

Big Data – Big Deal?

Palladium
Executing Strategy

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Big Data is one of the key buzz-terms in management today. But is it just another fad or does it represent a seismic shift in how organizations manage performance and compete in markets? In this white paper we argue that capabilities around Big Data analytics will become a driver of competitive advantage in today's fully connected global markets and that Big Data should be treated as a valuable corporate asset.

THE BIG DATA PHENOMENON

Large numbers of people are checking flights on Booking.com, comparing hotels with TripAdvisor, navigating using the Waze application, ordering books on Amazon, constantly searching for information with Google, and communicating with friends using Facebook and other such online mechanisms. The common denominator for all these organizations is a high company value obtained through a broad reach and service provision to many millions of users worldwide using Big Data technologies.

Big Data analytics refers to the strategy of analyzing large volumes of data. Big Data can originate from anywhere, such as sensors designed to collect climate data, social networking sites, digital videos and images, cell phone GPS signals, and sale transaction records, among others. Big Data analytics explores concealed patterns and unidentified connections and provides other valuable insights into the data.¹

We argue that the Big Data phenomenon makes information management an essential strategy component for customer-centric organizations. We further argue that this applies to all types of organizations, not just online organizations.

Online Organizations

Naturally, the so-called online organizations – those that make a living from online information – are not too excited about the Big Data buzz. For them, it is not a quantum leap from the information (or data) that they use to Big Data. For them, this is a way of life. Data is their oxygen, the blood in their veins. It is simply a regular matter of "a lot of data."

Brick and Mortar Organizations

Now let's consider the brick and mortar organizations. Within many organizations the term Big Data is viewed as a form of utopia: an extensive and boundless deep sea of information, with a continuous flow of different types of data, constantly streaming in and out of the organization, all interconnected by context. Sophisticated engines of analytics, used as fishing rods, create smart business insights out of the information abundance in a timely manner. Forget about the traditional tedious processes of defining business questions in advance and waiting for IT to build neat information solutions. Using the sophisticated fish-hooks, surprising insights will float and sail to your hands automatically, before you even asked for it.

The idea is dazzling with business potential, tempting, but unreachd, almost as if seen in a crystal ball. In reality, Big Data potentially provides big business benefits in three areas: customer engagement, risk reduction, and operational efficiency.

CUSTOMER ENGAGEMENT

With regard to Big Data, customer engagement is a big issue, bulging with opportunities – but also threats. Think of retail organizations selling to consumers. Such organizations can get to know their customers better based on their past relationship with the retailer (e.g. sales habits, customer care history), alongside a variety of digital footprints left by customers online: conversations on social networks, visits to various sites, etc. These organizations can cross-reference information in real time with customers' locations and inventory data at nearby shops. They can send real-time recommendations to customers, offering them specific products at the nearest branch as they pass by. Organizations around the world have put this into practice: Walmart sends personalized location-based coupons to your mobile phone based on such logic, enriched with additional data, such as the current weather (to ensure not to sell a barbeque grill when it rains).

Palladium Research Findings

Customer engagement has strategic importance in a changing world, where traditional businesses are threatened by online players that change the market. Palladium's [2014 Global State of Strategy and Leadership Survey Report](#) found that 72% of the nearly 1300 companies studied across the globe agreed that "our business model will be under threat in the next five years" (61% state that this is already the case). As a further cause for real concern, more than four times as many participants agree than disagree that their value proposition is challenged by new players in the market.

These findings drive right to the heart of how organizations view the power of their value proposition to the customer. Fully 74% do not believe that the quality of their products and services is significantly better than their competitors, only one in five think that their organization is genuinely able to satisfy their clients' needs, and 81% do not think their organization is able to develop new products and services strong enough to overcome other market players. These figures suggest that organizations are seriously concerned about survival in the globally connected data-driven world. They simply do not know what tomorrow will look like.

Think of the traditional banks, with new competition coming from social banks or – at a different angle – from front end, consumer-oriented financial data analysis tools, enabling customers to make sophisticated analyses of their spending and receive reminders of when to pay bills. The spread of such tools can potentially push banks from front offices to back offices, making it easier for the consumer to replace them. The aforementioned report also found that despite the overwhelming sense that organizations' value propositions are under threat, only 12% of organizations practice customer experience innovation (such as

customer co-creation). This omission should be of serious concern to executives. Organizations that are active in this area are 12 times more likely to be market share leaders and 37 times more likely to be top quartile financial performers. Leading organizations use data analytics, and in particular Big Data analytics, to transform or at least significantly improve the customer experience. Customer engagement increases customer stickiness, and thus plays an important role in strategic themes. Data, and especially advanced Big Data analysis, is an important capability.

KLM Case Example

Let's take the example of a marketing initiative using Big Data that improved the customer experience. KLM Airlines identified passengers that were about to fly and tracked their behavior. Based on real-time information from check-in records or Foursquare, they were able to surprise some of these passengers, giving them a small gift at the airport, for example, an iTunes voucher for a passenger who tweeted that he just bought a new iPad. KLM has proved to its customers that it puts effort into getting to know them and making them feel good. It made a great marketing buzz: surprising 28 passengers caused more than a million positive tweets from 88 countries within three weeks. Traditional advertisements with such spread would be considerably more expensive and less effective.

Without question, excellence in data analytics and in particular around customer engagement/experience will be increasingly critical if organizations are to embed the agility required to fend off increasingly sophisticated and rapacious 21st century competitors.

Data Monetization

Big Data can play a significant role in generating new revenue streams and transforming the organization to new markets, new products, new customers, or new business models. One of the major trends used in this context is "data monetization," i.e. selling data as a product. Credit card or telecom companies can sell data to vendors about statistical purchase trends in a vendor's geographical neighborhood (for example, gender or age of consumers during various hours). Such information assists vendors in decisions to open a branch or to pinpoint a local campaign to a specific gender/age population.

BIG DATA AND RISK MANAGEMENT

The credit crunch that crippled the world in 2008 made it painfully clear that risk management is now a strategic issue. The cited Palladium study found that 82% of organizations believe that risk management will be a central strand of organizational success going forward. The role of data analytics in risk management is not just about managing the downsides but creating upsides.

Zest Finance, a company that calculates credit risk using Big Data technologies, is a great example. By widening the set of parameters, compared to traditional risk algorithms, and combining machine learning techniques, Zest Finance has reached 40% better prediction scores than the best-in-class traditional tools. Using this technology, organizations can offer credit to customers that were never approached before. It opens new markets, making technology a real game changer.

THE 4TH INDUSTRIAL REVOLUTION

The term "Internet of Things" (IOT) is described as the fourth industrial revolution and is closely related to Big Data analytics. IOT is about connecting the cyber world with the physical world by planting intelligent

sensors that send data or receive data in various appliances or machines. As a result, the process of reading information from machines' sensors and inserting it manually into applications, operations now performed by humans, can be done automatically, quickly, and efficiently using machine-to-machine interfaces. Sensors embedded in hospital beds can measure patients' vital signs (blood pressure, temperature, pulse, and so on), freeing nurses' time for other more "human" tasks. By automatically processing signals from sensors on turbines, electric generators can move from corrective maintenance to predictive maintenance. IOT proves to be a great factor in operational efficiency and cost reduction, in addition to eliminating operational risks. In fact, the global giant GE has predicted that 22 billion dollars of waste can be saved by intelligent connections between data and machines.

DATA AS AN ASSET

All these examples show how data has become a significant, valuable resource in organizations, and therefore should be managed as a strategic asset. Some organizations adopt this approach and change their strategy to reflect it, focusing organizational efforts to manage data as an asset, combining it in a theme, on a strategic level.

Furthermore, data enables organizations to better measure performance. On top of the data from the aforementioned sensors, customer satisfaction can be measured much more frequently and based on a wider population using web sentiment analysis and online surveys. This data, combined with more sophisticated analysis tools, upgrades the quality of performance management by improving the control tools and their collection frequency. It can potentially reduce control cycles and enable organizations to monitor and adjust their strategy more frequently, thus driving it to a more agile strategy.

A Data-Driven Organization

A focus on data can require a significant change in the organization. The magnitude depends on the current data legacy: data in use, people's habits and attitude, organizational structure, systems, culture, technologies in place, and so on. Our recommendation to complex organizations is to become a data-driven organization and manage information as an organizational asset, combining the change as part of the overall strategy as opposed to a one-time project.

Performance Management

In addition, organizations should evaluate their current performance management and exploit all the new possibilities provided by Big Data to make their strategy more agile. The Palladium white paper [The Important Role of Data Analytics in Strategic Performance Management](#) explained how data analytics, especially in relation to Big Data, is dramatically changing how organizations assess, measure, and manage performance, and therefore how to secure maximum benefits from their Balanced Scorecards and strategy execution efforts.

Gone are the days when strategy management essentially revolved around an annual retreat and a quarterly report. Today, the best organizations collect strategically critical data on an ongoing basis and turn this information into those golden nuggets of knowledge that drive competitive advantage and, more importantly, convert that knowledge into practical solutions.

THE FUTURE

Big Data also has far-reaching implications for the capabilities now required within an Office of Strategy Management, where a mastery of Big Data analytics is fast becoming a pre-requisite job requirement. We predict that in the next few years we will stop thinking about strategy management and start to focus on strategic agility. Moreover, thanks to the capabilities that data analytics enables, the lines between strategy and operations will blur as organization look to rapidly deploy new solutions and thinking. We will see the first companies that can truly be said to be masters of the Execution Premium Process.

REFERENCE

¹ See <http://www.techopedia.com/definition/28659/big-data-analytics>

ABOUT THE AUTHORS



James Creelman, Manager, Knowledge & Research Center, Palladium Group, Inc. Based in Dubai, James has more than 20 years of experience as a consultant/trainer in enterprise performance management. James is the author or co-author of 23 books and major reports, including the books *Risk-Based Performance Management: Integrating Strategy and Risk Management* (2013), *Creating a Balanced Scorecard for a Financial Services Organization* (2011), and the forthcoming *Doing More with Less: Measuring, Analyzing, and Improving Performance in the Government and Not-For-Profit Sector* (2014).

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Flora Lewin, co-founder and partner of B-Pro, initiated the company on grounds of her vast and varied professional experience. She has over 20 years of experience in information systems and organizational computing, leading technology innovation and related strategic changes in large and complex organizations. In addition to consulting, Flora is a lecturer and a coordinator of professional communities, focused on topics of information and big data in organizations.





B-Pro, affiliate of Palladium Group, is a management consulting firm specializing in strategy execution for customer centric organizations, by focusing on the intersections between customer experience, performance management, big data and information technology. The company helps organizations from early stages of high level planning to execution of comprehensive solutions and achievement of tangible business value. B-Pro assist their clients to overcome internal challenges and organizational silos, working with, guiding and empowering the various levels within the company. B-Pro's partners and team of experts represent the most senior and experienced leaders in the Israeli market with many years of cumulative experience and project leadership in integrated thought and practice of strategy execution, business intelligence, customer relations management and IT strategies. www.b-pro.pro

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