TITLE: "USING INFORMATION STRATEGICALLY"

by Tim Bryce
Managing Director
M. Bryce & Associates (MBA)
P.O. Box 1637
Palm Harbor, FL 34682-1637
United States
Tel: 727/786-4567
E-Mail: timb001@attglobal.net
WWW: http://www.phmainstreet.com/mba/
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"The more we understand about the external entities affecting our business, as well as our own internal operating limitations, the better we can compete."
- Bryce's Law

INTRODUCTION

In Japan there is a movement underfoot for corporations to learn how to use information for strategic purposes, not just tactical. The Japanese want to go beyond their core systems and use information for competitive advantage. To do so, they are re-evaluating the fundamental characteristics of information, which is a good place to start.

Even after 50 years of computing, there is still mass confusion over the sheer nature of information. Before we can use information for any purpose, be it strategic or otherwise, it would make sense to standardize our terms and establish a conceptual foundation. Fortunately, this has been well established in "PRIDE" since its inception and recently discussed in "PRIDE" Special Subject Bulletin #4 (*"Defining Information Requirements"* - Dec 27, 2004).

There are those in both the corporate and academic world who have difficulties differentiating between data and information. Although they are closely related, they are certainly not the same.

INFORMATION = DATA + PROCESSING

Data is the raw material needed to produce information. By itself, it is meaningless. Information, on the other hand, is the intelligence or knowledge needed to support the actions and decisions of an enterprise. This is an important characteristic; if it cannot support any actions and/or decisions, it is not information but, instead, raw data.

Data is used to identify, describe, and quantify the objects of a business (e.g., products, orders, billings, ship-ments, employees, etc). Only when it is assembled into a specific context, at a given moment in time to support a specific business purpose does it become information.

As mentioned in "PRIDE" SSB #4, specifying information requirements does not begin with the data or the layout of an output, but rather with an understanding of the consumer and what he/she wants to use the information for (actions/decisions) and when (timing). Following this, data and processing requirements are relatively easy to deduce.

There are fundamentally three types of information: policy, control and operational. Policy information is used to establish corporate direction; Control information is used by middle management to implement policy decisions and control corporate operations, and; Operational information is used by employees in the daily affairs of the business, such as processing orders, payroll, and shipping products.

Policy, control and operational information also fits conveniently into a three tiered model of the enterprise which specifies the actions and decisions of the business. Such a model represents the business functions implemented by the enterprise.

Up until now, our discussion has been limited to the use of information internally within an enterprise, not externally. This is where the Japanese interests are piqued. Feeling comfortable with the stability of their internal systems, they now want to take the next logical step and outperform their competitors and seize larger market-share. To do so requires new types of information systems to analyze consumers, markets, competitors, etc., and this is where strategic systems come into play.

TACTICAL VERSUS STRATEGIC

The difference between "tactical" and "strategic" is subtle, but significant; it would be erroneous to consider the two as synonymous. Tactical information deals with our day-to-day activities within the enterprise. Strategic information, on the other hand, is concerned with competitively broadening market-share in order to dominate. Perhaps the best way to differentiate between the two is to think of tactical information as addressing "internal" needs, and strategic information addressing the "external" world.

Whereas tactical systems are ultimately based on the model of our own enterprise, now it becomes necessary to devise new enterprise models representing our cus-

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tomers and competitors so we can best understand their information requirements and where their strengths and weaknesses reside.

Let me give you an example of how this works. I know of an automotive parts manufacturer in the U.S. Midwest who was interested in increasing their market share. To do so, they studied the operations of their customers, specifically independent auto parts outlets. Their study found one of the biggest headaches for outlets was in managing inventory. The parts manufacturer thereby devised a plan whereby they provided a free turnkey inventory system for their customers, complete with computer hardware. This greatly streamlined inventory for the outlets as well as simplifying purchase transactions. More importantly, the parts manufacturer was able to monitor inventory levels of the outlets which automatically triggerd reorders as inventory levels got low (as opposed to waiting for the outlet to reorder parts). Further, the parts manufacturer was able to monitor sales trends and forecast production schedules. When sales volume slowed, sales promotions and advertising would be triggered to encourage business. All of this created a "win-win" situation for both the parts manufacturer and their customers. The customer got an easy-to-use and reliable inventory system for free, and the parts manufacturer, in turn, gained wider market share as more and more outlets bought into the program. Smart. Very smart.

Developing strategic systems such as the one mentioned here requires a new breed of systems analyst who understands as much about the outside world as they do about their internal operations, someone who can "think outside of the box." In addition to enterprise modeling and comparative analysis techniques, this next generation of systems personnel must be intimate in trend analysis and forecasting, so they can monitor trends in socioeconomic factors, technology, and the market overall. Such people are a rare commodity and will doubtless be well compensated.

CONCLUSION

The more we understand about the external entities affecting our business, as well as our own internal operating limitations, the better we can compete. The Japanese are cognizant of the lessons being taught by Matsudaira (see "PRIDE" SSB #22) who uses analogies from the second world war to convey his message about strategic information with remarkable clarity. It is his contention that leveraged information resources used by allied forces played a strategic and decisive role in winning the war. Such an analogy is well understood by the Japanese. They know in today's global economy, the corporate winners will undoubtedly be those who know how to use information for competitive advantage.

END

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