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## Introduction to business intelligence (BQ)

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BQ is the intelligence needed to scan the business environment and make decisions to shape the future direction of the organization. This chapter covers the following areas:

- What is BQ?
- How is BQ useful in introducing change?
- Failures in change management and how these can be avoided.

### DEFINING BQ

BQ can be described as:

- business expertise and competence;
- thinking ahead strategically;
- listening to and anticipating customer demands;
- planning to meet customer demands;
- developing customer-driven offerings and solutions;
- taking opportunities to improve the organization for the future.

The food sector in the UK is a highly competitive environment that calls for strong business intelligence. When Archie Norman, ex-Chief Executive of

Asda, took over the business in 1991 he inherited a traditional Northern supermarket chain trading at a loss. His business acumen turned the company into one where strong core beliefs and a focus on value led to profitable growth and a loyal customer base. When Wal-Mart acquired Asda in 1999 CEO David Glass commented: 'I have not seen such passion for a company among its employees – except at Wal-Mart.'

Similarly, Tesco has transformed itself to become UK market leader. Tesco's skilful collection of customer data via its Club Card loyalty scheme has led it to both *anticipate* and meet customer needs. In January 2004 Tesco's CEO, Sir Terry Leahy, was hailed the continent's best business brain by prestigious *Fortune* magazine. Under Leahy, Tesco claims almost 27 per cent of all British supermarket sales. Leahy's success as a mass-market retailer is very much driven by the fact that he has not lost touch with his customers. His unpretentious style is in tune with Tesco's no-frills corporate culture and every year he spends a week working on the shop floor. Both Norman and Leahy show strong BQ.

## USING BQ TO INFORM CHANGE

One of the certainties of organizational life is that change is constant. Change is not limited to one event, programme or initiative. In business today employees can expect an ongoing series of boundless changes rather than discrete and controlled events. As one manager in a financial services organization commented:

In the five years that I have been with the organization not a month has gone by without some form of change occurring. Forced on us by external factors such as financial service regulations, we have also seen the change of CEO and every single one of the original senior management team have moved on. We have experienced change in technology, redundancy, relocation and restructure.

Markets, technology and products are constantly changing: customers are becoming ever more demanding, quality and service standards are constantly going up. BQ is the acumen that leaders need to scan and read the rapidly changing environment.

Fast-moving technological change, globalization and increased competition have altered the business landscape for many organizations. The Organization for Economic Cooperation and Development (OECD) estimates that manufacturing now makes up less than 20 per cent of member states' GDP. Service industries account for between a half and three-quarters of the value of member states' output.

Advances in technology, particularly the Internet, have led to changes in buying patterns and consumer demand. Organizations such as e-Bay have grown in popularity through offering the consumer the opportunity to buy and sell according to demand. Retailers such as Amazon have transformed

the traditional 'bricks and mortar' approach to selling books by creating a 'virtual shopping experience'. Their online approach emulates many of the aspects of a good quality traditional bookseller by offering the buyer reviews and complementary recommendations while personalizing the transaction and making it simple and easy to do business.

Consumer desires and expectations are changing. Advertisers have coined the term 'kidult' to describe 20–35-year-olds who spend hours in front of the Sony PlayStation and break all rules of age-related marketing. Older consumers are becoming increasingly important to companies. People aged over 60 now account for 20 per cent of the UK population. It is reckoned that people over 50 control three-quarters of all assets in the UK and half of discretionary consumer spending power. Yet many consumers are time-poor. In the decade to 1996, the number of hours spent in shopping malls by the average US citizen dropped from seven hours per month to two and a half.

The increasing development of technology and loss of cross-border trade restrictions has led to the rise of globalization. The OECD reports that cross-border mergers and acquisition and strategic alliances grew more than five fold between 1990 and 2000. International joint ventures and strategic alliances increased six fold during the same period. Statistics published in November 2003 by the Office for National Statistics in UK show that the volume and value of mergers and acquisitions involving UK companies grew 14 per cent between the second and third quarter of 2003 alone. Utilities companies in the UK now have French, German and US parent companies. Rolls-Royce transformed itself into a global company because the market for aero engines was becoming international. With much of its business centered on North America it created a series of global technical centres of excellence rather than basing all the work in the UK.

## A NEW WAY OF DOING BUSINESS

BQ is key in a business environment where all the rules are being rewritten. The Internet has opened new channels to market. Organizations are structuring themselves along new lines. In response to increased competition, many businesses have developed strategic alliances and partnerships to gain competitive advantage. Here organizations join together to offer 'a full service package' to customers. This is particularly helpful to businesses who have limited resources or who want to share business risk. Alliances and partnerships particularly dominate the IT world. Vendors of software and services form alliances with hardware vendors to gain a greater share of the marketplace. Increasingly firms share resources with each other to develop new products, enhance production and purchasing power and share marketing campaigns and expenditure. Such practices or 'bundled services' result in improved performance and productivity.

Computer company Dell has revolutionized the market for corporate computers. Catering for the corporate market or single user, Dell's products are bought online. Its philosophy is 'keep it simple'. Dell does not manufacture anything that can be made cheaper by another company.

The rise of the use of the Internet, increased competition and changing lifestyles has led to greater consumer demand. There is a trend towards mass customization and goods and services geared to niche markets. In the travel industry for example, short breaks and tailor-made breaks rather than packaged holidays have increased in popularity. Budget airlines such as Ryanair and easyJet now make a weekend break as affordable as a meal in a classy restaurant.

A further driver of change is deregulation. The UK car industry, for example, has seen the withdrawal of the 'block exemption' ruling. Prior to 2003 the European Union allowed manufacturers in the UK the right to select and appoint approved dealerships to sell their brand of cars. With block exemption coming to an end garages throughout the UK have the right to sell any make of car. Deregulation has also had great impact on sectors such as utilities, telecommunications and financial services in the UK.

## INCREASED STAKEHOLDER DEMANDS

Business leaders need to be aware of the needs and demands of their key stakeholders more than ever before. There is a trend towards shareholders playing an increasing role in shaping the way organizations are run. When ITV companies Carlton and Granada merged, shareholders were unhappy with the appointment of Michael Grade as Chief Executive. The banks that were the major shareholders demanded his resignation and eventually a new chief executive was appointed.

In 2003 institutional shareholders were also prepared to use their voting power to veto pharmaceutical company GlaxoSmithKline's proposed senior management remuneration increases. The primary concern was that should the company underperform and the chief executive be forced to resign, there should not be contractual arrangements allowing a huge pay-off. Increasingly shareholders are becoming involved in corporate governance.

In public sector organizations, key stakeholders such as government shape strategy. The rail network has undergone a series of massive changes brought about by privatization and further transport and financial initiatives by various government departments. The National Health Service, too, has been shaped and its policies dictated by governmental and other stakeholder demands.

A further influence on change is the leadership of organizations. Shareholders are less tolerant of CEOs who in their eyes do not perform. In the world's largest companies, 10 per cent of CEOs are replaced each year. It

is very rare nowadays to find CEOs such as Jack Welch, who had tenure of 20 years at General Electric. Even Welch has seen strong shareholder criticism for his continuing level of benefits and remuneration.

## THE PSYCHOLOGICAL CONTRACT

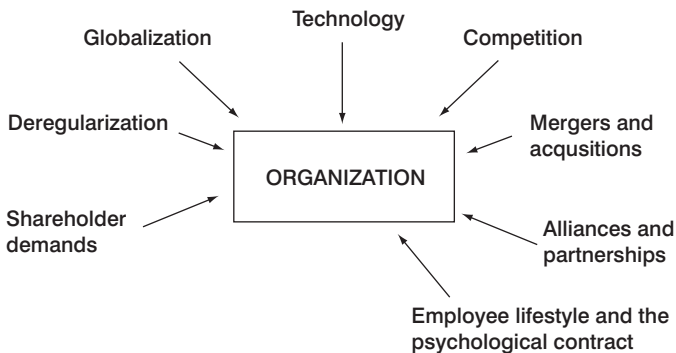
Not only have pressures external to the organization increased the need to demonstrate BQ, but also internal pressures have risen.

There has been a fundamental shift in the psychological contract employees have with the organization that employs them. The term 'psychological contract' was first used in the early 1960s, but became more popular following the economic downturn in the early 1990s. In an article entitled 'Benchmark or Bandwagon' by Carol Kennedy, published in *Director* in February 2004, the term was defined as '... the perceptions of the two parties, employee and employer, of what their mutual obligations are towards each other'.

Gone are the days when an individual expected or wanted to work for the same organization for life. Charles Handy has identified that working to make a living alone is no longer all that people look for from work. 'Money becomes a crude measure of success – we are looking for something more.' He thinks of people searching to find 'uniquely what you can give to the world.' The chapters on SQ deal with this phenomenon in more depth.

Changes in the work environment include the following:

- The nature of jobs has changed: more employees are on part-time and temporary contracts, more jobs are being outsourced, tight job definitions are out, functional flexibility is in.
- Organizations have downsized and delayed: 'leanness' means doing more with less, so individual employees have to carry more responsibility.



**Figure 2.1** Driving forces for change

- Technology and finance are less important as sources of competitive advantage: 'human capital' is becoming more critical to business performance in the knowledge-based economy.
- Traditional organizational structures are becoming more fluid: teams are often the basic building block, new methods of managing are required.

Younger people – the so-called 'generation X' – want excitement, a sense of community and a life outside work. They are not interested, as some of their fathers and mothers were, in a 'job for life', nor do they believe any organization can offer this to them. They expect to be treated as human beings.

A study undertaken in 2000 by Australian Financial Review found that young people were looking for a work environment very different from the current workplace. The current workplace was perceived by respondents in the survey as 'ego-centric', 'controlling' and 'authoritarian'. Young people were looking for egalitarian, team-oriented, relaxed and sociable work environments. They particularly sought organizations where 'you could be yourself' and where listening, feedback, recognition and learning were key cultural values.

## USING BQ TO INTRODUCE CHANGE

BQ helps initiate and drive organizational change. When famous motorbike company Harley-Davidson faced near bankruptcy in the 1980s, the leadership team's challenge was to keep the workforce focused on creating high-quality motorbikes. Once standards had been improved the business was able to ramp up to building loyalty amongst its customer base via offerings such as the ability to customize bikes and the development of Harley Owners Groups. The latter created a sense of community and pride in the product amongst customers. Harley-Davidson also developed a series of organizational values and communication forums to engage employees. It sent production teams to visit customers to learn at first hand about the customers' needs and also sent teams to visit similar manufacturing plants to see how Harley-Davidson could be more competitive.

BQ involves:

- *anticipating* the future;
- creating *dissatisfaction* with the present;
- *mapping* a path to the future.

## TYPES OF CHANGE

Organizations can be subject to incremental (morphostatic) change and step (morphogenic) change. Incremental change involves a series of minor changes over a period – or infinitely to ‘fine tune’ the organization (in an active sense) or to adapt reactively to market conditions. Step change occurs when an organization takes advantage of a major opportunity (reorienting itself to anticipate market demands). It can also occur when faced with a major problem and where the organization has to ‘reinvent’ itself to survive. Examples of reactive reinventory change include downsizing, merging or re-engineering all processes.

Part of BQ is also knowing where to focus the change and how to ‘market’ it. Change at organizational level is often packaged in the form of a programme, initiative or series of events aimed at moving the organization towards a stated vision or strategic aim. The advantage of such methods is that they provide a framework through which to introduce change. The disadvantage is that the change process becomes an initiative which cynics may view as ‘flavour of the month’.

Here is a list of typical ‘programme-led’ change initiatives that you may have encountered in your working life, together with a brief description of what they involve.

Look at the following table of change programmes and tick the right-hand boxes as appropriate.		
Change programmes	Currently in place in your organization	Experienced in the past
<b>Business process re-engineering (BPR)</b> Redefining the processes within the organization to make them more efficient and effective		
<b>Lean manufacturing</b> Aimed at manufacturing organizations, the intention is to eliminate wasteful processes and make the organization more cost effective		
<b>Six Sigma</b> Championed by organizations such as General Electric, Six Sigma denotes a practically defect-free process (sigma is the Greek word for defect). Used by manufacturing industries and increasingly by service industries to eliminate process error		

Change programmes	Currently in place in your organization	Experienced in the past
<p><b>Total quality management (TQM)</b> A methodology again pioneered in manufacturing industries for improving the quality of organizational output</p>		
<p><b>ISO 9000</b> Accreditation given to organizations who can prove that they have a documented system of quality management</p>		
<p><b>Business excellence model</b> A model of organizational excellence (also referred to as EFQM) against which businesses can benchmark themselves. Popular among public sector and private sector organizations</p>		
<p><b>Values programmes</b> Aimed at embedding organizational values into the organization and in so doing changing the culture of a business to match the values</p>		
<p><b>Brand alignment</b> Name given to a programme or initiative intending to align the behaviours of employees to the brand</p>		
<p><b>Service excellence/customer care</b> Initiative to create greater customer awareness and focus on customers' needs</p>		
<p><b>Balanced scorecard</b> Method of measuring company performance based on the following elements:</p> <ul style="list-style-type: none"> <li>– Financial</li> <li>– Customer</li> <li>– Process</li> <li>– Learning &amp; Innovation</li> </ul>		
<p><b>Culture change</b> Programme intended to change the culture of an organization</p>		



Change programmes	Currently in place in your organization	Experienced in the past
<p><b>Competency framework</b> The introduction of a process of performance management based on competencies or skill sets</p>		
<p><b>Programmes or projects</b> Specific programmes (a series of projects) or separate projects aimed at bringing about change, eg</p> <ul style="list-style-type: none"> <li>– Diversity</li> <li>– Empowerment</li> <li>– Introduction of SAP</li> <li>– Best value (public sector organizations)</li> <li>– Knowledge management</li> </ul>		

List other change programmes in which you have been involved that are not covered in the above.

You will probably encounter many such initiatives in your working life. One organization with whom we work had attempted 10 of the 13 methodologies listed above in the past 10 years.

Many change programmes follow ‘fads’ or management trends. Typically these last two to three years. Applying the ‘bibliometric’ method of counting the number of references in management literature, US academics found that between 1980 and 1982, 90 per cent of Fortune 500 companies had adopted ‘quality circles’. By 1987, more than 80 per cent had abandoned them.

Total quality management (TQM) and business process re-engineering (BPR) were similarly charted and found to have peaked in four to six years – TQM in 1993 after launching in the late 1980s and BPR in 1995 after Hammer and Champy’s much-hyped book, *Re-engineering the Corporation*, appeared in 1991.

## THE RATE OF FAILURE OF CHANGE

No wonder, given the diversity of success criteria and the many levels and types of change, that all change is not successful. The failure rate of change can be high. Maurer (1997) estimates that:

- changes to do with technology have a failure rate of 20 per cent;
- changes to do with mergers and acquisitions run at 29 per cent;
- 30 per cent of changes from BPR fail;
- 50 per cent of quality improvement changes fail.

Part of BQ is knowing why so many change programmes fail and taking steps to avoid these reasons.

## PITFALLS IN CHANGE MANAGEMENT AND HOW THESE CAN BE AVOIDED

Change rarely follows a bounded process no matter how much preparation you undertake. A recent study identified common reasons for failure as:

- lack of compelling reasons for change;
- unclear goals and objectives for change;
- lack of planning;
- lack of ongoing sponsorship at the highest level;
- competing projects/situations distracted attention;
- external factors having an adverse effect;
- failure to involve all those who will be affected by change;
- setting unrealistic timescales.

John Kotter, Harvard Business School Professor of Leadership, also cites the reasons why change fails – specifically managers:

- allow too much complacency;
- fail to create a sufficiently powerful guiding coalition;
- underestimate the power of vision;
- fail to create short-term wins;
- neglect to anchor changes firmly in the corporate culture.

Certainly, in our experience, embedding change into a ‘business as usual’ is a key component in making change work so that it is not seen as merely an ‘initiative’. Change also requires a great deal of personal commitment and energy.

## A CAUTIONARY WORD ABOUT BQ

The DTI published a report in 1995 (‘Winning’) that identified that the most successful UK companies have:

- visionary leaders who champion change;
- customer-focus teams who are empowered to make decisions;
- an ability to anticipate and respond to customer needs and expectations and constantly innovate and evolve new products and services to meet these needs.

The following chapters set out a process for enhancing your BQ in order to define a strategic direction for change. In our experience most leaders are rational and logical in their approach. In theory they can and do display BQ in their day-to-day work although they may not always operate at a strategic level. It is easy to think that having BQ alone will help initiate and influence change. However, studies show that this is not the case. Shell developed a global knowledge network that enables employees globally to turn to their international colleagues for help in solving problems. The web-based system allows engineers to share knowledge and solutions to problems. Like any change, Shell acknowledges that use of this system is about a *change of mindset* and a new way of working for many people rather than just the introduction of new technology.

We urge you to read the chapters on the other intellects that complement BQ. For example, they demonstrate the need for strong SQ during change. This allows you to hold firm in your resolve to think and question and change the rules. It provides you with the creative intelligence to drive change. In the chapter on PQ you will learn how to read the political situation and influence others. The chapter on EQ will help you relate to others and be more effective in introducing and managing change.

Change consultants Prosa have developed a change management toolkit that suggests a series of tactics that can help overcome failure during change. In order to demonstrate how BQ is complemented and enhanced by the other types of intelligence the grid below lists suggestions in relation to BQ, SQ, PQ and EQ.

<b>Factors influencing change</b>	<b>BQ</b>	<b>SQ</b>	<b>PQ</b>	<b>EQ</b>
Analyse the organization and its readiness for change	✓		✓	✓
Create a shared vision and common direction	✓	✓		✓
Demonstrate strong leadership	✓	✓	✓	✓
Line up political sponsorship			✓	✓
Create a sense of urgency	✓	✓		
Develop a participative implementation process			✓	✓
Communicate and involve people			✓	✓
Reinforce and recognize success		✓	✓	✓
Introduction of change	✓		✓	

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