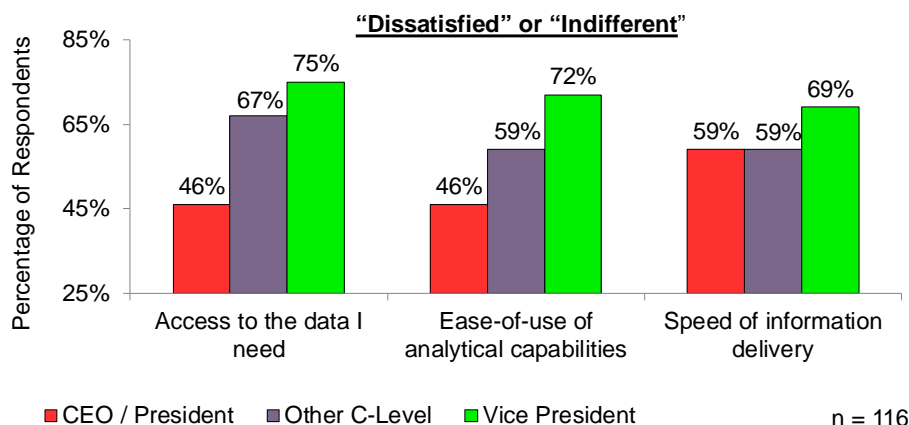December 2013

The Executive's Guide to Effective Analytics

Historically speaking, senior executives have been the ultimate "consumers" of analytically-driven insight. Picture the well-dressed CEO in a well-appointed office, fervently studying a sales report fresh off the presses. This scenario isn't likely to disappear anytime soon, but the underlying activity leading up to the delivery of that insight continues to evolve quite noticeably. Executives will always be a main constituent in the consumption of insight, but Aberdeen's research shows that senior leadership that gets involved in the *creation* of that insight, either through steadfast support or personal activity, are reaping the benefits of more relevant, trustworthy, and actionable insight. This Analyst Insight investigates the impact of business analytics from the perspective of C-level and VP-level executives across the globe. The research demonstrates how executive-level advocacy for, and active involvement in, analytical strategy helps promote a data-driven culture and supports significant business performance enhancements.

Data-Driven Decisions in the C-Suite

Part of what enables upward mobility in the business world is intuition and the business "feel" that enables key decisions to be made based on experience and gut instinct. Today's executives, however, are leaning on analytics to help make better data-driven decisions. Aberdeen's 2013 Business Analytics survey revealed that the top pressure driving executives to invest in analytics is the fact that too many of their critical decisions were based on incomplete or inaccurate data (44% of respondents). However, the research also shows that, by and large, executives are dissatisfied with the analytical capabilities available to them (Figure 1).

Figure 1: Executives Largely Uninspired by Analytics

Source: Aberdeen Group, December 2013

Analyst Insight

Aberdeen's Insights provide the analyst's perspective on the research as drawn from an aggregated view of research surveys, interviews, and data analysis.

"Decision making requires insights into performance for management and planning. The traditional way, using assumptions and gut feel, is no longer effective. Better, more focused, and more timely information is required."

~ CEO
U.S.-Based Software Provider

Segment Definition

Using data collected from Aberdeen's 2013 Business Analytics survey, this research focuses specifically on 116 executive-level survey respondents, broken down as follows:

√ CEO / President – 38%

√ Other C-Level – 27%

√ Vice President – 35%

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Three of the most important facets of an effective analytical environment include unimpeded access to necessary data, timely delivery of information, and ease-of-use of the tools in place. The data above shows that executives, particularly at the VP level, aren't entirely thrilled with these aspects. Data needed to support critical business decisions rarely resides in one department or one system, and without cross-functional access to different sources, the quality of the insight suffers. By the same token, regardless of the quality and the completeness of the insight, if it is delivered late, the value is lost. Equally as important, the ability to generate insight is predicated upon tools that are intuitive and relevant to the business area in question. Weakness in these areas can make for a challenging analytical process and Aberdeen's research shows that there is a glaring opportunity to strengthen this for senior executives.

The Business Opportunity

If an inefficient analytical environment is one with fragmented data, delivered late, and with overly complex tools, what then is on the table for companies that have solved those challenges? This report defines leading executives and their organizations as driving high user satisfaction but also delivering performance across other key metrics (Figure 2).

Figure 2: Top Executives Drive Major Performance Enhancements

Leaders ■ Followers □

Percentage of Respondents, n = 116
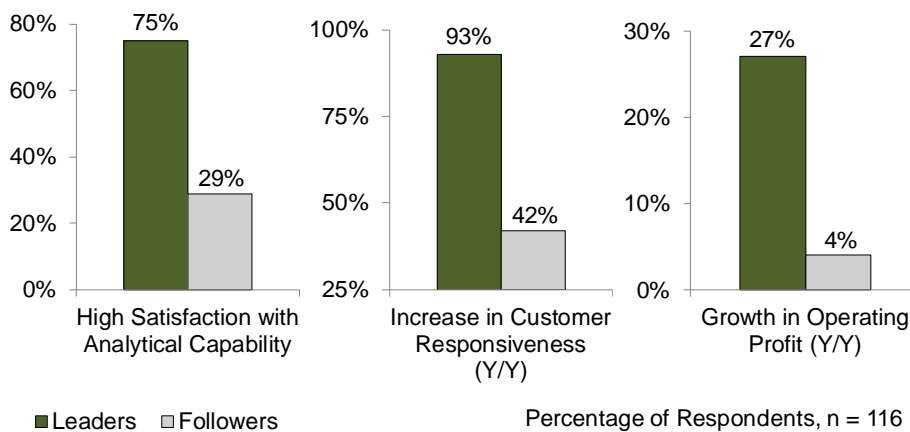
Source: Aberdeen Group, December 2013

Leading executives champion a corporate environment that values data-driven decisions and effective analytical capability. As a result, the vast majority of top performing executives have a strong level of satisfaction with many of the factors discussed before, such as access to data and the relevance of analytical capability to their particular role. These Leaders are also defined by their ability to leverage analytical activity for real, tangible business performance. Having the right insight in-hand at the right time enables decisions to be made quicker, and in the best interest of the customer base. This is why almost all leading executives saw major improvement in customer service. Additionally, with this effective data-

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Definition of Leaders

For this report, Aberdeen defined the performance of senior executives based on their response to three key performance indicators (KPI):

√ **User satisfaction** is measured as a percentage of users that report being "satisfied" or "very satisfied" with the relevance of analytical capabilities delivered to their job role

√ **Customer responsiveness** is measured as a percentage of users that report an "improvement" or "substantial improvement" in customer response times over the previous year

√ **Operating profit growth** is measured as an average year-over-year increase in operating profit

Based on these metrics, the two maturity classes are defined as follows:

√ **Leaders** – top 40% of respondents

√ **Followers** – remaining 60% of respondents

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driven environment in place, companies are able to arm their operational executives with more relevant insight on a tactical level, at the point of decision, in order to boost efficiency and drive more profit to the bottom line. Top executives are able to leverage their analytical environment to bring about significant improvements in operating profit as shown above.

Demystifying Leading Executives

The end-result of a strong analytical presence at the executive level is apparent in many measures of performance, some of it depicted above in Figure 2, and other metrics shown throughout the report in the sidebars. However, what enables this performance and separates the best from the rest is the supporting mindset and infrastructure these executives promote. This starts with an established process to define and articulate key performance indicators (KPIs), the key metrics that drive the business forward. Additionally, in order to populate these key metrics with data that is fresh and relevant, companies need access to information residing across the organization that can be centralized and organized. Leading executives are much more likely to support both of these capabilities (Figure 3).
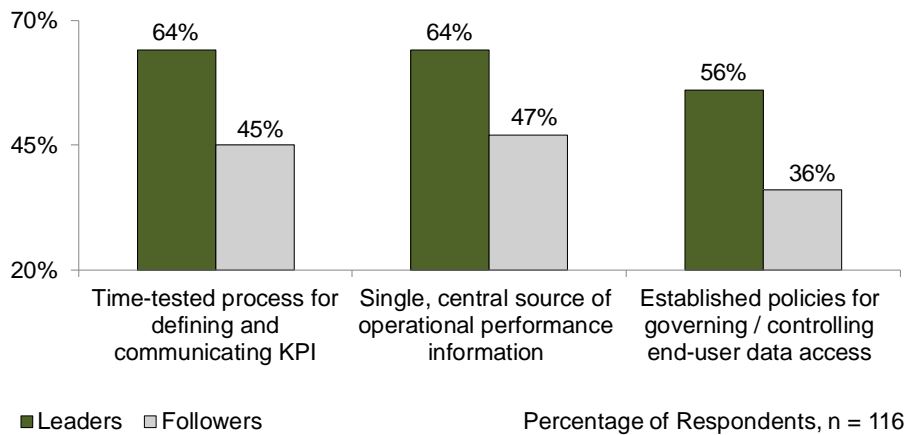
Figure 3: Key Organizational Capabilities in Place

Leaders   Followers   Percentage of Respondents, n = 116

Source: Aberdeen Group, December 2013

While leading executives do enable broader access to data and break down unnecessary barriers, they do so very prudently. Leaders are 56% more likely to have established policies and procedures in place for governing and controlling that access to data for end-users. This enables secure and risk-mitigated access to data for key decision makers.
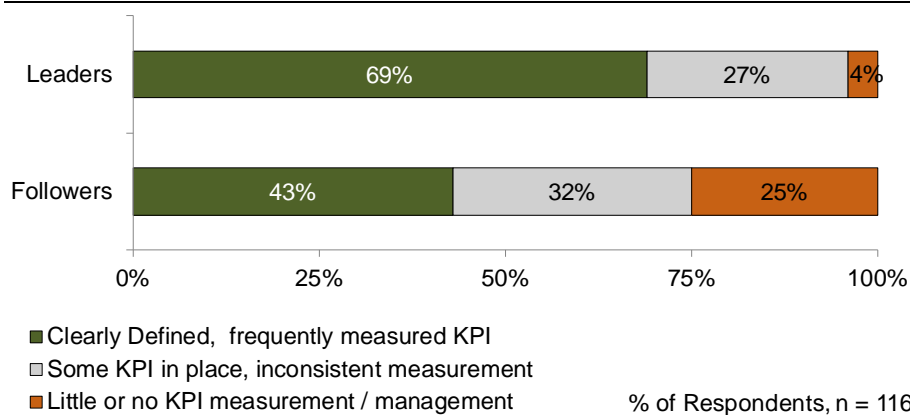
Building on the notion of effective KPI management discussed above, the research dives deeper on the topic to reveal a much more sophisticated usage and management of key metrics. Leaders are much more likely to have a layered approach to KPIs, where the company strategy is supported within each function by specific metrics. In order for these metrics to be effective, they need to be crystal clear in their definition, thoroughly

"We are moving from a decentralized management structure to a centralized management structure, which has made us put a lot of effort into cleaning the data up so that it is standard throughout the organization."

~ CIO
Large U.S.-Based Wholesale Distributor

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communicated to the workforce, and consistently measured. Aberdeen's research shows that top executives are more likely to have this advanced approach to KPI management, while Followers are more apt to have an inconsistent (or non-existent) KPI system (Figure 4).

Figure 4: Measuring and Managing What Matters

■ Clearly Defined, frequently measured KPI
□ Some KPI in place, inconsistent measurement
■ Little or no KPI measurement / management   % of Respondents, n = 116

Source: Aberdeen Group, December 2013

Another key differentiator for leading executives becomes evident in the way they deliver analytical capability to their users and how they consume the insight themselves. Organizations of top executives are more innovative in how they deploy analytical tools, for instance with embedded analytics. An approach where analytical tools are pre-integrated or embedded within existing applications, embedded analytics allows for these capabilities to "piggy back" on top of existing, and already adopted tools. Other approaches, including cloud-based delivery of analytics and of course mobile BI, enable executives to access and create and/or consume insight outside of the confines of their internal firewall, supporting the type of working lifestyle that many executives need (Figure 5).

Figure 5: Alternative Ways to Deliver and Consume Intelligence

■ Leaders □ Followers   n = 116
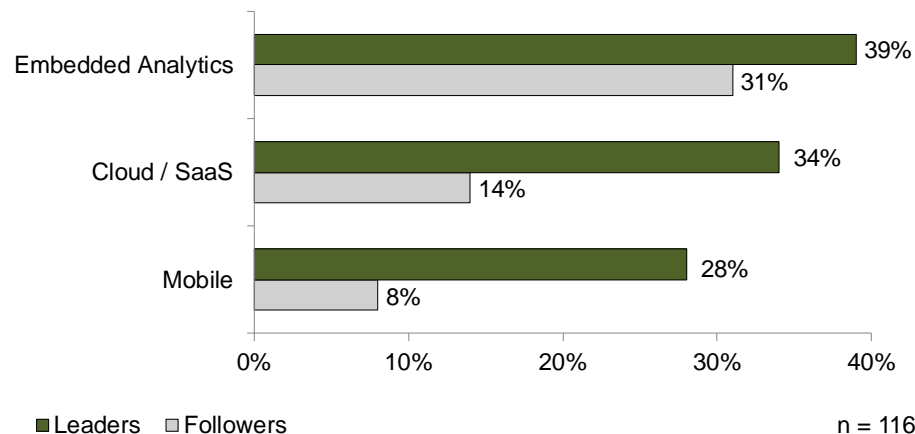
Source: Aberdeen Group, December 2013

Fast Facts

√ **83%** of top performing executives saw an "improvement" or "substantial improvement" in **process cycle times**

Compared with

√ **39%** of Followers that saw the same improvement

"Revenue and profit growth are the top two pressures [for business analytics]. All other pressures are symptomatic motivations."

~ CEO

Large Japanese Hardware Provider

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Recommendations

The factor perhaps most determinant of success with an analytical strategy is the degree of engagement from the executive ranks. Seventy percent (70%) of the Best-in-Class have a senior executive champion for analytics. Below are a few recommendations on how to support analytical success:

- **Develop a formal data strategy.** Sadly, not enough companies think hard (at the executive level) about how they handle their data. As the research shows, the accessibility, governance, cleanliness, and timeliness of data are all major factors in analytical success. Data is the fuel for the analytical engine and efforts to improve its usage and usability will pay dividends in business performance.

- **Prioritize KPI management.** Tactically speaking, the value of analytics is its ability to recognize and alert users when adjustments need to be made. The effectiveness of those adjustments is predicated on a clearly communicated, frequently measured, and consistently updated set of KPIs that ultimately map to the company strategy. Leading executives leverage a strong KPI system to support enhanced operational decisions.

- **Be flexible in delivering analytics.** There is no one delivery approach to analytics that is right for every company, but leading executives explore alternative avenues to get the right analytical capabilities into their users' (and their own) hands. Between embedded analytics, cloud-based, or mobile BI, top executives are able to be flexible in the delivery of analytical tools.

For more information on this or other research topics, please visit www.aberdeen.com

Fast Facts

Leading executives experienced:

√ **12%** year over year reduction in **operating cost**

Compared with

√ **1%** for Followers

Related Research	
Analytics in Insurance: Expect the Unexpected; November 2013	*Unleash Your Analytical Horsepower*; October 2013
Real-Time Data Visualization: $%&# It! Do it Live!; October 2013	*Achieving Fast ROI for BI Projects*; October 2013
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