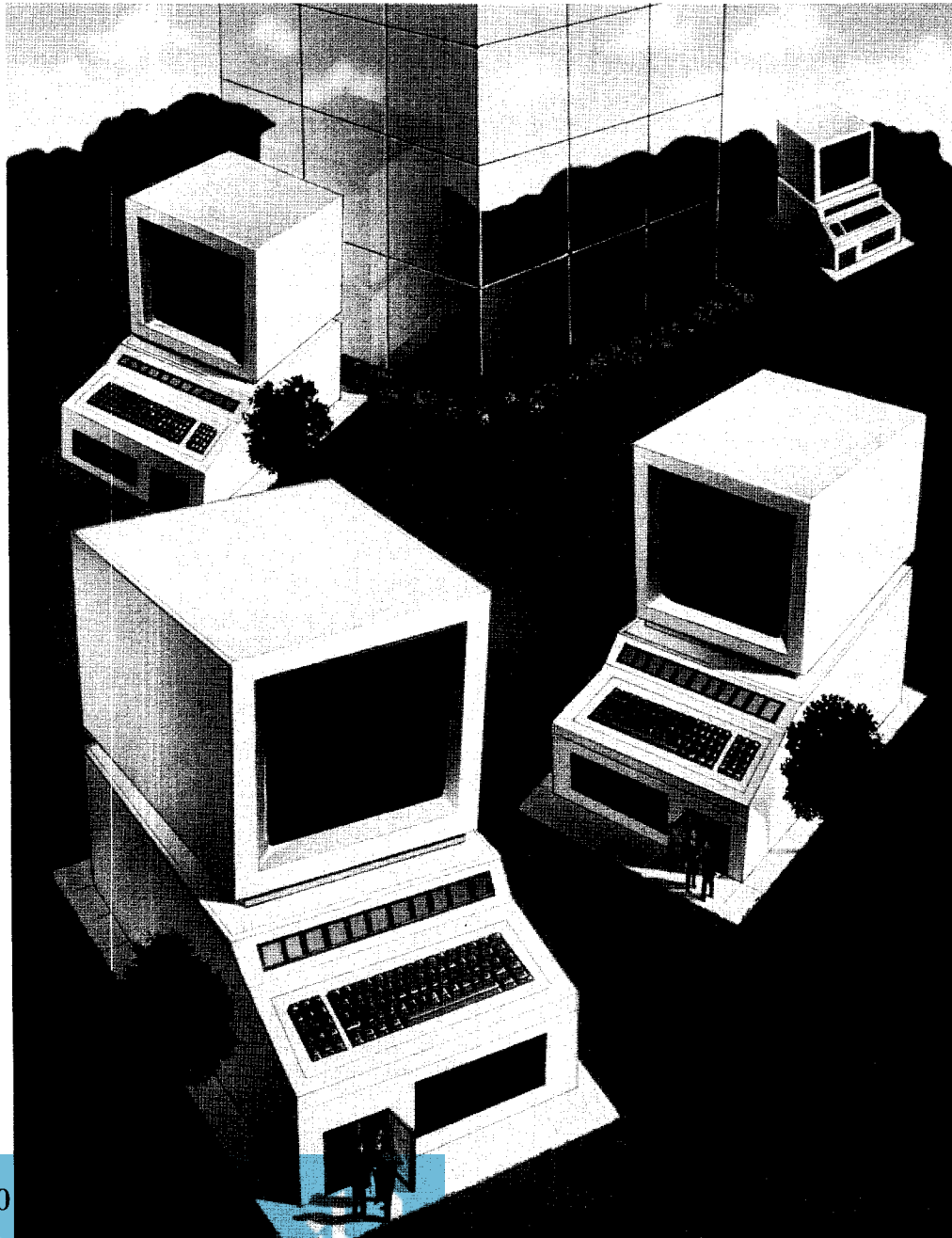


The Business Information and Analysis Function: A New Approach to Strategic Thinking and Planning

By Stephen M. Millett and Rolf Leppänen



Here's another path of evolution open to corporate planning—transform your department into the business information and analysis (BIA) function.

“Skeptics say strategic planning is for people you can’t trust with the present,” quipped a recent *New York Times* article. Such scathing jibes were routinely made by business unit managers in the 1980s who actively—or passively—rebelled against the planning systems instituted by staff or consultant strategic planners. Stressed by the intense pressures of an increasingly hostile and competitive external environment, line managers keenly resented the additional internal burdens of strategic planning. In some companies, managers were successful in eliminating the strategic planning function, which they felt was a thorn in their side. Whether they also abandoned strategic thinking or corporate planning depends on whom you talk to.

We believe that what went wrong with strategic planning in so many companies in the Eighties was that the expert planners mistakenly tried to take over this key function of managers while failing to provide the kind of help that would allow them to do their own planning. In the ensuing battle for turf, planning often became a mindless, bureaucratic routine endured once a year by business managers but otherwise ignored by them in their day-to-day decisions. Successful managers often created their own strategic plans, but they kept them securely in their own heads.

Nowadays, planning departments that presume to do strategic planning for a corporation or a strategic business unit are at high risk of being eliminated as unnecessary staff overhead. But companies cannot expect to be consistently successful without support in business information, analysis, strategy making, and management planning—especially in today’s highly volatile business environment. To their credit, planning departments did introduce the process of strategic planning as a management tool. Even managers who have no use for formal planning want a resource plan.

The question is now, what should take the place of planning departments? Our suggestion is to establish a business information and analysis (BIA) function. The BIA unit should facilitate the process of strategic planning so that line managers can do the planning that is critical for their success.

How would a BIA unit operate? A number of corporations are already considering setting up such a function, although the scope of the BIA unit has not yet been fully defined. The case study of the ABB Stromberg Group of Finland (see page 13), a pioneer adopter of the BIA concept, offers an early look at the concept in action.

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The BIA Function and Organization

In theory, the mission of the BIA function is to support the achievement of corporate strategic business goals by:

- Gathering relevant business information.
- Analyzing that information for managers.
- Supporting the process of strategic thinking and management planning.

The BIA is a staff function—primarily intended for the benefit of senior management, and secondarily for middle management. Its perspective is long-range and strategic. BIA personnel should make themselves invaluable as the source of long-range marketing analysis, especially strategic marketing concepts. But a larger goal for the BIA function is to stimulate the thinking processes of those who will guide corporate development.

BIA Analytical Duties. The first responsibility of the BIA function is to perform long-term (three-to-ten-year) trends analyses and forecasting of issues critically important to the corporation. It must serve as the eyes and ears of the company, with special attention to changes occurring over the long term. Although marketing and sales should continue to be responsible for immediate feed-back about customers and competitors, the BIA function must look beyond the immediate circumstances in order to provide the strategic perspective.

The BIA should also prepare trend reports and forecasts that include general economics, customer behavior, competitor behavior, the legal and regulatory climate, environmental issues, national and international political developments (to the extent that they may provide business opportunities and threats), and technological trends. In addition, the BIA function must take responsibility for the macro-management (external and international) orientation that upper level managers require but rarely receive from segmented business units and operational functions that have responsibility for the micro-management of business details.

In a stable business environment, the competitors are well known and market share fluctuates little, which means that business managers can easily do their own competitor analysis. However, in a dynamic, change-prone business environment, competitor analysis is a vital responsibility of the BIA unit. New competitors appear, often with unanticipated breakthrough technologies (sometimes through acquisitions); old competitors alter their behavior; and market share can fluctuate greatly. In such situations the business manager has less time to perform competitor research and assessment. This is where the BIA unit needs to step in and provide this function for the entire corporation. If its resources are limited, top management should have first call on its data and analyses.

Technology monitoring is another important aspect of

Because the concept of a BIA function is still new and evolving, ABB Stromberg wants to experiment with it first as a vehicle of corporate management training and development.

the BIA function. Many companies have decentralized corporate R&D laboratories, or have greatly reduced the size of centralized R&D in favor of business unit R&D. The advantages of R&D at the business unit level include: more customer-specific and product specific R&D; reduced time from concepts to production; a greater responsiveness to manufacturing and marketing in-puts to R&D; and R&D cost accounting to business units rather than to corporate overhead. However, the disadvantages include: potential inefficiencies due to isolated and non-interactive R&D laboratories; unnecessary redundancy in R&D programs at several business units; and a bias toward existing product development rather than new product and business development. The BIA function could provide valuable information on technology trends and opportunities that might add greater value to R&D, especially from the corporate perspective.

Another valuable service of the BIA function is the identification and evaluation of the strategic options available to top management. Defining the issues, presenting the options, and evaluating the choices for the CEO or COO are extremely valuable services of the BIA function.

The routine functions of the BIA are to prepare mem-
oranda, briefings, newsletters, and reports in the areas of its expertise, which include external environmental trends and future prospects, technology analysis, competitor analysis, and strategic option evaluation. The unit's first responsibility is to respond to the inquiries of the CEO or COO. Its second mission is to prepare the forecasts and analyses that provide a corporate-wide background for the strategic plans of managers. Unlike some strategic planning departments, the BIA staff should never draw up plans for business managers, but rather provide information and support to help the managers plan better for themselves.

While the corporate BIA staff may also respond to requests for information and analysis from corporate vice presidents and the general managers of business units, it may be entirely appropriate for each business unit to have its own BIA group. In this case, the corporate BIA di-

rector has the added responsibility of coordinating the business unit BIAs. BIA directors and their staffs should participate in strategy meetings to provide information about the external business environment as well as to assist in the consideration of issues and options.

The BIA team should work closely with corporate information/data services and communication units. The BIA units aren't designed to replace libraries and data centers—quite the opposite. They add value to information centers by providing analyses. The BIA function relies heavily on corporate libraries and data centers for its inputs. The BIA group must also provide a communication function to instruct managers how best to make use of their services.

The ultimate value that a BIA unit adds to the corporation lies in its ability to increase the value of top management's business decisions. It also involves a more effective and less burdensome strategic planning process by providing analysis and structure to the managers who must develop and execute the plans. The BIA unit also acts as a channel of information from the outside world into the internal corporate environment.

BIA Director and Staff. Directors of BIA groups should be staff officers reporting directly to a company's chief executive officer (CEO) or chief operating officer (COO). They should have but one responsibility—to add value to the corporation through strategic information and analyses. BIA directors must always keep in mind their particular niche in the corporate hierarchy. They are there primarily to serve the needs of the corporate front office, which allows them to remain aloof from vice-presidential politics. However, they must also fulfill the needs of the line managers who report to the same boss.

Though the BIA staff size will obviously vary with the size of the corporation and the scope of BIA activities, generally it should be small. Two or three people in addition to the director is adequate for most companies. Even for the largest corporations, the staff does not need to number more than a dozen or so analysts. The BIA staff should be able to contract some functions to outside consultants when they are needed to supplement in-house capabilities and availabilities. Within reason, the staff should also be allowed to call upon necessary support from the legal department, finance, marketing, and other corporate functions. The BIA staff needs to be relatively small to promote intellectual adaptability as well as to avoid bureaucratic entrenchment.

The staff should have analysts with at least one in-depth area of expertise and several collateral areas of competence. Their primary specialty must be in some aspect of the external business environment or in the techniques of strategy-making. Obviously, the analysts should know as much as they can about internal operations in addition to their knowledge about the external

world. But their main function is not to be expert in the micro-management details of the company. BIA staffers should be respected specialists in their fields, and not simply executives on a career-broadening assignment. Ideally, the BIA unit should include economists, business and financial analysts, social scientists, environmental experts, and technologists.

In addition, the BIA staff must have strong methodological skills to support the planning system. These skills include trend analysis and extrapolation, time series estimation, scenario generation, paths and tree construction, portfolio analysis, patent trend analysis, technology assessment, economic and financial analysis, market research methods, interview and group dynamic techniques, content analysis, competitor analysis, and strategy simulation. They must become expert mechanics of the strategic-thinking and the management-planning processes to be able to support business managers in their own planning.

The cost of the BIA does not need to be prohibitive. With a relatively small staff, and with the cooperation of legal, finance, marketing, and information services, the annual operating budget for a modest corporate BIA department should range from \$400,000 to \$700,000, including salaries, overhead, support, and travel.

The ABB Stromberg Experience

The ABB Stromberg Group is a Finnish-based component of the international ABB Group, which was formed by ASEA AB of Sweden and BBC Brown Boveri Ltd. of Switzerland. ASEA Brown Boveri, the ABB Group, headquartered in Zurich, consists of 1150 companies around the world. Its primary business is electro-technology products and services, ranging from electric power plants to process control software. Of its \$24.2 billion revenues in 1989, 55 percent were earned in the European Community (EC) and EFTA, and 24 percent in North America. The ABB Group conducts business in more than 140 countries.¹

More than a traditional conglomerate or holding company, ABB is a highly diversified and decentralized corporation. It provides a strategic management superstructure for all of its operations; but it also encourages the component businesses to operate at a tactical level. Many of its component companies are international operations in their own right. To facilitate its massive operations, ABB has emphasized management systems, including business analysis and planning, from the highest level of international corporate management down to each operating company and to the business units within each company.

To support international business information and analysis, ABB Group headquarters in Zurich has established a Business Information Center (BIC), which is fi-

nanced through yearly subscriptions by the ABB companies that use its services. The BIC gathers, stores, and distributes a great deal of business information, but it currently does not provide analyses. As the BIC itself warns clients: "We are the experts on information sources. To transfer the information into knowledge and business decisions is your job."²

A component business of the ABB Group, the ABB Stromberg Group of Finland produces equipment for power transmission, electricity distribution, and manufacturing. It also provides servicing and financial services. To operate successfully in Finland, as well as internationally, ABB Stromberg must develop highly competent managers and state-of-the-art management practices, not only for ABB Stromberg, but for the ABB Group as well.

As part of developing this strategic management, ABB Stromberg has begun to create its own BIA function within its current Strategic Management Development Project. Because the concept of a BIA function is still new and evolving, ABB Stromberg wants to experiment with the concept as a vehicle of corporate management training and development before it finds a permanent place in the organization for the unit.

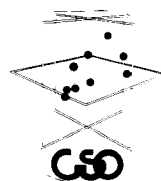
In the early phase of the Strategic Management De-

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**EXHIBIT 1:
The ABB International Matrix**

Two Dimensions Plus Combinations		Country A			Country X			Country AN		
Business Area A										
Business Area B										
Business Area K										

velopment Project, the company identified three major potential problems associated with BIA functions:

- Acquainting business managers with the availability and usefulness of business information and analysis.
- Increasing the level of critical analysis of business information by the managers who must ultimately exercise their own expert judgment in making business decisions.
- Being forced to choose between inexpensive, easily available information (sometimes of limited value and relevance to a business question) and rare and expensive information of critical importance.

Of course, providing analysis as well as information, based on both common and scarce information sources to trained strategic managers is exactly the immediate mission of the Strategic Management Development Project and the longer range purpose of a BIA unit. Along the way, ABB Stromberg must also assess and change its planning and strategy-making structure, which is where strategic business analysis would be used by managers in making their decisions.

Structure of Planning in International Matrix Management. ABB Stromberg is currently exploring the strategic management structure best suited for its own businesses internationally and for its role in the ABB Group. An ideal structure, although extremely challenging for personnel, would be a matrix management system that would smoothly coordinate business products and services with geographical market arenas. This optimal coordination will provide the needed structure for strategy making, planning, and routine business operations.

Theoretically, ABB Stromberg is passing through stages of development from a national to an international company. The typical progressive stages that any company might go through are:³

- Pre-international (local or national) phase.
- Initial entry into the international arena.
- Expansion of business scope and volume, often with little planning and systematic operation.

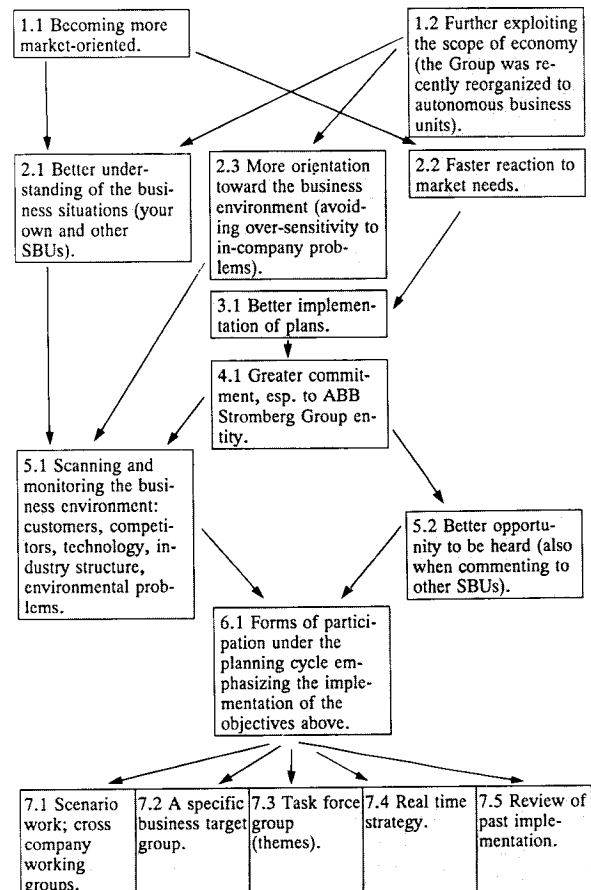
- Focusing of products and services for specified customers who are geographically dispersed.
- International integration.

Correspondingly, there are six typical stages in the evolution of the basic intra-company organizational structure that tie in with these stages of transition. For example, Professor Arvind Phatak⁴ has constructed a six-stage model:

1. Pre-international division phase.
2. International division structure.
3. Global product division structure.
4. Global area structure.
5. Global functional structure.
6. Multi-dimensional (matrix) global structure.

ABB Stromberg is entering the international integration phase of a multidimensional (matrix) global structure. This is, not surprisingly, difficult to do because of the degree of complexity and numerous transitional tensions. Despite some criticisms of matrix management, especially when practiced as portfolio management,⁵ it does provide a way to coordinate diverse business products with diverse geographical markets.

**EXHIBIT 2:
The Hierarchy of Strategic Objectives**



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An archetypical matrix global structure, as seen by ABB Stromberg, appears in Exhibit 1. In this array, business functions are organized according to products and services along one axis, and according to countries on the other axis. As in any matrix, there are numerous points for potential intra-corporate conflicts and confusion, especially if the elements of the two axes have equal authority in making business plans and decisions. In a matrix management system, should the elements of both axes have equal authority, or should one axis have more authority than the other? If so, which? And how can networking for coordination and cooperation of the elements occur? These are the very questions being addressed by the Strategic Management Development Project and the concept of the BIA.

According to ABB consultant, Lasse Kivikko,⁶ the following factors argue for an accent on the business/product axis:

- Cutting overcapacity and renegotiating price.
- Global competition.
- Purchasing power.
- High investments on technology.
- The scale of economy in production.
- Limited global demand (niche).
- High investments on a global brand name.
- More powerful sales/delivery.

On the other hand, Kivikko points out the arguments for an accent on the country axis:

- Interaction with the customer (individual needs).
- The system nature of products (more tailoring).
- Service/personality-oriented business.
- The complexity in the delivery system.
- A strong local competitor.
- The "local" image (domestic).
- The strategic need for local producers.
- Better commitment of personnel.
- Local norms, government policy, union policy.
- Logistic reasons.

Past experience suggests that matrix management is necessary with international corporations. However, one axis needs to dominate, perhaps by as much as an 80/20 proportion, to operate smoothly and profitably. A 50/50 split usually leads to too many conflicts and tensions between the two axis elements of the matrix. In a corporate culture with excellent communications, perhaps a matrix structure would not have to be introduced, it would just happen. But with great diversity and decentralization—and a global perspective—the ABB Group has found that structure is required to maintain corporate order. At ABB Stromberg, the accent is shifting from the country axis to the product axis. While it will continue to recognize the importance of its national and regional presence,

ABB Asea Brown Boveri 1988 Revenues	\$17.8 billion
Income Before Taxes	\$536 million
Net Income	\$386 million
Total Capital	\$19.0 billion
Return on Capital	13.6%
Return on Equity	12.5%

ABB Stromberg is striving to think and act globally as both an individual company and as a part of the ABB Group, according to its business products and services.

To achieve this products and services orientation at an international level, the role of the BIA is crucial for a better understanding of global customers, marketplaces, and competitors. Additionally, it will provide an important networking function, harnessing the elements of the two axes through the flow of information and analysis, and supporting the process of strategic thinking and planning. Currently, the Strategic Management Development Project is providing this type of thinking and linkage as well as the education required to make it acceptable and usable to managers.

Importance of Planning in International Matrix Management. The business environment in which ABB Stromberg, and indeed all international companies, operates is continuously changing. Emerging technologies are creating new products and shortening the life cycle of existing products. New markets are created by shifting trends, such as the recent reforms in the Soviet Union and Eastern Europe. Marketplace rules change, such as the single-market cohesion efforts of the EC.

The forces of change are strongest in the macro-managed, global environment. Managers tend to give their attention more to internal activities than to external factors, including competitors. However, given today's volatile era of international competition, as well as the corporate structure of international matrix management, business managers cannot afford to ignore the global business environment. An effective international corporate information, analysis, and planning system must focus managers' attention on the ever-changing global business environment, while also recognizing internal core competencies.

In 1989, as part of its Strategic Management Development Project, ABB Stromberg began redesigning its planning and strategy process. Management recognized that, even in well-run decentralized organizations, that strategic goals of the first importance are mixed in with lesser objectives. A major step in improving strategic thinking and strategic planning as ABB Stromberg moves toward the system in Exhibit 2 (see page 14), was defin-

Continued on page 36.

BUSINESS INFORMATION AND ANALYSIS,

From page 15.

ing business goals to provide working "tools." This system emphasizes the functions of "real time" and "real place" planning rather than organizational structure.

In many cases, the steps will be followed by the managers, who are their own best planners. However, to support these managers in the planning function, a BIA unit would be most helpful, especially in providing managers the information and analysis for Steps 1.1 (with long-term market assessments); 2.1 (customer and competitor profiles); 2.3 (global and marketplace assessments); 5.1 (which combines 2.1, 2.3 and 4.1); and 7.1 (scenario analysis and strategy simulations). The BIA staff could also provide process consulting and support for 6.1, the participation of key people in the planning function. Furthermore, because BIA is a corporate function that will service numerous business units and product clusters, it will provide linkage among units with common information, analyses, and processes.

During the 1990 planning cycle at ABB Stromberg, two new tools were introduced: Scenarios for selected market segments, and cross-company task forces to identify alternative strategies for business segments. The company believed that scenario analysis would greatly help the development of managers' strategic thinking about external, macroscopic, and global business environments.⁷ In the future, this process will be improved and elaborated upon—it certainly could become a standard service of the BIA unit. It will provide a roadway to "real-time" strategy making that will allow managers to become so comfortable with the strategic thinking process that they will be able to do planning for themselves very quickly as changing circumstances demand swift and flexible business adjustments.

The Evolving Role of BIA

The concept of the BIA unit is only now emerging, although some of its functions have previously been performed by some strategic planning departments and marketing concepts groups. However, to best serve managers' information and analysis needs in the future, the BIA will have to transcend traditional strategic planning and marketing concepts. In the truest sense, it needs to be strategic to provide guidance and support for business decision making. Ultimately, the value of the BIA will be to improve the expert judgment of managers, especially top level managers, enabling them to make consistently sound decisions to advance corporate goals without wasting resources. This expert judgment encompasses strategic thinking, management planning, and tactical decision making.

The ABB Stromberg Group of Finland is in the process of formulating a BIA as part of its Strategic Management

Development Project to help the company evolve into a product-oriented international business. What ABB Stromberg has learned so far previews future developments. Linking the principles of strategic management—including business information and analysis—with practical operational management is critically important. In addition, the information and analysis function that could potentially be performed by a BIA unit will be of great service in linking autonomous business units. And linking corporate strategic thinking with individual managers' motivations and personalities will help smooth the operations of a highly diversified and decentralized matrix management system. The BIA function is expected to play a vital role in the evolving strategic management system of ABB Stromberg in the 1990s. □

Notes

1. Background information supplied by the ABB Stromberg Group. It includes an untitled business briefing of May 1990; "ABB Facts & Figures," September 1989; "Facts about ABB Stromberg" (1989); "An International Enterprise—The National Interest." ABB Stromberg (1989); and "ABB Stromberg Review 1989" (1990). ABB is not a publicly held stock corporation; it is a wholly owned subsidiary of ASEA AB and BBC Brown Boveri Ltd., which are publicly held stock companies. ABB Stromberg is a wholly owned component of ABB.
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3. Reijo Luostarinen, "Internationalization of the Firm," *Acta Oeconomicae Helsingiensis*, Series A:30 (Helsinki, 1979); Rolf Leppänen, "Valtion PKT-yrityksille Kohdistamat Viennedistamistoinenpiteet: Viennedstamisjarjestelman Kehittaminen," *Vaasan Korkeakoulun Julkaisuja*, No. 20 (Vassa, 1987).
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