

SPECIAL REPORT

Why Creating a Data-Driven Organization is Challenging the C-Suite

Economic Intelligence
2019

A photograph of a middle-aged man in a dark suit, light blue shirt, and striped tie, standing in a modern office. He is looking out a large window on the right side of the frame. The office interior is visible through the window, showing desks, chairs, and office equipment. The lighting is soft and professional. The image is partially obscured by a large blue diagonal graphic element on the left side of the page.

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Creating a Data-Driven Organization

Transforming a business into a truly data-driven organization is taxing the C-Suite.

Modern executives have faced their fair share of challenges throughout the last decade. Today's leaders have faced unique challenges, from marketplace chaos to the constant change in consumer behavior dynamics. However, one of the heaviest demands to date seems to be how to transform a business into a truly data-driven organization.

According to NewVantage Partners' 2019 Big Data and AI Executive Survey, a majority (69%) of executives from major global corporations readily admit that they have yet to create a data-driven organization. Further, executives that identify their firms as being data-driven has dropped from 37% in 2017 to 31% in 2019. So, why is the evolving role of data and analytics posing problems for executive teams? A recent Prevedere survey set out to examine this trend.

The recent "Why Creating a Data-Driven Organization is Challenging the C-Suite" report analyzes findings from a March 2019 survey* commissioned by Prevedere

and conducted amongst C-Level and senior executives, primarily from the retail and consumer goods industries. The main objective was to gauge opinions on the challenges faced regarding data and analytics specifically. Compiled findings are compelling and provide an inside view on popular reservations leadership hold when deliberating on data and emerging technology. What's clear is that executive leadership believe their organizations are lacking in having the right combination of data and software to accurately and efficiently convert data into insights.

*The survey was conducted by Quest Mindshare, an independent survey company, from March 25, 2019, to March 31, 2019. Two hundred nine executives participated in the anonymous online survey.

Data Challenges

When the wrong data goes into the proverbial “machine,” there is limited opportunity to produce quality information to enable executives; a classic case of “garbage in, garbage out.”

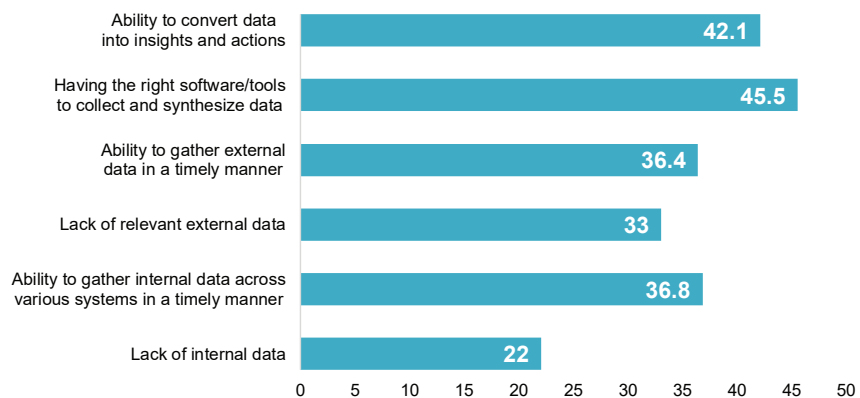
The big data hype, as a total solution, did not deliver the results that many had hoped for. Rather the sheer amount of data turned into a conundrum of noise that didn't provide the actionable insights necessary to transform data into a meaningful tool. Additionally, when the wrong data goes into the proverbial “machine,” there is limited opportunity to produce quality information to enable executives; a classic case of “garbage in, garbage out.”

As machine learning technology has evolved, new avenues of data application have arrived. The time to reset data and analytics programs is now, but there are remaining challenges leadership teams are facing as evidenced in the survey results. At the forefront of the conversation is having the right software to convert data into meaningful insights. It also appears that there is a lack of holistic data thinking, view of the market that only external data can provide.

SURVEY RESULTS

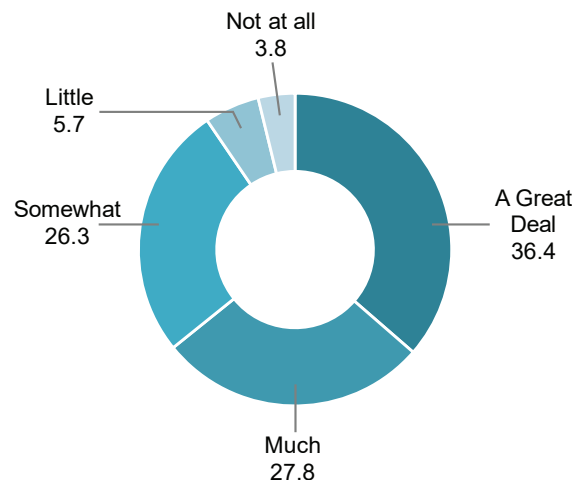
When asked in terms of data what hinders executives' business planning process, nearly half of executives (45.5%) say having the right software to collect and synthesize data. Just over 42% (42.1%) say converting data into insights is a hindrance, followed by gathering internal data (36.8%) and gathering external data (36.4%).

In terms of data, which of the following hinders your business planning process?



More than one-third (36.4%) of respondents say having the right external data integrated within their planning process would improve their financial forecast a great deal. 27.8% say they would likely experience "much" improvement. On the other hand, a mere 1 in 10 executives said incorporating external data would only improve their planning process by little, or not at all. Collectively speaking, a majority see the benefit, but are they currently leveraging it?

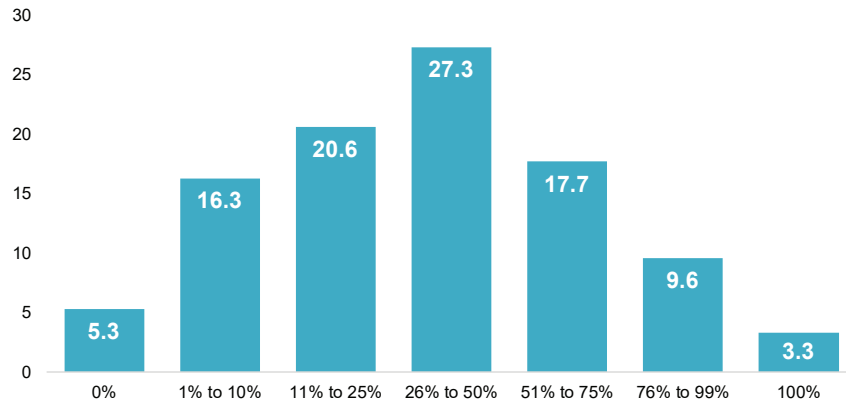
How much do you believe having the right external data integrated within your planning process could improve your overall financial forecast?



SURVEY RESULTS

Almost 70% of respondents say they incorporate external data into their planning process at a rate of 50% or less. Essentially data outside a company's four walls continue to pose a significant challenge.

To what extent do you incorporate external data into your planning process?



According to Harvard Business Review, only 23% of companies indicated that they completed extensive modeling to determine the cause and effects of what they were measuring. Those companies, however, had a 2.95% higher return on assets and more than a 5% higher return on equity.

Companies Using Leading Indicators Have Higher ROA and ROE

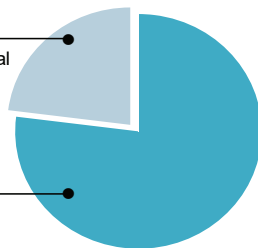
The difference it makes:

In our survey of 157 companies, only 23% consistently built and verified causal models (diagrams laying out the cause-and-effect relationships between the chosen drivers of strategic success and outcomes).

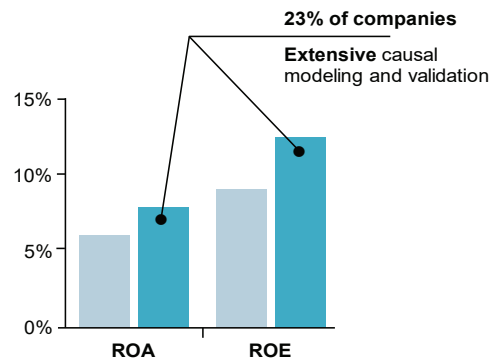
23% of companies

Extensive causal modeling and validation

Minimal causal modeling and validation



Yet those 23%, on average, had 2.95% higher ROA and 5.14% higher ROE than companies that don't use causal models.



Note: Industry-adjusted ROA (or ROE) is computed as five-year ROA (or ROE) minus the median five-year ROA (or ROE) for the company's industry.

Source: Harvard Business Review

The Path Forward to a Data-Driven Organization

Closing the external data gap is key to addressing the real needs of the C-Suite, which is strategic, forward-looking insights.

The path to moving forward toward a more data-driven organization necessitates that leadership focus efforts on uniting internal performance data with relevant external data using the right software tools. Companies should be leveraging technology solutions that not only automatically collect, clean, and organize known data, but also identify external factors that may impact demand for their products and services into the future.

Closing the external data gap may be the key to transitioning data and analytics initiatives that address the real needs of executives for strategic, forward-looking insights. Based on findings, leaderships reservations on the importance of data is less the issue than decoding the myriad of emerging technology and perhaps how that technology fits within their organizations to efficiently convert data into insights.

When it comes to predicting what's next for business, Prevedere offers a solution that bridges the gap between data and insights. Prevedere's ERIN Predictive Analytics Cloud combines a company's internal data with pertinent external data, and through machine learning identifies critical leading indicators that impact a business. Executives cannot adequately predict future performance if they don't know which external factors influence their business the most. Moreover, they cannot take steps to improve business performance if they can't foresee the risks and opportunities created by changing market conditions.

Prevedere partners with C-Suite executives to determine what and how relevant external factors, combined with internal data, affect their business so executives can solve for future risk and opportunity to succeed in an ever-changing market.

ABOUT PREVEDERE

Prevedere is an innovator in predictive analytics that empowers enterprise executives with insights into future business performance based on current economic and consumer trends. Companies can see what is coming, solve for emerging risks and opportunities, and succeed in an ever-changing world. Our cloud-based solutions deliver real-time, forward-looking insights by applying the power of machine learning and predictive modeling to more than 2.5 million global data sets. Prevedere customers include Fortune 500 companies in the retail, manufacturing, and consumer packaged goods industries. To learn how Prevedere can help provide executive-level strategic insights, please contact **888.686.7746** or **inquires@prevedere.com**.

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