
New Wall Street Drivers for Business Intelligence in Telecommunications

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If Wall Street decides to embrace the concept of profit per employee as an evolution of the metrics assigned to invested capital, telecommunication service providers will be leaning on their business intelligence organizations in two ways.

In a [recent report](#), McKinsey touts the concept of profit per employee as being a new way to gauge the performance of companies. Specifically, the McKinsey report talks to the importance of being able to measure the investment on the intangible aspects of a company such as the value-add from knowledge workers rather than just the metrics associated with investment of capital in tangible areas such as plant and equipment.

The report brings to light the fact that in the not too distant future, Wall Street analysts will expect companies to start accounting for and being responsible for the improvement of the intangible assets such as intellectual property associated with the data and processes that provide a competitive advantage for the company. For telecommunications service providers, just as Wall Street analysts altered their expectations for reporting on subscriber information on annual reports from Net Additions to Monthly Churn rates, these value-added processes related to the products and services that differentiate them from their competitors will require additional exposure and visibility. Marketing, customer service, quality of service and product placement are all areas where large contributions can be made by employees of a telecommunications service provider, and these areas are not necessarily tracked by metrics communicated either informally within the organization or formally in external quarterly and annual reports.

The Knowledge Worker

With the potential increased visibility into metrics associated with value per employee, where should an organization start looking to measure the performance of their employees? Looking at another [McKinsey report from late 2005](#), you can see the rising importance of employees who provide value to organizations. Since 1998, McKinsey has looked at different traits of the employees within a single organization. They described employee types as follows:



- Tacit employees who engage in complex decision-making responsibilities
- Transactional employees who engage in simple decision-making responsibilities
- Transformational employees who engage in the extraction of finished goods from raw materials

However, most employees are not just relegated to a single area in their responsibilities. For example, a marketing director or vice president with a telecommunication service provider spends a majority of time working with complex decisions. But, as any marketing director or vice president will tell you, the process of updating a customer relationship management (CRM) system is definitely not a complex decision-making process. It is more transactional in nature. However, employees who spend most of their time making complex decisions, like the marketing director or vice president mentioned earlier, are considered tacit employees.

The McKinsey study points out that for these employees, the opportunities and compensation growth are greater than, for example, the transactional employee. This growth potential comes from the greater contributions that tacit employees make to the enterprise via their value-added decisions. In many cases, the value from tacit employees resides in the knowledge and processes within each member of the organization and not so much in the captured intellectual property knowledge and defined processes, otherwise known as [knowledge management \(KM\)](#) within the company.

Support and Capture

Looking at how these tacit employees are adding value to the enterprise and the increasing strategic importance of the value of these employees, many information technology organizations are having difficulty helping these employees fill the needs that they have for information. Last month in CIO Magazine, [Ben Worthen provides an interesting look](#) at the “shadow IT departments” that have arisen to fill the needs of tacit employees. In these situations, the employees are turning to alternative sources to gather and capture the information they require.

While Worthen is talking directly about some of the most basic information technology needs of employees, the concepts that he talks about can apply to the decisions that tacit employees are making. “Unsupported” instant messaging is to the communication between tacit employees what the ad hoc spreadsheet has become to their data-related decision-making process. Capturing information about not only what decisions these employees are making, but also how these employees are making those decisions will



become much more important as the concept of profit per employee becomes more prevalent.

This is all too familiar for the business intelligence and data warehousing groups of telecommunication service providers and could be the external driver that moves the concept of business intelligence from a “nice to have” into the world of a “must have.” Wall Street will expect the practice of knowledge management to spread to avoid the loss of competitive advantage if employees leave or if a disaster situation were to occur.

Learning from the Shadows

Capturing and standardizing the knowledge of tacit employees would be the goal of these knowledge management efforts, and the best way to capture those defined processes and data stores will be via the existing business intelligence infrastructure and services – in other words, from within the existing business intelligence organization. However, will the business intelligence organizations be up to the challenge?

Just as Worthen recommends that information technology groups embrace the changes that these tacit employees are pushing for to enable their jobs, business intelligence groups should follow some of the same advice. Two particularly applicable areas from Worthen’s article are:

- Determine the way that works best for these tacit employees’ information needs
- Embrace change and evolution that tacit employees drive

Ignoring these two concepts has been the reason for the rise of the “shadow IT department.” The same lessons can be learned by business intelligence groups. Reaching out to tacit employees via researching how employees determine the best way to obtain, manipulate and process data can be a key for business intelligence groups. This will validate the data and toolsets that they are providing to those tacit employees. The discovery of more “ad hoc” spreadsheets by “researchers” from the business intelligence organization presents an opportunity for areas of value-add from the business intelligence.

Also, working with these tacit employees to shape the future and direction of the business intelligence functionality is a good way to mark the future path of the business intelligence group. It is not to say that a business intelligence organization should turn over the “keys to the kingdom” for every fad that tacit employees find in their decision-



making processes, but taking the information into account and embracing the concept of change can be beneficial to both the tacit employees and the company.

Conclusion

If Wall Street decides to embrace the concept of profit per employee as an evolution of the metrics assigned to invested capital, telecommunication service providers will be leaning on their business intelligence organizations in two ways. One, the CFO of these organizations will be looking to the business intelligence teams to support the metrics for quarterly and annual reports and to support corporate compliance initiatives such as balanced scorecard measures and Sarbanes-Oxley (*what, you didn't think that i would have a SOX reference in here?... 😊*). Two, the business intelligence organizations will need to support the management of the knowledge associated with tacit employees and the requirement for tools to enable their work.

Who else has the information about and the access to the business data to enable these workers and also has the tools to make the presentation, manipulation and the visualization of that data to this group of tacit users? Whether it be enabling the network department to access information about the status and quality of the network or presenting customer service representatives with the appropriate information about the relative value of a customer or potential customer, the business intelligence and data warehousing organization will be uniquely qualified to impact the organization, driven by Wall Street expectations for intangible investment metrics such as the profit-per-employee metric.

Monthly Notes

Interesting MBA Observation of the Month – [Vonage vs. Verizon](#) is an interesting case. Verizon probably will not gain a final verdict against Vonage for several years based on the appeal process. With the mergers and acquisition trend in the telecom sector, Verizon may buy Vonage or a firm who acquires Vonage before the appeals process has been exhausted.

Unofficial Book of the Month – Tom Davenport has just published a new book. [Competing on Analytics](#) takes a look at how analytics will be a future driver of competitive business. For more information on the five-step process, [1to1 magazine has an excerpt](#) where Tom Davenport talks more about using analytics.

