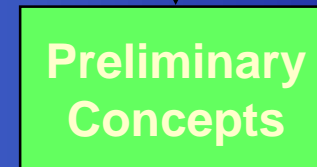
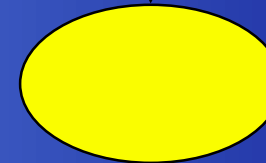
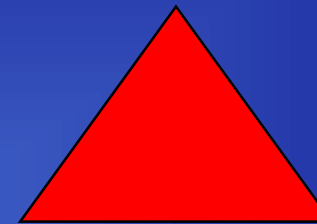
Methodology For Competitive Manufacturing Assessments

Stage 1

Information development

Analysis

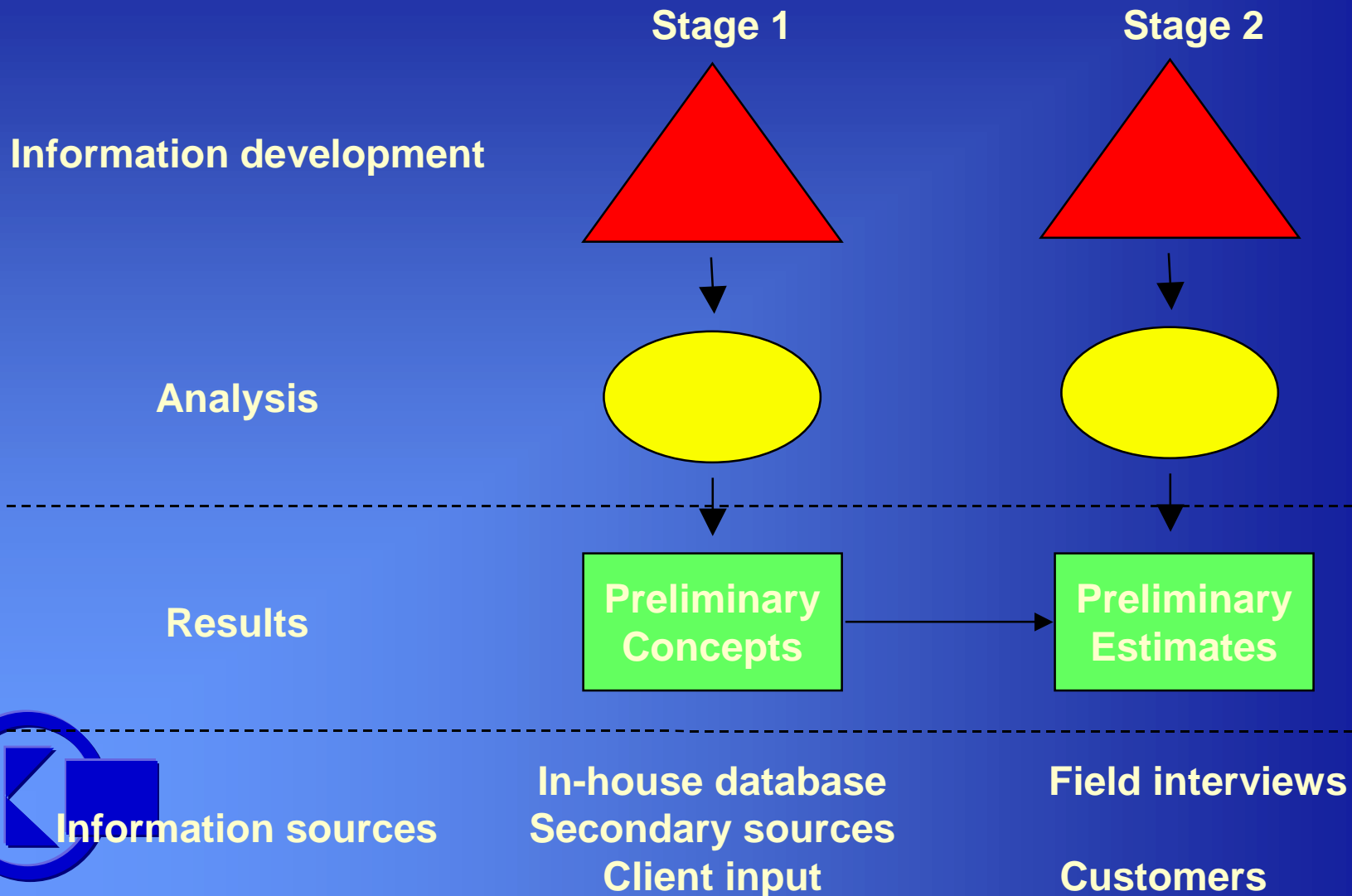
Results



Information sources

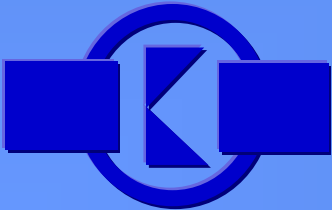
In-house database
Secondary sources
Client input

Methodology For Competitive Manufacturing Assessments

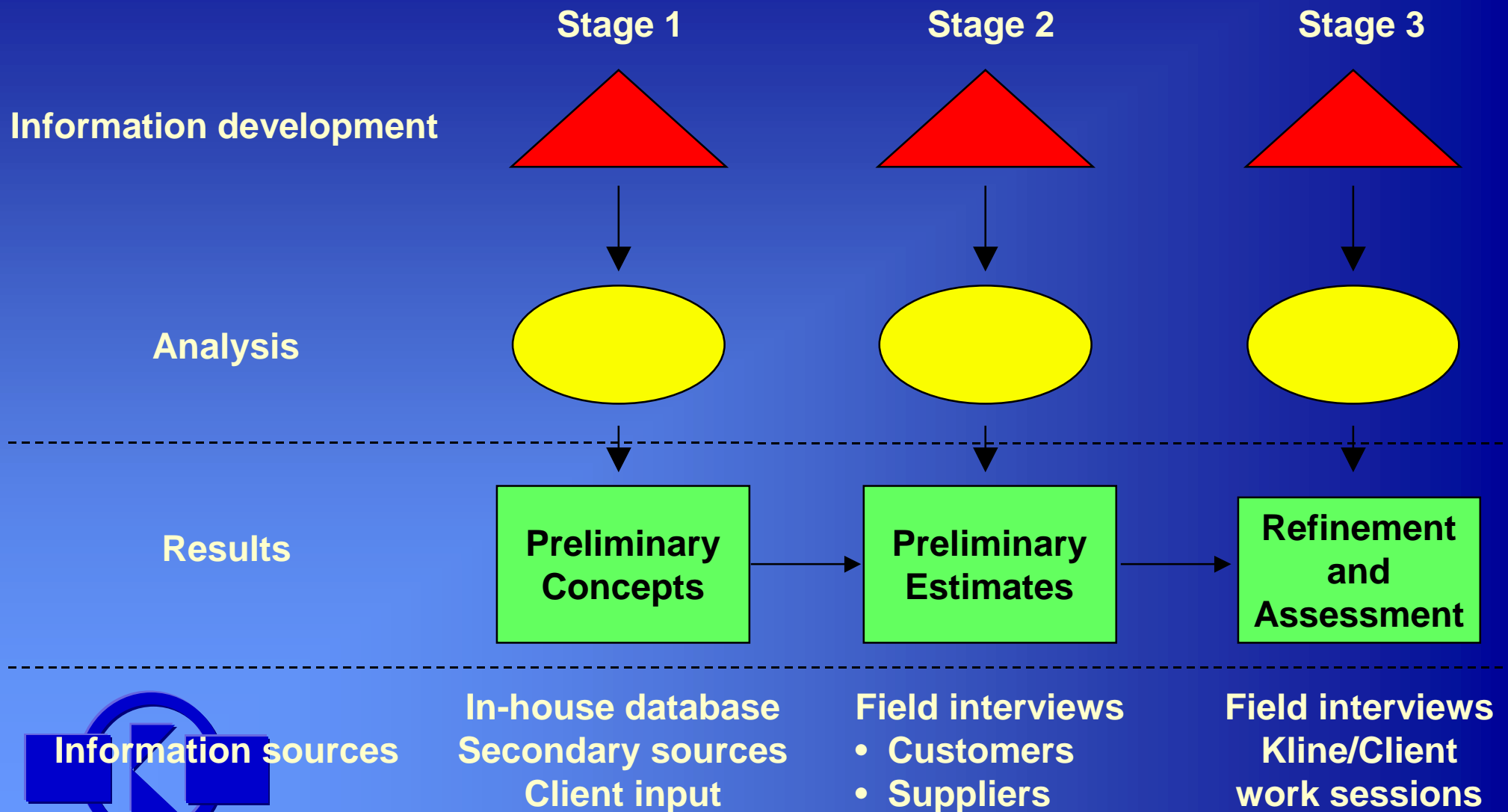


METHODOLOGY FOR INFORMATION DEVELOPMENT

<i>Key data</i>	Material suppliers						
	Direct	Indirect	Technology vendors	Engineering companies	Equipment vendors	Customers	Ex-employees
<i>In-place technology</i>	X	X	X	-	X	X	X
<i>Capacity</i>	X	X	X	X	X	X	X
<i>Investment activity</i>	-	-	X	X	-	X	X
<i>Raw material balances</i>	X	X	X	-	-	X	X
<i>Utilities requirements</i>	-	X	X	X	X	-	X
<i>By-products</i>	X	-	X	-	-	X	X
<i>Waste generation</i>	X	-	X	-	-	X	X
<i>Labor structure</i>	-	-	X	X	-	X	X
<i>Maintenance</i>	-	-	X	X	-	X	X
<i>Plant overhead costs</i>	-	-	X	X	-	-	X

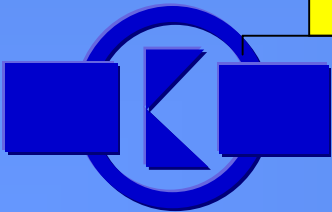
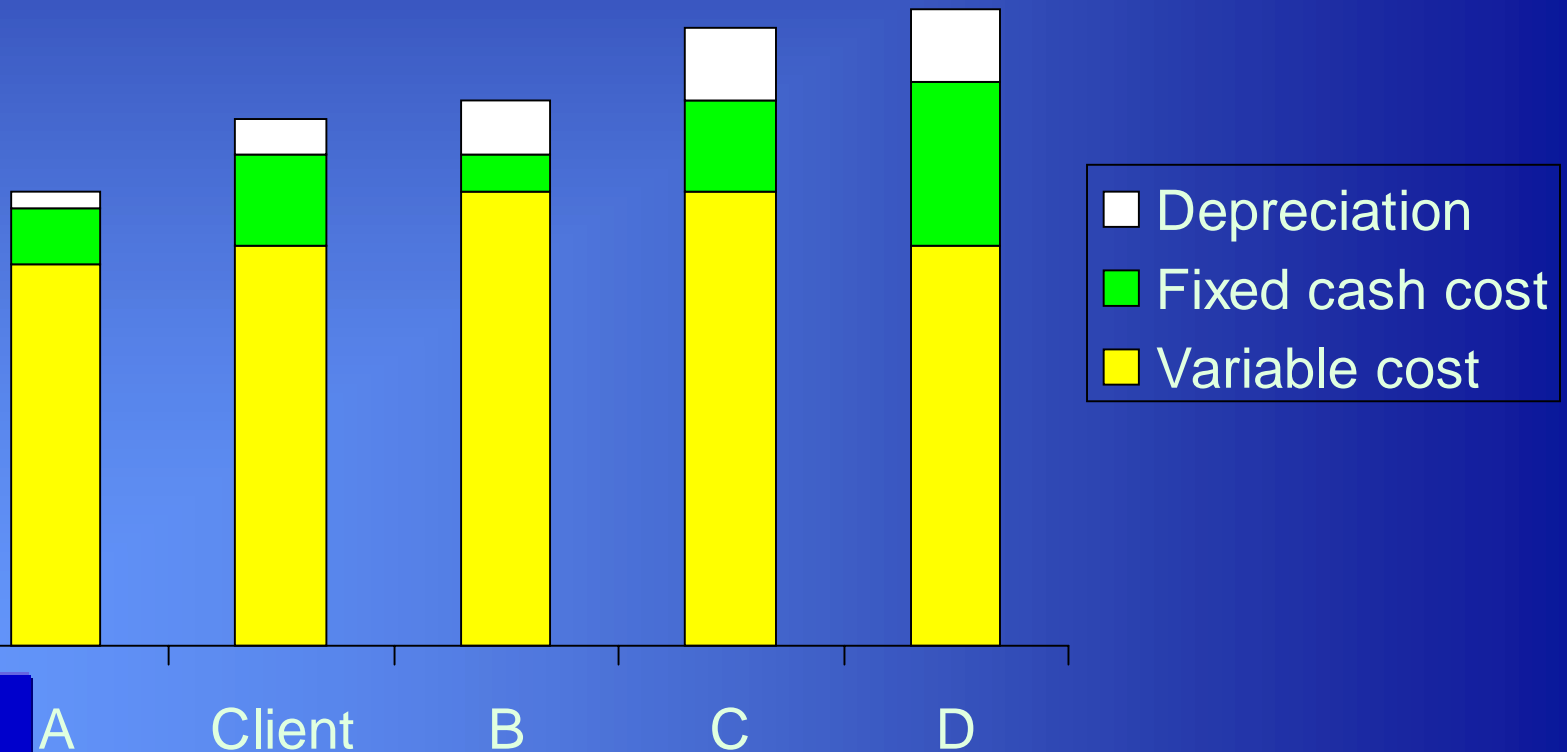


METHODOLOGY FOR COMPETITIVE MANUFACTURING ASSESSMENTS



WAX MANUFACTURING COST STRUCTURE

\$/kg

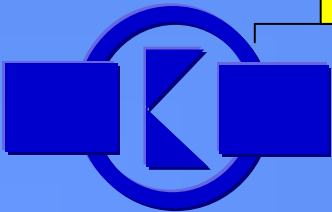
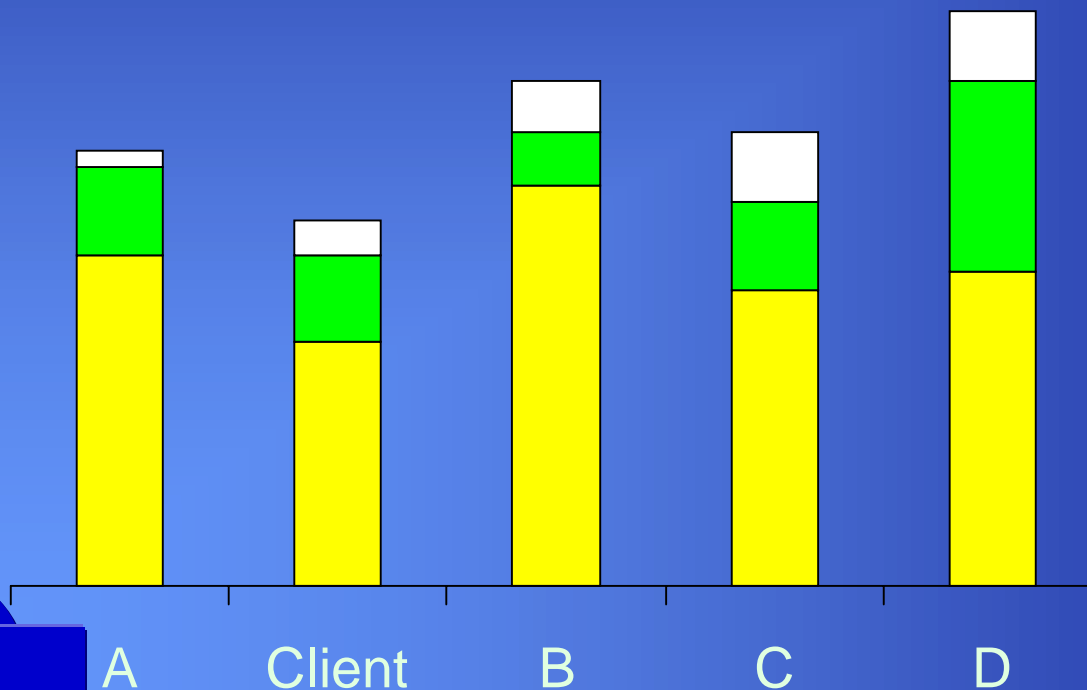


PETROLEUM WAX DELIVERED COST POSITION

\$/kg

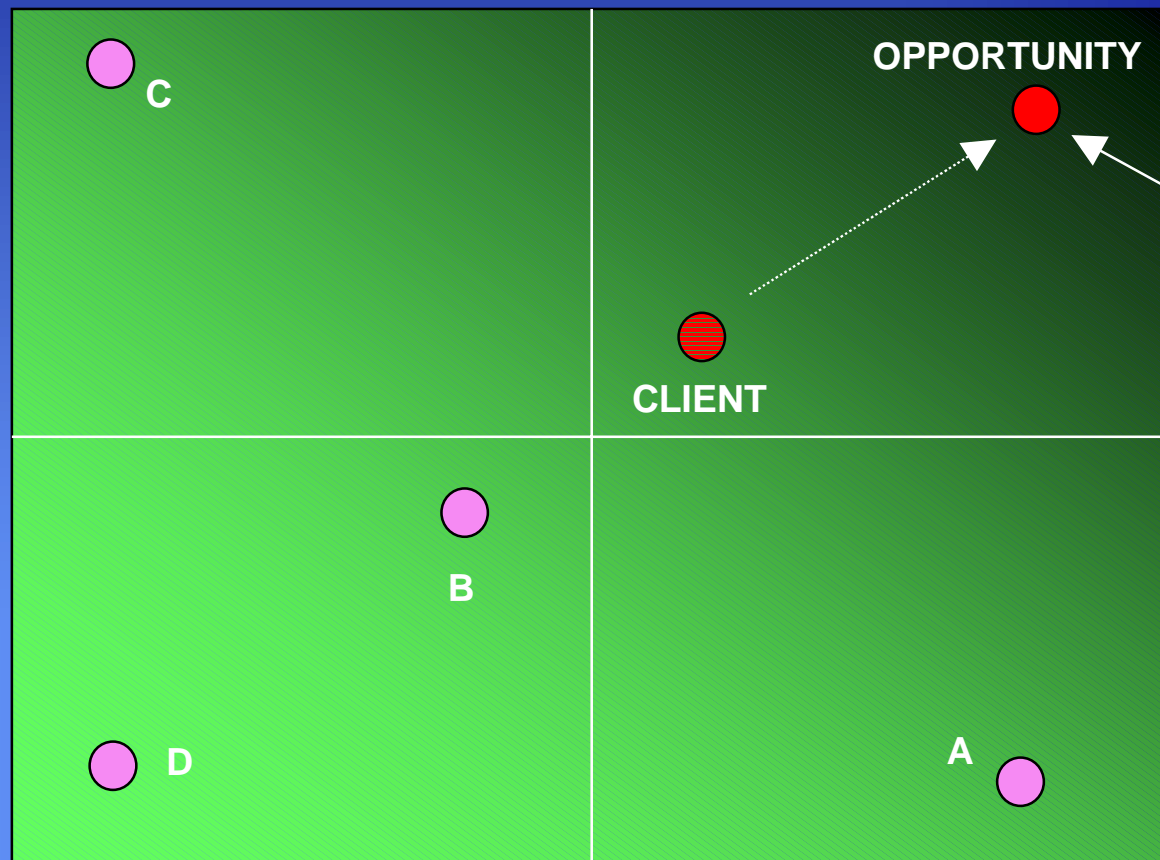
Selling price in
principal market

- Depreciation
- Fixed cash cost
- Variable cost

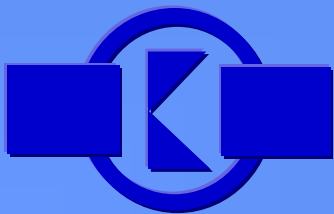


Petroleum Wax Competitive Position Matrix

Business position
in principal market



Measures were
identified to
improve both
the cost and the
business
position
through a
competitive
intelligence
program



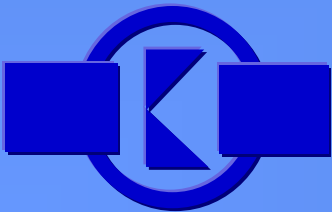
Manufacturing cost position



Focused R&D
Benchmarking

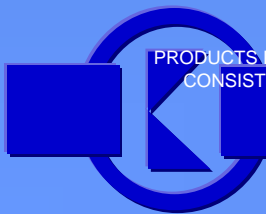
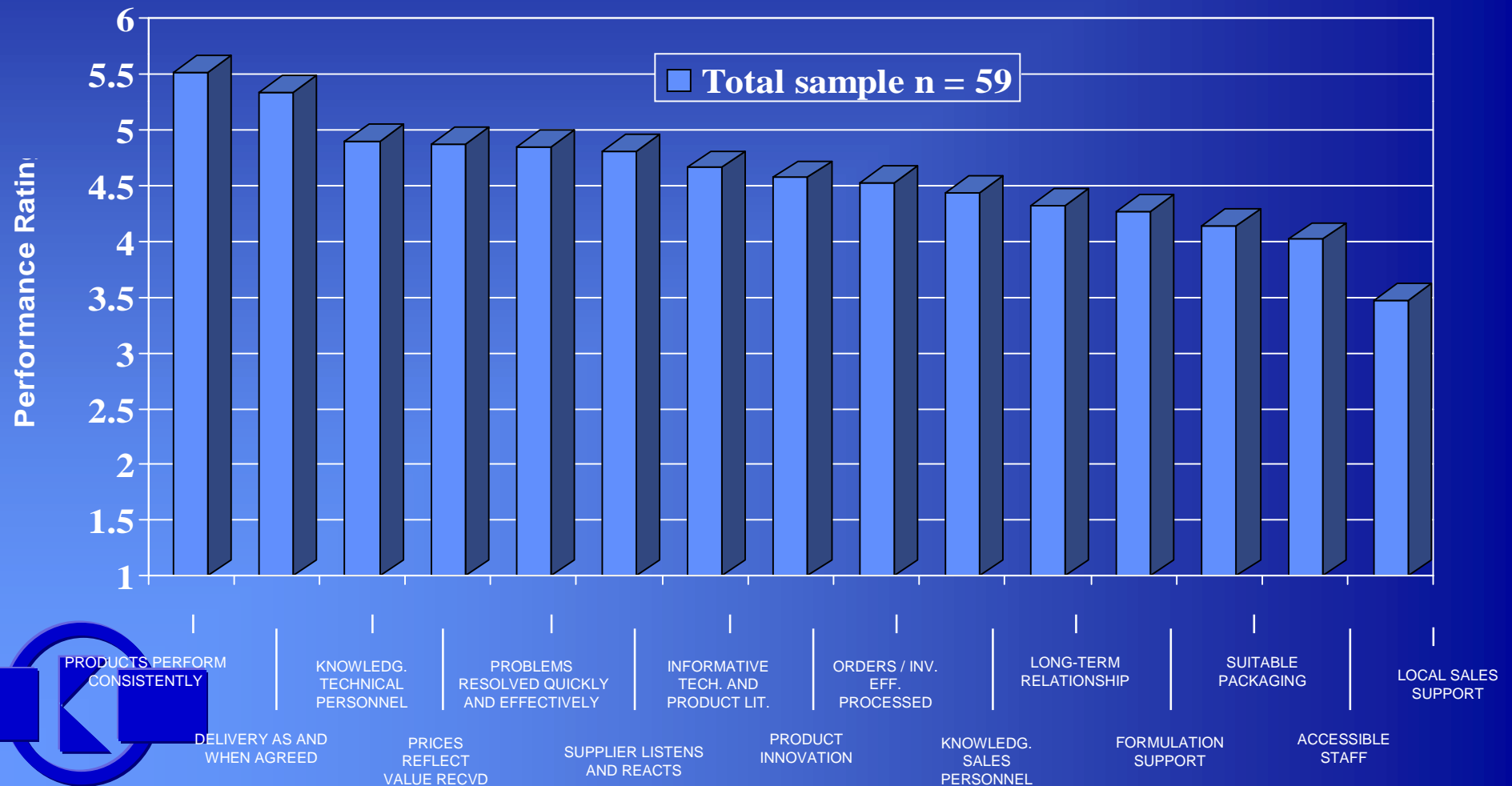
Competitive
Manufacturing
Costs Analysis

Customer -
Based
Intelligence

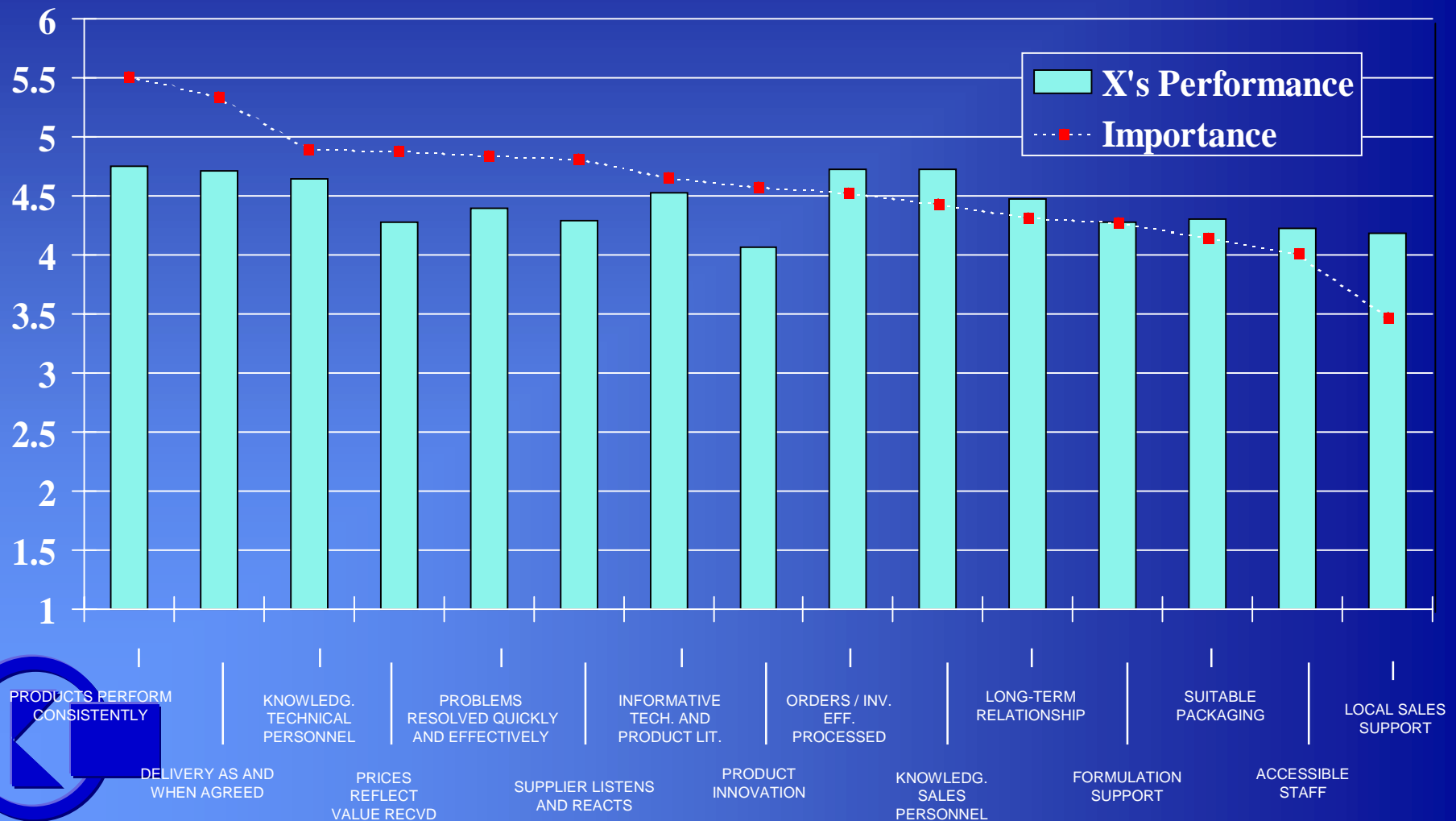


FACTOR IMPORTANCE RATINGS

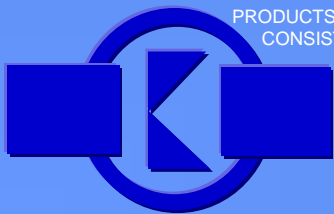
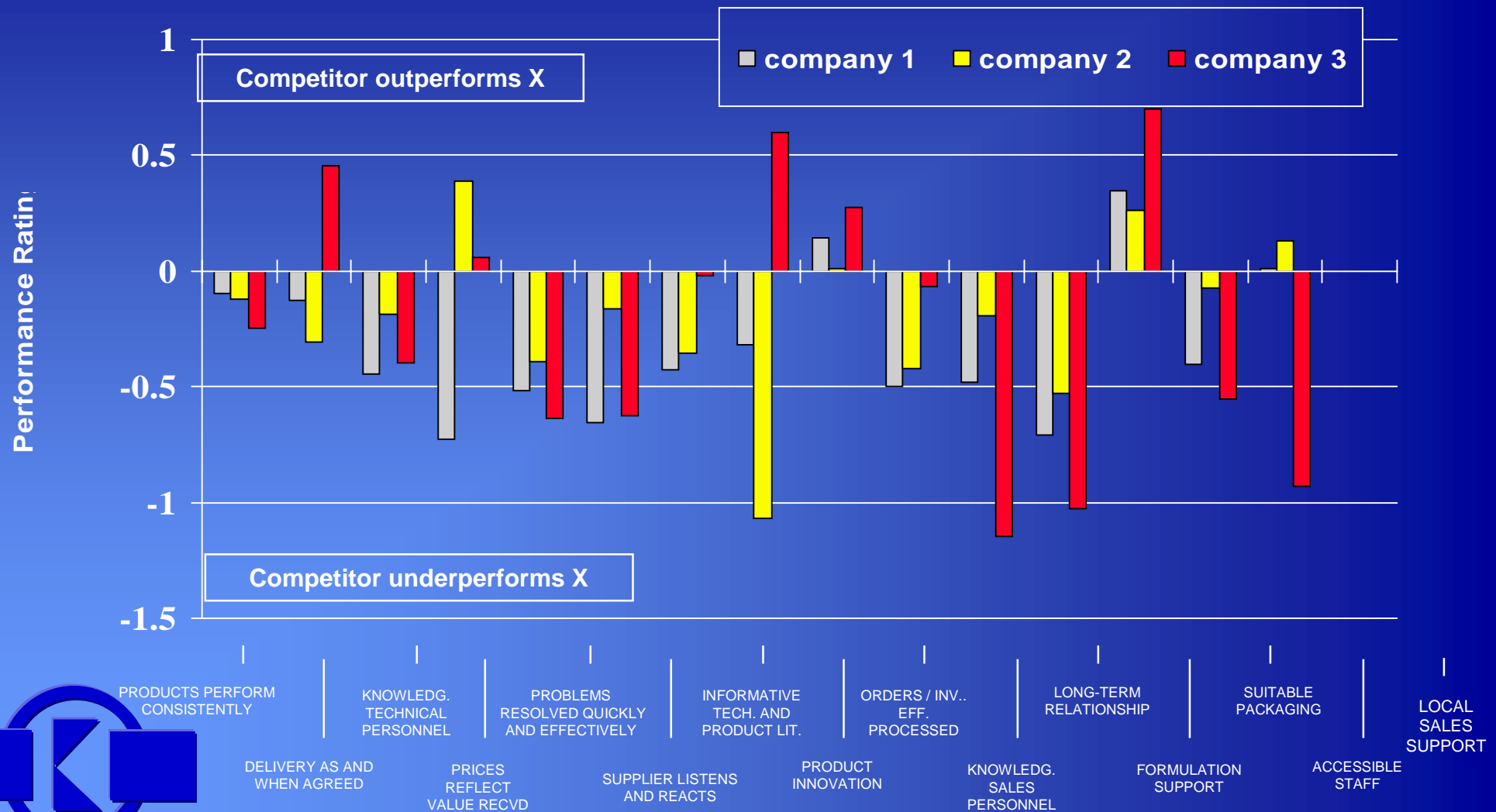
TOTAL SAMPLE



CUSTOMER SATISFACTION TOTAL SAMPLE

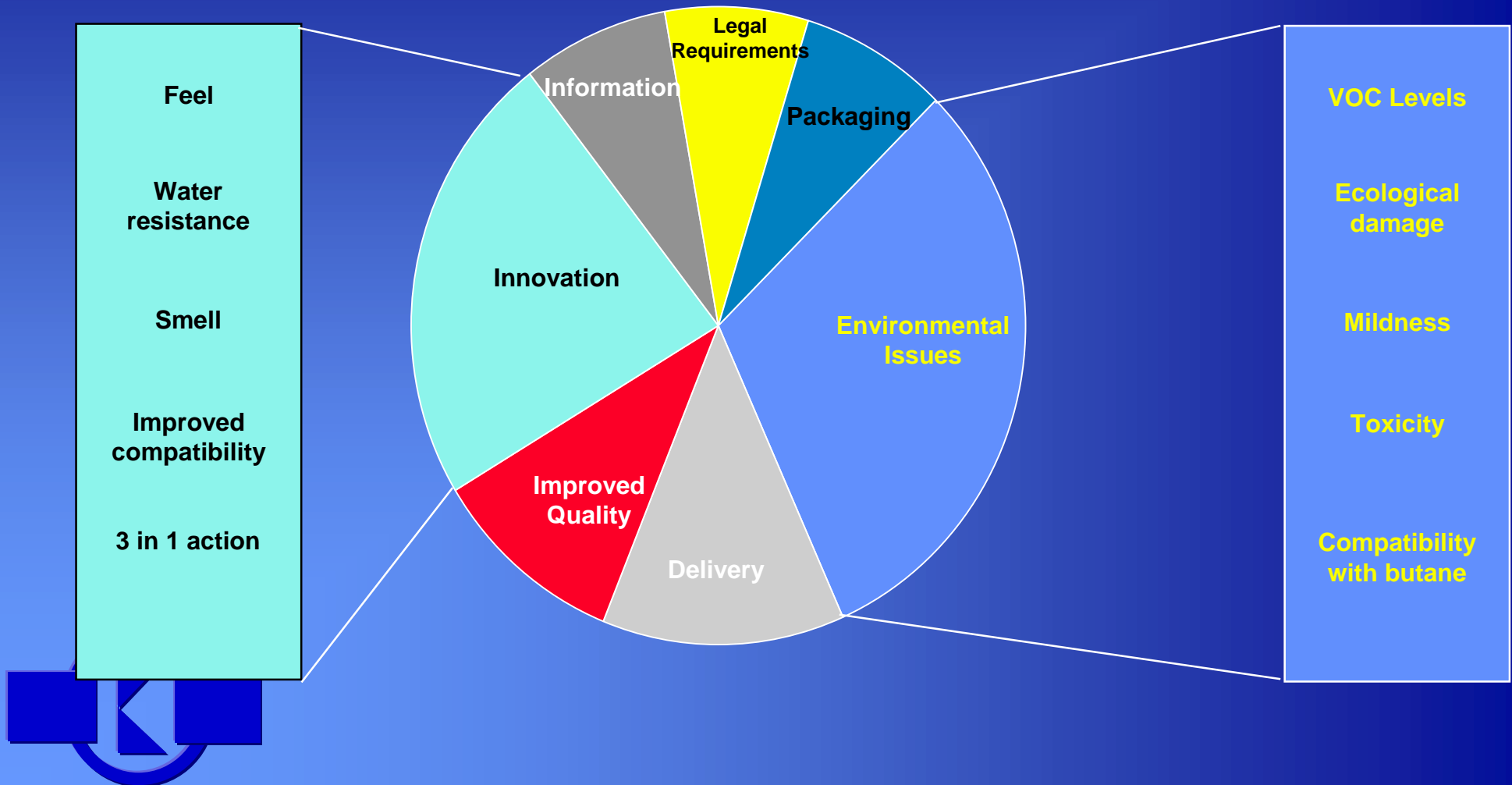


SATISFACTION RATING GAP ANALYSIS



Replies to

‘What specific current needs should suppliers be addressing more fully’

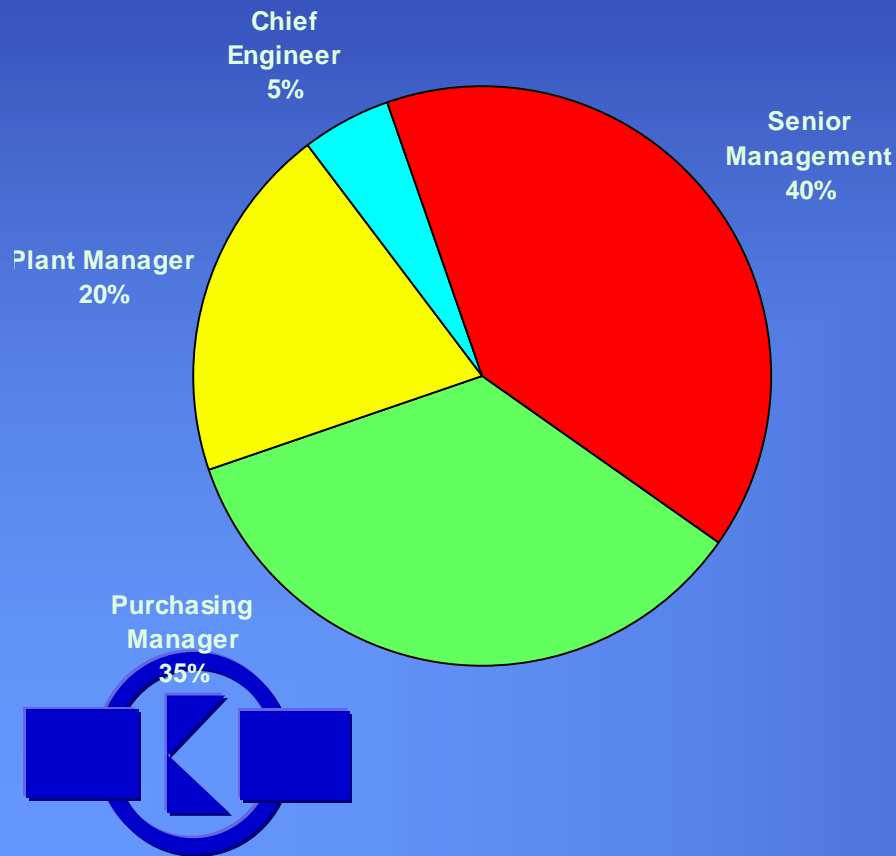


- Define market entry strategy for suppliers unfamiliar with customer service requirements in new geographical regions or markets
- Reputation audit / due diligence of a potential distributor, joint venture partner or acquisition candidate
- New managers wanting a fresh, neutral view of a business
- Focused, in-depth evaluation of particular aspects of customer service - pricing policy, technical service, logistics etc
- Part of an overall Business Intelligence assessment for a competitor/ market segment
- Impact assessment on customers of company reorganisation

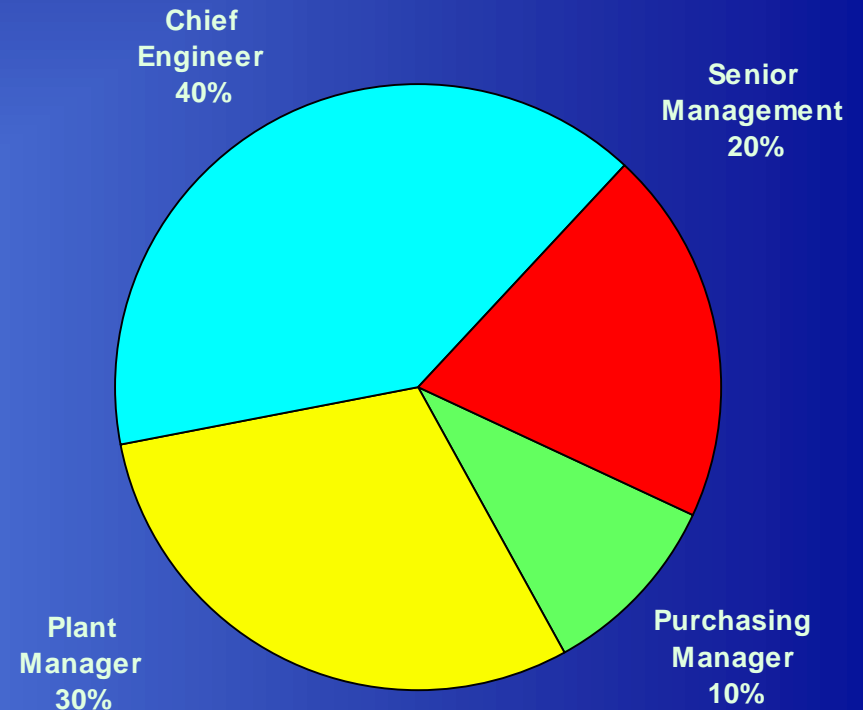
INVOLVEMENT IN PURCHASING DECISION

Perceptions of Suppliers vs. Customers

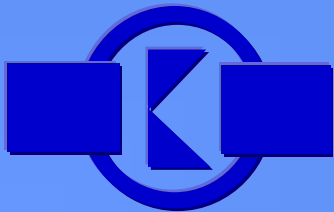
SUPPLIER'S Perspective



CUSTOMER'S Perspective



The traditional value chain start with assets / core competencies...



Source: The Profit Zone

Typical customer- centric audit

- ☐ Do you measure customer loyalty?
- ☐ What is the lifetime value of your customers?
- ☐ Are all your customers profitable?
- ☐ Which customers generate the most profit and why?
- ☐ Do you understand your customers' economic business model?
- ☐ Do you use customer information in your product development?
- ☐ How difficult is it for your customers to resolve issues?
- ☐ Do you have multiple service channels based on customers profitability?
- ☐ What does this ideal customer look like?
- ☐ What is your current share of your customers purchases?
- ☐ What customer experiences differentiate your company?



The new value chain

Purchasing Criteria

Customer Emotions

Buyer Behavior

Preferences

Power

Decision making Process

Functional Needs

System Economics

**Customer
priorities**

Channels

Offering

**Inputs,
raw
materials**

**Assets,
Core
Competence**

Source: The Profit Zone

Contact

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