

## Competing on analytics

Thomas H. Davenport, Harvard Business Review, January 2006

Organizations today are competing on analytics not by design, but by default. There is nothing to choose between companies based on products alone. What matters is how companies use technology and analytics.

An analytics competitor utilizes sophisticated data analytics tools to squeeze all it can from its business processes. This not only reveals patterns in current sales, but also predicts and prevents problems that are likely to arise in future.

The three key attributes of analytics competitors are:

- **Widespread use of modelling and optimization:** Analytics competitors use predictive modelling to identify the most profitable customers. By optimizing their supply chains, they gauge the impact of unforeseen impediments, look for other options, and thus get around problems. They establish prices in real-time to get the best possible deals. Using advanced experiments, they assess the effects of their intervention strategies, and accordingly improve.
- **An enterprise approach:** Analytics competitors use state-of-the-art applications in not one but multiple aspects of the business. They centralize all these activities, with common leaders and common tools. This ensures that vital data and resources are properly managed, and can be easily shared with the different functions of the organization.
- **Senior executive advocates:** Inculcating the analytics culture in a company demands good leaders at the highest level, who are staunch supporters of the quantitative approach. CEOs spearheading these companies may not be experts in analytics, but they must understand the principles behind, and the limitations of, the analytics methods used.

Analytics competitors certainly specialize in data-crunching. But, to succeed, they also need to channelize their energies towards getting the focus right, instilling the right culture, attracting the right people, and obviously, choosing the right technology.

- **The right focus:** Instead of dabbling in everything, companies should focus on expertly using their statistical tools in each field. The best

analytics practitioners even present the data collected intelligently to their customers, in order to highlight what differentiates their products and services from those of competitors.

- **The right culture:** Analytics competitors must imbue in their employees, a sense of respect for the analytics culture. People should be encouraged to take decisions that are centred on facts and figures. Rewards and incentives should be given away to motivate employees to embrace the quantitative approach. Senior executives should show their zeal for data-crunching and analytics.
- **The right people:** Analytics competitors employ the best analytical experts. They must be knowledgeable, but also be able to convey complex concepts in easy-to-understand ways and interact well with senior leaders. Indeed, it is not easy to find people with all these traits. Many US and European companies outsource work to countries like India, which house analytically competent candidates. But, when the job involves close consultation with the senior executives of the company, this approach may not work.
- **The right technology:** Competing on analytics demands not only state-of-the-art statistical algorithms, but also advanced IT. Analytics competitors need to institute intelligent strategies to thoroughly analyse data, present it clearly, and make it easy to access. They should press business intelligence tools into service, to efficiently sift through data and generate reports. They should upgrade their computing hardware to make them capable of handling voluminous amounts of data, expeditiously.

### **The way ahead**

Companies which utilize data analytics well are bound to succeed. New firms that are joining this club will, however, take some time to achieve their goals. Most of this time will be spent in collecting more information, revamping existing technology, and training employees to acquire the right skills.