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The role of business intelligence in manufacturing

Intelligence expert Martyn Denton, MD of QRO Global discusses the importance of evaluating risk when manufacturers set up in new operating environments.

There has never been a better time to enter new regions of the global market. As UK manufacturing emerges from the tough years of recession, many companies are considering expanding operations to unfamiliar environments to take advantage of the lucrative returns that many of these locations offer.

However, these regions can also be high risk in terms of corruption, reputation, deteriorating security or inadequate infrastructure. Some industries, such as the mining and oil sectors, are more used to operating in unstable areas and are better prepared for risk, routinely using business intelligence to drive their operations. However, in my experience as an intelligence consultant, manufacturers are currently less likely to do so.

The importance of intelligence

The manufacturing industry is just as vulnerable to the effects of natural disasters, regulatory changes, labour disruptions, conflict and political instability as any other sector. This means that the use of comprehensive and accurate commercial intelligence in its proper form is critical to success when setting up in potentially high risk areas.

The primary aim of is to make sense of large quantities of uncertain, often conflicting information that is collected and analysed for the purpose of achieving the company's objectives. This work delivers a detailed insight into the operating environment, whilst presenting issues in perspective with opportunities.

Areas that should be addressed and answered by business intelligence include:

- Which competitors are succeeding and why?
- How can we drive the business forward?
- Can we match the aspirations of the key decision-makers?
- Where is the most advantageous operating environment? and
- Can limited risk be managed to gain from opportunity?

Managing predicted risk

Of course, no matter how detailed your intelligence, it is impossible to predict everything. Natural disasters such as the 2011 Japanese tsunami which had an impact on global supply chains cannot be foreseen, but human made tragedies such as the collapse of the Savar building in Bangladesh last year, which housed several garment factories and thousands of workers, are more predictable.

Unforeseen events often necessitate reactive measures with the potential for a negative impact on business success. However, predicted incidents can allow a proactive response, offering an opportunity to manage the situation to the company's best advantage.

If well prepared, with a thorough understanding of the operating environment and confident of the future, manufacturers can plan for the impact of instability, military action, economic changes or disaster on their operations. They can identify vulnerable links in their supply chain and develop contingency suppliers. Plans will also minimise potential threats so as to protect assets and safeguard personnel.

Business intelligence in practice

In my consultancy role, I have recently been involved in a market entry project in a developing African country which benefitted hugely from the input of intelligence.

The region in question offers potentially lucrative returns for the right operation, but is isolated with limited infrastructure and high levels of poverty.

The picture presented by the company's security specialists was that the situation was stable; that there was a strong military presence in the area and that crime has reduced in recent years. Despite the current security situation appearing satisfactory, we were able to provide a broader appreciation of all aspects impacting their operations and incorporated an assessment of future scenarios and resolutions, highlighting the following:

- The local authorities were not being completely open as to the causes and effects in crime levels and their methodology in maintaining control;
- The military was unlikely to be located in the region in their current strength long term with a subsequent effect on law and order;
- Corporate social recommendations to influence the societal dynamics of an international company commencing operations in this region;
- The influence of other nearby foreign companies employing lower ethical business and environmental practices; and
- The prospect and approaches for improving the local infrastructure.

This analysis had a real impact on the future planning capability of the client to drive their operations on the ground. However, significant gaps remained in their intelligence at the higher level to deal with the strategic threat to their overall business.

This assessment enabled the development of strategies to engage with the centralised political system to facilitate business operations (with particular regard to coping with the extensive corruption and bureaucracy of the country). Contingency plans were developed to adapt operations in the event of a sudden regime change and an upsurge in the risk to staff and assets. These processes addressed the 'big issues' that seriously threatened the business from a cost, reputation and safety perspective.

Risk is often the flipside of commercial opportunity, but it can be managed with the right intelligence which should also drive any business planning. If potential risks are anticipated and planned for, manufacturers will be well placed to reap the rewards that many new operating environments offer.

Martyn Denton is MD of QRO Global, who offer a range of business intelligence, security and risk management services.

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