



Mind the (Information) Gap

“Mind the Gap” is not just an automated announcement on the London Underground familiar to both residents and visitors of that great city. According to the BBC, “Mind the Gap” is a phrase now part of popular culture in many ways but generally implying that something may be missing and care should be taken. Moving from popular culture to business the metaphor travels well – something may be missing and care should be taken.

What is often missing, especially for managers charged with the most significant decisions affecting value, is an adequate fact-base of the right information. Having the right depth, breadth and quality of information about the business and its competitive environment is essential to value-generating decisions. In the last 20 or so years the development of high-quality enterprise systems (including the increasingly common data warehouses being mined by sophisticated analytic software) has significantly improved the quality and usefulness of internal business information. But today, with increasing rates of change and global markets to contend with, a different kind of information gap is becoming apparent. The following business examples highlight the problem:

- A leading manufacturing company realized, after years of negotiating big contracts with its largest customers, that many of its largest contracts were delivering a negative economic profit. Customers that it thought were the most important to the business were actually destroying value.
- A retail company invested heavily in new distribution channels, which failed to become profitable. The company looked carefully at the market and found that no competitor was profitable in these channels. Analysis showed that the situation was unlikely to improve in the foreseeable future.
- A large telecommunication company’s performance appeared to continuously exceed industry expectations and competitor results. However, the information being presented masked the true economics of the business. The company filed for bankruptcy when the true results became apparent.
- Towards the end of a quarter, a global technology company announced that it would miss earnings estimates by a substantial margin due to a surprise fall-off in business. Managers were unaware that market conditions had led to a significant reduction in orders. The resulting loss of investor confidence caused the stock price to drop by 75% and the CEO was soon gone.

A fact-base of strategic information includes accurate information reflecting the real economics of the business; both where it has been, and more importantly, where it is going. As shown in the examples, the cost of not having and not using strategic information can be significant both in its impact on the value of the business and to individual managers. Timely, accurate and insightful information, focused on the future, is immensely valuable and absolutely necessary for corporate success.

Recognizing the Gap

One of the biggest complaints executives have today is that there are too many unpleasant surprises. Occasionally, this is unavoidable – for example, when they are the result of a catastrophic outside event. More often, the surprises should have been foreseen. If they had, the odds for an improved outcome could often have been significantly increased. But most business organizations have failed to implement the organizational tools and culture needed to create this foresight. These organizations face an information gap.

Ask yourself the following questions:

- Do you know whether your customers’ markets are growing or declining and what, when and where the impact will likely to be on your business?
- Can you quickly (in a day or two) access reliable information on the profitability of your company split by customers, products and services, geography and channels?
- Are you able to quickly forecast the impact on financial performance and value of significant market developments?
- Do you know how alternative business performance improvements should impact your share price?

If you are uncomfortable (and many, but not all, executives are) with the way you answered these questions, then you probably have an information gap. More importantly, your business may be at more risk than you know.

Confronting the Gap

By confronting the information gap, companies are able to react sooner to identified opportunities and threats. By managing strategic information actively, companies can make better decisions and improve business performance more quickly.

The strategic information companies need, but often lack, includes information on:

- Risk and profit vitality (at very granular levels by customer, product, etc.)
- Market economics and competitive position (also at granular levels of detail)
- The current and potential value of individual customers, products and services or investments
- Status and benefits of in-process and contemplated change initiatives

Additional, industry specific information needs may include the potential impact of supply exposure, the key drivers of innovation, or data about externally driven changes in profitability.

Closing the information gap enables delivery of sustained, superior business performance through:

- Finding the value levers that are worth adjusting and why
- Clarifying the performance indicators and targets that correlate with optimum results
- Driving prompt response to the risks or issues that require action
- Quickly focusing management attention on the subtle interventions that are critical for sustained excellence

The right strategic information will allow a business to recognize variances from the strategic and operating plan in a way that allows it to react more quickly. Understanding the real economics and performance of your business requires access to information from a number of internal and external sources. Some of the required information is already available within the business though it is often trapped in disconnected or geographically dispersed systems. These may include transactional systems, business intelligence systems, relationship management systems, corporate intranets or even managers' laptops. Other information must be obtained from external sources belonging to suppliers, business partners and specialist information providers. New tools emerge every day focused on helping identify and manage this valuable information.

Minding the Gap

Sustained value creation requires that most companies achieve quantum levels of improvement in the quality and use of strategic information. This improvement will only come through conscious, top-down management. Success depends on being able to:

- Determine the information needed to really drive business performance
- Collect, analyze and maintain the most important types of information
- Communicate it to those who can and will use it

Strategic information capabilities can be built over time as companies discover which elements are most important for them. However, treating the management of strategic information as the critical capability it is, and building a plan for it, requires vision, discipline and commitment.

About the Author:

As a strategy, organizational and change consultant, **Greg Gleason** has been helping businesses effectively manage critical growth and change initiatives for more than 25 years. Before co-founding NueVista Strategy in 2003, he held leadership positions with several of the world's leading consulting and professional services firms. Now, as Managing Partner of NueVista, Greg is focused on helping clients leverage strategic information for superior organizational performance.

NueVista Strategy is a Chicago-based, boutique strategy consultancy which helps businesses recognize and leverage the critical drivers of competitiveness and value. They focus in the area of Strategic Information Management, the practice of understanding, developing and using strategic information about competitors, markets and performance in distinctive ways to drive superior strategic decisions and innovation. In addition, the firm has done extensive work in the areas of process improvement and management performance.

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