## Strategic BI: BI 2.0 and Continuous Strategy Management

### Defining Strategic BI

In the past decade Business Intelligence has become an integral part of any enterprise from Fortune 500 giants to Silicon Valley start-ups. Being able to harness the data stored in company source systems and translate that data into actionable intelligence has allowed decision makers to operate their organizations based on fact instead of based on educated hunches or their gut.

Until now, however, Business Intelligence has remained an operational tool. An HR manager might want to know the median length of time an employee remains at the firm. To get that information, they turn to their BI systems. A sales executive may want to figure out the rate at which qualified leads turn into closed deals. Again, BI is the obvious solution. Current BI methods and systems are more than adequate to handle such queries. However, when a CEO wants to understand whether or not his/her organization is headed towards its strategic goals, a more strategy-focused system and methodology are required. In the few past years, a new evolution of BI as emerged to deal with this challenge. If the previous generation of BI is BI 1.0, this new strategically focused revision can be labeled ***BI 2.0***, or Strategic BI.

To illustrate the difference between the two, consider the following example.
BI 1.0 is similar to a car's dashboard (Figure 1).


**Figure 1: BI 1.0 – Car Dashboard**

A car's dashboard will give you vital information necessary to operate your vehicle such as how fast the automobile is going, the engine's RPM, or the amount of fuel left in your tank.

BI 2.0 is like a GPS Navigation System (Figure 2).


**Figure 2: BI 2.0 – GPS Navigation**

A GPS Navigation Unit allows you to define your target destination, tells you where you are currently, continuously tells you which turn to take, and monitors your progress toward your target.

As the examples above illustrate, BI 1.0 is focused on how the company is doing in the here and now. Just as the car dashboard conveys speed or remaining fuel, Operation BI will convey inventory turn rate or remaining operational budget. This is no doubt important. However, there is no *advisory directionality* in this kind of information. In other words, “how do these data relate to my strategic goals?” and “am I going towards my goals or away from them?” BI 2.0 is well suited to manage these kinds of questions. Just as a GPS navigation tells you that you are 3.1 KMs from your destination or recalculates your route if you take a wrong turn, BI 2.0 will tell you how close you are to your goal of becoming a top 3 car stereo manufacturer in 10 years as well as the corrective action to take if you start veering from this target.

Additionally, Strategic BI doesn’t discard operational information. Indeed, it seeks to ***tie the operational data to the strategic goals*** of the company. Continuing with the GPS/Dashboard example above, a GPS unit doesn’t ignore current speed. Instead it uses it to calculate time to destination. In the same way, BI 2.0 uses operational data to power strategic intelligence. In other words, it seeks to close the loop between business strategy and business operations. This allows companies to track how their operational performance affects their strategic goals.

**Implementing Strategic BI**

So how does this kind of strategic BI go from theory to practice? There are four steps to implementing BI 2.0.

1. KPI Identification
2. KPI Decomposition
3. Path of Analysis Development
4. Visualization

The first step is to encapsulate an organization's strategy into a single set of Key Performance Indicators or KPIs. KPI is a term that has been so loosely thrown around that its meaning has been lost amidst the plethora of variations. The true definition of KPI focuses in on the word "Key". Not every metric is a KPI. As the name indicates, a KPI is an indicator that is central to running your business. As such, it must be composed of influences from each key areas of your business. Taking a Balanced Scorecard approach, these indicators must take into account information from Financial, Customer, Internal Process, and Learning/Growth areas of an organization. A KPI is not always a financial figure and sometimes is not even a figure at all.

In the real world example of a leading international air carrier, the Strategic KPI was *notification of a plane more than ten minutes late*. This KPI helped them gain ridership and improve revenue by creating a reputation for timeliness. From a Balanced Score Card perspective this KPI was related to all 4 quadrants of the business:

- Financial: Late flights result in higher gate related fees, and sometimes canceled flight and refunds.
- Customer: Customer satisfaction falls resulting in a reluctance to use the service in the future.
- Internal Process: Employee satisfaction plummets as a result of constant firefighting and poor performance reviews.
- Learning/Growth: Continuous late flights reinforce existing bad behavior in existing employees and transfer that behavior to new hires propagating the problem.

Once the KPIs are fleshed out, the next step is to decompose each KPI to its component parts or sub-metrics. Each KPI is composed of elements from other metrics that roll up into the KPI. For example, a company's KPI could be Inventory Cycle Time (ICT). Decomposing this KPI, one might find that ICT is actually composed of inventory metrics at the raw and finished goods inventory level. Each of these can be decomposed even further. In this way, the KPI which is at the enterprise level can be broken down to metrics at the line of business level, which can be broken down further into metrics at the middle management level (Figure 3).

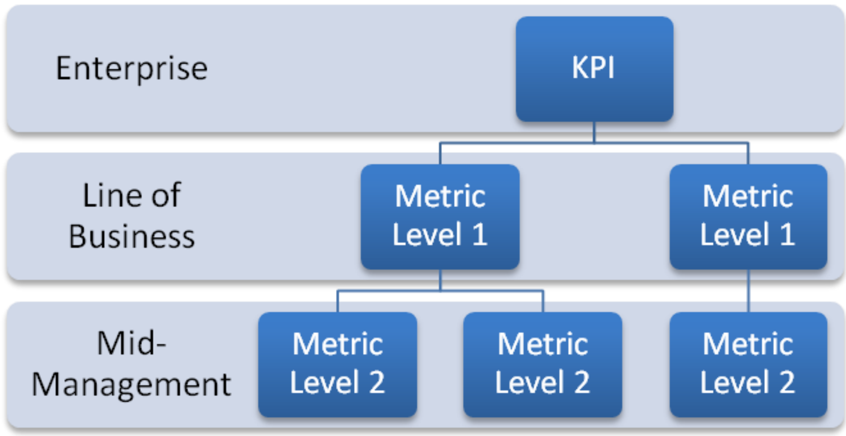



**Figure 4: KPI Decomposition**

This breaking down of the KPI from the enterprise level down to the mid-management level reflects the connection between *strategy* (Enterprise Level) and *operations* (Mid Management Level) which is the key to the success of any Strategic BI Initiative.

The third step in implementing Strategic BI is developing the Paths of Analysis which seek to capture corrective action behavior associated with each level of the KPI decomposition and eventually build those actions into the BI system.

Using the Airline example from above, Path of Analysis could look like the diagram below (Figure 5):

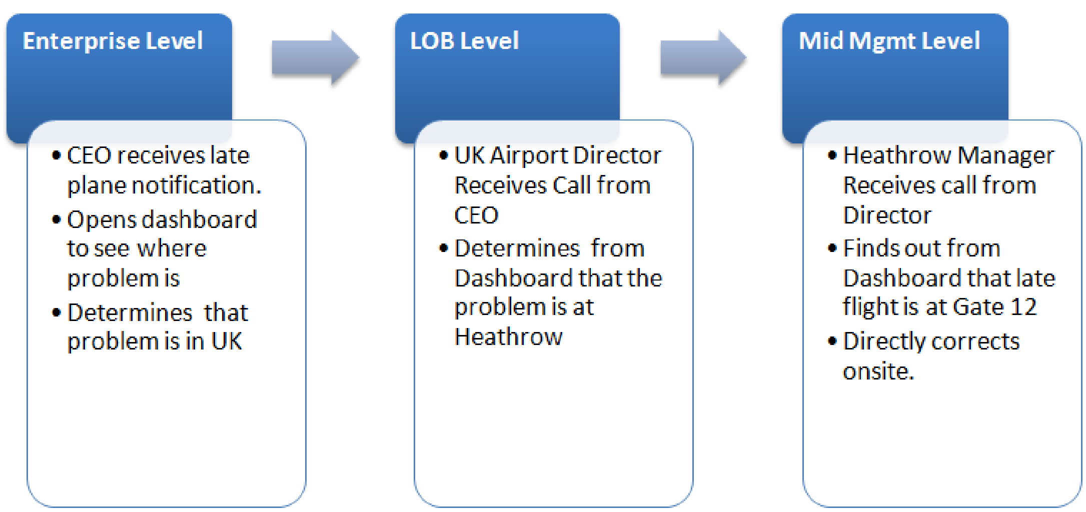
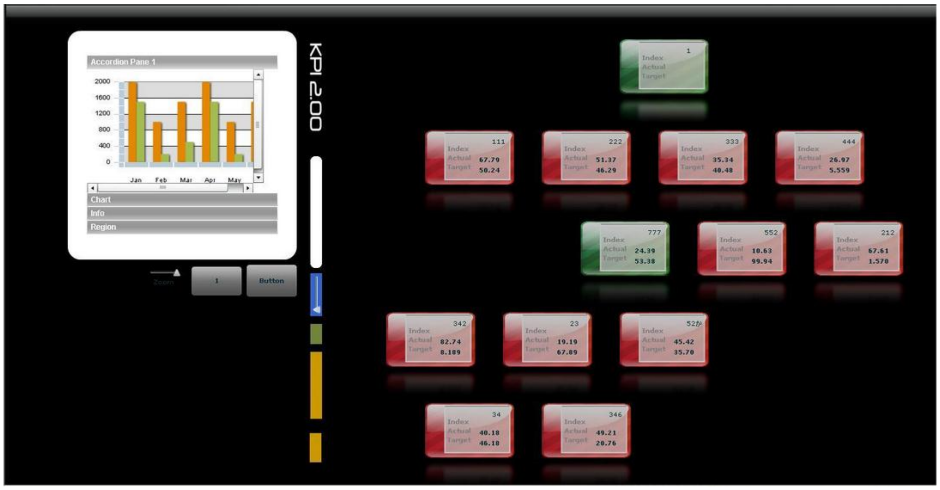



**Figure 4: KPI Decomposition**

The example in the diagram above illustrates how the actions of the individuals at each level are tied to the metrics of each level of the KPI decomposition hierarchy. Each level of management monitors its own dashboard with specific metrics designed all tied to the company's strategic goal. This tie to the strategic goal allows the strategic performance to be continuously monitored down to the operational level.

The fourth and final step is visualization. Steps two and three have determined what must be tracked, at which level, and what corrective actions to take when needed. But how are the KPIs and metrics visualized in order to be clear and simple yet powerful. Depending on the level of the metric and type of information, various modalities such as stop lights, graphs, or even pictures can be employed. At a large music entertainment company that was concerned with the optimal length of time to keep inventory, the visualization involved only arrows and colored lights at the KPI level and charts and graphs at the lower levels. Below are some publicly available examples of visualizations:





Once the visualizations are defined, the system design and development can commence. If properly designed and implemented, the BI 2.0 system (DB Model, BI Platform, and the Dashboard/Visualization technology) will enable a company to effectively manage its progress towards a strategic goal.

## Conclusion

Executing the steps of a Strategic BI initiative is challenging. Sometimes, just gaining access to top directors and executives to define the KPIs and Paths of Analysis is more than mildly difficult. However undertaking this endeavor will align the company's operations to its strategic goals and provide a way to monitor the company's progress towards those goals. Instead of tracking only information vital to the organization's operations, Strategic BI will enable the tracking of information vital to the organization's *success*. The question is not *if* a Strategic BI should be undertaken, but *how soon.*

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