



## Why Business Taxonomies are Essential to Gaining and Sustaining Competitive Advantage

*This article is the second in a series. In the first article, we outlined the need for organizations to invest in smartly designed decision support platforms—interactive software-based systems that allow decision-makers to organize, discover and share market intelligence. An ideal decision support platform has three key elements: (1) it identifies the company’s most important business decisions and aligns key data with those decisions; (2) ensures decision-makers leverage the data in accordance with best practices; and (3) provides ready access to discrete insights rather than large documents. With these three elements, organizations can deliver the ‘right’ information to the ‘right’ decision-maker at the ‘right’ time.*

*A business taxonomy is an integral part of the first element. It’s only by means of a well-considered taxonomy that a decision support platform can encode an organization’s best practices, turning every manager into a peak performer, and accordingly, gain a sustainable competitive advantage. The practical importance of business taxonomies proves the wisdom of the old adage, ‘Words have consequences.’*

We use the term ‘business taxonomy’ to describe a scheme for facilitating the integration of various market intelligence assets—everything from financial information and point-of-sale data, to web analytics and market research reports—any insight your firm could conceivably leverage to advantage.

There are two main benefits of adopting a robust business taxonomy:

- 1. Improved productivity.** This is perhaps the clearest and most immediate impact. Business taxonomies represent a cost-effective tool for improving productivity in a number of areas, chief among them:
  - *Researching business issues.* By delivering faster and better-targeted access to the right assets, business taxonomies can make researching business issues a quick, efficient process. A commonly-cited figure is that 25 to 35% of knowledge workers’ time is spent searching for information, with less than 50% success.<sup>1</sup> Popular user experience consultant Jakob Nielsen has estimated that poor classification of knowledge assets costs a typical 10,000 user organization about

\$10 million annually.<sup>2</sup> Our DecisionPoint Platform returns relevant results in fifteen (15) minutes or less.

- *Bringing products or services to market.* By facilitating easy access to vital market intelligence, business taxonomies can shorten time-to-market. Often, managers don't even know which knowledge assets are available, leading to frustrating searches, the unwitting use of outdated information and/or the needless duplication of previous work. A recent survey of over 1,000 US department managers revealed that only about 43% have access to the information they need.<sup>3</sup> A well-designed business taxonomy can change that for the better. According to an article from NewsEdge, early in Microsoft's introduction of a taxonomy for select internal and external knowledge assets, the company reported a 62% reduction in the number of clicks... and an 11% increase in task success rate."<sup>4</sup>
- *Crafting and adjusting business strategies in response to market conditions.* By providing timely and imminently relevant market insights, business taxonomies can help ensure your business strategies are on-target. One of our clients uses their knowledge management system (with its objective-based taxonomy) to make decisions regarding the insourcing and outsourcing of manufacturing.

**2. Greater data-informed decision-making.** Business taxonomies can take many forms. The organizing principle behind them can be topical (types of documents, subject matter), functional (products, services), or structural (lines of business), among other things. Exceptional business taxonomies, however, are designed around key management objectives, not simple document or even corporate attributes.

Our business taxonomies, for instance, are based on key business decisions and related due diligence questions. This structure has proven to be a sure means of propagating and reinforcing best practices, boosting the quality of business decision-making via ready access to relevant intelligence assets (not documents, mind, but discrete insights). In this case, the taxonomy takes the form of a guided search option with a uniquely compelling level of intelligence. Search terms not only reflect the company's vocabulary, culture and values, but its key business decisions, linking them to distinct and relevant insights. Succinctly put: our business taxonomies come with a sense of purpose. Most, unfortunately, amount to little more than a digital filing system.

#### Example of Customized Business Taxonomy



The combined benefits of improved productivity and greater data-informed decision-making ultimately give companies with robust business taxonomies a sustainable competitive edge. Decision-makers spend less time looking for the right insights and more time doing. They're also assured the insights which inform their decisions are up-to-date and comprehensive—viewed in the context of related, sometimes conflicting, data points. Not a bad value for a relatively small investment in a few well-chosen words, right?

To be successful, business taxonomies must be designed to ensure users will understand their structure and terms. Our taxonomy development process involves document/asset review, executive interviews and, where appropriate, a scan of email requests for information. This process ensures the resultant taxonomy captures the organization's key business decisions, the management questions that should be considered in relation to those decisions, and the most best tags for each insight.

At first glance, developing and applying a business taxonomy may appear daunting. We're accustomed to the challenge, however, and have adopted a streamlined approach that ensures your decision support platform can be up and running in three months, complete with a minimum of 3,000 insights. There are a number of factors that contribute to this short turnaround time:

- The number of business decisions and related due diligence questions are typically limited by the nature of the line-of-business;
- The number of insight tags can be substantial without much impact on usability given that our search term filtering options quickly reduce the search returns to a relevant handful (one company has a taxonomy that encompasses more than 400 elements);
- The number of documents worth decomposing into distinct insights is unlikely to be as large as you might suppose. Think the 80-20 rule—about 20% of the documents yield about 80% of the most pertinent insights;
- In many, if not most cases, the types of documents to be tagged—marked up according to the finalized taxonomy—are limited, greatly simplifying the process; and
- Our taggers specialize in only one or two decision support libraries so they can tag accurately and at a reasonably fast pace.

These and other factors serve to make developing and applying a business taxonomy a simple step-by-step process.

So the question now becomes: Given the competitive advantages of having a decision support platform with a well-designed business taxonomy, why not contact us to find out more?

## About ICI

Integrated Cloud Intelligence (ICI) helps market leading companies improve their decision-making effectiveness and ultimately, improve business performance. Our premiere software release, DecisionPoint Platform, ensures the ‘right’ information is always available to the ‘right’ decision-maker at the ‘right’ time. This self-optimizing platform supports better—more data-informed—decision-making and accordingly, facilitates revenue growth.

## Contact Us

For more information or to request a free, no-obligation demo of our DecisionPoint Platform, visit [icintel.com](http://icintel.com), email [info@icintel.com](mailto:info@icintel.com) or call +1 800.592.5167 to speak to an ICI representative.

## Further Reading

For a complete description of our DecisionPoint Platform, see this downloadable [data sheet](#).

## Endnotes

<sup>1</sup> *Taxonomy and Content Classification: Market Milestone Report*, Delphi Group, 2002.

<sup>2</sup> Working Council of CIOs, *Business Wire*, Feb. 27 2001.

<sup>3</sup> “*The BI(G) Disappointment: Troubling Gaps Between Business Expectations and Realities*,” Domo Executive Brief, 2013. Research report based on a survey of 1,064 department leaders across multiple industries.

<sup>4</sup> Bryar, J.V., “*Taxonomies: The Value of Organized Business Knowledge*,” NewsEdge Corporation, 2001.

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