



After the e-Business Shakeout

Back to Basics: See, Measure and Manage Information Capabilities

The dramatic fall of technology markets over the last year has left managers reeling from the shakeout. A little over twelve months ago, e-business initiatives seemed to promise great rewards. Today, many managers are struggling to learn how to create value from web-related products and services.

The scenario is not new. Over the past two decades, companies have undertaken massive IT investments – to the tune of over a trillion dollars per year – without realizing direct benefit to the bottom line.

Now that the hype surrounding the dot.com “silver bullet” has been shattered, it is time for managers to buckle down and get back to the basics of developing and managing those business capabilities that can improve performance.

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What have we learned?

The e-business phenomenon has produced a lasting effect on business. Just as process re-engineering of the 1980s pushed managers to incorporate a process view of their company – which today is a natural part of management planning and focus – e-business has pushed managers towards an information-view of their businesses. Those companies which have been able to survive the current market conditions have either built or transformed themselves around a very straightforward idea: if people in my company are effective at using information, we will create value, both internally and with our customers.

Consider the examples of two successful retail banks. Skandia-Banken, Sweden's first branchless bank created in 1996 by Skandia Group, is a product of the “e” revolution. Senior managers, however, attribute their success to a business model that integrates simple IT infrastructure and web solutions, easy information access for customers and employees, and a company culture stressing transparency, personal responsibility, and a bias towards action. Banco Bilbao Viscaya Argentaria (BBVA), Spain's second largest bank, transformed their failing branch-based retail banking business into one of the most successful banks in Spain in 1,000 days. How? By getting the right information to people in the branches to create a successful cross-selling powerhouse. Similarly to SkandiaBanken, BBVA kept it simple: they provided their customer representatives with a very straightforward IT interface, clear information about

This article is based on two books:
Donald Marchand, William Kettinger,
John Rollins (2001) *Making the Invisible Visible: How Companies Win with the Right Information, People and IT*, John Wiley & Sons;

Donald Marchand, William Kettinger,
John Rollins (2001) *Information Orientation: The Link to Business Performance*, Oxford University Press.

To order contact:
https://www.enterpriselq.com/research_books.asp

Donald A. Marchand is Professor of Strategy and Information Management and Chairman and President of *enterpriselq*®, a company specializing in performance measurement services for effective information and knowledge use. He is also Director of the IMD Public Program, “e-Business: Linking Creative Strategy to Flawless Execution in the New Economy.”

For further information on these and other IMD programs, please contact our Program Advisors:

Tel. +41 21618 0342
Fax +41 21618 0715
info@imd.ch
www.imd.ch

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customer segmentation and product selling targets, and team building incentives to create an open, action-oriented culture. Although the internet was not their main customer channel, managers at BBVA embedded the fundamentals of e-business – the ability to use information well – into their retail banking business.

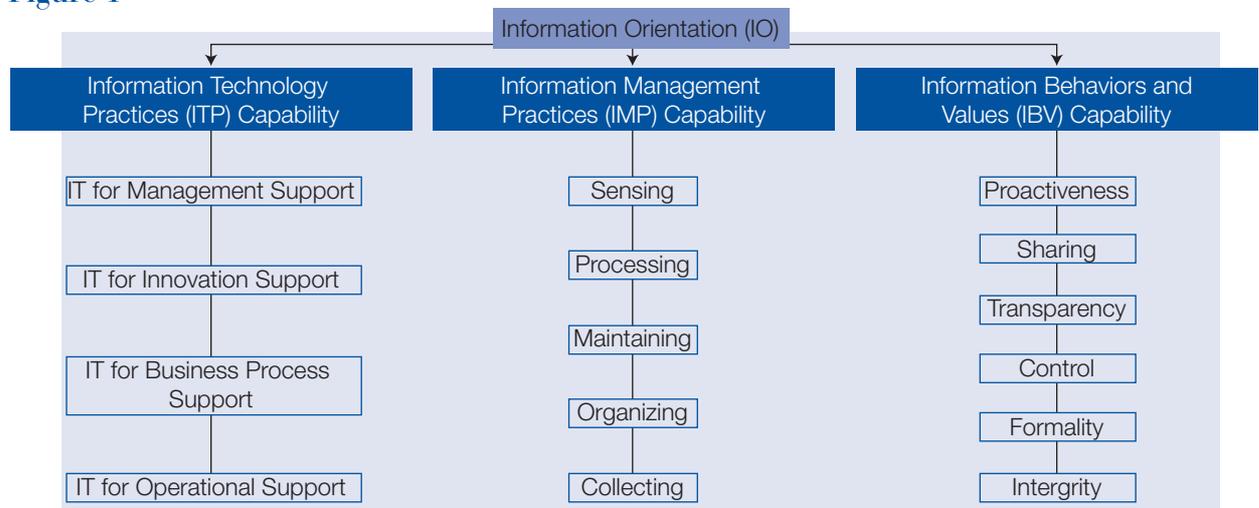
If there is a starting point for improving how businesses use information, it's the idea that companies must do more than excel at investing in and deploying IT. They must orient their companies to use information as effectively as possible. This involves managing the information contained in their systems as well as getting people to embrace the right behaviors and values for working with information. Orienting your company to effectively use information is key to improving business performance.

Seeing Information Capabilities

There is a well-known saying in management that ‘you can’t manage what you can’t measure.’ However, there is an even more basic reality underlying this adage that ‘You can’t measure what you can’t see.’ How managers see the world define their actions, and the impact on the businesses they manage.

Based on statistical research of 1,009 senior managers, we have developed a new management model called “Information Orientation” or IO¹. IO is made up of three unique Information Capabilities that managers need to “see” and actively manage to create effective information use (see Figure 1):

Figure 1



- Information behaviors and values:** the capability of a company to instill and promote behaviors and values in its people for the effective use of information. *Managers who can emulate and promote integrity, formality, control, transparency, and sharing, remove barriers for information flow and promote proactive information use in their companies.*
- Information management practices:** the capability of a company to manage information effectively over its life cycle, including sensing, collecting, organizing, processing and maintaining information. *Managers who explicitly set up processes, train their employees, and take personal responsibility for the management of information are able to focus their organizations on the right information. They reduce information overload, improve the quality of information available to employees and customers, and enhance the decision making capability of the company.*
- Information technology practices:** the capability of a company to effectively manage appropriate IT applications and infrastructure in support of operational decision making and communication processes. *Managers who link business strategy to IT strategy can effectively manage necessary IT infrastructure and applications in support of operations and business processes, as well as those that provide distinctive competency in support of innovation and management decision needs.*

¹ Rather than rely on subjective observations, we have validated the IO model through proven psychometric statistical techniques called Confirmatory Factor Analysis and Structural Equation Modeling. This research included 1,009 senior managers from 98 companies operating in 22 countries and 25 industries. Nearly 60 percent of the study sample were CEOs, executive and senior vice presidents, and general managers/directors.

Information Orientation: the Link to Business Performance

Will developing these three Information Capabilities result in improved performance? YES. The evidence is clear: companies that are good at instilling the right information behaviors and values, managing information, and deploying IT are superior business performers. Those companies that excel at only one piece of the IO model, such as managing IT, are not. Statistical evidence supports this view.²

What are the performance results of our two retail banks? Within three years, Banco Bilbao Viscaya Argentaria's business volume had grown 98%, its income had grown 131%, and its market capitalization had increased from US\$5 billion to US\$22 billion. Following an aggressive growth campaign over the last several years, it has captured 9% of the Latin American banking market and today its market capitalization is in excess of \$43 billion.³ Breaking into a market dominated by a few institutional banks, SkandiaBanken has grown to become Sweden's fifth largest bank in retail banking, capturing 6% of one of the world's most competitive online banking markets. In 2000, SkandiaBanken grew by 25% to 400,000 customers, and is positioned for future growth with expanded operations in Norway and Denmark.⁴ It has recently been named the Bank of the Year by Sweden's Privata Affärer for the third year in a row – an feat not easily repeated once, let alone twice.

Measuring Information Orientation

Through our research, managers now have a way of measuring their own IO. Managers can use the IO measures to determine if their companies are effective at using information to improve business performance. Results from a diagnostic survey of a company's or business unit's senior management team can be benchmarked against a growing database of global companies.

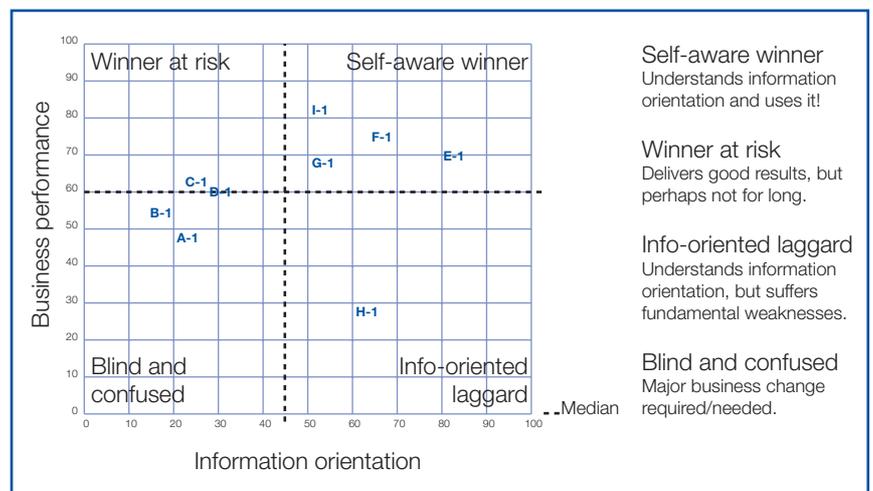
We have found, for example, that companies with multiple business units do not always build the same levels of IO across the entire company. **Figure 2**, for example, plots the relative scores of IO and business performance of one company's nine business units (each represented by a letter and a number, e.g. G-1). While four business units manage IO well ("self-aware winners"), three lag behind ("blind and confused"). Managers in this company need to transfer best practices of the "self-aware winners" into those business units that are "blind and confused".

We have also found that companies can correct weaknesses in IO, if they can easily identify where those specific weaknesses lie. The Information Orientation Dashboard of one company in **Figure 3**, for example, shows how it scores relative to the benchmark database with regard to each of the three Information Capabilities. This company scores among the top 35% of the benchmark database for Information Orientation and in the top 20% in business performance. To further improve its business performance, this company needs to resolve weaknesses in its Information Behaviors and Values capability, which ranks in the bottom 35%. Information integrity, formality and transparency are also areas of particular concern for this company.

Our research with senior managers has shown that creating the right information behaviors and values is the most challenging aspect of a manager's job, and for several reasons. First, it is the area most ignored due to the lack of functional responsibility. Second, changing behaviors involves breaking accepted habits and leading by example. Learning to share information with people outside your area of responsibility, dealing with problems in a constructive manner, providing your

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Figure 2



² Confirmatory Factor Analysis shows the causal link from IO to business performance, indicating that IO is a major contributing factor to superior business performance. Causal paths from IT to business performance, Information Management Practices to business performance, and Information Behaviors and Values to business performance were not significant.

³ "The Super Banks of Spain," Business Week, European Edition, April 23, 2001.

⁴ "Sweden: SkandiaBanken Continues Nordic Expansion," Reuter's Business Briefing, February 26, 2001.

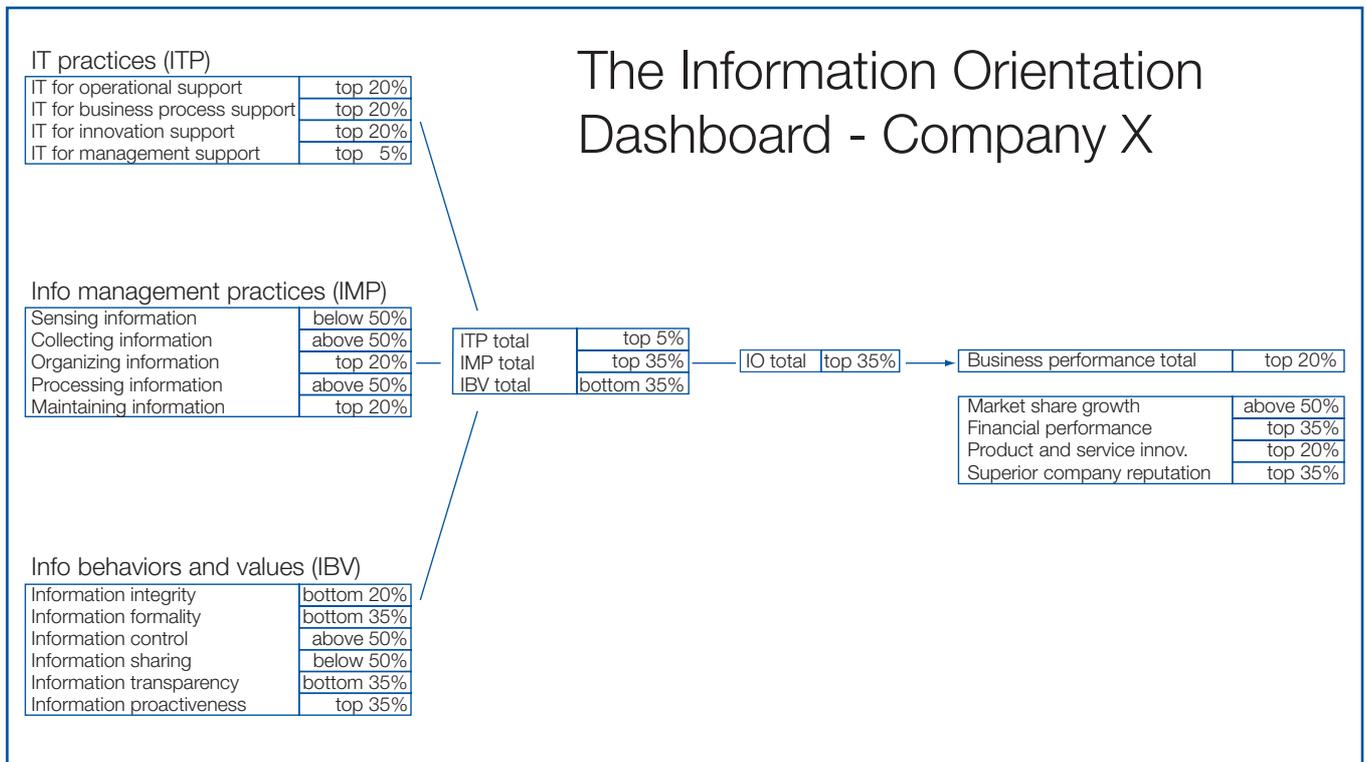


Figure 3

employees with individual and company performance information, and managing with integrity all contribute to a healthy working environment. But unless leaders of a company personally exhibit and take responsibility for these behaviors, it is unrealistic to expect others to do so.

Managing Information Capabilities: Back to Basics

Despite the e-business shakeout, the fundamental contribution of the e-business phenomenon – attention to how information is used – is here to stay. Those companies that do not “see” and create a management mindset around the three basic capabilities needed to create value with information – behaviors, information management, and IT – will lose out to competitors who do. Regardless of the role of the web in your company – as a primary, secondary, or support channel – the management of information capabilities is a key element to improving your company's bottom line.

If you have questions or would like a dialogue on this topic, contact Professor Marchand at marchand@imd.ch or dmarchand@enterpriselq.com

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IMD International Institute for Management Development

P. O. Box 915, CH-1001 Lausanne, Switzerland
 Tel.: +41 21 618 0342
 Fax: +41 21 618 0715
 info@imd.ch
 http://www.imd.ch

Editor: Roger Whittle



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